MirLand Development Corporation Plc

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Admission Document
Placing of Ordinary Shares on AIM
Joint Global Co-ordinators and Joint Bookrunners

Credit Suisse

Merrill Lynch International

Nominated Adviser and Broker
Credit Suisse

Current Development Projects

St. Petersburg - Residential

- Residential and commercial real estate in St. Petersburg has been experiencing rapid development
- Site located on main road connecting the airport to the city
- 41.0 hectares

Moscow - Techagrocom

- Attractive site in the Leninskiy district near the Moscow external Ring (MKAD)
- Office and retail complex
- 22.0 hectares

Moscow - Perkhushkovo

- Prime site in western outskirts of Moscow, 15 km west from external Ring (MKAD)
- Adjacent to existing "Datcha" neighbourhood
- Construction commenced
- 22.5 hectares

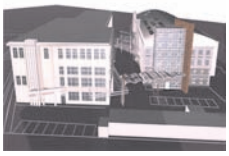
Moscow - Skyscraper

- High demand for office space currently in Moscow
- Excellent site near main road and rail links
- On Dmitrovskoye Shosse, near the 3rd Ring, adjacent to a metro station
- Significant retail component
- 0.9 hectares

Moscow - Hydromashservice Offices

- Class B offices in Moscow
- Two existing buildings in easily accessible location near Moscow's 3rd Ring
- Currently undergoing renovation
- Currently yielding
- 100% occupancy of completed space
- 1.2 hectares

Moscow - MAG



- Existing buildings located adjacent to Hydromashservice project
- Easily accessible location near the 3rd Ring of Moscow
- Currently undergoing renovation
- Expected completion in January 2007
- Currently yielding
- 100% occupancy of completed space
- 2.3 hectares

Saratov - Retail

- Regional economic centre, located 840km from Moscow
- The annual growth rate of retail turnover in Saratov has been more than 25% and is expected to continue
- Only 10% of retail sales occur in quality modern malls
- Construction commences December 2006
- 2.2 hectares

Yaroslavl - Retail

- Yaroslavl is located 280km north east of Moscow
- The mall is located at the entrance road to Yaroslavl from Moscow
- The mall will be one of the few Western standard shopping centres in Yaroslavl
- 88% pre-leased
- Construction in final stage (Mall opens in March 2007)
- 30.0 hectares (two phases)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.

This document does not comprise a prospectus for the purposes of the Prospectus Rules published by the Financial Services Authority of the United Kingdom, as amended and has not been filed with the Financial Services Authority, but is an AIM Admission Document and has been drawn up in accordance with the AIM Rules. No offer of securities to the public (for the purposes of section 102B of the Financial Services and Markets Act 2000, as amended) is being made in connection with the Placing. The Company and its Directors, whose names appear on page 14 of this document, accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Company and its Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts stated in it and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the Ordinary Shares in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM, a market operated by the London Stock Exchange. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 13 December 2006. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on AIM on 18 December 2006. Dealings before Admission will only be settled if Admission takes place and will be for settlement three business days after Admission. **All dealings before the commencement of the unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application has been made or is being made for admission of the Ordinary Shares to either the Official List or any other recognised investment exchange.

The Company is currently ineligible for listing on the Official List as it was only incorporated in November 2004 and is consequently unable to provide a three year revenue earnings record as is required by the Listing Rules issued by the FSA. As a consequence, the Company is seeking admission to trading on AIM. The Company intends to use its reasonable efforts in the future to seek a listing on the Official List once it becomes eligible and as soon as it is reasonably practicable to do so, which is anticipated to be in early 2008. Any future cancellation of the AIM trading facility and an application for listing on the Official List would be subject to compliance by the Company with the AIM Rules, the Listing Rules and the Prospectus Rules which apply at the time.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn, in particular, to the section headed "Risk factors" contained in Part I of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part I of this document.

MIRLAND DEVELOPMENT CORPORATION PLC

(incorporated and registered in Cyprus with company registration number HE153919)

Placing of 30,000,000 Ordinary Shares of US$0.01
each at a price of 478 pence
per Ordinary Share
and
Admission to trading on AIM

Joint Global Co-ordinators and Bookrunners

Credit Suisse **Merrill Lynch International**

Nominated Adviser

Credit Suisse

Share Capital on Admission

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
US$1,200,000	120,000,000	Ordinary Shares of US$0.01 each	US$1,000,000	100,000,005

The above numbers for the authorised and the issued share capital immediately following Admission assume that no Ordinary Shares are issued pursuant to the Over-allotment Option.

The new Ordinary Shares to be issued pursuant to the Placing will, upon Admission, rank equally in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after Admission. The new Ordinary Shares are not being made generally available to the public in conjunction with the Placing.

The new Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Certain new Ordinary Shares are being offered (a) in the United States to qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A ("Rule 144A") under the Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act.

Prospective investors should consult their professional advisers on potential tax consequences of subscribing for, purchasing, holding, converting or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction in which such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements for the Company, Credit Suisse or Merrill Lynch International. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction.

Credit Suisse and Merrill Lynch International are acting for the Company and no-one else in connection with the Placing and will not regard any other person as their client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to the respective customers of Credit Suisse and Merrill Lynch International nor for providing advice in relation to Admission, the contents of this document, the Placing or any transaction or arrangement referred to in this document.

Credit Suisse's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any directors or to any other person whether in respect of such person's decision to acquire shares in the Company in relation to any part of this document or otherwise.

No liability whatsoever is accepted by Credit Suisse or Merrill Lynch International for the accuracy of any information or opinions contained in this document or for the omission of any material information.

In connection with the Placing, Merrill Lynch International, as stabilising manager, may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Placing Shares comprised in the Placing. For the purposes of allowing Merrill Lynch International to cover short positions resulting from any such over-allotments and/or from sales of Placing Shares effected by it during the stabilising period, the Company has granted to it an option (the ''Over-allotment Option'') pursuant to which, Merrill Lynch International may require the Company to issue additional new Placing Shares up to a maximum of 15 per cent. of the total number of Placing Shares at the Placing Price. The Over-allotment Option is exercisable in whole or in part, upon notice by Merrill Lynch International for 30 calendar days after the commencement of conditional trading of the Placing Shares on AIM. Any new Ordinary Shares issued by the Company following the exercise of the Over-allotment Option will be issued on the same terms and conditions as the new Placing Shares and will form a single class for all purposes with the other Placing Shares.

In connection with the Placing, Merrill Lynch International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the Placing Shares at a level higher than that which might otherwise prevail in the open market. Merrill Lynch International is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period from the date of commencement of conditional dealings in Ordinary Shares and for 30 days thereafter.

In connection with the Placing, each of Credit Suisse, Merrill Lynch International and any affiliate acting as an investor for its own account may take up the Placing Shares and in that capacity may retain, purchase or sell for its own account such securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, reference in this document to the Placing Shares being offered or placed should be read as including any offering or placement of securities to Credit Suisse, Merrill Lynch International and any affiliate acting in such capacity. Neither Credit Suisse nor Merrill Lynch International intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, its shareholders or their respective directors or professional advisers. No Ordinary Shares have been marketed to, or are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the Placing.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by or on behalf of the Company, Credit Suisse or Merrill Lynch International. Neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business affairs of the Company or of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

The contents of this document are not intended to be nor should they be construed as legal, financial or tax advice, and therefore prospective investors must not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences

which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

The information contained in this document has been provided by the Company and other sources identified herein. Neither Credit Suisse or Merrill Lynch International makes any representation, express or implied with respect to the accuracy or completeness of any of the information in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Credit Suisse or Merrill Lynch International by the FSMA or the regulatory regime established thereunder, Credit Suisse and Merrill Lynch International accept no responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its or their behalf in connection with the Company or the Ordinary Shares. Each of Credit Suisse and Merrill Lynch International accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement. This document should not be considered as a recommendation by any of the Company, Credit Suisse or Merrill Lynch International that any recipient of this document should subscribe for or purchase the Ordinary Shares. Each potential investor in the Ordinary Shares should read this document in its entirety and determine for itself the relevance of the information contained in this document and its subscription of the Ordinary Shares should be based upon such investigation as it deems necessary. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each offeree of the Ordinary Shares, by accepting delivery of this document, agrees to the foregoing.

Credit Suisse has been appointed as Nominated Adviser and Broker to the Company and joint global co-ordinator and bookrunner to the Placing. Merrill Lynch International has been appointed as joint global co-ordinator and bookrunner to the Placing. No liability whatsoever is accepted by Credit Suisse or Merrill Lynch International for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Restriction on sales

The distribution of this document and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, Credit Suisse or Merrill Lynch International that would permit a public offer of Ordinary Shares or possession, publication or distribution of this document (or any other offer or publicity material or application form relating to the Ordinary Shares) in any jurisdiction where action for that purpose is required. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer of, or an invitation to subscribe or purchase, any Ordinary Shares in any jurisdiction in which such offer or sale would be unlawful. Further information with regard to restrictions on offers and sales of the Ordinary Shares and the distribution of this document is set out in Part IX — "Details of the Placing".

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Ordinary Shares by any person in any jurisdiction (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this document and the offering of the Ordinary Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom into whose possession this document comes are required by the Company, Credit Suisse or Merrill Lynch International to inform themselves about and to observe any restrictions as to the offer or sale of Ordinary Shares and the distribution of this document under the laws and regulations of any territory in connection with any applications for Ordinary Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company, Credit Suisse or Merrill Lynch International that would permit a public offering of the Ordinary Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where actions for that purpose is required.

Notice in connection with the United States and the Prohibited Territories

This document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling certain prospective investors to consider the purchase of Ordinary Shares.

This document does not constitute an offer to sell, or the solicitation in any jurisdiction of an offer to subscribe for or buy, Ordinary Shares to any person to whom or in which such offer or solicitation is unlawful and, in particular, is not, save in certain limited circumstances pursuant to applicable exemptions, for distribution in or into the United States, Canada, Australia, the State of Israel, Japan or the Republic of South Africa. The Ordinary Shares have not been and will not be registered or qualified for distribution under the applicable securities laws of the Prohibited Territories. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in the Prohibited Territories or to, or for the account or benefit of, any national, resident or citizen of the Prohibited Territories. The Ordinary Shares have not been, and will not be, registered under the Securities Act or under applicable state securities (''blue sky'') laws of the United States. Subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States.

Credit Suisse or Merrill Lynch International may arrange, through its selling agents, for the offer and sale of Ordinary Shares in the United States to persons reasonably believed to be ''Qualified Institutional Buyers'', in reliance on the resale exemption from the registration requirements of the Securities Act provided by Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each purchaser of the Ordinary Shares in the United States will be deemed to have made the representations described in ''Provisions governing sales and transfer restrictions'' and is hereby notified that the offer and sale of the Ordinary Shares to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The offer and sale of the Ordinary Shares and distribution of this document are subject to the restrictions set out in the section headed ''Provisions governing sales and transfer restrictions'' in this document.

The Ordinary Shares are being offered and sold outside the United States in ''offshore transactions'' in reliance on, and as such term is defined in, Regulation S.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH IN THIS DOCUMENT WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING, WITHIN THE MEANING OF INTERNAL REVENUE SERVICE CIRCULAR 230, OF THE ORDINARY SHARES. THE DESCRIPTION SET FORTH IN THIS DOCUMENT IS LIMITED TO THE UNITED STATES FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE UNITED STATES FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE ORDINARY SHARES, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED IN THIS DOCUMENT, AND THE DESCRIPTION SET FORTH IN THIS DOCUMENT DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATES OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS

UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Provision of information

The Company has agreed that, for so long as any Ordinary Shares are ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such Ordinary Shares or to any prospective purchaser of such Ordinary Shares designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Notice to prospective investors in the United Kingdom

This document is being distributed in the United Kingdom only to persons having professional experience in matters relating to investments who fall within the exemption contained in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the ''Order'') and high net worth companies, unincorporated associations or partnerships and the trustees of high value trusts who fall within the exemption contained in Article 49 of the Order, and to other persons who are otherwise permitted by law to receive it (''Relevant Persons''). This document and its contents are directed only at Relevant Persons and any investment or investment activity to which this document relates is only available to such persons. Persons of any other description, including those who do not have professional experience in matters relating to investments, should not rely on this document or act upon its contents.

Notice to prospective investors in Israel

In the State of Israel this document shall be distributed only to, and may only be directed at, Israeli investors listed in the First Addendum (the ''Addendum'') to the Israeli Securities Law 5728-1968 (each an ''institutional investor'' and collectively ''institutional investors'') including mutual trust funds or joint investment funds, provident funds, insurance companies, banks and portfolio managers who purchase the shares for themselves (i.e. not with a view to selling or distributing them to others) or for clients who are institutional investors or investment advisers who purchase the shares for themselves, members of the Tel Aviv Stock Exchange purchasing the shares for themselves or for clients who are institutional investors, underwriters who purchase the shares for themselves, venture capital funds and corporations (except for a corporation that was incorporated for the purpose of purchasing securities in a specific offer) with a shareholder equity in excess of NIS 250 million, each as defined in the Addendum or in the applicable law referred to therein. In addition, certain numbered copies of this document may be distributed and directed at no more than 35 investors who are not institutional investors and who are specifically identified and approved by Credit Suisse and Merrill Lynch International and are listed in their records as such. As a prerequisite to the receipt of a copy of this document, each of the recipients shall be required to submit written confirmation to Credit Suisse, Merrill Lynch International and the Company that: (a) if it is an institutional investor, it qualifies as an investor listed in the Addendum; (b) it is acquiring the shares being offered to it under the offer for investment for its own account or, if applicable, for investment for clients who are institutional investors and in any event not as a nominee, market maker or agent and not with a view to, or for the resale in connection with, any distribution thereof; and (c) it has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Company. Except as referred to above, the Company shall not distribute or direct this document to investors in the State of Israel. The offer of Ordinary Shares does not constitute an offer made to the public in the State of Israel within the meaning of section 15 of the Israeli securities law and this document was not reviewed or approved by the Israel Securities Authority.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a ''relevant member state'') with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the ''relevant implementation date''), an offer of Ordinary Shares described in this document may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Ordinary Shares approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including

the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity that has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million; and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospective Directive.

Each purchaser of Ordinary Shares described in this document located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a ''qualified investor'' within the meaning of Article 2(1)(c) of the Prospectus Directive.

For the purposes of this provision, the expression an ''offer to the public'' in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression ''Prospectus Directive'' means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Notice to prospective investors in Canada

The Ordinary Shares have not been, nor will they be, qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the Ordinary Shares in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws.

Investors in Canada should refer to the section entitled ''Selling Restrictions — Canada'' and Ontario purchasers in particular should refer to the subsection entitled ''Rights of Action for Damages or Rescission (Ontario)''. The Placing Price, financial statements of the Company and certain other information in this document are presented in Sterling or US Dollars. On 31 October 2006 US$1.12 = CAD1.00 based on the Bank of Canada noon exchange rate.

This document is not, and under no circumstances is it to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Notice to prospective investors in the Russian Federation

Neither the Ordinary Shares nor this document have been, or are intended to be, registered with the Russian Federal Service for the Financial Markets or any other state bodies that may from time to time be responsible for such registration. This document does not constitute a public offer or advertisement for the Ordinary Shares in the Russian Federation, and is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer the Ordinary Shares to an unlimited group of persons in the Russian Federation.

No purchaser of the Ordinary Shares other than Credit Suisse or Merrill Lynch International is authorised to make any further offer of the Ordinary Shares on behalf of any other person.

Notice to prospective investors in Austria

The Ordinary Shares may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and/or the Austrian Investment Funds Act and any other laws applicable in the Republic of Austria governing the offer and sale of the Ordinary Shares in the Republic of Austria. The Ordinary Shares are not registered or otherwise authorised for public offer under the Capital Market Act or the Investment Funds Act or any other relevant securities legislation in Austria. The recipients of this document and any other selling materials in respect to the Ordinary Shares have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the Ordinary Shares may not be, and are not being, offered or advertised publicly or offered similarly under either the Capital Market Act or the Investment Funds Act or any other relevant securities legislation Austria. This offer may not be made

to any other persons than the recipients to whom this document is personally addressed. This document and any other selling materials in respect to the Ordinary Shares may not be issued, circulated or passed on in Austria to any person except under circumstances neither constituting a public offer of, nor a public invitation to subscribe for, the Ordinary Shares. This document has been issued to each prospective investor for its personal use only. Accordingly, recipients of this document are advised that this document and any other selling materials in respect to the Ordinary Shares shall not be passed on by them to any other person in Austria.

Notice to prospective investors in France

Neither this document nor any other offering material relating to the Ordinary Shares has been submitted to the clearance procedures of the Autorité des marches financiers in France. The Ordinary Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this document nor any other offering material relating to the Ordinary Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Ordinary Shares to the public in France. Such offers, sales and distributions will be made in France only (i) to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier, or (ii) to investment services providers authorised to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with Article L.411-2-II-1-or-2 or 3 of the French Code monétaire et financier, does not constitute a public offer (appel public à l'epargne) as a result of the aggregate amount of the offer, in one or several transactions over a period of twelve consecutive months, or, as the case may be, of the individual amount of investment by each investor or of the nominal amount of each of the securities, as such amounts are provided by article 211-2 of the General Regulations (Réglement General) of the Autorité des marches financiers. The Placing Shares may be resold only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to prospective investors in Ireland

Prospective Irish investors are recommended to seek their own independent financial advice in relation to the opportunities described in this document from their stockbroker, bank manager, solicitor, accountant or other independent financial advisor who is duly authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland.

Notice to prospective investors in Italy

The placing of Ordinary Shares has not been cleared by the Italian Securities Exchange Commission (Comissione Nazionale per le Società e la Borsa, or ''CONSOB'') pursuant to Italian securities legislation and, accordingly, the new Ordinary Shares may not and will not be offered, sold or delivered, nor may or will copies of this document or any other documents relating to and/or connected with the Ordinary Shares or this document be distributed in Italy, other than to professional investors (''operatori qualificati''), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended (''Regulation No. 11522''), pursuant to Article 30, paragraph 2 and Article 100 of the Legislative Decree No. 58 of 24 February 1998 (the ''Italian Finance Law'') or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided for under the Italian Finance law or CONSOB regulation No. 11971 of 14 May 1999, as amended, applies. Any offer, sale or delivery of the Ordinary Shares or distribution of copies of this document or any other document relating to and/or connected with the Ordinary Shares or this document in Italy must be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the ''Italian Banking Law''), the Italian Finance Law, CONSOB Regulation No. 11522 and any other applicable laws and regulations; and (ii) in compliance with any other applicable notification requirement or limitation which may be imposed upon the offer of the ordinary shares by CONSOB or the Bank of Italy.

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The material provided has not been registered under the public offer rules in the Norwegian Securities Trading Act of 1997. The recipient of this material must not copy or in any other way transmit its contents to any other person.

Notice to prospective investors in Switzerland

In the Swiss Confederation, this document does not constitute a prospectus, an offer, an invitation to make an offer, to sell, to purchase, to exchange or otherwise transfer shares to an unlimited group of persons who have no particular expertise and business experience.

In Switzerland, the Swiss purchaser will bear the whole amount of the stamp duty due under the Swiss Federal Law on Stamp Duty, if any, and consequently, the purchaser will pay the amount corresponding to the stamp duty, if any, in addition to the purchase price, to the seller.

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PLACING STATISTICS

Assuming no exercise of the Over-allotment Option	
Placing Price (per Ordinary Share)	478p
Number of Ordinary Shares in the Placing	30,000,000
Percentage of Enlarged Share Capital being placed	30.0
Number of Ordinary Shares subject to the Over-allotment Option[1]	4,500,000
Number of Ordinary Shares in issue immediately following Admission	100,000,005
Gross proceeds of the Placing before expenses[2]	US$283 million
Net proceeds of the Placing receivable by the Company[2]	US$262 million
Expected market capitalisation of the Company immediately following Admission	£478 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	2006
Publication of this document	13 December
Commencement of conditional dealings in the Placing Shares[3]	8.00 a.m. on Wednesday, 13 December
Admission effective and unconditional dealings expected to commence in the Ordinary Shares on AIM	8.00 a.m. on Monday, 18 December
CREST accounts expected to be credited in respect of Depositary Interests (as applicable)	8.00 a.m. on Monday, 18 December
Definitive share certificates expected to be dispatched (as applicable)	29 December

Note:

Each of the times and dates in the above timetable is subject to change. Reference to times are to London times, unless otherwise stated.

(1) This figure represents 15 per cent. of the number of Placing Shares.

(2) Assuming conversion of the proceeds of the Placing to US Dollars at a rate of £0.507 per US$1.00.

(3) If Admission does not occur, all conditional dealings will be in unlisted securities and will be void. Any such dealings are at the sole risk of the parties involved.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Unless otherwise indicated, financial information in this document has been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS differs in certain significant respects from United Kingdom and United States Generally Accepted Accounting Principles as they relate to the Company.

The Company's accounts are drawn up to 31 December each year. The periods analysed in this document are the approximate 13 month period from 10 November 2004 to 31 December 2005, as well as the nine month period from 1 January 2006 to 30 September 2006. The financial information for the nine month period ended 30 September 2006 included in this document is unaudited and has been prepared on the basis set out in note 2 of Part XI — "Financial information on MirLand Development Corporation". Financial results included in this document are, unless otherwise stated, results from continuing operations.

The Company prepares its consolidated financial statements in US Dollars. Unless otherwise indicated, all references in this document to: "US$" or "US Dollars" are to the lawful currency of the United States of America, "RUR" or "Roubles" are to the lawful currency of the Russian Federation, "£", "GBP" or "Sterling" are to the lawful currency of the United Kingdom, "CYP" are to the lawful currency of Cyprus and "€" or "Euros" are to the lawful currency of the Eurozone.

Some numerical figures included in this document have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

References in this document to the "fully diluted share capital of the Company" includes the potential dilution of the issue of Ordinary Shares reserved for issuance under the Share Option Scheme and to "Enlarged Share Capital" excludes the potential dilution of the issue of Ordinary Shares reserved for issuance under the Share Option Scheme.

EXCHANGE RATES

The following table sets forth, for the periods indicated, the high, low, average and year-end official rates set by the Central Bank of Russia ("CBR") in each case for the purchase of Roubles, all expressed per US Dollar. These translations should not be construed as representations that Rouble amounts actually represent such US Dollar amounts or could be converted into US Dollars at the rate indicated as of any of the dates mentioned in this document or at all. The official rate of the CBR at 31 October 2006 was RUR26.75 to US$1.00.

	High	Low	Average[1]	Year End
	(RUR per US$)			
2006 (through 30 September 2006)	28.79	26.64	27.39	26.75
2005	29.00	27.46	28.29	28.78
2004	29.54	27.75	28.81	27.75
2003	31.88	29.25	30.61	29.45
2002	31.86	30.13	31.39	31.78
2001	30.30	28.16	29.22	30.14
2000	28.87	26.90	28.13	28.16

(1) The average of the exchange rates on the last business day of each month for the relevant annual period, and on each business day for any other period.

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and dividend policy of the Company and the markets in which it, directly and indirectly, will invest. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking

statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company, and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- changes in economic conditions generally and in the effects of competition in the Russian property market;
- changes in legislation, specifically in respect of planning, building regulations and foreign exchange controls;
- changes in taxation regimes and future changes in accounting policies;
- the Company's ability to obtain and maintain the necessary authorisations and regulatory approvals; and
- the availability of suitable project financing at all or on viable terms.

Prospective investors are advised to read this document in its entirety, and, in particular, Part I of this document — "Risk factors" for a further discussion of the factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the AIM Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

INDUSTRY AND MARKET DATA

The official data published by Russian federal, regional and local government agencies is substantially less complete or researched than those of other countries. Official statistics may also be produced on different bases than those used in other countries. Any discussion of matters relating to Russia in this document must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information. Additionally, the Company relies on and refers to information and statistics from various third party sources and its own internal estimates. The Directors believe that these sources are reliable, but have not independently verified them. To the extent that such sources or estimates are based on official data released by Russian federal, regional and local government agencies, they will be subject to the same uncertainty.

COPIES OF THIS DOCUMENT

Copies of this document are available for collection, free of charge, from the date of Admission and for one month thereafter during normal business hours from Credit Suisse, One Cabot Square, London E14 4QJ, United Kingdom and from Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom.

DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors

Nigel James Wright	*(Non-executive Director and Chairman)*
Guerman Aliev	*(Non-executive Director)*
Douglas Blausten	*(Non-executive Director)*
Caroline Anne Brown	*(Non-executive Director)*
Georgios Hadjianastasiou	*(Non-executive Director)*
Eliezer Fishman	*(Non-executive Director)*
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Moshe Morag	*(Chief Executive Officer)*
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KEY INFORMATION

The following information is extracted from and should be read in conjunction with the full text of this document. Prospective investors should read the whole of this document, including the risk factors set out in Part I of this document, and not rely solely on the following summarised information.

Any investment decision relating to the Ordinary Shares should be based on a consideration of this document as a whole and not solely on this summarised information. All financial information included in this summary has been extracted without material adjustment from Part XI — "Financial information on MirLand Development Corporation", unless otherwise stated.

1. Information on the Company

MirLand Development Corporation plc is a Cypriot real estate development company which was incorporated in 2004 and develops property solely in Russia. Controlled by the Fishman Group, an international real estate investment and development group based in Israel with over 30 years' experience in the real estate development market, the Company is currently one of the few developers in Russia to build international quality commercial and residential properties employing western business practices. The Company also differentiates itself by being one of only a few international developers currently active in Russia's secondary cities.

The Company's strategy is to focus on developing (a) high quality commercial and residential real estate assets in Moscow and St. Petersburg and (b) commercial projects in other large Russian cities. The Company aims to maximise Shareholder value, while maintaining geographical and property-type diversification. The Company's principal strategy is to sell the residential properties and lease the commercial properties it develops.

MirLand offers investors an attractive portfolio of existing Russian development projects, a substantial pipeline of other real estate investment opportunities across Russia and a strong management team, comprising local professionals and international real estate experts.

The Company has an existing Portfolio of eight development projects, the acquisition of one of which is in the process of completion, of over 1.2 million square metres, comprising both commercial and residential projects in Moscow and St. Petersburg, and commercial properties in Yaroslavl and Saratov. MirLand's Properties were valued by Cushman & Wakefield, an independent international real estate appraiser and one of the leading valuers in Russia, at US$853.3 million, as at 30 September 2006. Joint ownership of several of these assets means that the portion of attributable value to the Company was US$764.6 million.

As at 30 October 2006, the Company had a pipeline of seven development projects, located in Novosibirsk, Moscow, Rostov-on-Don and Tomsk, which are at varying stages of negotiation.

2. The opportunity

The Company's business model seeks to generate returns on investment by capitalising on the development opportunities presented by the Russian real estate market through attractive yields and margins on commercial investment properties and capital gains on the disposal of completed residential properties and certain commercial properties. MirLand seeks to select projects based on the assessment of economic conditions, location and potential for value creation, while seeking to maintain its diversification objective with regard to geography and property type. It is also the Company's intention that the Portfolio retains a spread of properties at various stages of development and of varying duration, phasing and anticipated completion.

The Company believes that the prevailing favourable conditions within the Russian real estate market create highly attractive investment opportunities with significant potential for further growth. The Russian real estate market has experienced and, at least in the medium term, is expected to continue to exhibit, strong growth across both the commercial and residential sectors. The market is currently characterised by high demand and relatively low supply. Generally, Russia has demonstrated impressive economic growth over the past six years. It is widely anticipated that this trend, with the consequent growth both in terms of disposable income and consumer expectations, will continue in the medium term.

3. Competitive strengths and strategy

The Company sees its key competitive strengths as:

- its business model, which covers all stages of real estate development and different asset classes developed to international quality standards;

- possessing an attractive Portfolio of development projects with significant potential for net asset value growth;
- existing exposure to attractive secondary Russian cities, with several of its pipeline projects also being located in such cities;
- its dedicated management team, which has extensive experience in real estate investment and development in Russia and internationally;
- the expertise and benefits it derives from its relationship with the Fishman Group; and
- its local presence in Russia, both in terms of established infrastructure and relationships.

MirLand has the following investment strategy:

- focus on the successful execution of its existing development projects;
- generate value by actively managing its investment properties on completion;
- continue to pursue the acquisition of attractive sites in targeted locations across Russia; and
- maintain a diversified property portfolio, in terms of geography, sector and stages of development, so as to maximise investment opportunities and reduce risk.

4. Summary of the Placing

The Placing comprises an offer of 30,000,000 new Ordinary Shares by the Company. The Ordinary Shares are being offered to certain institutional investors in the United Kingdom and the rest of the world, as permitted in the relevant jurisdictions. Each of Messrs Wright, Blausten and Eliezer and Eyal Fishman and Dr Brown are subscribing for Ordinary Shares in the Placing.

The Company has granted the Stabilising Manager, on behalf of the Underwriters, the Over-allotment Option, exercisable for a period of up to 30 days after the commencement of conditional dealings in the Placing Shares, over Ordinary Shares representing up to 15 per cent. of the Ordinary Shares in the Placing at the Placing Price to cover any over-allotments made in connection with the Placing and any short positions arising from stabilisation transactions.

5. Use of proceeds of the Placing

The Placing will raise net proceeds of approximately US$262 million. The Company intends to use the net proceeds to:

- pay the balance of the consideration required to purchase the equity in RealService in relation to the Skyscraper project;
- progress the development of its existing Portfolio;
- acquire some of the pipeline of property interests; and
- fund the Company's working capital requirements.

The Company plans to invest the net proceeds from the Placing over the next twelve to eighteen months.

6. Dividend policy

The Company intends to adopt a dividend policy which will reflect the long-term earnings and cashflow 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 two per cent. of the Adjusted NAV on Admission (taking into account the net proceeds of the Placing) for the financial year 2008 and seven per cent. 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 cashflow growth in the future.

7. Risk factors

Potential investors should carefully consider the risk factors set out in Part I of this document, together with all the other information set out in this document and their own circumstances, before deciding to invest in the Company.

8. Management

The Company's Directors are:

Nigel Wright, Non-executive Director and Chairman
Guerman Aliev, Non-executive Director
Douglas Blausten, Non-executive Director
Caroline Brown, Non-executive Director
Georgios Hadjianastasiou, Non-executive Director
Eliezer Fishman, Non-executive Director
Eyal Fishman, Non-executive Director
Moshe Morag, Chief Executive Officer
Roman Rozental, Chief Financial Officer

The Board is supported by five other Senior Managers.

9. Founder Shareholders

On Admission, assuming no exercise of the Over-allotment Option, collectively, Jerusalem Economic Corporation Ltd., Industrial Buildings Corporation Ltd. and Darban Investments Ltd. will own 70,000,005 Ordinary Shares, representing approximately 70.0 per cent. of the Enlarged Share Capital and, as such, will have effective control of the Company. The Company has entered into a relationship agreement with the Founder Shareholders and is satisfied that it is capable of carrying on its business independently of them.

10. Lock-in arrangements

The Company, the Founder Shareholders, each of the Directors and Option holders with Options that have vested have undertaken to each of the Underwriters not to offer, issue or sell Ordinary Shares (or any interest therein or in respect thereof) held by them for a period of one year from Admission, subject to certain limited exceptions permitted by the AIM Rules.

11. Reason for Admission

The Company is seeking to obtain a market quotation for its Ordinary Shares to provide it with access to capital markets. The Company is currently ineligible for listing on the Official List as it was only incorporated in November 2004 and is consequently unable to provide a three year revenue earnings record as is required by the Listing Rules issued by the FSA. As a consequence, the Company is seeking admission to trading on AIM. The Company intends to use its reasonable efforts in the future to seek a listing on the Official List once it becomes eligible and as soon as it is reasonably practicable to do so, which is anticipated to be in early 2008. Any future cancellation of the AIM trading facility and an application for listing on the Official List would be subject to compliance by the Company with the AIM Rules, the Listing Rules and the Prospectus Rules which apply at the time.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Act"	the (English) Companies Act 1985 (as amended)
"Adjusted NAV" or "Adjusted Net Asset Value"	the Company's total gross assets, based on a third party valuation, minus its net liabilities (excluding deferred taxation) adjusted to reflect percentage interests held in the relevant assets and, for the avoidance of doubt, including all of the Company's investment, development and trading properties; Adjusted NAV is a non-IFRS measure, illustrated in paragraph 5 of Part VIII — "Operating and financial review"
"Admission"	the admission of the Ordinary Shares, in issue and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM
"Articles"	the new articles of association of the Company, a summary of which is set out in paragraph 5 of Part X — "Additional information"
"business day"	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for the transaction of normal banking business in the City of London
"certificated" or "in certificated form"	not in uncertificated form (that is, not in dematerialised form as in CREST)
"City Code"	the UK City Code on Takeovers and Mergers
"Civil Code"	the Civil Code of the Russian Federation
"Class A"	a general term, usually denoting new properties located in prime districts, attractive to tenants and which offer a multitude of amenities such as on-site management or covered parking
"Class B"	a general term, usually denoting older and typically smaller properties than Class A, which have usually been renovated and are in good locations
"Class C"	a general term, usually denoting properties that are older than Class B and which have not been renovated, whose condition is typically fair but not considered good
"Class D"	a general term, usually denoting properties in a worse condition than those considered to be Class C properties
"Combined Code"	the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council
"Company" or "MirLand"	MirLand Development Corporation plc incorporated in Cyprus with number HS153919, including, where the context suggests, the Company and its Subsidiaries
"Controlling Interest"	an interest in the issued share capital of the Company representing not less than 30 per cent. of the voting rights of the Company
"CreativeCom"	CreativeCom LLC, the Company's wholly owned Subsidiary owning the land at Perkhushkovo, Moscow

"CREST"	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
"CREST Regulations"	the (English) Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755)
"CRESTCo"	CRESTCo Limited, the operator of CREST
"Credit Suisse"	Credit Suisse Securities (Europe) Limited
"Cushman & Wakefield"	Cushman & Wakefield of 43-45 Portman Square, London, England and/or Cushman & Wakefield Stiles & Riabokobylko OOO of Bolshaya Ordynka ul., 21, bldg2, Moscow, Russia, as the context requires
"CYP"	Cyprus Pound, the legal currency of Cyprus
"Darban"	Darban Investments Ltd., a publicly listed company on the Tel Aviv Stock Exchange and one of the Founder Shareholders
"Deed Poll"	the deed poll dated 21 November 2006 made by Computershare Investor Services plc dealing with the creation and issue of DIs in respect of the Company
"Depositary Interest" or "DI"	a dematerialised depositary interest which represents an entitlement to Ordinary Shares that can be settled electronically through and held in CREST, as issued by Computershare Investor Services PLC who hold the underlying securities on trust, further details of which are set out on paragraph 16 of Part II — "Information on the Company"
"Directors" or "Board"	the directors of the Company from time to time and whose, at the date of this document, names are set out on page 14 of this document
"Enlarged Share Capital"	the Ordinary Shares in issue immediately following Admission
"EU"	European Union
"Euro", "EUR", "€", "cent" or "c"	the lawful single currency of member states of the European Community that adopt or have adopted the Euro as their currency in accordance with the legislation of the EU relating to European Monetary Union
"Executive Directors"	the executive members of the Board
"FIN"	FIN LLC, a company controlled by Mr Michael Krichevsky, one of the Company's Senior Managers
"Fishman Group"	the group of companies and other entities under the control of Eliezer Fishman and certain members of his family, which include the Founder Shareholders
"Founder Shareholders"	each of JEC, IBC and Darban
"FSA"	Financial Services Authority of the United Kingdom
"FSMA"	the (English) Financial Services and Markets Act 2000 (as amended)
"FP 2005"	the financial period from 10 November 2004 to 31 December 2005
"Global 1"	Global 1 LLC, the wholly owned Subsidiary of Inverton which owns the land at the intersection of Kalinina street and Moskovskoye highway, Yaroslavl
"Group"	the Company and its Subsidiaries and joint ventures

"Home Centers"	Home Centers LLC, Russia, an indirect subsidiary of Home Centers (DIY) Ltd., an Israeli company owned by the Fishman Group
"Hydro" or "Hydromashservice"	Hydromashservice LLC, the Company's wholly owned Subsidiary, owning real estate at Hydromashservice at 2-ND Hutorskaya street in the Novoslobodsky Business District, Moscow
"IBC"	Industrial Buildings Corporation Ltd., a publicly listed company on the Tel Aviv Stock Exchange and one of the Founder Shareholders
"IIK"	Invetisionno Ipotechnaya Company LLC, the Company's 90 per cent. effective Subsidiary which owns the land in the Kirovsky district, Saratov
"Inverton"	Inverton Enterprises Limited, the joint venture company owned as to 49 per cent. by the Company, which owns Global 1
"Investment Committee"	the committee of the Board tasked with, amongst other things, evaluating and recommending new real estate projects, further details of which are set out in Part III — "Management of the Company and its business"
"IFRS"	International Financial Reporting Standards
"JEC"	Jerusalem Economic Corporation Ltd., a publicly listed company on the Tel Aviv Stock Exchange and one of the Founder Shareholders
"Land Code"	the Land Code of the Russian Federation, 2001
"London Stock Exchange"	London Stock Exchange plc
"MAG"	Mashinostroenie & Hydravlika OJSC, the Company's wholly owned Subsidiary, owning real estate, adjacent to Hydromashservice at 2-ND Hutorskaya street in the Novoslobodsky Business District, Moscow
"Non-executive Directors"	the non-executive members of the Board
"OECD"	Organisation for Economic Co-operation and Development
"Official List"	the official list of the UKLA
"Options"	options granted under the Share Option Scheme
"Ordinary Shares"	ordinary shares with a nominal value of US$0.01 (one cent) each in the share capital of the Company
"Over-allotment Option"	the option granted in the Placing Agreement by the Company to the Stabilising Manager, on behalf of the Underwriters, exercisable for a period of 30 calendar days after the commencement of conditional dealings in the Placing Shares, which will require the Company to make available, at the Placing Price, up to 4,500,000 additional Ordinary Shares solely for the purposes of meeting over-allocations in accordance with the Placing and covering short positions resulting from stabilisation transactions
"Perkhushkovo"	the land owned by CreativeCom at Perkhushkovo in the Odintsovsky district, Moscow Region
"Petra-8"	Petra-8 LLC, the Company's wholly owned Subsidiary which owns the land in St. Petersburg
"PFIC"	passive foreign investment company, as defined in the US Investment Act of 1940, as amended

"Pipeline"	the pipeline of potential real estate acquisitions described in paragraph 2 of Part IV of this document
"Placing"	the placing conducted by Credit Suisse and Merrill Lynch International, on behalf of the Company, of the Placing Shares as described in this document
"Placing Agreement"	the placing agreement relating to the Placing entered into between the Company, the Directors, the Founder Shareholders and the Underwriters, details of which are set out in paragraph 10 of Part X — "Additional information"
"Placing Price"	478 pence per Placing Share
"Placing Shares"	the 30,000,000 new Ordinary Shares to be allotted and issued pursuant to the Placing conditional on Admission, excluding any Ordinary Shares to be issued pursuant to the Over-allotment Option
"Portfolio"	the Company's portfolio of real estate interests
"Prohibited Territories"	USA, Australia, Canada, The Republic of South Africa, Israel and Japan and their respective territories and possessions
"Properties"	the properties as described in paragraph 1 of Part IV of this document
"Prospectus Directive"	EU Directive 2003/71/EC and including any implementing measure in any Relevant Member State
"Prospectus Rules"	the Prospectus Rules published by the FSA
"RealService"	RealService LLC, the company which holds a leasehold interest in the land on the Dmitrovskoye Shosse, in the Timiryazevsky District of Moscow
"Regulation S"	Regulation S under the Securities Act
"Registrars"	Computershare Investor Services PLC
"Relationship Agreement"	the agreement dated 13 December 2006 between the Company and the Founder Shareholders, details of which are set out in paragraph 11 of Part X — "Additional information"
"Relevant Member State"	any member state of the European Economic Area which has implemented the Prospectus Directive
"RUR" or "Rouble"	Russian Rouble, the legal currency of the Russian Federation
"Securities Act"	the US Securities Act of 1933, as amended
"Senior Managers"	the senior managers of the Company, other than the Directors, whose names appear in paragraph 2 of Part III — "Management of the Company and its business"
"Share Option Scheme"	the 2006 MirLand Development Corporation Employee Option Plan
"Shareholders"	holders of Ordinary Shares in the Company
"Skyscraper"	the Company's project to construct a skyscraper on the land in which RealService has a leasehold interest, on the Dmitrovskoye Shosse
"Stabilising Manager"	Merrill Lynch International
"£" or "Sterling"	UK pounds sterling, the legal currency of the United Kingdom

"Subsidiary"	as defined in sections 736 and 736A of the Act, and "Subsidiaries" is defined accordingly
"Techagrocom"	Techagrocom-2 LLC, the Company's indirect 50 per cent. owned Subsidiary which owns the land at Mamyri village, Moscow Region
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded in the register as being held in dematerialised form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Underwriters"	the banks and financial institutions that are parties to the Placing Agreement, being Credit Suisse and Merrill Lynch International, details of which are set out on page 14 of this document
"US" or "USA" or "United States"	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
"US$" or "US Dollars"	United States dollars, the legal currency of the US
"Valuation Report"	the valuation report of Cushman & Wakefield relating to the Properties reproduced in Part VI of this document

PART I

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should carefully consider the factors and risks attaching to an investment in the Ordinary Shares, together with all other information contained in this document, including, in particular, the risk factors described below. The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

The following paragraphs of this Part I contain what the Company believes to be some of the principal risk factors involved in an investment in the Company. The nature of the property business and the geographical location in which the Company is aiming to invest means that an investment in the Company is subject to a number of risks. Some of these risks apply to the property investment market generally, while others are specific to the Company and its activities within its particular market.

Risks relating to the Company

The valuation of real estate is subject to uncertainty which could impact the actual market value of the Company's assets.

The valuation of property and property-related assets is inherently subjective. As a result, valuations are subject to uncertainty.

Cushman & Wakefield, an independent real estate appraiser, has valued the Company's real estate properties and projects. The Valuation Report in Part VI of this document is made on the basis of certain forecasts and assumptions regarding the Russian real estate market which may not prove to be accurate in light of future developments in the market. Details of the valuation methodologies and the assumptions used by Cushman & Wakefield are described in its Valuation Report.

The real estate market in Russia is characterised by a limited amount of publicly available data and research compared to certain other western countries. Recently, a small number of private organisations have begun to publish statistical and other research data with respect to the Russian real estate markets. The scope of such data is significantly less broad and tends to be less consistent than the data relating to certain other western countries. The relative lack of such data makes it more difficult to assess market values and rental values of real estate in Russia than in other western countries. For this and other reasons, the values Cushman & Wakefield place on the Properties may not reflect their actual market values. The valuations are effective as of 30 September 2006, and there is no assurance that these figures accurately reflect the market value of the Properties as at any other date. The Valuation Report also does not consider any effect of multiple Properties being developed concurrently or released to the market together.

The use of different valuation methodologies and assumptions would likely produce different valuation results. In particular, Cushman & Wakefield has valued each property based upon its opinion as to the expected highest and best use of the property by a third party. Accordingly, the valuations may not be based, in all instances, on the planned use of the Properties by an actual buyer or by the Company. Also, Cushman & Wakefield has assessed construction costs in accordance with standard rates in the market that a third party developer/purchaser would expect to pay in the course of development of each project. These costs are based on current prices and future price forecasts and are therefore subject to changes in the market. The Valuation Report assumes that all necessary planning and other consents in relation to the Company's development assets have been obtained or will be received within a normally acceptable timescale and therefore will not have a material effect on value or marketability. There is a risk that not all such consents will be obtained in the timeframe anticipated by the Company, or at all. A failure to obtain, or a delay in obtaining, such consents is likely to have a negative impact on the value of the relevant asset.

Prospective investors are advised to read the Valuation Report in its entirety. For the reasons stated above and in the Valuation Report, and since the valuation was made on the basis of Cushman & Wakefield's forecasts and assumptions regarding the Russian real estate market, the market values ascribed by Cushman & Wakefield to the Properties are subject to future changes in the Russian real estate market. There can therefore be no assurance that the real estate appraisals included in this document reflect the Properties' actual market values or that such values will not change over time.

The Company's ownership interests or lease rights in land may be challenged and construction projects may be delayed or cancelled.

The Company's projects are at various stages of development. Real estate development, construction and acquisition activities are subject to significant risks of delays, non-completion and financial loss.

Russian land and property legislation is complicated and often ambiguous and/or contradictory. In particular, construction approval procedures are complicated and prone to challenge or reversal and construction and environmental rules often contain requirements that are extremely difficult to comply with in practice. As a result, the Company's lease rights to land may be challenged by governmental authorities or third parties, construction projects may be delayed or cancelled and the operation of completed properties may be suspended, all of which could materially adversely affect the Company's business, financial condition and results of operations.

The Company's development projects may also suffer delays due to insufficient availability of energy and other utilities and adequate transportation infrastructure.

The Company may acquire investments where it has only a leasehold interest in the land (but ownership of any building on it). Where there are no structures owned by the Company on the land, the land lease may be terminated early in various circumstances; ordinarily this would be in the event of breach of the land lease provisions, but there may be other circumstances provided for in the relevant lease. In addition, the land lease may not contain renewal rights.

Any termination of a lease or challenges to ownership or delays to or cancellations of the development of projects could have a material adverse effect on the Company's business, financial condition and results of operations.

Most of the Company's projects are in early stages of development and there is no guarantee of their successful completion.

All but three of the Company's commenced projects are in the early stages of development. As of the date of this document, the Company has not commenced construction on certain of the Company's key projects, including Skyscraper and Techagrocom in Moscow, Perkhushkovo in the Moscow Region and St. Petersburg, which together represent the substantial majority of the total Portfolio value (unadjusted for minority interests), according to Cushman & Wakefield. The Company's failure to complete these projects for any reason could have a material adverse effect on the Company's business, financial condition and results of operations.

The Portfolio includes one project that is subject to completion of agreements. The Company's failure to complete these agreements could have a material adverse effect on the Company's Adjusted NAV.

The acquisition of the Skyscraper project, which represents 15.9 per cent. of the total Portfolio value (unadjusted for minority interests), according to Cushman & Wakefield, is subject to completion. The Company has entered into a framework agreement which provides for the entry into of two share purchase agreements to acquire the Skyscraper project from a third party. The framework agreement requires the parties to use their best efforts to enter into the first share sale and purchase agreement by 15 December 2006 and provides that closing of that agreement shall be conditional on confirmation of registration of the seller's 58 per cent. interest in RealService, the company which owns the leasehold interest in the project, and satisfaction of all other conditions precedent. The Company expects to file for approval of the acquisition with the Russian anti-monopoly authorities. The framework agreement also provides for the Company to subsequently acquire the remaining 42 per cent. interest in instalments. Completion remains, however, subject to finalising the definitive share purchase agreements, and, in the event of breach, delays (including in attaining governmental approvals), non-performance or failure to satisfy the conditions precedent of the framework agreement or the share purchase agreements, the Company may be prevented from acquiring all or partial ownership of this project or it may face significant delays in developing the project. Therefore, there can be no guarantee that the project will proceed or will reflect the economic share assumed in the Valuation Report. The Company's failure to enter into such agreements could have a material adverse effect on the Company's Adjusted NAV. For a description of the agreements relating to the Skyscraper project, see paragraph 11 of Part X — "Additional information".

The Company has a limited operating history.

Although the management of the Company has extensive experience in real estate development, the Company has only a limited operating history and therefore limited financial results upon which its performance and prospects may be evaluated by potential investors. The Company also faces the risks frequently encountered by developing companies. These risks include the potential inability to retain key personnel, as well as uncertainty as to which

areas to target for growth and expansion. In addition, there can be no assurance that the Company's proposed operations will be profitable or produce a reasonable return, if any, on an investment in the Company.

The Company's inability to successfully manage its growth could have a material adverse effect on its business, financial condition and results of operations.

The Company's operations are expected to expand over a relatively short period of time. It is likely that the operational complexity of the Company's business, as well as the responsibilities of management will increase as a result of this growth, placing significant strain on the Company's management and other key personnel. The Company will need to continue to improve its operational and managerial controls and procedures to keep pace with the expected growth. Failure to manage this growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to joint venture risks.

Two of the Company's real estate assets, representing 19.9 per cent. of the Portfolio value (unadjusted for minority interests), are held through joint venture arrangements with third parties, meaning that control of such assets is shared with such third parties on a 50/50 basis. As a result, certain decisions relating to the assets may depend upon the consent or approval of the Company's joint venture partners. Disputes may arise between joint venture partners which could mean that the Company is not able to manage or deal with a particular asset in the way and in the time that it would wish and this may adversely affect the Company's results of operations. These arrangements involve risks that are not present with projects which are wholly-owned including:

- the possibility that the Company's joint venture partners might at any time have economic or other business interests that are inconsistent with those of the Company;
- the possibility that the Company's joint venture partner may be in a position to take action contrary to the Company's instructions or requests, or contrary to the Company's policies or objectives, or frustrate the execution of acts which the Company believes to be in the best interests of any particular project;
- the possibility that the Company's joint venture partner may have different objectives from the Company, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers;
- the possibility that the Company's joint venture partner might become bankrupt or insolvent; and
- the possibility that the Company may be required to provide finance to make up for any shortfall due to the Company's joint venture partner failing to provide such equity finance or to furnish any required collateral to the financing banks.

Disputes or disagreements with any of the Company's joint venture partners may result in significant delays and increased costs associated with the development of the Company's properties. Even when the Company has, or will have, a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the joint venture partner's or other third party's approval. If the Company is unable to reach or maintain agreements with its joint venture partners or other third parties on the matters relating to the operation of its business, its financial condition and the results of its operations may be materially adversely affected.

Fluctuations in the Company's financial results from period to period may prevent steady earnings growth, or affect the Company's ability to raise capital and plan the Company's budget or business activities.

The Company is likely to experience significant variations in revenues and profits from period to period. These variations can generally be attributed to the fact that, at times, the Company's revenues and profits are earned upon the completion of its various projects. The Company's earnings can be adversely affected if any particular project is not completed, either on time or at all. As a result, it may be difficult for the Company to report steady earnings growth, raise capital and plan the Company's budget and business activities on a period-to-period basis, which could materially adversely affect the Company's business, financial condition and results of operations and the price of the Company's Ordinary Shares.

The Company's business strategy contemplates further geographical expansion of the Company's business, and the Company's future growth and prospects depend on the successful execution of this strategy.

The Company's strategy contemplates the selective geographical expansion of the Company's business across major secondary cities in Russia. These cities, which are located, in many instances, a great distance from the

Company's current central operations in Moscow may present new operating challenges for the Company. In such secondary cities, the Company may have less control over its local activities. In addition, the Company may have less experience and less market knowledge in these secondary cities compared to Moscow and St. Petersburg, and therefore may not be as successful in the identification and development of future projects as it has been to date in Moscow and St. Petersburg. Furthermore, the Company may face more uncertainties with respect to the operational and financial needs of these projects. These factors may materially adversely affect the profitability of the Company's current and future operations in these cities.

The Company competes with real estate companies and developers for properties, development projects, tenants, contractors and purchasers.

The Company competes with a number of real estate companies and developers for properties, development projects, tenants, contractors and purchasers. Such competition may affect the Company's ability to sell or acquire real properties, attract and retain tenants and increase the rents it is able to charge. The Company's projects upon completion will compete with an increasing supply of similar properties in prime locations in order to attract purchasers, or attract and retain tenants. Furthermore, the Company's competitors may have greater financial resources and a more experienced management team than those of the Company.

Competition in the property market may lead either to an over-supply of commercial and/or residential premises through over-development or to an increase in prices for existing properties or land for development through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, to acquire properties or develop land at satisfactory prices or to procure purchasers for the Company's developed properties.

The Company is constantly reviewing a number of potential development projects, but there is no expectation it will be able to compete for or will successfully complete all such opportunities it identifies. No assurance can be given that the Company will be able to compete successfully in the future and, as a result, the Company's business, financial condition and results of operations may be materially adversely affected.

The Company is exposed to foreign exchange risk on VAT.

The Company's principal operating currency is US Dollars. Input VAT incurred by the Russian Subsidiaries in the course of their business will be offset or refunded against any output VAT. Where VAT output is less than VAT input, Russian VAT legislation provides that excess input VAT can be either offset in the later periods or claimed for refund from the budget. It should be noted that physical refund of such input VAT is difficult to achieve in practice. Such VAT refunds or offsets will be in Roubles. As such, until such time as the refund or offset is obtained, the Company's performance will be subject to the effect of exchange rate fluctuations in the Rouble (as against the US Dollar), to the extent these exposures are unhedged.

The availability, structure and specific provisions of any of the Company's financing arrangements could give rise to additional risks.

The Company's activities have primarily been financed by the Founder Shareholders. The Company intends that, going forward, it will seek to finance certain of its development projects with financing from third party banks or other lenders. The Company anticipates sourcing the majority of such bank debt from within Russia. If however, the Russian borrowing market does not develop as anticipated, the Company may encounter difficulties in sourcing its debt providers. There is no guarantee however, that such financing will be available to the Company and, to the extent that it is, that such financing will be offered on favourable terms.

The Company anticipates average future debt gearing of up to approximately 66 per cent. of the gross value of the Company's assets. It is not certain that borrowing facilities will be able to be secured at levels or on terms acceptable to the Company, or on a non-recourse basis.

Increases in interest rates may increase the cost of the Company's borrowings, impacting on its profitability and having an adverse effect on the Company's ability to pay dividends to Shareholders. While the Company may seek to manage this risk through the use of hedging instruments, the Company does not currently hedge and may continue to bear a level of interest rate risk that could otherwise be hedged.

The use of borrowings also presents the risk that the Company may be unable to service interest payments and principal repayments or comply with other requirements of its loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost. The Company may be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or that the terms of

such refinancing may be less favourable than the existing terms of borrowing. For example, a decline in the real estate market or tenant default may result in a breach of any loan to value and/or debt service cover ratios specified in the Company's banking arrangements, thereby causing an event of default with the result that the lenders could enforce their security and take possession of the underlying assets. Adverse changes to the market values of the real estate portfolio of the Company could cause the amount of refinancing proceeds to be insufficient to fully repay its existing debt upon maturity and the Company may be unable to fund payment of such shortfall. In addition, the Company may undertake certain covenants with respect to the timely commencement of its development projects, as well as certain obligations of preferred distributions to its partners in such projects. These undertakings are likely to increase the adverse effect on the Company's financial results of any delays or diminished sales or profitability in such projects.

Under certain loan agreements, existing and/or future assets of the Company may be mortgaged in favour of the lender. For example, pursuant to the Company's loan agreement with Gazprombank in relation to the project in Yaroslavl, the loan is secured by a mortgage in favour of the lender. The inability of the Company to repay the debt to the lender may lead to subsequent transfer of the mortgaged assets to the lender. This may result in a material loss to the Company and may materially adversely affect the Company's operations and the value of the Company's assets. Any amounts that are secured under a borrowing facility are likely to rank ahead of Shareholders' entitlements, and equity participations are always subordinated in accordance with the terms of the facility. Loan agreements may also provide that the relevant Subsidiary may not dispose (in any way, including mortgage) of its assets prior to the settlement of its indebtedness under the agreement, other than in the course of normal business activity. In such event, any disposals of the Company's assets may lead to the violation of such loan agreement and the obligation to settle the full loan amount immediately. This may have a materially adverse effect on the financial condition of the Company.

The Company may be required to re-finance its borrowings from time to time. A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Company's control) may make it difficult for the Company to obtain such new finance on attractive terms or even at all.

Because the Company is a holding company, its ability to pay dividends and other distributions depends upon the ability of its Subsidiaries to pay dividends and advance funds.

The Company is a holding company and most of its operations are conducted through its Subsidiaries and joint ventures. Consequently, it relies on dividends or advances from its Subsidiaries and joint ventures. The ability of the Company's Subsidiaries to pay dividends and of the Company to receive distributions from its investments in other entities, is subject to applicable local laws and other restrictions, including applicable tax laws and covenants in some of the Company's bank credit facilities. These laws and restrictions could limit the payment of dividends and other distributions to the Company or require deposits to be lodged and so restrict the Company's ability to fund other operations. In addition, the Company's right in any distribution of its Subsidiaries' or joint ventures' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the Subsidiaries' or joint ventures' creditors, including lenders and trade creditors.

Shareholders should note that payment of any future dividends will be at the discretion of the Board, subject to applicable laws. The payment of any initial dividend and the achievement of any future dividend increases in accordance with the Company's dividend policy will depend upon a number of factors, including the availability of sufficient distributable reserves. The generation of profits for distribution depends on the successful management of the Company's existing properties, the yields on existing and new properties, the Company's success in investing the net proceeds of the Placing in accordance with its objectives, interest costs, taxes and profits on development and sale of properties.

The Company's further growth is dependent on its senior personnel, and to a certain extent, on the Fishman Group.

The Company's further growth depends on the continued services of its directors and other senior management from time to time, as well as, to a certain extent, on the experience, contacts and relationships of the Fishman Group. Furthermore, most of the Company's current debt facilities are guaranteed by the Founder Shareholders. The current Directors and Senior Managers together possess property management, marketing and administrative skills and experience that are important to the operation of the Company's business.

There can be no assurance that the measures to attract and maintain suitable employees and executives will be successful. The ability of the Company to meet its operational requirements and the future growth and profitability of the Company may be adversely affected by a lack of senior management personnel.

If the Company lost, or suffered an extended interruption to, the services of a substantial number of its Directors or Senior Managers or its relationship with the Fishman Group suffers, or if it were unable to attract or develop a new generation of senior management, its financial performance and condition could be adversely affected.

The Company's personnel would be free to compete with the business of the Company if they were to leave its employment, which could have a negative impact on the Company's competitive position and/or its financial performance and condition.

In addition, certain of the Senior Managers provide their services through companies controlled by them, such as FIN which provides (or will provide) management services to Hydro, MAG, CreativeCom and RealService. Although some of these agreements restrict the ability of the Senior Managers to sell their shares in these companies, the Company does not enjoy some of the comfort which might be afforded to it if the Senior Managers were employed directly by the Company (for example, a requirement to devote all of their time and attention to the Company's business).

Current investigations surrounding transactions effected by Mr Eliezer Fishman and Darban may result in an adverse impact on the business of the Company.

In May 2006, Mr Eliezer Fishman and certain companies controlled by him incurred significant foreign exchange losses in respect of certain transactions relating to the Turkish Lira. The net losses incurred by Darban (the only Founder Shareholder to have incurred such losses), from the time these transactions commenced in October 2005 until when they were closed in May 2006, were approximately US$1.8 million. The Israeli Securities Authority (the "ISA") has initiated enquiries relating principally to the timing of disclosure of these losses and has questioned persons associated with Darban including Messrs Eliezer and Eyal Fishman, both of whom are directors of Darban and the Company. To date, no formal proceedings have been initiated by the ISA against Darban or Messrs Eliezer and Eyal Fishman. However, there can be no assurance that the ISA will not initiate proceedings (which could be of a criminal nature) against such parties. While Darban and Messrs Eliezer and Eyal Fishman do not believe there was any wrongdoing in connection with the disclosure of these transactions, there can be no assurance that proceedings will not be brought against these parties in the future or that such parties would be successful in their defence of any such proceedings. If such proceedings are initiated or if Messrs Eliezer and Eyal Fishman are not successful in defending any such proceedings, the reputation of the Company could be damaged and as a result, the Company's business prejudiced.

Actions of the Company, as well as those of the predecessors-in-title to some of the Properties, may be challenged on the basis of non-compliance with applicable legal requirements.

Certain members of the Company and certain predecessors-in-title to the Properties, took a variety of actions relating to share acquisitions and disposals, interested party transactions and other corporate matters which, if successfully challenged by third parties, within the relevant periods prescribed by the statutes of limitation, could result in the invalidation of such transactions or the imposition of liabilities. As applicable provisions of Russian law may be subject to several different interpretations, the Company may not be able to defend successfully any challenge brought against such transactions, and the invalidation of any such transactions or imposition of any such liability may, individually or in the aggregate, have a material adverse effect on the Company's business, financial condition and results of operations.

Due to the nature of certain of the contracts entered into by the Russian Subsidiaries, there is a risk that the indebtedness of such a company will exceed its called up share capital, in contravention of Russian law.

Under Russian law a company's indebtedness should not exceed its called up share capital. Due to the nature of the Company's business and inter-group loan arrangements, it is possible that the indebtedness of a Russian Subsidiary may exceed its called up share capital. If there ever arises a tax inspection and the tax authorities question the ratio of indebtedness to called up share capital, there is a possibility that the taxation authorities could apply to put the relevant Company company into liquidation. In such circumstances, however, the Company, as a shareholder, may be able to make further capital contributions to remedy the irregularity.

Takeover protection laws do not apply to the Company.

As the Company is incorporated in Cyprus, it is subject to Cypriot law and accordingly, the City Code will not apply to the Company. Cypriot law does not contain any provisions similar to those applicable in the United Kingdom which are designed to regulate the way in which takeovers are conducted. It is therefore possible that an offeror may gain control of the Company in circumstances where non-selling Shareholders do not receive, or are not given the opportunity to receive, the benefit of any control premium paid to selling Shareholder(s).

The preparation of the Company's consolidated financial statements requires it to make many estimates and judgements, changes of assumptions behind these estimates and judgements may cause a material and adverse change in its financial condition or results of operations.

The preparation of the Company's consolidated financial statements requires the Company to make many estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent liabilities. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to revenue recognition, investment valuations, intangible assets, bad debts and contingencies. The Company bases its estimates on historical experience, where possible, and on various other assumptions that it believes to be reasonable under the circumstances, which form the basis of its judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and judgements for a relatively new company, like the Company, are more difficult to make than those made for a more mature company.

Risks relating to property development

The Company is exposed to risks related to the impact of a downturn in the Russian real estate market.

The Company's business includes the acquisition of ownership or lease interests in land plots and buildings in Moscow, St. Petersburg and other parts of Russia such as Saratov and Yaroslavl. If the Company's activities become particularly concentrated in such areas, the Company may be exposed to changes in the local markets within those cities.

The performance of the Company will be adversely affected by a downturn in the property market in terms of capital valuations and rental yields achieved. In the event of a default by a tenant or during any other period during which a property is not let, the Company will suffer a rental shortfall and incur additional expenses if and until the property concerned is re-let. These expenses could include legal costs in re-letting, maintenance costs, insurance, local property taxes and marketing costs.

In addition, a downturn in general economic conditions in Russia may reduce demand for the Company's development projects which could lead the Company to making a loss on such projects or needing to find an alternative use for the development site. A downturn in Russian macroeconomic conditions could slow the entrance of international companies to the Russian market and slow growth of domestic companies, thereby reducing the growth in demand by such companies for office space. Such a downturn could also reduce the available income and thus slow demand for commercial and residential space. Such a decrease of demand in any segment may adversely affect the Company's business results.

Changing residential trends are likely to emerge within markets as they become more sophisticated and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of competing residential developments. These factors will be considered within the investment strategy implemented by the Company but may not always be able to be anticipated.

Income from, and the value of, real estate assets held by the Company may be adversely affected by a number of specific real estate factors.

Revenue earned from, and the value of, real estate assets held by the Company may be adversely affected by a number of factors, including:

- vacancies that lead to reduced occupancy rates which would reduce the Company's revenue and its ability to recover certain operating costs such as local taxes and service charges and would result in it incurring additional expenses until the property is re-let, including legal fees and marketing costs;
- the Company's ability to obtain adequate management, maintenance or insurance services on commercial terms or at all;
- borrowing costs;
- the Company's ability to collect rent and service charge payments from tenants and other contractual payments under real estate outsourcing contracts, on a timely basis or at all;
- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rental and other contractual payments, inability to collect such payments at all or the termination of a tenant's lease, all of which could hinder or delay the sale of a property;

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- a competitive rental market which may affect rental levels or occupancy levels at the Company's properties; and
- changes in laws and governmental regulations in relation to real estate, including those governing permitted and joint ventures, environmental and safety policies, taxes and government charges. Such changes may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to particular properties may also be restricted by legislative actions, such as revisions to existing laws or the enactment of new laws.

Because real estate investments are relatively illiquid, the Company may not be able to sell properties when required or considered appropriate.

Historically, the real estate market in Russia has been relatively illiquid compared to real estate markets in certain other industrialised countries, principally due to the relatively small number of real estate development companies and the limited information on prices paid in comparable real estate transactions. Furthermore, real estate investments generally cannot be sold quickly. The Company's properties are subject to tax laws and may become subject to financing covenants. In addition, in raising additional financing the Company may encumber new or existing properties which may further restrict their transferability. The Company has granted and may grant contractual rights of first offer which may affect the value of a particular property. These factors could adversely affect the Company's ability to generate cash through timely sales of its properties or to vary its portfolio promptly in response to economic or other conditions, which could negatively affect the Company's results of operations and create uncertainty as to the market value of the Company's properties and thereby increase the volatility of the price for the Ordinary Shares.

Should the Company be unable to sell its developed properties at satisfactory prices or within the anticipated timeframe, the Company's profitability will be adversely affected.

The Company is subject to planning and compliance risks.

The Company's properties must be permitted for commercial or residential activities of the type intended for development by the Company. In instances where the existing planning is not suitable or in which the planning is yet to be determined, the Company will need to apply for the required classifications. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient. The Company cannot be certain that the process of obtaining proper planning will be completed with sufficient speed and cost to enable the property to be developed ahead of the competition without delays, or at all. Opposition by local residents to planning applications may also cause considerable delays. In addition, arbitrary changes to applicable planning may jeopardise projects which have already commenced. Therefore, if the Company does not receive planning approvals or if the procedures for the receipt of such planning approvals are delayed, the Company's costs will increase which may have an adverse effect on the Company's business.

City of Moscow (or other authorities) reconstruction or other plans may envisage the demolition or reconstruction of buildings. It may be difficult to ascertain whether an investment proposed by the Company is, or may be in the future, subject to and hence affected by such plans.

Buildings constructed in Russia often fail to comply with various matters of public or administrative law. As examples, they may not comply with the detailed requirements of the permits authorising their construction or with local authority planning requirements. It can be difficult or, in some cases, impossible, to verify such compliance due to various factors, including the inability to obtain information from all relevant authorities. Violation of these regulations may subject the Company to additional costs and may affect its expansion from time to time.

The Company is subject to general construction and development risks.

The Company's construction and development activities may involve the following risks:

- inability to proceed with the development of properties as a result of failing to obtain financing upon favourable terms;
- additional construction costs for a development project being incurred in excess of original estimates, due to increased material, labour or other costs, which may make completion of the project uneconomical;

- inability to obtain, or delays in obtaining, required planning, land-use, building, occupancy, and other governmental permits and authorisations, which could result in increased costs and could require the Company to abandon a project entirely. There is also a risk that planning or permitted use consents are not obtained or are delayed, or are granted subject to uneconomic or unfavourable conditions. Laws may be introduced that may be retrospective and affect existing building consents which restrict development in the Company's target geographies. This could have an adverse effect on the Company's business;
- acts of nature, such as earthquakes and floods, that may damage or delay construction of properties;
- inability to complete the construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs which may result in the termination of existing investment agreements and further result in claims by third parties for damages and termination of respective land leases; and
- building methods or materials used in the Company's developments may prove defective and where a construction company or subcontractor used on a development becomes insolvent it may prove impossible to recover compensation for such defective work or materials. In addition, the Company may incur losses as a result of repairing the defective work or paying damages to persons who have suffered loss as a result of such defective work. Furthermore, these losses and costs may not be covered by the professional liability insurance of the Company, the construction company or the subcontractor.

Any negative change in one or more of the above factors may adversely affect the Company's business, financial condition and results of operations.

The Company depends on contractors and subcontractors to construct its projects.

The Company relies on subcontractors for all of its construction and development activities. If the Company cannot enter into subcontracting arrangements on acceptable terms (or at all) it will incur additional costs which may have an adverse effect on its business. The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Company to a loss of competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Company becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would also have a detrimental effect on the Company and its subcontractors and, as a result, on the Company's ability to conclude the construction phase on time and within budget.

The Company may be affected by shortages in raw materials and employees.

The building industry may from time to time experience fluctuating prices and shortages in the supply of raw materials as well as shortages of labour and other materials. The inability to obtain sufficient amounts of raw materials and to retain efficient employees on terms acceptable to the Company may result in delay in the construction of a project and costs exceeding the project's budget and, consequently, may have a material adverse effect on the results of the Company's operations.

In Russia, authorities may require developers to contribute to the local infrastructure.

Russian authorities may require developers of real estate to make a contribution towards the local infrastructure. Such demands are arbitrary and, unless accurately budgeted for, may have a material adverse effect on the results of the Company's operations.

Tender for contracts with local authorities are sometimes subject to requirements that either a portion of an interest in the completed project or other compensation be allocated to the local authority.

In tenders for contracts with local authorities, including that of Moscow, it is common that such contracts require that an interest in the completed development projects be allocated to the relevant city or, alternatively, similar space in a different location or monetary payment be provided by the developer to the city. The interest in the project to be allocated, or amount to be paid, is typically agreed in an investment contract. Sometimes there is an uncertainty as to whether, and to what extent, such a requirement will be made. Any difference between the amount provided for in such investment contract and the actual interest or amount could have an adverse impact on the Company's results of operations.

Changes in laws could adversely affect the Company's properties.

Various laws and regulations, including fire and safety requirements, environmental regulations, land use restrictions and taxes affect properties held by the Company. If the Company's properties do not comply with these requirements, the Company may incur governmental fines or private damage awards. New or amended laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose restrictions on the development, construction or sale of properties. Such laws, rules, regulations or ordinances may also adversely affect the Company's ability to operate or resell properties.

The Company may suffer uninsured losses.

The Company's real estate assets could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company would also remain liable for any debt or other financial obligation related to that property. In addition, the Company's insurance policies may not insure for the current aggregate market value of the Company's portfolio, particularly as the market value of the portfolio increases. As a result, the Company may not have sufficient coverage against all losses that the Company may experience. No assurance can be given that material losses in excess of insurance coverage limits will not occur in the future.

The Company is dependent on its ability to maintain satisfactory rental levels.

Rental levels and the market value for properties are generally affected by overall economic conditions in Russia and in the cities in which the Company operates (e.g. growth and absolute levels of gross domestic product, declining demand for certain types of properties, competition, employment trends, inflation and changes in interest rates). These factors may result in a general decline in rents or an increase in defaults under existing leases. Rent reviews, to the extent they are present, may not be agreed at the then estimated rental values.

The Company is dependent on its ability to attract third parties to enter into new leases on favourable rental terms. The Company may find it more difficult to attract third parties to enter into leases during periods when market rents are increasing, or when general consumer activity is decreasing. Upon their expiration, leases may not be renewed by existing tenants, the space may not be re-leased to new tenants promptly or at all or the terms of renewal or re-leasing (including the cost of required renovations or concessions to tenants) may be less favourable to the Company than previous lease conditions.

Environmental liabilities and compliance costs may have a significant negative effect on the Company's results of operations.

The environmental laws of the Russian Federation impose actual and potential obligations on members of the Company to conduct remedial action on contaminated sites. Such laws often impose liability without regard to whether the owner knew of, or was responsible for the presence of these substances. These obligations may relate to sites:

- that a member of the Company currently owns or operates; or
- where waste from a member of the Company's operations was disposed.

The owner's liability as to any property is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Company's properties, or the failure to remedy property contamination from such substances, could adversely affect the Company's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Company's return on investment. In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict development or redevelopment of such property and this could have an adverse effect on the returns generated from such property.

The Company's accruals for these obligations may be insufficient if the assumptions underlying these accruals prove incorrect or if a member of the Company is held responsible for additional, currently undiscovered contamination.

Furthermore, a member of the Company may become involved in claims and lawsuits relating to environmental matters. An adverse outcome in any of these might have a significant negative impact on the Company's operations. Stricter environmental, safety and health laws and enforcement policies could result in substantial costs and liabilities and could subject the real estate properties that the Company owns or operates (or those formerly owned or operated by any member of the Company) to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures as well as other costs and liabilities, thereby materially and adversely affecting the Company's business, prospects, financial condition and results of operations.

Industrial accidents or environmental hazards in the Russian Federation could negatively affect the Company.

According to publicly available information, approximately 15 per cent. of Russian territories are in ecological distress. This situation negatively affects the health of the population in the Russian Federation. In addition, there are a number of nuclear and other dangerous installations on Russian territory, where safety systems to contain ecological risks may not be sufficiently effective. The occurrence of accidents in these installations, as well as the general unfavourable ecological situation in the Russian Federation, may have a material and adverse effect on the Company's activities.

Risks relating to investment in Russia

The Company is a Cypriot company whose Subsidiaries are all Russian companies, and substantially all of the Company's fixed assets are located in, and all of its revenues are derived from, Russia. There are certain risks associated with an investment in Russia.

It is often difficult for real estate developments to comply fully with all governmental and administrative regulations in Russia.

In order to use and develop land in Russia, approvals and consents of various federal, regional and local governmental authorities, such as the various environmental, sanitation and epidemiological control authorities, are required. The approval and consent requirements vary from locality to locality; they are numerous, sometimes contradictory, subject to change without public notice and are occasionally applied retroactively. The enforcement of such requirements is inconsistent and is often arbitrary and selective. Failure to obtain the required approvals and consents may lead to severe consequences to the landowners and real estate developers. Even though the Company believes it is able to deal with the complexities of Russian land legislation, it is even with utmost diligence often difficult to assure full compliance of real estate properties and developments with all governmental and administrative regulations in Russia. If any of the Company's existing or prospective real estate properties is found not to be in compliance with all applicable regulations, it may have a material and adverse effect on such property and on the Company's overall business, prospects, financial condition and results of operations.

Any changes to the laws and regulations relating to the Russian property market may have an adverse effect on the capital value and/or the rental income of the Company's Portfolio. The properties in the Portfolio are subject to various laws and regulatory requirements, including permitting and licensing requirements and restrictions. There can be no assurance that existing regulatory policies will not adversely affect the Company or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs.

Any deterioration of the Company's relationships with governmental authorities may have a negative effect on its business.

Historically, all title to land in the Russian Federation was in the hands of the state. In most regions, including the City of Moscow and the surrounding areas, local governments still retain significant influence over deciding when and how to privatise or to lease land. Particularly in the City of Moscow, the city government is reluctant to transfer title to land and prefers to offer long term leases for real estate developments, thereby maintaining a key long term role in the real estate market. In practice, Russian governmental authorities have a high degree of discretion when privatising land and approving real estate projects. The Company's business therefore depends on maintaining positive working relationships with the relevant governmental authorities. The Company believes that it currently has constructive working relationships with governmental authorities directly relevant to its business. However, the Company's business would be adversely and materially affected if its relationships with the governmental authorities deteriorate in the future.

Political and governmental instability could adversely affect the value of investments in Russia.

Investors in companies operating in emerging markets such as Russia should be aware that the Russian market is subject to greater risks than more developed markets, including legal and political risks. In addition, adverse political developments in neighbouring countries could have a significant negative impact on, among other things, Russia's gross domestic product, foreign trade or the economy in general.

The Company's performance could be significantly affected by events beyond its control in Russia, such as changes in regulatory requirements and applicable laws (including in relation to taxation), the condition of the financial market in Russia and interest and inflation rate fluctuations. Such events could reduce the Company's income from its investments and/or capital value of its properties, and, consequently, could have an adverse impact on the Company's ability to pay dividends and the Company's net asset value.

With any investment in a foreign country there exists the risk of adverse political or regulatory developments including, but not limited to, nationalisation, taking without fair compensation, terrorism, war or currency restrictions. Currency restrictions may be imposed to prevent capital flight and may make it difficult or impossible to exchange or repatriate foreign currency.

The Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatisations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. The course of political and other reforms has in some respects been uneven, and the composition of the Russian government has at times been unstable.

Possible future changes in the government, major policy shifts or a lack of consensus between the President, the government, Russia's parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the value of investments in Russia.

Economic instability in Russia could adversely affect the Company's profitability.

The Company's financial performance and the success of an investment in the Company will depend, in part, on the economic situation of Russia. There can be no guarantee that the residential and commercial property markets in Russia will continue to develop as quickly as they have done recently or at all.

The Russian economy has been subject to abrupt downturns. Since the dissolution of the Soviet Union, the Russian economy has experienced, at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to enterprises in Russia;
- high levels of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and gray market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organised crime into the economy; and
- significant increases in unemployment and underemployment.

Russia experienced a significant economic crisis in the late 1990s. The Russian office and retail real estate market struggled in the late 1990s primarily as a result of the Russian financial crisis. Since 2001, however, the demand for office and retail real estate, and in particular office space, has increased. There is nevertheless no assurance that such stabilisation or recovery will continue in the future. In the event of a recession or economic downturn that affects the profitability of business and employment levels in Russia, the demand for properties, and particularly office space for office and retail enterprises in the service sector, retail space in upscale shopping districts and deluxe residential properties, will be directly and adversely affected. In such circumstances the value of the Company's properties may decrease and the number of tenant vacancies may increase. This could

adversely affect the value and marketability of the Company's properties, cause the Company to lower its rental rates and/or force the Company to offer economic incentives. Consequently, a recession or an economic downturn could materially and adversely affect the Company's financial condition, results of operations and the value of the Company's properties. Inflation may lead to increased operating costs that are not fully recoverable through increased rents.

In August 1998, the Russian government defaulted on its Rouble denominated fixed income securities, the Central Bank of Russia stopped its support of the Rouble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the Rouble and a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities, and an inability of Russian issuers to raise funds in the international capital markets. The near collapse of the Russian banking sector, which resulted in the loss of bank deposits in some cases, impaired its ability to act as a reliable and consistent source of liquidity to Russian companies, aggravating these problems.

In addition, fluctuations in the global economy may adversely affect the Russian Federation's economy, limiting the Company's access to capital and adversely affecting the health of the real estate market, and the tenants' economic position and thus the Company's business.

The Russian Federation's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the Russian Federation and adversely affect the Russian economy. These developments could severely limit the Company's access to capital and could adversely affect the health of the real estate market, and the Company's tenants' economic position and thus the Company's business.

Upcoming elections may lead to political instability.

In late 2007, the Russian Federation is due to hold elections in the lower house of the legislature, the State Duma. In 2008, a new President will be elected. Political changes as a result of these elections could lead to political instability in the Russian Federation and may have an adverse impact on the Company. Any deterioration of the Company's existing relationships with governmental authorities may have a negative effect on the Company's performance.

Unlawful, selective or arbitrary government action may have a material and adverse effect on the Company's business and the value of an investment in the Ordinary Shares.

Government authorities have a high degree of discretion in the Russian Federation and, at times, some subordinate officials may exercise their discretion arbitrarily without being duly controlled by other authorities, without hearing or prior notice, without public scrutiny and sometimes in a manner that may not be in full accordance with the law or that may be influenced by political or commercial considerations. The government has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Examples of arbitrary government actions which negatively impact the commercial sector include withdrawals of licences, imposition of moratoria on convertibility or repatriation of hard currency, sudden tax audits (including tax audits involving raids by armed police), criminal prosecutions, civil actions and interference into affairs of private persons and organisations. According to Russian and international press reports, federal and local government entities have, in some cases, used legal loopholes and procedural ambiguities to invalidate share issuances and registrations or to void transactions, merely for political purposes. Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups. In this environment, the Company's competitors may receive preferential treatment from the government, potentially giving them a competitive advantage over the Company. In addition, government actions of this kind could, if directed at the Company or Russian companies in which the Company has an interest, have a material and adverse effect on the Company's business and on the price of the Ordinary Shares.

Steps have recently been taken to reduce the scope for the exercise of this discretion. A law that reduced the statute of limitations for challenging transactions entered into in the course of privatisation from ten years to three years entered into force in July 2005. President Putin announced in March 2005 that the government was considering plans to reform the system of tax collection and administration, and in his Annual Address to the Federal Assembly on 25 April 2005, President Putin stated that tax authorities should not "terrorise" taxpayers by repeatedly considering the same problems. Partly in response to this statement, in July of 2006 the changes to the Russian Tax Code were adopted, intended to facilitate the procedure for tax inspections and to make the activities of tax authorities more transparent.

Conflicts among federal, regional and local authorities and other political conflicts could create an uncertain operating environment.

The delineation of authority among the Russian Federation's many localities, regions, internal republics and the federal government as well as among the branches of government is often unclear. The Russian political system is vulnerable to tensions and conflicts among federal, regional and local authorities over various matters including land ownership, tax revenues, authority for regulatory matters and regional autonomy. Similar tensions and conflicts may also exist among various regulatory authorities within the federal or within a particular regional or local government. The Company's properties and operations may be materially and adversely affected by such conflicts.

Additionally, the Russian Federation has experienced tensions, occasionally resulting in armed violence, among various ethnically, religiously, culturally and politically diverse groups as well as terrorist activities throughout Russia, including Moscow. The spread of violence, or measures taken to counter violence, such as declaration of a state of emergency, could hinder the Company's operations and the expansion of its business.

Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and for business activity.

The Russian legal framework required by a market economy is still under development. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Federal Constitution, the Civil Code of the Russian Federation (the "Civil Code"), by other federal laws and by decrees, orders and regulations issued by the President, the government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. Several fundamental Russian laws have only recently become effective. The recent nature of much of Russian law and the rapid evolution of the Russian legal system places the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies. In addition, Russian law may be considered to leave gaps in the regulatory infrastructure.

Among the risks of the current Russian legal system are:

- inconsistencies among federal laws, decrees, orders and regulations issued by the President, the government, federal ministries and regulatory authorities and regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpretations of Russian law;
- gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative inexperience of certain judges in interpreting new principles of Russian law, particularly business and corporate law;
- the possibility that certain judges may be susceptible to economic, political or nationalistic influences;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are still being developed.

The above risks could affect the ability of the Company and/or investors to obtain effective redress in the Russian courts.

Foreign investment restrictions are unpredictable.

The laws and regulations affecting foreign investment in Russian enterprises continue to evolve in an unpredictable manner. Laws and regulations, particularly involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to the Company's activities can change quickly and unpredictably (sometimes with retroactive effect) in a manner far more volatile than in developed market economies. Although basic commercial laws are in place, they are often unclear or contradictory and subject to varying interpretations and may at any time be amended, modified, repealed or replaced in a manner materially adverse to the interests of the Company.

Shareholder liability under Russian legislation could cause the Company to become liable for the obligations of the Company's subsidiaries.

The Civil Code and the Joint Stock Companies Law generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. This may not be the case, however, when one company is capable of determining decisions made by another company. The company capable of determining such decisions is deemed an "effective parent". The company whose decisions are capable of being so determined is deemed an "effective subsidiary". Under the

Joint Stock Companies Law, an effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in contract between the companies; and
- the effective parent gives obligatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. This is the case no matter how the effective parent's ability to determine decisions of the effective subsidiary arises. For example, this ability could arise through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, the Company could be liable in some cases for the debts of the Company's Subsidiaries. This liability could have a material adverse effect on the Company's business, financial condition and result of operations.

Property laws relating to servitude and easements are new to Russian law and therefore could expose the Company to uncertainties.

In Russia, the concept of an easement or servitude, such as right of way or access is in its infancy. Accordingly, the rights relating to a property over another's land (e.g. for drainage, access, rights of light, cabling, structural support, etc.) are generally concepts that have not been clearly defined in legal terms. The Company may be uncertain as to its rights over adjoining land, and similarly, neighbours to the Company's property may have ill-defined rights over the Company's property. State encumbrances may not be registered and as a consequence, revealed when performing searches prior to the acquisition of real estate. Any such encumbrances may only be discovered on making the relevant planning applications following acquisition or once construction has commenced. The existence of unwanted encumbrances of this nature may impact the intended use of the project and may, as a result have a negative impact on the Company's result of operations.

Russian legislation may not adequately protect against expropriation and re-nationalisation.

Russia has, since the early 1990's, undertaken a substantial programme of privatisation. However an anti-privatisation lobby still exists within the Russian parliament. Re-nationalisation of assets cannot be ruled out. Any such activity could materially and adversely affect the value of the Company's assets.

Land may be subject to compulsory purchase by the state for its own needs or as a sanction for the inappropriate use of that land.

The Law on Investment Activity in the Russian Federation provides that in the event property (including, by implication, real estate) is nationalised or requisitioned by the state, the owner is entitled to full reimbursement for all incurred losses, including loss of profit. It is not clear from the law how such losses will be calculated nor whether there is any way to seek to challenge (and so to prevent) confiscation of real estate.

During Russia's transformation from a centralised economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to political or legal changes, these protections could not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of companies in which the Company has an interest, their assets or portions thereof, potentially with little or no compensation, would have a material and adverse effect on the Company.

Russian courts may force a Russian legal entity into liquidation on the basis of formal non-compliance with certain requirements of Russian law.

Certain provisions of Russian law may allow a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation of such entity or during its operation. Although, like many other Russian companies, Russian companies in which the Company has an interest (or their subsidiaries) may have failed from time to time to fully comply with all applicable legal requirements, however, so far as the Company is aware, none of any such possible violations are significant, has caused any damage to any third party or has had other negative consequences. Accordingly, the Company believes that no Russian company in which it has a direct or indirect ownership interest is likely to be liquidated on such grounds. However, weaknesses in the Russian legal system create an uncertain legal environment, which make the

decisions of a Russian court or a governmental authority difficult, if not impossible, to predict and which may have a material and adverse effect on the Company's operations.

Social instability could lead to increased support for renewed centralised authority and a rise in nationalism or violence could restrict the Company's ability to conduct its business effectively.

The failure of the government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. The elimination of many subsidised services for pensioners in January 2005 led to large-scale nationwide protests, which caused the government to re-evaluate the scope and pace of its programme to reform distorted economic policies. Civil unrest may have other significant political, social and economic consequences, such as increased violence and support for renewed centralisation of authority, re-nationalisation or expropriation of property, or restrictions on foreign involvement in the economy of the Russian Federation. Any of these factors could restrict the Company's business and materially and adversely affect its business, prospects, financial condition, results of operations and the price of the Ordinary Shares.

Recent international terrorist activity has had a significant effect on international finance and commodity prices. Any future acts of terrorism of sizable magnitude could have an adverse effect on the international financial and commodities markets and the Russian economy.

Crime and corruption could create a difficult business climate in Russia which could have an adverse effect on the Company.

Organised criminal activity and corruption reportedly have increased since the dissolution of the Soviet Union. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. The Russian government has pursued a campaign against corruption, the results of which are currently uncertain.

The Russian Federation's physical infrastructure is in poor condition, which could disrupt normal business activity.

The Russian Federation's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained since the dissolution of the Soviet Union. Particularly affected are the rail and road networks, electric power generation, transmission and distribution, district heating systems and water utilities, communication systems and building stock. Electricity and heating shortages in some of the Russian Federation's regions have seriously disrupted the local economies. Other parts of the country face similar problems, or may be expected to face them in the near future.

The federal government is actively pursuing the reorganisation of the nation's rail, electricity and telephone systems. Any such reorganisation may result in increased charges and tariffs but may not generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of the Russian Federation's physical infrastructure harms the national economy, disrupts access to communications, adds costs to doing business in the Russian Federation and can interrupt business operations. This could have a material and adverse effect on the Company's business, prospects, financial condition and results of operations.

Risks relating to taxation

The Company is exposed to general risks relating to taxation.

Changes in the Company's tax status or in taxation legislation in Cyprus, Russia or any other country in which the Company has assets or operations could affect the value of the assets held by the Company or affect the Company's ability to achieve its investment objective or provide favourable returns to Shareholders. Any such change could also adversely affect the net amount of any dividends payable to Shareholders.

In order to maintain its non-United Kingdom, non-Israeli and non-Russian tax residence status, the Company is required to be controlled and managed outside of such countries. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board and management makes decisions will be important in determining and maintaining the current Cypriot tax residence of the Company.

While the Company is organised in Cyprus and a majority of the Directors are resident outside the United Kingdom, Israel and Russia, continued attention must be paid to ensure that decisions by the Company are not made in such countries, to avoid a risk that the Company may lose its non-United Kingdom, non-Israeli, non-

Russian tax resident status. Management errors could potentially lead to the Company being considered a United Kingdom, Israeli and/or Russian tax resident which would negatively affect its financial and operating results and returns to Shareholders.

In addition, if the Company were treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests or in which its interests are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

In order for the Company to maintain its tax efficient status, continued attention must be paid to ensure that all relevant conditions are satisfied in all the jurisdictions in which the Company operates to avail itself of the benefit of, for example, double tax treaties, EC Directives and local country requirements.

Most of the Company's real estate is likely to be held through property holding companies. It is the intention of the Company, wherever possible, to dispose of the property holding companies rather than the real estate itself. If the Company were to dispose of the direct real estate interests held by those companies, rather than the companies themselves, the tax basis cost for the calculation of the capital gains generated on disposal of the real estate may well be lower than the price paid by the Company for the property holding company, therefore increasing the capital gains tax liability for the Company on disposal. There may be situations where, in order to dispose of a property, the Company is required to sell the underlying real estate rather than the holding company, thereby increasing its capital gains tax exposure.

The Company may be treated as a PFIC in the US.

Based on the Company's income, assets and activities, the Company does not expect to be a passive foreign investment company (''PFIC'') for United States federal income tax purposes for the taxable year ended 31 December 2006 and does not expect to become a PFIC for the taxable year ending 31 December 2007. However, because the determination of whether the Ordinary Shares constitute shares of a PFIC is determined annually based upon the composition of the Company's income and assets, including the income and assets of certain entities in which the Company holds at least a 25 per cent. interest, the Company cannot determine whether it will become a PFIC in the future. While the Company intends to manage its business so as to avoid PFIC status, to the extent consistent with its other business goals, the Company cannot predict whether its business plans will allow it to avoid PFIC status or whether its business plans will change in a manner that affects its PFIC determination. In addition, because the market price of the Ordinary Shares is likely to fluctuate after the Placing and because that market price may affect the determination of whether the Company will be considered a PFIC, the Company cannot assure prospective investors that it will not be considered a PFIC for any taxable year. If the Company were treated as a PFIC, investors that are US persons, as defined in the US Internal Revenue Code, could be subject to adverse US federal income tax consequences on a disposition or constructive disposition of the Ordinary Shares and on the receipt of certain distributions. Investors who are US persons should consult their own advisers concerning the US federal income tax consequences that would apply if the Company is a PFIC and certain US federal income tax elections that may help to minimise adverse US federal income tax consequences. If the Company in the future determines that it is a PFIC, the Company will provide to US holders of Ordinary Shares the information that would be necessary in order for such persons to make certain of these elections with respect to their Ordinary Shares. See paragraph 6 of Part X — ''Additional information''.

Changes in certain fiscal regimes could adversely impact the Company's business.

The Company's profitability is impacted by the levels of direct and indirect taxation levied on its profits in the locations in which it operates. Increases in these direct or indirect taxes could adversely affect the returns that can be achieved by the Company and may result in a decline in revenues and profits.

In addition, the interpretation of guidelines, rules and legislation by governmental or regulatory taxation bodies in the countries in which the Company operates may change from time to time. The Company's conduct of operations may not be held to be consistent with such changes in interpretation, which could require the Company to change aspects of its operations which may, correspondingly, lead to a decline in its revenues and/or profits.

The unpredictable federal, regional and local levels of tax systems in the Russian Federation give rise to significant uncertainties and risks that complicate the Company's tax planning and business decisions and could materially and adversely affect an investment in the Ordinary Shares.

Generally, taxes payable by Russian companies are substantial. These taxes include, among others:

- income taxes (in particular, corporate profit tax);
- value-added tax;
- excise taxes;
- property taxes;
- unified social tax and personal income tax.

The taxation system in Russia is still in the stage of development and is subject to changes and inconsistent enforcement at the federal, regional and local levels. The law and legal practice in Russia are not as clearly established as those of western nations. Therefore, there is a possibility that tax legislation may be changed with retrospective effect, although according to applicable Russian tax legislation, such changes are prohibited from being enforced if they are detrimental to a taxpayer's position. In addition, it is often difficult to predict in advance how the Russian tax authorities will apply tax legislation in practice. Extensive Russian court practice in respect of these questions may not exist.

Russian tax law and procedures are not well developed, local tax authorities have considerable autonomy in tax law interpretation and often interpret tax rules inconsistently. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets. For example, from 1 January 2006, a number of amendments were introduced to the Profits Tax Chapter of the Tax Code of the Russian Federation with respect to securities and other financial instruments. There is insufficient practical experience and application of tax law provisions will, in practice, rest substantially with local tax authorities.

Russian tax authorities and courts have been placing increased emphasis on the substance of various holding, financial and management structures and transactions in assessing the application of tax as well as other legislative concepts which may have been interpreted differently by those same authorities in the past. In this respect, the Constitutional Court of Russia recently confirmed that the main criterion for recognising a particular transaction as invalid is its objective. Should the object of the transaction be known and evident to all parties as contradicting the fundamentals of legal order and ethics, it can lead the courts to consider and rule a transaction invalid. Tax avoidance may be considered as such an objective, hence rendering the transaction invalid. Potentially "all received" under such abusive transactions may be confiscated. It is not clear what "all received" would mean in this situation. On the other hand, there are no rules and little practice for distinguishing between lawful tax optimisation and tax avoidance.

In October 2006, the Plenum of the Supreme Arbitration Court issued a ruling concerning judicial practice with respect to tax benefits accrued by taxpayers. In this context a tax benefit means a reduction of the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, and the receipt of a right to a refund (offset) or reimbursement of tax from the budget. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes a tax benefit may be deemed to be unjustified. The same conclusion may apply when an operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified.

In practice, Russian tax authorities can be expected to interpret tax laws in a manner that rarely favours taxpayers. However, differing interpretations of tax regulations exist both among and within government ministries and organisations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with other legal compliance areas including, for example, customs and currency control matters, are subject to review and investigation by a number of authorities, which are empowered by law to impose severe fines, penalties and interest charges.

Generally, taxpayers are subject to tax audits covering a period of three calendar years immediately preceding the year in which the audit is conducted. This favourable provision of the Tax Code relates to the fact that the tax authorities are prohibited from carrying out repeat on-site tax audits in respect of the same taxes for a tax period which has already been audited (the exception is where such audit is carried out in connection with the re-

organization/liquidation of a taxpayer or by a higher tax authority for the purpose of checking the activities of the tax authorities). The tax audit may cover only the year of audit and three years of the activities preceding the year in which the audit is carried out. This limitation of the tax audit period is related to the statute of limitations on amenability for the commission of a tax offence, which is also limited by three years from the day on which it was committed or from the day following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence).

With respect to the on-site audit there are also certain reliefs related to the practical application of the legislative provisions. One of the facts which the taxpayers are concerned about, is the actual duration of the on-site tax audit. According to the Tax Code it is limited to three months, including time during which inspectors are present on the premises of the audited taxpayer. However the recent Decision of the Constitutional Court (the highest court of Russia) provided that ''the duration of the tax audit is the sum of the periods during which the tax auditors are present on the premises of the audited taxpayer'', and three months period does not include weekends but working days only. This decision in fact allows the tax authorities to significantly extend the period of the tax audit, which may be very disruptive for the tax payer's business.

One more fact to be aware of relates to the statute of limitation for the periods open for the review. As it was mentioned above according to the Tax Code the period under review is limited to the three-year period preceding the year of the tax audit. However, based on the current court practice one may conclude that there may be cases where the period of review is expanded for more than three years preceding the year of audit.

Another issue which may cause certain practical difficulties for taxpayers relates to the internal instructions of the tax authorities which do not allow them to issue a decision of the tax audit without accrual of additional tax liabilities. Otherwise, the officers performing the tax audit may be accused of acting in a non-objective manner and even of corruption. This approach sometimes leads to unjustified claims of the tax authorities.

Numerous tax risks still exist in Russia that are more significant than typically found in countries with more developed tax systems, potentially imposing additional burdens and costs on the Company's operations, including management resources. There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. In addition to the regular tax burden upon the Company, these risks and uncertainties complicate the Company's tax planning and related business decisions, potentially exposing the Company to significant fines and penalties and enforcement measures despite the Company's efforts at compliance. The Company's business and results of operations and the value of the Ordinary Shares could be materially adversely affected as a result.

Russian transfer pricing legislation may require pricing adjustments and impose additional tax liabilities in respect of all controlled transactions.

Russian transfer pricing rules give Russian tax authorities the right to make transfer pricing adjustments and impose additional tax liabilities in respect of all ''controlled'' transactions, provided that the transaction price differs from the market price by more than 20 per cent. ''Controlled'' transactions include transactions with related parties, barter transactions, foreign trade transactions and any transactions with significant price fluctuations (i.e., if the price of such transactions differs from the prices on similar transactions by more than 20 per cent. within a short period of time). Transfer pricing adjustments are also applicable to the trading of securities or derivatives. While the Tax Code has no direct provisions on the application of transfer pricing rules to interest on loans, there has been at least one case in the recent Russian court practice in which the tax authorities succeeded in such application.

The Russian transfer pricing rules are vaguely drafted, generally leaving wide scope for interpretation by Russian tax authorities and courts. Moreover, in the event that a transfer pricing adjustment is assessed by Russian tax authorities, the Russian transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction that is subject to adjustment.

Furthermore, a draft law is under discussion in the Russian government that would tighten Russian transfer pricing rules. At this point it cannot be predicted when the aforementioned amendments will be enacted, if at all, and what the provisions or effect on the Company may be.

In preparation for Admission, the previous owners (entities under common control with the Company) of certain properties that are, or will be, transferred into the Company undertook to reorganise the holdings of such properties by transferring the ownership to newly established entities that were acquired by the Company. The Company sought to conduct such transactions based on prices at which the Company believed similar sales could be made to unrelated parties, i.e. the market price. It is not always possible, however, to determine a relevant market price, and the Russian tax authorities may take a view as to what constitutes an appropriate market price

that differs from the view taken by the Company. As a result, Russian tax authorities may challenge the Company's prices in such transactions and propose adjustments. If any such price adjustments are upheld by the Russian courts and implemented, the Company could face losses associated with the assessed amount of prior tax underpaid and related interest and penalties, which could have an adverse effect on the Company's financial condition and results of operations.

The Russian authorities are increasingly taking enforcement action against certain Russian companies' use of tax avoidance schemes, and press reports have speculated that these enforcement actions have been selective and politically motivated. Thus, while the primary Russian transfer pricing tax risk lies with the previous owners of the relevant property, if the Russian tax authorities are unable to collect any such assessed taxes from such previous owners, and/or if they determine that the primary motivation for such transactions was the avoidance or reduction of Russian taxes on the transfer of the properties, they may seek to apply Russian civil law to unwind, nullify or otherwise challenge the transactions, which could have a material adverse effect on the Company's business, financial condition or results of operations or prospects.

The Company may encounter difficulties in recovering value added tax from the Russian tax authorities.

The lease of commercial premises in Russia is generally subject to VAT. Legislation provides, however, for VAT exemption in the case of leased premises to foreign citizens or foreign companies (their representative offices) which are accredited in Russia. This exemption is granted if the respective foreign state establishes a reciprocity exemption for Russian citizens and companies in that foreign state.

If Russian operating companies use these properties in their non-VATable operations, then input VAT incurred and claimed for "offset/refund" in the course of construction of properties would be partially restored in accordance with a certain formula provided by the tax law. The restored amount would be paid to the budget and included into the deductible costs for the profits tax purposes. The wording of the law is unclear and may be dually treated. The general approach and the formula for calculation of VAT to be recovered was included in Russian tax legislation adopted in January 2006 and, to date, no clarifications from the tax authorities have been issued and no relevant court practice exists with respect to the matter. It may, therefore, prove problematic for the Company to recover such VAT in the ordinary course of its operations, resulting in an adverse impact on the Company's business, financial condition or results of operations.

General risks

The residence of the Company and its Directors may make it more difficult to enforce any judgment in the UK and the US.

The Company is incorporated in Cyprus, the majority of its Directors and the Company's senior management are non-residents of the UK or the US and none of its assets or the assets of those persons are located in the UK or the US. Therefore, it may be difficult to enforce a judgment obtained in the UK or the US against the Company or any of these persons.

Sales of the Ordinary Shares following Admission could depress the Company's share price.

Sales of a substantial number of Ordinary Shares in the public markets following the Placing, or the possibility that these sales may occur, could have a material adverse effect on the price of the Ordinary Shares and/or impair the Company's ability to obtain further capital through an offering of equity securities.

On Admission, over 50 per cent. of the Enlarged Share Capital will be held by the Founder Shareholders which may limit the ability of Shareholders to influence shareholder decisions.

On Admission, assuming no exercise of the Over-allotment Option, JEC will own 28,000,002 Ordinary Shares, IBC will own 28,000,002 Ordinary Shares and Darban will own 14,000,001 Ordinary Shares which, in aggregate will represent approximately 70.0 per cent. of the Enlarged Share Capital. As such, the Founder Shareholders will have effective control of the Company following Admission. Although the Relationship Agreement provides mechanics to ensure that the Company's independence will be maintained, the Founder Shareholders will be in a position to exercise significant influence over the Company, including the election of Directors. This concentration of ownership may have the effect of delaying, preventing and/or deterring a change in control of the Company, depriving Shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company and/or adversely affecting the market price of the Ordinary Shares. To the extent that the interests of the Founder Shareholders differ from the interests of other Shareholders, such other Shareholders may be disadvantaged by any such actions that the Founder Shareholders seek to pursue. In addition, and

notwithstanding the lock-in arrangements described in more detail in Part IX — "Details of the Placing", any decision by the Founder Shareholders (or any of them) to sell all or part of the Ordinary Shares held by them could adversely affect the market price of an Ordinary Share.

The Company is subject to the general risks relating to investment in AIM listed securities.

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. It is possible that an active trading market may not develop and continue upon completion of the Placing. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Placing Price. As a result of fluctuations in the market price of the Ordinary Shares, investors may not be able to sell their Ordinary Shares at or above the Placing Price, or at all. Investors may therefore realise less than, or lose all of, their investment. In addition, AIM is a less regulated market than the Official List. For example, there are fewer circumstances in which the Company would be required to seek Shareholder approval for transactions and the requirements for disclosure of the financial history of any asset holding companies that are acquired may be lower. Investors may suffer actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility it is allowed through an AIM listing.

The Company is subject to share price volatility.

The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the quoted property investment sector or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes in the property investment environment, general economic, political or regulatory conditions, or changes in market sentiment towards the Ordinary Shares.

The results of the Company may fluctuate significantly as a result of a variety of factors, many of which may be outside the Company's control. Period to period comparisons of the Company's results may not be meaningful and Shareholders and investors should not rely on them as indications of the Company's future performance. The Company's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Company's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

The Company may have additional requirements for cash which may be funded by further equity financings and so lead to a dilution in Shareholders' percentage holdings in the Company.

It may be necessary or desirable for the Company to raise further funds in the future, from time to time, which may be by way of the issue of Ordinary Shares on a non pre-emptive basis and which would result in a dilution in the interests of Shareholders at that time of such issue. While there is no statutory requirement under Cypriot law for shares of a public company to be offered for cash on a pre-emptive basis, the Articles do include such a provision and, accordingly, certain equity fundraising activities should require shareholder approval prior to being carried out. There can be no guarantee that such a further fundraising or any other type of fundraising would be successful and the development and growth of the business of the Company may be constrained if the Company is not successful in such fundraising or if funds are raised on unfavourable terms.

There is currently no market for the Ordinary Shares and a market for the Ordinary Shares may not develop, which could adversely affect the liquidity and price of the Ordinary Shares.

There is currently no market for the Ordinary Shares. Therefore, prospective investors should be aware that they cannot benefit from information about the prior market history of the Ordinary Shares as to their decisions to invest. Furthermore, an active trading market for the Ordinary Shares may never develop or, if developed, may not be maintained. Shareholders may be unable to sell their Ordinary Shares unless a market can be established or maintained.

Additional requirements for capital may not be successfully met.

Additional financing may be required for the future for the Company to fully exploit opportunities available and fund expansion of the Company. Such funding requirements may be met by way of the issue of further Ordinary Shares on a non pre-emptive basis. No assurances can be given that the Company will be able to raise the

additional finance that it may require for its anticipated future operations. Real estate prices, environmental rehabilitation or restitution, revenues, taxes, capital expenditures and operating expenses are all factors which may have an impact on the amount of additional capital that may be required. Any additional equity financing may have a dilutive effect and debt financing, if available, may involve restrictions on financing and operating activities.

There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

PART II

INFORMATION ON THE COMPANY

1. Overview

MirLand Development Corporation plc is an internally managed, Cypriot real estate development company which was incorporated in 2004 and develops property solely in Russia. Controlled by the Fishman Group, an international real estate investment and development group based in Israel with over 30 years' experience in the real estate development market, the Company is currently one of the few developers in Russia to build international quality commercial and residential properties employing western business practices. The Company also differentiates itself by being one of only a few international developers currently active in Russia's secondary cities. MirLand offers investors an attractive portfolio of existing Russian development projects, a substantial pipeline of other real estate investment opportunities across Russia and a strong management team, comprising local professionals and international real estate experts.

MirLand's strategy is to focus on developing (a) high quality commercial and residential real estate assets in Moscow and St. Petersburg and (b) commercial projects in other large Russian cities. The Company aims to maximise Shareholder value, while maintaining geographical and property type diversification. The Company's principal strategy is to sell the residential properties it develops and lease the commercial properties it develops.

The Company is indirectly controlled by the Fishman Group, which rents and manages over 3.5 million square metres of commercial and industrial properties, as well as develops residential and commercial sites, across Israel, Europe and North America.

2. The opportunity

MirLand offers a large and attractive portfolio of existing development projects in the favourable macroeconomic environment of the Russian real estate market, as well as further pipeline opportunities.

The Company has an existing Portfolio of eight development projects, the acquisition of one of which is in the process of completion, of over 1.2 million square metres, comprising both commercial and residential projects in Moscow and St. Petersburg, and commercial properties in Yaroslavl and Saratov. The commercial part of the existing Portfolio focuses on office, retail and mixed-use projects. The Company is also considering commercial development projects in logistics and storage. The Company's residential projects are focussed on the middle and upper middle class segments of the market.

MirLand's Properties were valued by Cushman & Wakefield, an independent international real estate appraiser and one of the leading valuers in Russia, at US$853.3 million, as at 30 September 2006. Joint ownership of several of these assets means that the portion of attributable value to the Company was US$764.6 million.

As at 30 October 2006, the Company had a pipeline of seven development projects, located in Novosibirsk, Moscow, Rostov-on-Don and Tomsk, which are at varying stages of negotiation.

MirLand intends to invest in other Russian real estate development projects which match its objectives of value creation through net asset value growth. The Company will select projects based on assessment of economic conditions, location and potential for value creation, while seeking to maintain its diversification objective with regard to geography and property type. It is also the Company's intention that the Portfolio retains a spread of properties at various stages of development and of varying duration, phasing and anticipated completion.

The Company believes that the following key favourable conditions within the Russian real estate market create highly attractive investment opportunities with significant potential for further growth:

- the Russian real estate market has experienced, and, at least in the medium term, is expected to continue to exhibit, strong growth across both the commercial and residential sectors. The market is currently characterised by high demand and relatively low supply;
- the office sector has experienced significant growth with most development activity being concentrated in Moscow and St. Petersburg. The office market has been characterised by strong demand for Class A and B offices, low vacancy rates and increasing rental rates with demand outstripping supply;
- the retail sector has grown significantly since 2000 in terms of the number of shopping centres and turnover. Increases in real disposable income and the evolution of consumer trends have led to increasing demand for more sophisticated retail concepts. The market remains undersupplied however, with one of the lowest per capita stock of retail space in Europe;

- the market for residential property in Russia is characterised by low supply per capita and ageing stock, with approximately 35 per cent. of Russia's housing stock requiring renovation or replacement, according to the Blackwood Residential Real Estate Market Overview. The increasing availability of mortgage financing coupled with the growth in individual disposable income is expected to generate an increased demand for residential property, particularly where the property is developed to international standards;

- real estate yields on completed properties, which are currently significantly higher than European averages, are anticipated to continue to compress and converge with European averages, leading to increases in the corresponding market value of property; and

- Russia has demonstrated impressive economic growth over the past six years. It is widely anticipated that this trend, with the consequent growth both in terms of disposable income and consumer expectations, will continue in the medium term.

3. Competitive strengths

MirLand believes that it has the following key competitive strengths:

The Company's business model gives it a competitive advantage

The Company's expertise, which covers all stages of real estate project development, makes it one of the few operators currently in Russia able to carry out large projects and oversee every aspect of development, from sourcing greenfield sites to active management of completed developments. Furthermore, the Company's expertise in developing different types of assets allows it to determine the optimal asset class to build on the site. The Company's abilities also make it an attractive potential buyer, which means that investment opportunities are frequently presented to the Company by third party sellers.

The Company develops real estate assets to international quality standards, tailored to fit in with the surrounding environment and local preferences, both in terms of design and development. Such real estate assets are still relatively uncommon in Russia and the Company believes it is currently one of the few developers operating in Russia with the expertise and the experience to maintain such high quality standards.

As a subsidiary of three publicly traded companies, the Company operates in a transparent manner to meet the reporting and other regulatory requirements of its Founder Shareholders. The Company believes this provides it with a competitive advantage in Russia where general business practices are still evolving.

Attractive Portfolio of development projects with significant potential for net asset value growth

The Company owns a portfolio of Russian real estate assets which it believes offers investors high potential growth through development opportunities, diversified both geographically and by sector.

The Portfolio includes projects at varying stages of development, from projects in the process of concept design to yielding projects with full occupancy. The Directors consider this to be a solid foundation for the Company's strategy to develop a balanced portfolio of yielding properties and properties under development, in the office, retail, other commercial, mixed-use and residential sectors.

Exposure to attractive secondary Russian cities

The Company's Properties are today located primarily in Moscow and St. Petersburg, with the balance in secondary Russian cities. The Company believes that, on Admission, it will be one of the few publicly traded real estate companies that offer investors meaningful exposure to major secondary Russian cities. Whilst most international real estate developers investing in Russia have focused on Moscow and St. Petersburg, the Company invested in its first commercial project in Yaroslavl in March 2005 and in Saratov in October 2005. It is also in the process of building a strong portfolio of similar developments in other secondary cities.

Secondary Russian cities are attractive investment locations because of their growth potential and lack of existing quality real estate. These cities also have the advantage for MirLand of having even fewer development competitors than in Moscow and St. Petersburg.

A dedicated management team with extensive experience in real estate investment and development in Russia and internationally

The Company is internally managed by a team of senior, experienced professionals, many with Russian backgrounds and familiarity with the environment, with others having significant real estate expertise gained from other international markets. Management has an established track record, with a history of successful and timely execution of large-scale real estate development projects across multiple geographic regions. The management team enables the Company to apply expertise at all stages of development, from the identification and acquisition of sites to the marketing and the management of commercial properties.

Expertise and benefits from continuing involvement of the Fishman Group

The Fishman Group possesses a strong track record in developing, holding and managing real estate in Israel, North America, Europe and Russia and has extensive international real estate experience having undertaken numerous large-scale development projects, such as 225 Fifth Avenue in New York and Magdeburg in Germany. The Company benefits from the real estate development experience of certain of its key management gained with the Fishman Group, as well as access to their extensive network of contacts, which includes project managers, real estate agents, architects, construction firms and financial institutions.

The relationship with the Fishman Group is expected to benefit, in particular, the Company's retail projects, which have demonstrated the ability to attract blue chip tenants through the Fishman Group's relationships with, and interests in, international retailers, including Home Centers, which is controlled by the Fishman Group, and corporate tenants. Lease arrangements with Home Centers are concluded on an arm's length basis.

Local presence, established infrastructure and relationships

The Company has significant local relationships and an established infrastructure in Russia. This gives it a competitive advantage relative to many new entrants to the Russian real estate market.

The Company believes that its local presence enables it to identify and successfully execute projects, supported by relationships with key players in major Russian cities, including contractors, planning authorities, marketing and appraisal agencies and others. The Company has demonstrated its ability to secure the various development permits in a timely manner, manage operations through local contractors, lead marketing phases and successfully develop projects across asset types and geographic regions. The Company believes that local management's expertise, procedural familiarity and operational experience assist the Company in overcoming barriers that international entrants to the Russian real estate market ordinarily face.

Where MirLand collaborates with joint venture partners, such parties are often locally based and able to assist the Company in, amongst others, identifying new opportunities, locating tenants and securing favourable debt financing.

4. Investment strategy

The Company has the following investment strategy:

Focus on the successful execution of development projects

The Company has an existing Portfolio of eight projects which are anticipated to complete in the 2007-2014 period. The Company is committed to the successful and timely completion of these projects, which the Company believes will generate significant shareholder value and an even stronger platform for MirLand's future growth.

The Company will also focus on successfully completing the new development projects it acquires going forward.

Generate value through active management

The Directors anticipate achieving capital growth of the existing Portfolio primarily through a combination of development and redevelopment, active management of rental assets and capital gains resulting from rising property values.

The Company will actively market all of its commercial projects during their development so that they are income producing at completion. The Company will reassess, on an on-going basis, in light of prevailing market conditions, whether to retain its commercial properties and their corresponding rental income or seek to realise

their market value through disposal. The Company may also acquire already constructed yielding properties where the Company identifies an opportunity for attractive returns through renovation. The Directors anticipate that the Company will retain a significant proportion of its income producing assets within its portfolio.

The Company's focus for its commercial Properties is on long-term tenant relationships, and it invests in pre-letting commercial space. While long-term leases are preferred with anchor tenants, bringing higher security of rental income, short-term leases with local companies may be favoured where rental rates are increasing rapidly.

It is intended that the residential properties will be sold and the resulting cashflow will either be reinvested in the business or distributed to Shareholders. The Company's strategy is to secure partial pre-sales of residential units in the early stages of construction with staged payments during the development process.

Continue to acquire attractive sites in targeted locations for future development

The Company intends to continue to selectively acquire attractive sites in specifically identified areas of Russia for development of office, retail, other commercial use, mixed-use and residential projects. The Company believes that focusing on high quality developments provides the Company with the opportunity of significantly higher yield, capital growth and returns compared with investing in completed projects.

Where the Company identifies opportunities located near to existing assets, it will seek to acquire and develop these properties to capitalise on economies of scope and scale during the development and management phases.

Maintain a diversified property portfolio to maximise investment opportunities and reduce risks

In order to capitalise on the most attractive development options while minimising the risks associated with any particular real estate sector or geographic region within Russia, the Company will maintain a diversified portfolio with regard to:

- *Geographical location*

  While the Company intends primarily to invest in Moscow and St. Petersburg, it is actively pursuing commercial and other opportunities in select large secondary cities. The Company intends to acquire properties only in cities with large populations of over 500,000 inhabitants, which will be selected based on economic and demographic bases, expectations of high levels of occupancy and where the supply of properties meeting international standards is less than the prevailing demand. Potential projects in such cities will be evaluated based on their estimated rates of return on capital.

- *Sector*

  The Company intends that it will continue to invest in a balanced mix of commercial and residential or mixed-use projects. In the commercial sector, while the Portfolio currently focuses on retail, office and mixed-use projects, the Company is also considering logistics and storage projects. The opportunities for generating cashflow or capital growth vary by segment and the flexibility to evaluate a development site for its most attractive use and highest return is considered fundamental to the Company's investment strategy.

- *Varying stages of development*

  The Company's Portfolio includes projects which are of varying duration, phasing, and anticipated completion. The Company intends to maintain a balanced portfolio of yielding and development properties to obtain a relatively balanced spread in the use of working capital and management attention, while at the same time, generating an income flow from sales and yielding properties.

5. Funding strategy

To date, the Company's activities have primarily been financed with equity, shareholder loans and bank financing, certain of which have been backed by Founder Shareholder guarantees. The Directors anticipate that the debt market in Russia will continue to develop, making Russian bank debt an attractive financing option which the Company may take advantage of in the future. The financing opportunities open to the Company will be reviewed on a case-by-case basis, and will vary between market segments.

The Company's policy is to limit its leverage to 66 per cent. of the gross value of the Group's assets, including all development, trading and investment properties.

As Russian real estate finance continues to develop, it is expected that the associated development costs of the Company's commercial projects will be, in optimal circumstances, up to 70 per cent. debt financed.

On completion, the Company anticipates that its properties will be refinanced on entering the yielding phase, at up to 60 per cent. of the relevant property's valuation.

Residential projects, on the other hand, are expected to be principally financed with equity as the financing market for residential projects remains relatively undeveloped in Russia. Accordingly, residential projects are constructed in phases, primarily using the capital from pre-sales to finance upcoming phases of development.

The Directors anticipate that the Company will finance its projects by obtaining bank loans in US Dollars. Wherever possible the Company will seek to acquire finance on a non-recourse basis to minimise risk. The Company is negotiating with several banks for the financing of its ongoing construction activities and has signed two term sheets, one of which has been approved by the European Bank for Reconstruction and Development for a term loan facility of US$48.47 million (in two tranches) for the Company's project in Saratov. The Company is in the process of agreeing the formal loan agreement.

6. Competition

The Russian real estate market is large, both in terms of geography and opportunities for development, and competition is largely fragmented. The Company believes that the limited number of development companies in the Russian real estate market operating in accordance with international standards has created, and continues to create, the opportunity for the Company to access attractive investment opportunities.

In Moscow and St. Petersburg, the Company's principal competition is from international real estate developers and funds. A number of such developers and funds have already invested in these cities.

The Company's competitors in Russia's large secondary cities are mostly local developers as the focus of larger investors, developing international standard projects, remains primarily on real estate projects in the Moscow and St. Petersburg regions.

7. The Fishman Group and the Founder Shareholders

The Fishman Group has extensive international real estate experience, having developed large-scale projects in Israel, Europe and North America and renting and managing over 3.5 million square metres of commercial and industrial properties, as well as prime residential real estate.

The Fishman Group has significant interests outside of Israel with, as at 31 December 2005, approximately 1.2 million square metres of its yielding portfolio (approximately 30 per cent.) outside of Israel, excluding those held by MirLand. In addition, the Fishman Group has extensive public market expertise through its control of three public companies, JEC, IBC and Darban.

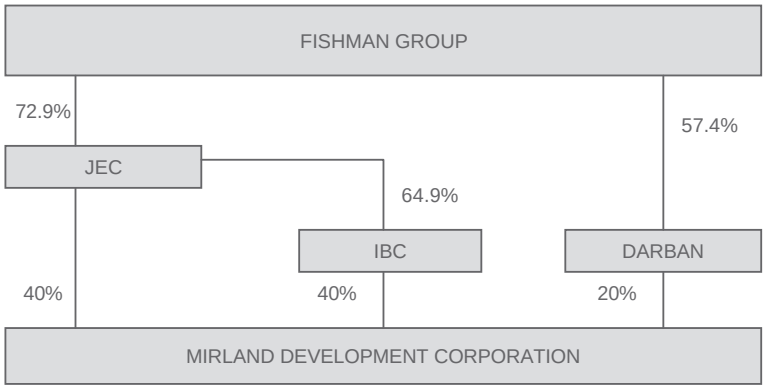
The Fishman Group began investigating the Russian real estate opportunity in 2004 and MirLand acquired its first real estate asset in 2005. MirLand was formed by combining the Russian real estate development operations of three established Israeli real estate companies, the Founder Shareholders, which are controlled by the Fishman Group. The Founder Shareholders, described below, are each listed on the Tel Aviv Stock Exchange and have extensive experience in real estate development:

Jerusalem Economic Corporation (JEC): JEC's activities include the development, acquisition and construction of properties and their rental throughout Israel and abroad. As at 31 December 2005, JEC, individually and through its subsidiary, Industrial Buildings Corporation Ltd., held over 3.1 million square metres of property, rented to over 7,700 tenants. JEC's revenues for the financial year 2005 were US$204 million, of which US$113 million originated from international activity. JEC operates in Israel, Canada, USA, France, the Netherlands, Germany, Poland and Portugal. As at 31 October 2006, JEC's market capitalisation was US$696.9 million.

Industrial Buildings Corporation (IBC): IBC is an approximate 65 per cent. subsidiary of JEC and is Israel's largest real estate company. IBC is primarily engaged in developing commercial and residential buildings designated for rent and sale. As at 31 December 2005, IBC managed approximately 1.75 million square metres of property, rented to approximately 5,600 tenants. IBC has extensive experience in real estate development and upgrade-development in various markets, and most of the yielding properties currently held by MirLand were developed by IBC. As at 31 October 2006, IBC's market capitalisation was US$704.9 million.

Darban Investments Ltd. (Darban): Darban focuses on the ownership, management and development of offices and commercial buildings in Israel, Germany and North America. As at 30 June 2006, it managed approximately 570,000 square metres of commercial and residential property. As at 31 October 2006, Darban's market capitalisation was US$207.8 million.

The following chart sets out the ownership structure of the Company, as at 22 November 2006:



The Fishman Group may dispose of an approximate 3 per cent. interest in Darban in the coming months.

On Admission, assuming no exercise of the Over-allotment Option, the Founder Shareholders will own in aggregate 70.0 per cent. of the Enlarged Share Capital (or 67.0 per cent. assuming exercise in full of the Over-allotment Option). Accordingly, the Fishman Group, through its controlling interest in the Founder Shareholders, will retain a Controlling Interest in the Company following Admission. The Company has entered into the Relationship Agreement with the Founder Shareholders (a summary of which is set out in paragraph 11 of Part X — "Additional information").

In addition, an entity controlled by Mr Eliezer Fishman and his family will be subscribing for 200,000 Ordinary Shares in the Placing, representing 0.2 per cent. of the Enlarged Share Capital (or 0.19 per cent. assuming exercise in full of the Over-allotment Option).

8. Use of proceeds of the Placing

The Placing will raise net proceeds of approximately US$262 million. The Company intends to use the net proceeds to:

- pay the balance of the consideration required to purchase the equity in RealService in relation to the Skyscraper project detailed in paragraph 1.3 of Part IV of this document;
- progress the development of its existing Portfolio;
- acquire some of the Pipeline of property interests described in Part IV of this document; and
- fund the Company's working capital requirements.

The Company plans to invest the net proceeds from the Placing over the next twelve to eighteen months.

9. Reason for Admission

The Company is seeking to obtain a market quotation for its Ordinary Shares to provide it with access to capital markets. The Company is currently ineligible for listing on the Official List as it was only incorporated in November 2004 and is consequently unable to provide a three year revenue earnings record as is required by the Listing Rules issued by the FSA. As a consequence, the Company is seeking admission to trading on AIM. The Company intends to use its reasonable efforts in the future to seek a listing on the Official List once it becomes eligible and as soon as it is reasonably practicable to do so, which is anticipated to be in early 2008. Any future cancellation of the AIM trading facility and an application for listing on the Official List would be subject to compliance by the Company with the AIM Rules, the Listing Rules and the Prospectus Rules which apply at the time.

10. Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Company, the Company's financial position and the capital and anticipated working capital requirements of the Company. The Company intends to adopt a dividend policy which will reflect the long-term earnings and cashflow 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 two per cent. of the Adjusted NAV on Admission (taking into account the net proceeds of the Placing), for the financial year 2008 and seven per cent. 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 cashflow growth.

The Company reports its financial results in US Dollars and will therefore declare dividends in US Dollars. Unless Shareholders elect otherwise, they will receive any dividend payments in US Dollars.

For risks relating to and taxation of dividends, please refer respectively to Part I — "Risk factors" and paragraph 6 of Part X — "Additional information".

11. Hedging/foreign exchange policy

The Company's functional currency is the US Dollar. The functional operating currency of the majority of the Subsidiaries however, is the Russian Rouble. The Group is, therefore, exposed to variations in currency exchange rates which may affect the reported results of operations, the Company's ability to achieve its target dividend yield and its overall return on investment.

The Company intends to operate policies it believes are prudent with respect to currency hedging. Where feasible and, as appropriate, the Company will seek to finance assets using US Dollar denominated financing. The Company may enter into derivative instruments for the purposes of hedging its exposure to exchange rate risk and the Investment Committee will examine, on a quarterly basis, the level of exposure to any other currencies that may require a change in the hedging policies of the Company. The Company does not intend to enter into derivative instruments for speculative purposes.

12. Insurance

The Company has insurance for those of its Properties that have entered the development phase on terms considered by the Board to be appropriate and having due regard to the availability of cover and cost.

The Company has obtained directors' and officers' insurance policies offering cover in relation to errors and omissions up to an amount considered to be appropriate for similarly situated companies.

13. Accounting and valuation policy

MirLand's financial statements will be prepared quarterly in accordance with IFRS.

It is the Directors' intention that the Company's portfolio will be valued on a semi-annual basis by an internationally recognised valuation firm. The Chairman's report will detail the Adjusted NAV determined for the relevant financial period under review, based on either a third party valuation or internal management estimates.

14. Founder Shareholders

On Admission, assuming no exercise of the Over-allotment Option, the Founder Shareholders will, in aggregate, own 70,000,005 Ordinary Shares which will represent approximately 70.0 per cent. of the Enlarged Share Capital. As such, the Founder Shareholders will have effective control of the Company following Admission. The Company is satisfied that it is capable of carrying on its business independently of the Founder Shareholders and that all transactions and relationships between the Company and the Founder Shareholders are and will continue to be at arm's length and on a normal commercial basis. To ensure that this is the case, the Company has entered into the Relationship Agreement with the Founder Shareholders (a summary of which is set out in paragraph 11 of Part X — "Additional information"). If a conflict of interest arises between any of the Founder Shareholders and the Company, none of the Directors who are deemed to be related to the Founder Shareholders will take part in the Board's decisions on the matter. On Admission, these Directors are Mr Moshe Morag and Messrs Eliezer and Eyal Fishman. For risks relating to control of the Company, please refer to Part I — "Risk factors".

15. Employee share schemes

The Board believes that it is important that senior personnel and other employees of the Company are properly and adequately motivated and rewarded to attract and retain important personnel. As at Admission the Company will have granted 3,368,984 options over Ordinary Shares to certain members of the Board, Senior Managers and other officers of the Group pursuant to the Share Option Scheme, representing 4.5 per cent. of the Company's fully diluted share capital as at the date of this document (being 3.21 per cent. of the fully diluted share capital immediately following Admission, assuming no exercise of the Over-allotment Option) ("Options"). 748,663 of these Options vested on grant, with the remainder vesting in three equal annual tranches on the anniversary of date of grant. The exercise price of the Options is fixed at the Placing Price per Option. Further details on the vesting of the Options are set out in paragraph 9 of Part X — "Additional information". The Company has the

power to grant options over a further 1,497,326 Ordinary Shares, representing two per cent. of the fully diluted share capital as at the date of this document (being 1.43 per cent. of the fully diluted share capital immediately following Admission, assuming no exercise of the Over-allotment Option).

The Board believes that the future success of the Company will depend, at least in part, on management and other key employees being adequately incentivised and identifying closely with the Company and that the award of future options is commensurate with the roles and responsibilities of the relevant holders. Additional options outside of the Share Option Scheme will only be allotted and issued under any new share option scheme(s) as determined by the remuneration committee of the Board.

16. CREST and Depositary Interests

CREST is a paperless settlement procedure enabling securities to be transferred otherwise than by written instrument. CRESTCo is unable to take responsibility for the electronic settlement of shares issued by non-UK companies in certain jurisdictions, including Cyprus.

Depositary Interests allow registered stock to be dematerialised and settled electronically. The registered shares are transferred to a nominee company which then issues DIs to the CREST accounts of individual shareholders on a one-for-one basis and provides the necessary custodial service. DIs can then be traded and settled within the CREST system in the same way as any other CREST stock.

Shareholders who elect to hold their Ordinary Shares in uncertificated form through the DI facility will be bound by a Deed Poll, the terms of which are summarised in paragraph 14 of Part X — "Additional information".

In such cases, the Company's share register will show the nominee company, Computershare Investor Services plc, as the holder of the Ordinary Shares, but the beneficial interest will be with the shareholder who continues to receive all rights attaching to the Ordinary Shares as he/she would have done had he/she elected to hold shares in registered form. Shareholders can convert their Ordinary Shares into registered form (instead of uncertificated form) at any time.

Stamp duty or stamp duty reserve tax considerations in relation to DIs are set out in paragraph 6 of Part X — "Additional information".

It is anticipated that permission will be given for the holding and settling of DIs in respect of the Company through CREST with effect from the date of Admission.

DIs will have the same international security identification number ("ISIN") as the underlying Ordinary Shares and will not require a separate application for admission to trading on AIM.

For more information concerning CREST, Shareholders should contact their brokers or CRESTCo at 33 Cannon Street, London EC4M 5SB, United Kingdom.

17. Taxation

The attention of prospective investors is drawn to the information contained in paragraph 6 of Part X — "Additional information". Prospective investors should seek their own taxation advice from their independent tax adviser who specialises in advising on the acquisition of shares and other securities before investing in the Company.

PART III

MANAGEMENT OF THE COMPANY AND ITS BUSINESS

1. The Board

Nigel James Wright, Non-executive Director and Chairman, aged 52

Mr Nigel Wright has approximately thirty years' experience in the property, corporate finance and banking sectors. He resigned as managing director of London & Henley Property Holdings Limited to pursue private business interests in September 2006. London & Henley is an unquoted property investment and development company with a significant portfolio of primarily retail and office property throughout the South East of England. Mr Wright was previously a shareholder in and managing director of First Residential Investment Limited, a joint venture vehicle which acquired, improved and sold around 1,800 residential properties throughout the UK. The principal investors in that entity were Deutsche Bank and IM Group. Mr Wright has considerable experience in most aspects of real estate finance and investment, having spent the first half of his career working in banking and corporate finance with Grindlays Bank (now ANZ Group), Bank of America and UBS Phillips & Drew. In 1987, he left UBS and joined the board of Mountleigh Group, a fast growing UK real estate company. During his time Mountleigh Group, he was primarily responsible for corporate acquisitions and disposals, substantial property acquisitions and disposals, as well as general management and funding throughout the UK and Western Europe. He was also primarily responsible for investor relations. The group had interests throughout Europe and in the US. Mr Wright left Mountleigh Group in 1991 to become managing director of E & F Securities, a private real estate and leisure investment vehicle with interests in the UK, France and USA.

Guerman Aliev, Non-executive Director, aged 36

Mr Guerman Aliev is currently the deputy chief executive officer and a member of the management board of Rosbank, Russia's seventh largest bank. During the last three years at Rosbank, Mr Aliev has acted as head of strategy development and implementation of its strategy, which has led to a large increase in the bank's market capitalisation. He has also served as a director of equity and equity-linked capital markets for Dresdner Kleinwort Wasserstein, London, which is involved in various public market transactions in western Europe as well as a director of equity-linked capital markets for Merrill Lynch International (UK), where he was involved in a broad range of transactions including equity and fixed income derivatives, convertible bonds and acquisition related finance in Russia, South Africa, Israel and Eastern Europe. In addition, Mr Aliev has served as an associate for Renaissance Capital and as manager of the budget department at Gulf Oil in Calgary, Canada. Mr Aliev holds a Masters of Science in finance from the London Business School, UK. Mr Aliev is a fluent English, Russian and Japanese speaker.

Douglas Blausten, Non-executive Director and chairman of the remuneration committee, aged 55

Mr Douglas Blausten is a Fellow of the Royal Institution of Chartered Surveyors and a General Commissioner of Taxes, with wide ranging property expertise. He is currently the senior partner of Cyril Leonard, a firm of Chartered Surveyors, where he is responsible for corporate services, investment acquisitions and sales. Mr Blausten is also responsible for the Cyril Leonard's offices in Munich and their affiliate offices in the US and Paris. Mr Blausten has led teams acting for corporations such as ALSTOM and Alcatel, involving the provision of corporate real estate services and strategic property planning. Mr Blausten also provides property expertise and advice to a number of educational and charitable organisations and advises them in connection with their property strategies. He has held a number of executive and non-executive directorships in public companies and continues to hold the same in private companies whose activities range from real estate and financial services. Mr Blausten holds a masters degree with honours from Cambridge University in Land Economy.

Caroline Brown, Non-executive Director and chair of the audit committee, aged 44

Dr Caroline Brown has over 20 years' experience in corporate finance and the financial management of public companies. Dr Brown currently serves as the chief financial officer of Enteraction TV, a digital media company. She has recently served as chief financial officer for two AIM-quoted companies and chaired the audit committee for London-listed WSP Group plc, a consulting engineering company active in the international real estate sector. During her career, she has spent 14 years in international investment banking, working for such firms as Merrill Lynch, UBS and HSBC. She holds a masters degree and a PhD in Natural Sciences from the University of Cambridge and a masters in business administration from the Cass Business School, London. Dr Brown is a qualified accountant and is a chartered director.

Georgios Hadjianastasiou, Non-executive Director and chairman of the nomination committee, aged 67

Mr Georgios Hadjianastasiou has over 25 years' experience in the Cyprus civil service and government. Mr Hadjianastasiou has served in several Cypriot government ministries, including the Ministry of Communication and Works, Ministry of Finance, the Planning Bureau and the Ministry of Defence. He has also served as secretary to the Central Planning Commission, as a member of the Economic Advisory Committee and as representative of the Minister of Finance on the board of the Central Bank of Cyprus. He has also served for six years as director general of the Association of Cyprus Commercial Banks. Until recently, he was a member of the Monetary Policy Committee of the Central Bank of Cyprus and a member of the Council of Economics Experts of the President of the Republic of Cyprus. Mr Hadjianastasiou holds a masters degree in economics from the University of Michigan, US.

Eliezer Fishman, Non-executive Director, aged 63

Mr Eliezer Fishman has over 45 years' experience in the real estate sector and holds a majority interest in many Israeli companies ranging from real estate to communications to various industrial and commercial companies. Outside Israel, Mr Fishman is mainly involved, through his companies, in real estate. Mr Fishman is the chairman of several public companies in which he, together with his family and entities controlled by them, holds a controlling shareholding, including the Founder Shareholders, as well as Offis Textile Ltd. Mr Fishman is a Certified Public Accountant.

Eyal Fishman, Non-executive Director and chairman of the Investment Committee, aged 36

Mr Eyal Fishman has spent the past 15 years promoting the Fishman Group's business in Israel and abroad. He has served as chief executive officer of various companies in the group, including Megamart Sport Equipment Ltd., Celio Chains Israel, P.K.P Design Ltd. and Fishman Chains Ltd., with a particular focus on exploring new business opportunities and expanding the operations of the Fishman Group. During the past six years, Mr Fishman has served as chairman of the board of Fishman Retail Chains, a group including 8 different chains in Israel. Mr Fishman is a member of the board of directors of Darban, an office he has held for the past 13 years. Mr Fishman studied economics at Tel-Aviv University and accounting at the Israeli Management College. Mr Eyal Fishman is the son of Mr Eliezer Fishman.

Moshe Morag, Director and chief executive officer, aged 61

Mr Moshe Morag has over 32 years of general managerial experience and 17 years of experience with real estate operations. Mr Morag holds a Bachelor of Arts in Economics and a Masters in Business Administration from Tel-Aviv University. As former Brigadier General in the Israeli Air-Force, his 26 year career as a commander brought him to the apex of the Air Force's administrative pyramid. Subsequent to his military career, Mr Morag has worked in the real estate sector for over 17 years, most of those as the chief executive officer of IBC, Israel's largest real estate company. Mr Morag is also active as a board member of several non-profit organisations, including the Friends of the Rabin Medical Centre, Israel's largest medical centre.

Roman Rozental, Director and chief financial officer, aged 38

Mr Roman Rozental has been the chief financial officer of several Israeli and international companies over the past decade. Mr Rozental is a certified public accountant. Since 2004, Mr Rozental has served as chief financial officer of the Filuet Company, an international logistics supplier, with significant operations in Russia. Mr Rozental was previously a senior auditor for the Israeli affiliate of PricewaterhouseCoopers, leading a team of auditors and holding overall responsibility for tax and audit services for international publicly traded companies. Mr Rozental is a fluent Russian speaker. Mr Rozental holds a Bachelor of Arts in Accounting and Economics from Tel Aviv College.

2. Senior Managers

Yehuda Marom, Chief of Engineering, aged 55

Prior to joining the Company this year, Mr Yehuda Marom served for 12 years as vice president and chief of engineering for IBC, Israel's largest real estate company. During this time, Mr Marom specialised in large scale developments including high rise residential buildings, commercial developments and large company headquarters' for the mobile communication and high tech industries. Mr Marom also has extensive experience in the field of civil engineering, in which he was engaged for 16 years prior to his tenure at IBC. Mr Marom holds a Bachelor of Science in civil engineering from the Technion in Haifa.

Michael Krichevsky, Project Manager, aged 50

Mr Michael Krichevsky has over 22 years' business experience in the Russian Federation, having founded the international American trading company Macwell International Limited in 1984. Since leaving Macwell in 1994, Mr Krichevsky owned and operated several services and pharmaceutical companies in Moscow before entering into a project for the construction of 23 vacation homes on the outskirts of Moscow. Mr Krichevsky provides his services to the Group through FIN, an asset management company and is general director of three of the Company's Subsidiaries, Hydro, MAG and CreativeCom. Mr Krichevsky is a fluent Russian and English speaker.

Pavel Tchernovalov, Project Manager, aged 44

Mr Pavel Tchernovalov began his career as the chief of laboratory in the High Technical School of Bauman where he expanded the data base for business, trade and logistics before moving on to the become the chairman of the board of Aricon, a retail company selling food and non-food products. In 2002, he held the position of executive director of Trading House GUM, a large trading centre in Moscow. Mr Tchernovalov is a fluent Russian speaker. He is currently the general director and the project manager of Techagrocom, the Company's 50/50 joint venture company.

Lev Margolin, Project Manager, aged 51

Mr Lev Margolin has over 29 years' experience in commercial and residential real estate investment and development. He joined the Fishman Group as general manager of the Alliance Development Group JSC. Mr Margolin began his career in the Russian State Capital Construction Department in Moscow as an engineer before, in 1986, becoming head of the department of territorial administration. Subsequently, he joined the building project relating to Anskiy, Paz-Andasa in Israel as project manager. He has also held the position of executive director and project manager in Roichman Brothers Building Holdings, which was, at the time, one of the largest projects in Israel. He is currently the project manager of the Company's St. Petersburg project. Mr Margolin is a fluent Russian and English speaker and has a Bachelor of Science in civil engineering from Moscow State University of Railway Engineering.

Moshe Shor, Project Manager, aged 56

Mr Moshe Shor has over 30 years' experience in construction and development of commercial and residential projects, acting as project manager of projects both in Moscow and Israel. Among the building and reconstruction projects managed by Mr Shor in Russia are the planning and construction of Schelkovo shopping centre, JSC Medicina private hospital, CIA International pharmaceutical storages and, most recently, Kopeyka, a production and storage complex in Lyubercy, Moscow region. Mr Shor is project manager of the Company's Perkhushkovo project and is general director of Petra-8. Mr Shor is a fluent Russian and English speaker and holds qualifications from the Vilnius Engeeronh Building Institute in Lithuania.

The business address of each of the Directors and Senior Managers is at the registered office of the Company.

3. Investment criteria and process

Identification

The Company's investment opportunities have arisen from a variety of sources, primarily:

- the Company's existing relationships;
- local relationships with retailers, developers, financial institutions, third party real estate investors and, to a lesser extent, professional advisers; and
- direct approaches from third party owners.

Acquisition and disposal approval process

The Company has established the Investment Committee, initially comprising Messrs Eyal Fishman, Wright and Aliev, which is responsible for reviewing and reporting to the Board on substantial investments into, and disposals from, the Portfolio.

The Company has adopted the following procedures in relation to the acquisition, letting and disposal of its investment, trading and residential properties:

Real estate investments

Any investment with a total anticipated project value of more than US$1 million (or such amount as may be determined from time to time by the Investment Committee) will be subject to the following:

- The chief executive officer will supervise the preparation of an initial feasibility study, including engineering, architectural, legal and marketing studies.
- The chief executive officer and at least one member of the Investment Committee will visit the site.
- On approval by the chief executive officer and the member of the Investment Committee who visited the site of the initial study, they will commission a full due diligence exercise, prepare business plans (including establish the construction budget), structure the acquisition, verify permits, obtain appropriate financing and prepare a cashflow analysis of the project.
- A final report will be presented to the Investment Committee for approval. If appropriate, such report will be accompanied with a third party market study. Where the investment is anticipated as a joint venture or partnership, the final report will contain information about the partner and the contractual relations with the partner.
- Subject to Investment Committee approval, where the total anticipated project cost is more than US$15 million, the investment will be subject to approval by the Board.

At any stage during the investment process, if the chief executive officer deems it appropriate, he may secure an option to purchase the asset until the investment process is concluded. The entry into of such an option will require the approval of the Investment Committee, unless its cost is more than US$15 million, in which case Board approval is required.

In addition, the chief executive officer may authorise any investment by a Russian Subsidiary where (a) the total anticipated project cost is lower than a sum determined from time to time by the Investment Committee, which as at the date of this document is US$7 million, and (b) the investment is required to facilitate or supplement the relevant Subsidiary's existing project.

Real estate disposal and leases

The chief executive officer may authorise any real estate disposal or lease where the total transaction value is lower than a sum determined from time to time by the Investment Committee.

Any transaction for a disposal or lease agreement over such amount will be subject to the following:

- Any disposal or lease transaction of less than 25 per cent. of a project's area may be carried out by the project's general manager following the approval of the Company's chief executive officer. The chief executive issues guidance from time to time on such disposals or leases, including rates, deposits and other terms. General managers may execute such transactions without prior approval if the transaction complies with this guidance.
- Any disposal or lease transaction involving more than 25 and less than 50 per cent. of a project's total area requires the prior approval of the chief executive officer and the Investment Committee.
- Disposal or lease transactions over 50 per cent. of a project's total area are subject to the prior approval of the chief executive officer, the Investment Committee and the Board.
- Any disposal of the Company's assets (including shares in any Subsidiary or joint venture) for more than US$1 million requires the prior approval of the Investment Committee. Disposals of more than US$15 million are subject to the prior approval of the Board.
- The Investment Committee and Board will approve a transaction only after reviewing a report on the project, covering matters such as any other parties' financial strength, prevailing market prices and the terms of the transaction.

Investment process

Although the Company intends to be opportunistic in identifying investment opportunities, the Directors will closely examine certain core investment criteria, such as the geographic location of the relevant property, the

balance of commercial/residential in the portfolio, expected yields, margins and the availability of appropriate debt financing.

The Company typically acquires properties which are either at an intermediate stage of Russian regulatory approval for development, or that are at an advanced state of the approval process but where the approvals have not yet been granted.

During the development of the Company's projects, the Company conducts feasibility studies, commissions business plans, obtains construction and other permits and appropriate financing, as well as conducts a marketing campaign for the developed projects. Services such as architectural and engineering design, construction and equipment installation are generally outsourced to third parties on a tender basis.

The main stages of a development include:

- sourcing the project site, including on-site visits to the property and its surroundings;
- preparing a feasibility study;
- preparing architectural designs;
- concluding an investment contract between the land owner and the developer stating the main rights and obligations of each party with respect to the project;
- arranging necessary financing;
- obtaining relevant planning and other consents;
- carrying out marketing, including pre-letting and pre-sales;
- performing construction works; and
- letting or selling the property to third parties.

For a description of some of the authorisations and certifications required during the stages of development, see the section headed "Certain aspects of Russian real estate law and practice" in Part V — "The Company's key property markets".

4. Internal expertise

The Company benefits from members of the Board and Senior Managers who have significant real estate experience at IBC, Israel's largest real estate company. Messrs Morag and Marom have developed and managed dozens of retail centres across Israel, pioneered tailor made developments for Israeli high tech and mobile carrier firms and developed and managed large scale residential properties in Israel, Europe and North America. The Company also benefits from their experience in large scale developments in the Company's three main real estate segments: retail, office, and residential. Particular projects managed by Messrs Morag and Marom include:

Commercial

Ackerstein Towers, Herzliya, Israel — IBC developed and managed four Class A office buildings combining retail area, with a total gross area of 130,000 square metres. Two of these buildings are already complete and have 100 per cent. occupancy. The third will complete this year and the fourth is in initial stages. Total investment into this project was US$83 million.

Cellular Buildings, Israel — IBC developed a 60,000 square metres (gross area) Class A office building for Cellcom, the largest cellular operator in Israel and a 50,000 square metres (gross area) building for Partner — Orange, the second largest cellular operator in Israel. Both buildings are distinguished by the individuality of their architecture. Total investment into this project was US$84 million.

Motorola Semiconductors Building, Herzliya, Israel — IBC constructed a 35,000 square metres (gross area) Class A office building. Total investment into this project was US$33 million.

Residential

225 Fifth Avenue (formerly The Gift Building), New York, United States — IBC, with a joint venture partner, renovated 192 luxury units on 5th Avenue, New York, transforming the building into a luxury apartment building combined with a retail area at ground level. To date, over 80 per cent. of the apartments and retail area have been sold. Total investment into this project was US$240 million.

Magdeburg and Dresden, Germany — IBC renovated 1,583 apartments in Magdeburg and Dresden, Germany. The complexes were purchased in 2004 with an occupancy rate of 70 per cent. Occupancy rates have subsequently increased to 82 per cent. through renovation and a change in the management company. The assets were sold in 2006 for a profit of approximately US$12 million.

Lisbon, Portugal — IBC developed 470 luxury apartments in three different projects within the former Expo area of Lisbon for a total investment cost of US$110 million.

Tel Aviv Towers, Tel Aviv, Israel — IBC is developing 464 residential units, a country club and a retail mall in high rise towers with a total gross area of 160,000 square metres. The country club, retail mall and 224 residential apartments have been completed. The second stage, for 240 residential apartments and 6,500 square metres of office space, is scheduled to commence in 2007. Total investment into this project to date is US$188.6 million.

The Company also retains the services of third party consultants on certain of its projects. This is the case with the Company's properties in both Yaroslavl and Saratov, where the Company's minority joint venture partner, Norman Asset Management, is contracted to provide project management services.

The Company believes in the value of local management and employs local managers and other personnel as required for each project from the relevant locality.

The Company has a local office in Moscow from which it centrally manages and facilitates operations and has developed relationships with various professionals in the Russian real estate market. Locally based firms, under the supervision of the Company, carry out development projects. For Class A projects, the Company requires a tender. For smaller renovations and extensions the Company works with several local Russian contractors. Over all, different projects are carried out through different construction companies. Some projects may require additional local personnel, under the supervision of the Company's project manager. Most of these additional employees are employed internally by the Subsidiaries, and where this is not possible, they are employed through management companies supplying these services.

5. Corporate governance

On Admission, the Company will have its shares listed for trading on AIM and will not, therefore, be required to comply with the Combined Code, nor will it be required to comply with the equivalent corporate governance regime of the Company's country of incorporation, Cyprus. Nonetheless, the Board recognises that it is in the best interests of the Company and its Shareholders to support high standards of corporate governance and to comply with those principles of corporate governance contained in the Combined Code which are appropriate for a company of its size, that is incorporated in Cyprus.

The Combined Code recommends that the board of directors of a listed company should include a balance of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. The Combined Code states that the board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

MirLand currently has nine Directors, five of whom are Non-executive Directors considered by the Board to be independent, which the Directors consider to be a satisfactory balance for the purposes of decision-making at Board level and in line with the provisions of the Combined Code.

Board practices

The Board will meet at least four times a year. To enable the Board to perform its duties, it is intended that each Director will have full access to all relevant information. If necessary, the Non-executive Directors may take independent professional advice at the Company's expense.

In line with the Combined Code, the Company has established three committees: an audit committee, a remuneration committee and a nomination committee. The members of these committees are appointed from among the Non-executive Directors. The terms of reference of the committees have been supplemented with additional provisions from the Combined Code as applicable to AIM companies (taking into account the guidance for AIM companies issued by the Quoted Companies Alliance in July 2005). The Company has also established an Investment Committee. A brief description of the terms of reference of the committees is set out below.

Remuneration committee

The remuneration committee comprises three independent Non-executive Directors and will meet (following Admission) at least twice each year. The remuneration committee is chaired by Mr Blausten and the other members are Mr Hadjianastasiou and Dr Brown. The remuneration committee has as its remit the determination and review of, amongst other matters, the remuneration of Executive Directors and any share incentive plans of the Company. In addition, the remuneration committee prepares an annual report on the remuneration policies of the Company. The remuneration of Non-executive Directors is a matter for the Chairman and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Nomination committee

The nomination committee will comprise three Non-executive Directors, two of whom will be independent Non-executive Directors, and will meet (following Admission) at least twice each year. The nomination committee is chaired by Mr Hadjianastasiou and the other members are Messrs Wright and Eyal Fishman. The committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the committee should refer to the skills, knowledge and experience required of the Board given the Company's stage of development and make recommendations to the Board as to any changes. The committee should also consider future appointments in respect of the Board's composition as well as make recommendations regarding the membership of the audit and remuneration committees.

Audit committee

The audit committee comprises three independent Non-executive Directors and will meet (following Admission) at least four times each year. The audit committee is chaired by Dr Brown and the other members are Messrs Blausten and Aliev. The audit committee must consider, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The committee supervises and monitors, and advises the Board on, risk management and control systems and the implementation of codes of conduct. In addition, the audit committee supervises the submission by the Company of financial information and a number of other audit-related issues.

Investment Committee

In addition to the three committees mentioned above, the Company has established an Investment Committee to monitor and approve the investment decisions made by the Company's management. On Admission, the chairman of the Investment Committee is Mr Eyal Fishman and the other two members are Messrs Wright and Aliev. The Investment Committee is responsible for, amongst others, the Company's real estate and financial investment policy, evaluation of the Company's Portfolio, the review and approval of substantial real estate transactions, including acquisition, sale and lease agreements and for reviewing and reporting to the Board on all potential investments into and disposals from, the Portfolio. In the first meeting of each quarter, the chief executive officer will prepare and submit an asset evaluation for review by the Investment Committee. This will be accompanied with a quarterly report including information on all transactions under consideration or that have been approved or executed since the previous report. The Investment Committee also has as its remit, the recommendation of any changes to the Company's business plan.

Internal auditor

The Company's internal audit function will be outsourced to a certified accountant in Cyprus, nominated from time to time by the audit committee, subject to the approval of the Board. The internal auditor will be responsible for the recommendation of an auditing plan to the audit committee of the Board. The internal auditor will carry out auditing assignments in accordance with such plan and will oversee and report on the Company's compliance with the plan's recommendations. The internal auditor will file an annual report with the audit committee and the Board and will be available for any meetings of the audit committee or Board.

Share dealing code

The Company has adopted, with effect from Admission, a share dealing code for the members of the Board and certain employees which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take

all reasonable steps to ensure compliance with such code by the members of the Board and any relevant employees.

Founder Shareholders

As stated in paragraph 14 of Part II — "Information on the Company", the Founder Shareholders will, on Admission, have effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of the Founder Shareholders. To ensure that all transactions and relationships between the Company and the Founder Shareholders are at arm's length and on a normal commercial basis, the Company has entered into a relationship agreement with the Founder Shareholders. If a conflict of interest arises between the Founder Shareholders and the Company, none of the Directors who are deemed to be related to the Founder Shareholders will take part in the Board's decisions on the matter. On Admission, these Directors are Mr Morag and Messrs Eliezer and Eyal Fishman.

PART IV

PORTFOLIO AND PIPELINE

1. Portfolio

The Company's existing Portfolio comprises eight Properties, the acquisition of one of which is in the process of completing. The following is a summary of the key statistics associated with these development Properties.

Key statistics

	Moscow Hydro-mashservice	Moscow MAG	Moscow Skyscraper	Moscow Techagrocom	Moscow Perkhushkovo	St. Petersburg	Yaroslavl	Saratov
MirLand Ownership (%)	100%†† (Leasehold)	100%†† (Leasehold)[2]	100%†† (Leasehold)[4]	50% (Freehold)	100%††† (Freehold)	100% (Freehold)	49%[1] (Freehold)	90%[3] (Freehold)
Commencement Date (Construction)	Jun-05	Mar-06	Jan-08	Phase 1: Jun-07 Phase 2: Jun-08 Phase 3: Jun-09	Nov-06	Jul-07	Phase 1: Sep-05 Phase 2: Jul-07	Dec-06
Expected Completion	Jan-08	Jan-07	Dec-10	Phase 1: Jun-09 Phase 2: Jun-10 Phase 3: Jun-11	Sep-08	Within 7 years[5]	Phase 1: Mar-07 Phase 2: Mar-09	Aug-08
Project Status	Currently yielding. Renovation and expansion	Currently yielding. Renovation and expansion	Preparing expertise ('Stage P')[6]	Design stage	Design stage	Preliminary design stage	88% leased construction /marketing phase	Pre-tender stage. Preliminary marketing
Permitted use	Relevant use obtained	Relevant use obtained	Relevant use obtained	Relevant use obtained	Relevant use obtained	Relevant use obtained	Relevant use obtained	Relevant use obtained
Planning/ Construction Permits Status	N/A	N/A	Pre-construction and planning permits	Pre-construction and planning permits	Pre-construction and planning permits	Pre-construction and planning permits	All necessary consents obtained	Pre-construction and planning permits
Land Area	1.2 ha	2.3 ha	0.9 ha	22.0 ha	22.5 ha	41.0 ha	Phase 1: 12.0 ha Phase 2: 18.0 ha	2.2 ha
Rentable Area	16,500 sqm	16,000 sqm	92,000 sqm†	Phase 1: 104,000 sqm† Phase 2: 40,000 sqm† Phase 3: 30,000 sqm†	N/A	Commercial: 90,000 sqm†	Phase 1: 32,000 sqm Phase 2: 50,000 sqm	25,500 sqm†
Sellable Area					56,000 sqm	670,000 sqm		
*Current valuation (US$mn) as of 30-Sep-06**	38	45	135	107	66	331: residential 38: commercial	Phase 1: 51 Phase 2: 11.5	29
Estimated total construction costs, excl. VAT (US$mn)	6	6.8	200	194	47.2	747: residential 131: commercial	Phase 1: 41.5 Phase 2: 42.6	38.2
Estimated total construction costs, excl. VAT per sqm (US$)	364	425	2,174	1,115	843	1,115: residential 1,456: commercial	Phase 1: 1,297 Phase 2: 852	1,498

	Moscow Hydro-mashservice	Moscow MAG	Moscow Skyscraper	Moscow Techagrocom	Moscow Perkhushkovo	St. Petersburg	Yaroslavl	Saratov
Estimated construction costs to be paid, excl. VAT (US$mn)	4.5	3.5	200.0	194.0	47.2	747.0: residential 131.0: commercial	Phase 1: 11.5 Phase 2: 42.7	38.2
Total land costs(US$mn)	9.0	11.2	22.0	13.0	22.5	37.0	6.5 (both phases)	3.4
Estimated total land costs to be paid (US$mn)	1.1	3.1	20.4	0	0	0	0	0
Total project costs, excl. VAT (US$mn)	15	18	222	207	70	915	Phase 1: 44 Phase 2: 46	42
Current liabilities (bank loans) (US$m)	—	—	—	—	—	—	30	—
Bank leverage (%)	70% negotiations	70% negotiations	60%-70% expected	60%-70% expected	N/A	Commercial: 60% — 70% expected	79% actual	65% negotiations
*Expected NOI (US$mn)**	6.5	6.6	62.9	52.2	N/A	Commercial: 30.2	Phase 1: 8.8	8.8
*Expected rent** per year per sqm, excl. VAT (US$)**	395	412	685	300	N/A	Commercial: 336	Phase 1: 273	345
*Expected sales (US$mn)**					139	Residential: 1,316		
*Expected sale price per sqm, excl. VAT (US$)**					2,462	Residential: 1,964		

† Dependent on planning

†† FIN will be entitled to 10 per cent. of the net profit arising on the sale of the underlying property, or, in the case of a sale of the Skyscraper land prior to construction of the building, FIN will be entitled to two per cent. of the sale price, as described further in paragraph 8 of Part X — "Additional information"

††† FIN will be entitled to receive two per cent. of the net sales price arising on the sale of completed residential units, plus, depending on the sales price per square metre, seven per cent. of the amount over certain benchmark sales prices, and, if the land is sold prior to construction, FIN will be entitled to receive three per cent. of the sale price, as described further in paragraph 8 of Part X — "Additional information"

* According to Cushman & Wakefield

** Includes operating expenses

(1) 50 per cent. board voting rights

(2) Under registration

(3) 100 per cent. shareholder and board voting rights

(4) The Company is still to complete the agreements for the acquisition of the company holding a leasehold interest in the land. See paragraph 11 of Part X — "Additional information"

(5) Divided into five phases, with partial overlapping

(6) Stage P = submission of detailed design and plans to authorities for building permits

Until the relevant planning and construction authorisations are in place, there remains the possibility that certain of the above information will change.

The Company's projects are in various stages of construction and development as described in more detail below.

1.1 Hydromashservice ("Hydro"), Moscow — office and retail development

Hydro, which is wholly owned by the Company, owns a leasehold interest in a 1.2 hectare plot of land located in the north part of Moscow's Novoslobodsky Business District, which is two kms from the third transport ring road, within the Novoslobodsky office submarket. The lease is with the City of Moscow and has 23 years left to run.

The Company owns the buildings on the land with a total net lettable area of 16,262 square metres. The two main buildings are currently under reconstruction, of which 13,153 square metres have been completed and are currently yielding as Class B office space. Tenants are mostly local companies, although some space is let to Home Centers. Most tenants are subject to short-term lease agreements. Upon completion of the renovation works, the site will provide 16,517 square metres of rentable Class B offices and a supermarket. The land at Hydro benefits from the use of 186 car parking spaces in the Company's adjacent land at MAG, described below.

The mostly completed building is a five storey office building which may be converted into a six storey building. The other main building is two stories and is currently used as a warehouse and for storage. An extension to this building, with a net lettable area of 255 square metres, is anticipated to complete and be fully let by January 2008.

The renovation is being managed by one of the Company's Senior Managers, Michael Krichevsky. FIN is entitled to receive 10 per cent. of the net profit arising on the sale of the underlying property, as described further in paragraph 8 of Part X — "Additional information". This entitlement has not been subtracted from the portion of the total Cushman & Wakefield valuation ascribed to the Company.

The premises are on 2nd Hutorskaya street in Moscow. The site benefits from very good transport links and is situated in close proximity to Dmitrovskoye Shosse and approximately 10 minutes walking distance from Dmitrovskaya metro station. The site has excellent access and can be reached from Butyrskaya street, Bashilovskaya street and the third transport ring road. Savjolovsky train and tram terminal is situated within approximately two kms of the site and Sheremet'evo airport is approximately 30 kms away.

As at 30 September 2006, Cushman & Wakefield valued Hydro at US$38,386,431.

1.2 MAG, Moscow — office and retail development

MAG, which is wholly owned by the Company, owns a leasehold interest in a 2.3 hectare plot of land located adjacent to Hydro. The two leases are with the City of Moscow. One lease, a short-term lease of five years, has three years left to run and is over one hectare and designated for parking. The Company expects to either renew this short-term lease or acquire the freehold. The other, pending registration, will be for a 49-year term.

The Company owns the buildings on the land, comprising two six-storey office buildings, a warehouse and a boiler house, which are currently under reconstruction. Although, the majority of the four structures are currently under reconstruction, 2,747 square metres have been completed and are currently yielding as Class B offices. Tenants are mostly local companies, although some space is let to Home Centers. All are subject to short-term lease agreements. The boiler house will partly be reconstructed and used as Class B office space with 680 square metres of net lettable area. Upon completion, the site will provide 16,134 square metres of rentable Class B offices, coupled with 186 car parking spaces.

The renovation is being managed by one of the Company's Senior Managers, Michael Krichevsky and is expected to complete in January 2007. FIN is entitled to receive 10 per cent. of the net profit arising on the sale of the underlying property, as described further in paragraph 8 of Part X — "Additional information". This entitlement has not been subtracted from the portion of the total Cushman & Wakefield valuation ascribed to the Company.

As at 30 September 2006, Cushman & Wakefield valued MAG at US$44,523,085.

1.3 Dmitrovskoye Shosse, Moscow — Skyscraper

The Company is in the process of completing the acquisition of RealService, as referred to in Part I — "Risk factors" and as summarised in paragraph 11 of Part X — "Additional information". RealService itself owns the

leasehold interest in a 0.9 hectare plot of land situated in the Northern Administrative District of Moscow, near the crossing of Dmitrovskoye Shosse and Dmitrovskiy proezd, both of which are main traffic routes. The lease is with the Moscow Land Committee and has 46 years left to run.

Once the Company has completed the acquisition of the majority interest in Real Service (as described further in paragraph 11 of Part X — "Additional information", the Company intends to construct a 48-storey, Class A office building project, with a retail component of 5,000 net lettable square metres and two underground parking levels for 497 parking spaces, in addition to external structured parking for 976 vehicles. Existing structures are to be demolished before construction commences. The Company anticipates that the permissions for the parking spaces will be procured by one of the current owners of RealService, either on adjacent land or through modifications to the current intended design, the former of which will be funded by such current owner, or on the latter option, the purchase price for RealService will be reduced (as described further in paragraph 11 of Part X — "Additional information").

FIN is entitled to receive 10 per cent. of the net profit arising on the sale of the underlying property, as described further in paragraph 8 of Part X — "Additional information". This entitlement has not been subtracted from the portion of the total Cushman & Wakefield valuation ascribed to the Company.

Construction is scheduled to commence in January 2008 with completion in December 2010. The project will be completed in one phase.

The Skyscraper project is accessible from the north-eastern part of the junction formed by Dmitrovskiy proezd in the north and the slip road to Dmitrovskoye Shosse in the north-east, as well as by rail via the Rizhskaya rail link in the south and the tram depot in the west. The building is also close to Dmitrovskaya metro station. The property will create its own catchment area and attract customers that pass by the building when exiting the Dmitrovskaya metro station. Development will be completed in one phase.

As at 30 September 2006, Cushman & Wakefield valued Skyscraper at US$135,254,595.

1.4 Techagrocom, Moscow Region — business park

Techagrocom, in which the Company has a 50 per cent. ownership interest, owns the freehold interest in four plots of land totalling 22 hectares in the Mamyri village in the Moscow Region. The land is intended for the development of a modern business park together with a retail complex over two floors, and a 25-storey office building. The retail complex will be oriented towards the traffic flow along Kaluzhskoye highway. The size of the plot will allow for the simultaneous introduction of both office (Class A) and retail components. Total office space is anticipated to be 100,000 square metres and the retail complex to cover 74,000 square metres. The Company is currently negotiating lease arrangements with relatively large national retailers.

The property is currently subject to a planning application. Currently, the property is a clear field and is free from any structures. The Company is currently carrying out geological studies of the land prior to commencing construction activities. Two high voltage power lines pass along the north-west and south-west borders of the plot. To optimise the use of space, the parking area will be located below these power lines. The power lines could also potentially be moved underground to increase area for future development.

Construction will be managed by one of the Company's Senior Managers, Pavel Tchernovalov and the project will be developed over three separate phases, with phase one scheduled to commence in March 2007 and phase three to complete in mid-2011.

Techagrocom is located in the Moscow Region, just adjacent to Moscow, one km from the MKAD external ring, on the Kaluzhskoye highway, an extension of Profsoyuznaya Street. The property has good transport accessibility, primarily by private vehicles. Public transport by either bus or metro is also possible. A bus station is located next to the site and the closest metro station, Tepliy Stan, is 2.5 km away and can be reached by bus.

As at 30 September 2006, Cushman & Wakefield valued Techagrocom at US$107,319,913.

1.5 Perkhushkovo, Moscow Region — townhouse and cottages complex

Perkhushkovo, which is wholly owned by the Company, owns the freehold interest in a 22.5 hectare plot of land located in the Moscow Region, in the Odintsovsky district close to the Mozhayskoe highway, approximately 15 km west of Moscow. The land is divided into two plots separated by a road, of approximately 10 and 12

hectares. MirLand is planning to construct 97 residential cottages with a total area of 41,870 square metres and 58 townhouses with a total area of 14,500 square metres, for sale.

The project currently includes the construction of residential units of five different classes, ranging from 'townhouse' to 'business+'. On average, the 'townhouses' will cover 250 square metres, 'economy cottages' will cover 350 square metres, 'business cottages' will cover 400 square metres, 'business 2' will cover 440 square metres and 'business+' will cover 470 square metres.

The land is currently undeveloped greenfield plots with no existing structures. The property is currently subject to a planning application. The site does not have any utility connections or infrastructure provisions. The project is being managed by one of the Company's Senior Managers, Moshe Shor and the Subsidiary's general director is Michael Krichevsky. The project will be completed in one phase, currently expected in September 2008, construction having commenced in November 2006. FIN is entitled to receive two per cent. of the net sales price arising on the sale of completed residential units, plus, depending on the sales price per square metre, seven per cent. of the amount over certain benchmark sales prices, as described further in paragraph 8 of Part X — "Additional information". This entitlement has not been subtracted from the portion of the total Cushman & Wakefield valuation ascribed to the Company.

Such townhouse complexes are common in the Moscow area. The Perkhushkovo area is located in a prestigious area, adjacent to an existing "datcha" neighbourhood. The land has good accessibility by road and is approximately 15 km away from the MKAD Moscow Ring Road and approximately five km from Perkhushkovo railway station. The nearest airport Vnukovo, is 10 km away.

As at 30 September 2006, Cushman & Wakefield valued Perkhushkovo at US$66,122,143.

1.6 St. Petersburg — residential and trade centre

Petra-8, which is wholly owned by the Company, owns the freehold interest in two land plots totalling approximately 41 hectares, on the main road, Pulkovskoe Shosse, in St. Petersburg which runs between the airport and the city centre.

The site intended for residential development covers 32 hectares and MirLand intends to develop a residential neighbourhood, including 8,934 apartments.

The residential project is divided into five phases, which can each be conducted independently. Construction of the first phase, comprising 20 per cent. of the total area, is scheduled to start in July 2007, and to complete in December 2008. The consecutive phases will follow a time difference of one year each. The development will consist of two different building types: residential towers of up to 25 floors and low-rise peripheral buildings of five and nine floors, respectively. The apartments will comprise an average saleable area of 75 square metres.

To provide the necessary infrastructure to the neighbourhood, the project also involves the construction of community buildings, including kindergartens and schools. These buildings will be constructed in line with the residential units.

The residential site will also comprise two urban park areas of 10,900 and 8,800 square metres.

The second plot of land of eight hectares is intended to be developed into a modern business park, providing 60,000 lettable square metres of Class B office space, a retail complex comprising 15,000 lettable square metres and street retail area covering 15,000 lettable square metres. It is anticipated that the buildings will be over seven storeys.

The commercial project will be constructed contemporaneously with the residential project, with construction expected to commence in mid-2008 and the project to complete in mid-2013. Each phase is anticipated to take between 18 months to two years to complete with a further three month fit out.

The land will provide over 7,000 surface and underground parking spaces.

The Company has completed the demolition of the existing small buildings and greenhouses, the cost of which has been borne by the previous owner of the land.

A high-voltage power line passes through the property and it is intended that this is moved underground. The project will be managed by Lev Margolin and Moshe Shor is the general director of Petra-8, both of whom are Senior Managers.

The first 20 per cent. of net saleable residential area is scheduled to be completed at the end of 2008.

St. Petersburg, with a population of approximately four million inhabitants, is the second largest city of Russia after Moscow and the largest industrial centre in the north western federal district. The site is well located with good accessibility, being on Pulkovskoe Shosse, which is the main road from the St. Petersburg airport to the city centre. Each of the airport and nearest metro station are five km away from the site. The city centre is approximately 16 km away.

As at 30 September 2006, Cushman & Wakefield valued the residential project at US$331,134,610 and the commercial project at US$38,195,923.

1.7 Yaroslavl — shopping centre

MirLand owns 49 per cent. (50 per cent. of the voting rights) of the freehold interest in two plots of land, comprising 12 and 18 hectares, respectively, in Kalinina street just on the outskirts of Yaroslavl. The land is intended for the construction of a retail complex and a big box retail complex.

The project is being developed in two phases. The retail complex, currently under construction and scheduled to complete in February 2007, comprises a one floor building of approximately 32,000 lettable square metres and a parking area of 1,450 spaces. The complex will also include entertainment areas, which will be in the second phase. A substantial part of the building has been pre-let to two anchor tenants, an international DIY chain, Home Centers, and a food retail chain, Real, as well as a range of smaller international and local tenants, including Adidas/Reebok, Accessorize and Camaieu. The retail complex also includes a food court. As at the end of November 2006, 88 per cent. of the retail area had been pre-let.

The big box retail complex will comprise 50,000 lettable square metres. Construction of this complex is scheduled to commence in September 2008 and complete in January 2010.

The project is being managed by the Company's minority joint venture partner, Norman Asset Management ("NAM"), and is being carried out over two phases.

Yaroslavl is a city of approximately 600,000 inhabitants, located 280 km north east of Moscow and 750 km south of St. Petersburg. The complex is located in a mostly residential district at the intersection of the ring road of Yaroslavl (Kalinia street) and the highway to Moscow (Moskovskoye Shosse) and is six km away from the centre of the city, which is a 15 to 20 minute drive away.

As at 30 September 2006, Cushman & Wakefield valued the retail complex at US$51,556,613 and the land plot designated for the big box retail complex, at US$11,450,404. The Company's joint venture partners are Purtone Limited (as to 48 per cent.) and NAM (as to three per cent.).

The Company has received expressions of interest from two prospective buyers to purchase the Yaroslavl project on a completed basis, at a price which is in excess of the value ascribed to it by Cushman & Wakefield. The potential buyers have requested a period to progress negotiations and permit them to carry out their due diligence. The Company, together with its joint venture partners, is giving serious consideration to the proposals, although it may conclude to retain and lease the completed project.

1.8 Saratov — retail and entertainment centre

The Company, through its 90 per cent. owned Subsidiary, IIK, owns the freehold interest in a 2.2 hectare plot of land, situated near the centre of Saratov, intended for the construction of a three storied modern shopping centre. The land is surrounded predominately by retail, residential and industrial premises.

The project will result in 25,685 lettable square metres, comprising a retail gallery (9,423 square metres), retail anchor (10,869 square metres) and retail semi-anchors (5,393 square metres) as well as 175 surface parking spaces and 321 underground parking spaces. The Company is currently negotiating lease arrangements with relatively large national retailers.

The land plot is currently undeveloped. The Company's Subsidiary, IIK, has demolished several structures on the land plot, for which it has received the requisite certification of demolition. It is currently in the process of demolishing the remaining structures. Additionally, the Company has conducted a soil investigation and commissioned a technical survey of adjacent utilities lines. Construction is expected to be completed in one

phase, to start in December 2006 and complete in August 2008. The project is being managed by the Company's minority joint venture partner, Norman Asset Management ("NAM").

The project will be the first modern multi-storied retail and entertainment centre in Saratov.

Saratov is one of the largest cities of Russia, located 840 km from Moscow, in the south east of Russia, with a current population of 900,000 inhabitants. The land plot is located at the intersection of Astrakhanskaya and Kutyakova streets and is 15 minutes walking distance from the historical city centre and from the Kirovsky prospect, in the Kirovsky district, a well-known and important retail avenue in the city. Almost all restaurants, retail and entertainment centres are located along this pedestrian avenue.

As at 30 September 2006, Cushman & Wakefield valued Saratov at US$29,342,139.

NAM owns a 10 per cent. interest in the corporate ownership structure, although its shares do not carry any voting rights.

2. Pipeline

The Company is currently progressing negotiations in relation to a number of pipeline projects, the key ones being summarised below. Several of these projects will follow the regional shopping centre model that is currently being executed in Yaroslavl, as described above. The key components of the Company's approach to regional shopping centres are to capitalise on high potential due to an existing lack of similar centres, constructing single storied commercial centres, of not less than 4.5 hectares, with good accessibility, adequate parking provision and by pre-letting to key anchor tenants in the food and DIY sectors.

2.1 Project 1, Novosibirsk — shopping centre

The Company is currently negotiating the acquisition of a 90 per cent. interest (together with a local minority partner) in a 12 hectare plot of land in Novosibirsk, one of Russia's largest cities with a current population of approximately 1.4 million inhabitants. The property is located in a major retail district, connecting two parts of the city. The Company is intending to construct a modern shopping centre, based on the Yaroslavl model described above. The project's acquisition cost is anticipated in the region of US$10 million and construction is anticipated to take approximately 24 months to complete.

2.2 Project 2, Tomsk region — shopping centre

The Company is currently negotiating the acquisition of a 100 per cent. interest in a 10 hectare plot of land in Tomsk, a city in Siberia, Russia with a current population of approximately 600,000 inhabitants. The property is located in a major retail district, connecting two parts of the city. The Company is intending to construct a modern shopping centre, based on the Yaroslavl model described above. The project's acquisition cost is anticipated in the region of US$6 million and construction is anticipated to take approximately 24 months to complete.

2.3 Project 3, Rostov-on-Don — shopping centre

The Company is currently negotiating the acquisition of a 100 per cent. interest in a 4.8 hectare plot of land in Rostov-on-Don, a city in south west Russia with a current population of approximately one million inhabitants. The property is located in the west of the city with good transport connections and accessibility. The Company is intending to construct a modern shopping centre, based on the Yaroslavl model described above. The project's acquisition cost is anticipated in the region of US$5 million and construction is anticipated to take approximately 24 months to complete.

2.4 Project 4, Moscow — shopping centre

The Company is currently negotiating the acquisition of a 50 per cent. interest in a 12.5 hectare plot of land in Moscow for the construction of the largest modern shopping centre in Moscow. The land is located in the north west of the city with good transport connections and accessibility and is ideally situated for a shopping centre of this size. The project's acquisition cost is anticipated in the region of US$160 million, with development costs anticipated at US$315 million. Construction is estimated to take approximately 30 months to complete.

2.5 Project 5, Moscow — office

The Company is currently negotiating the acquisition of a 100 per cent. interest in a 0.3 hectare plot of land in Moscow for the construction of retail and office space, together with covered parking. The land is located adjacent to the Moscow zoo and four km from the Kremlin. The project's acquisition cost is anticipated in the region of US$19 million, with development costs anticipated at US$16 million. Construction is estimated to take approximately 18 months to complete.

2.6 Project 6, Novosibirsk — office

The Company is currently negotiating the acquisition of a 51 per cent. interest in a one hectare plot of land in Novosibirsk for the construction of an office building in the centre of the city. The project's acquisition cost is anticipated in the region of US$0.5 million, with development costs anticipated at US$6.4 million.

2.7 Project 7, Novosibirsk — residential

The Company is currently negotiating the acquisition of a 100 per cent. interest in an eight hectare plot of land in Novosibirsk for the development of a residential neighbourhood of approximately 1,500 apartments, in the centre of the city. The project's acquisition cost is anticipated in the region of US$7 million, with development costs anticipated at US$81 million.

In addition to the proposed acquisitions detailed above, the Company has identified further commercial and residential opportunities which it is currently assessing for validity.

Several of the projects summarised above are at a very preliminary stage and negotiations and formal due diligence may not have commenced. The Directors can give no assurances that any of these acquisitions will successfully complete.

3. Valuation

A Valuation Report in relation to the assets comprising the existing Portfolio is reproduced in Part VI of this document. The Valuation Report has been prepared to value the underlying real estate assets comprising the Portfolio and not the value of the Company's interests in such assets which will differ from the value of the underlying real estate assets for a number of reasons including (i) the fact that the Company does not own 100 per cent. of all of the assets comprised in the existing Portfolio and (ii) that liabilities (such as loans and deferred tax) of the entities within the Company that own the interest in the relevant asset will reduce the value of the Company's interest. The assumptions underlying the Valuation Report are also detailed in Part VI. There is no guarantee that these assumptions will prove to reflect the accurate fair market value of the Portfolio. An unaudited pro forma balance sheet for the Group is set out in Part VII of this document.

4. Capital expenditures

The Company has a substantial pipeline of potential real estate projects in which it may invest during 2007 and beyond. The real estate business is flexible, however, and the Investment Committee considers investments on a project-by-project basis. Each project will compete for capital with other investment opportunities.

The Directors currently estimate that the Company's Properties will require investments of approximately US$325 million through the first quarter of 2008. The Directors expect that the Placing will provide a significant part of this amount, with the remaining amount to be secured as loans from third party financial institutions.

PART V

THE COMPANY'S KEY PROPERTY MARKETS

Certain information sourced from third parties in this Part V has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the stated sources, no facts have been omitted which would render the information inaccurate or misleading.

The Company believes that the areas in Russia in which the Company already owns properties, or intends to invest, share a number of positive characteristics that make them attractive locations to generate high returns on property investments.

Investors should consider the following factors in assessing the background to any possible investment in the Company:

- economic conditions in Russia;
- characteristics of the real estate market in Russia; and
- certain aspects of Russian real estate law and practice.

These factors are discussed further below.

1. An overview of economic conditions in Russia

General economic trends in Russia over the last five years have been positive, with strong gross domestic product (''GDP'') growth, greater domestic liquidity, declining interest rates and increasing investment flow into the country. At present, the positive socio-economic development of Russia remains stable. The Russian government's budget discipline and an on-going inflow of petrodollars and commodity-related income have continued to fuel strong macroeconomic growth. Fiscal and current account surplus, robust GDP growth, decreases in external debt as a percentage of GDP and the creation of a stabilisation fund are recognised by major credit rating agencies which have conferred an investment grade credit rating on Russia. The Russian economy continues to demonstrate some of the highest expansion rates in Europe and, at 6.4 per cent., is one of the highest GDP growth rates in Europe in 2005.

Rising real disposable income is reflected in increased consumer spending which grew by 11.1 per cent. in 2005, as unemployment fell and industrial production expanded by four per cent. The country's foreign exchange reserves are expected to increase past the US$20 billion mark in 2006 and the federal budget surplus for 2005 is estimated at US$54 billion, or 7.2 per cent. of GDP.

The political situation in Russia has been stable during this period and country risk has reduced, as signalled by sustained fiscal and trade surpluses and pending World Trade Organisation entry. According to the United Nations Conference on trade and development, direct foreign investments into Russia reached US$26.1 billion in 2005 — from US$12.5 billion in 2004. Inflation in 2005 was higher than estimated at the beginning of the year.

Key Russian Macro-economic Indicators

	2002	2003	2004	2005	2006E
Population (millions)	145.3	144.6	144.0	143.4	142.9
GDP per Capita (US$)	1,197	1,308	1,419	1,552	1,697
Real GDP Growth Rate (%)	4.7	7.3	7.2	6.4	6.3
Annual Average Inflation Rate (%)	15.8	13.7	10.9	12.7	9.8
Unemployment Rate (%)	8.1	8.6	8.2	7.6	7.0
Long Term Interest Rates (%)	15.8	8.9	7.8	7.8	7.0
Average RUR/USD Exchange Rate	31.4	30.7	28.8	28.3	27.4(1)
Credit Rating	BB	BB	BB+	BBB	BBB+(1)

Sources: RosStat, EIU, OECD, Standard & Poors, Factset

(1) YTD

Annual inflation fell to 9.8 per cent. in 2006, easing to the slowest pace in almost eight years as the Rouble strengthened, signalling that the Russian government is on track to contain growth in prices in the country's

eighth year of economic expansion. In June, Russia reached agreement with the Paris Club to prepay the remaining US$22.3 billion of its foreign debt. The Russian government has stated that it will spend the resulting US$7.7 billion in savings on infrastructure projects.

2. Characteristics of the real estate market in Russia

On the back of strong economic growth in Russia, Russian real estate markets have developed significantly and have attracted a substantial amount of local and foreign investment. Over US$5 billion of equity investments have been made into Russian institutional property since 2001, including US$3.1 billion so far in 2006 alone (up to September 2006). Russia continues to be a dynamic market, offering development opportunities as well as income-producing assets. The legal framework is also improving, giving more comfort to foreign investors, although obtaining construction and planning permits still remains fairly bureaucratic.

The Russian commercial real estate market has benefited from the strong economic growth and the recent high levels of business activity in all sectors. Attractive development yields and the increasing sophistication of tenants have spurred demand for new international standard real estate, whereas the influx of core investment capital and the improving local lending terms have led to the compression of current yields for existing properties.

Until early 2004, most of the development and core investment activity was concentrated in Moscow and St. Petersburg, but, as returns have started to compress in the two major sub-markets, developers and investors have begun to turn to major regional cities for investment opportunities, although these regions still remain relatively under-invested.

The Company believes that the Russian market in general demonstrates strong demand for commercial and residential property, from both occupiers and potential owners. In the residential market, there has been increased access to attractive financing on an individual level, driven to a large extent by the introduction of mortgages. Combined with higher levels of personal disposable income, there is greater capital available from the emerging middle class for real estate purchases. The Company believes that continued GDP growth will also result in increased demand for commercial space. Debt financing has grown rapidly since 2005, with an increasing number of foreign banks and financial institutions active on the market, with only 50 per cent. of construction loans extended by Russian banks. During the 2005 to the first quarter of 2006 period, the volume of debt financing amounted to more than US$5 billion, with nearly half invested in the office real estate sector.

As the market matures and demand still far exceeds supply, property rental yields continue to fall, although they still remain significantly higher than those of comparable property yields in Western or Central Europe.

Moscow market characteristics

Moscow's position as a "global city" is supported by a number of factors, most notably its population of over 10 million inhabitants, a developing service sector and position as a regional and national capital. Among world cities, Moscow retains one of the fastest rates of expansion, with Cushman & Wakefield expecting its economy to experience a six per cent. annual growth rate between 2005 and 2007.

Moscow's property market showed healthy growth throughout 2005, with record-setting construction activity and numerous high-profile projects being planned.

Although the majority of land in Moscow is still held subject to leases with the City of Moscow, one of the more notable developments in the market has been the adoption of freehold ownership of land. Despite the fact that the process of securing freehold rights for land in its present form is a cumbersome and costly process, the ability to now obtain freehold interests marks an important breakthrough in the development of the commercial real estate market.

Moscow office market

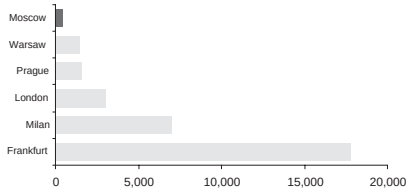
While still fairly new, Moscow's office market is quickly maturing, both in terms of size and overall quality. Virtually non-existent a decade ago, it is now one of Europe's most dynamic office markets, showing exceptionally high volumes of new construction and take-up.

The Company believes the key drivers behind this expansion include the increase in employment in office jobs, as well as generally higher corporate profits, which allow companies to upgrade from Class C/D to Class A/B offices.

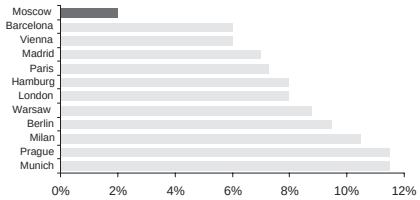
While the stock of international-standard office space has more than doubled since 2000, the market still remains unsaturated, with demand far exceeding supply. In terms of office stock per capita (only 0.53 square metres of

quality office per inhabitant), Moscow remains far behind most of Europe. The lack of quality office space induces tenants to pre-lease larger premises in incomplete buildings to provide sufficient office space for themselves and to allow growth for the future. Pre-leasing is becoming more and more prevalent, especially for Class A buildings, for which marketing begins earlier than for Class B buildings.

Office Stock per 1,000 Inhabitants, sqm, 2005



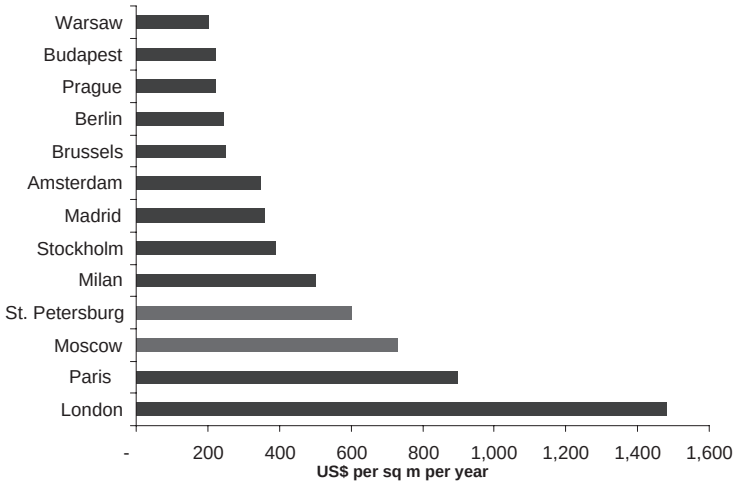
Office Vacancy Rate Q1 2006 Class A



Source: Cushman & Wakefield

As at 30 September 2006, average office vacancy rates for Classes A and B in the city remained low, measuring approximately 2.35 and 3.45 per cent., respectively, amongst the lowest for a major European capital city. In 2005, Class A base rents (excluding VAT and operational expenses) grew by 11.7 per cent. against 2004, and reached average levels of approximately US$702 per square metre per annum by the end of 2005. Since that time, the market experienced peak rental rate levels of more than US$1,000 per square metre per annum in the most desirable locations. In the same period, the average level of Class B base rents grew from approximately US$417 to US$458 per square metre per annum. This growth is expected to continue to the end of 2006, with the average level of Class A base rents reaching US$750 to US$800 per square metre per annum, and Class B reaching US$500 to US$520 per square metre per annum. It is anticipated that this growth will continue through 2007 and 2008, albeit at a slightly slower rate. Supply and demand and rental rates are all expected to stabilise in or around 2010-2011.

Prime Base Annual Office Rents, USD per sqm per annum



Source: Cushman & Wakefield

New Class A/B office supply scheduled to enter the market in the next few years is estimated to amount to up to five million square metres in 2006, 2007 and 2008. This could lead to higher vacancy rates across the market. It should be noted however, that significant delays do occur in the construction process, and often, a significant proportion (up to two thirds in some cases) of the new supply is not delivered to schedule.

Currently, capitalisation rates for fully-tenanted Class A standard office space range from approximately 8.75 to 13 per cent., although this is subject to variables such as location, quality and tenancy. Capitalisation rates for prime office space are expected to continue to compress over the next three to four years, due to Russia's improved credit rating, the increase in the number of investment-grade buildings, the perception of falling political and economic risk levels, and the increasing availability, and expected lower cost of debt finance.

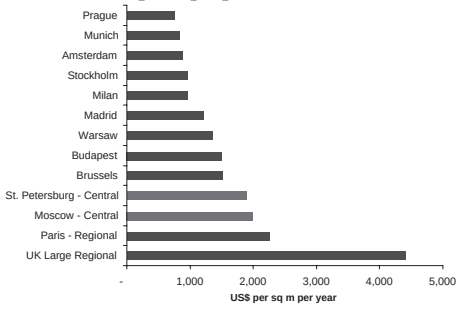
Moscow retail market

With steadily growing personal incomes, retail continues to be one of the most dynamic and quickly-evolving sectors of the country's economy. The modern, international-standard shopping centres appearing across Moscow are evidence of this trend. Most retail development continues to be undertaken by local companies and the majority of international retail brands are represented through franchisees, rather than directly. While still in the early stages, the retail market is rapidly growing more mature and professional with an increase in international-standard projects planned or already under construction.

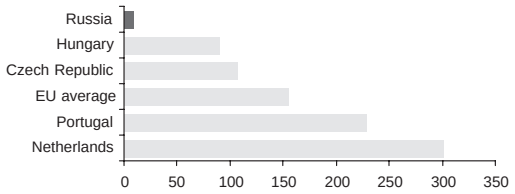
Moscow's retail market continues to evolve very quickly. While shopping centre stock has more than doubled since 2003, there is still tremendous undersupply of modern shopping space, with Moscow having the lowest per capita shopping centre stock in comparison with other major European capitals. In addition, there is strong demand from both domestic and foreign retailers. The average size of shop units is also growing consistently and vacancies at international-standard shopping centres remain very low, at roughly one per cent.

Currently, rental rates in quality shopping centres can range from US$3,000 to US$4,000 per square metre per annum (excluding VAT and operational expenses). The average rental rate in shopping centres, however, in the Central Business District (the "CBD") is currently approximately US$2,284 per square metre per annum, while in other districts (excluding the CBD) the average is US$974. The average for the whole of Moscow is approximately US$1,250 per square metre per annum.

Prime Based Annual Shopping Center Rents, USD per sqm per annum



Shopping Centre Space by Country sqm per 1,000 Inhabitants



Source: Cushman & Wakefield

Rental rates in prime central shopping destinations are expected to grow gradually, while they will be slowly declining in older, less efficient and less quality shopping centres as a new generation of shopping malls enters the market in the next two to three years. Prime yields for shopping centres in Moscow are estimated at between 9.5 to 11 per cent.

With very few above-ground sites suited for the construction of new shopping centres remaining in central Moscow, development is expected to be largely concentrated in less central locations. Within the centre of Moscow, several large-scale underground shopping malls are planned for Pushkin Square, Belorusskaya and Paveletskaya and, overall the city is seeing larger developments. Retail is expected to continue to flourish, and Moscow's shopping centre stock is expected to double by 2009.

Moscow residential market

The market for residential property in Russia is characterised by low supply per capita and ageing stock, with some 35 per cent. of Russia's housing stock in need of renovation or replacement. Most of the growth in housing construction over the past years has been concentrated in Moscow city, the Moscow region and St. Petersburg. Since 1990, the volume of housing stock in Moscow city and the Moscow region has almost doubled.

One of the reasons for the growth in demand is the expansion of western enterprises and the subsequent increase in employees needing housing. The share of expatriates in elite property rentals is up to approximately 70 per cent. Foreign citizens, on average, prefer to rent rather than buy properties.

After a slowdown in 2004, the Moscow residential property market rebounded strongly in 2005, with healthy growth in price and demand. Price growth in 2005 remained high at 28.1 per cent. in the "new build in-town" market and 20.1 per cent. in the "resale in-town" market. Market reports suggest that prices have continued to rise steeply in 2006.

St. Petersburg market characteristics

St. Petersburg's economy is Russia's second largest, behind Moscow, in terms of population (4.6 million in 2005), income per capita growth, retail turnover, and a number of other factors.

St. Petersburg is ideally located at the crossroads between Europe, Scandinavia and Russia. Because St. Petersburg was centrally planned and designed by prominent European architects, it is also considered to be Russia's most European city. Over the past five years, St. Petersburg's gross regional product ("GRP") has increased at a consistently higher rate than the average for Russia.

The city's growing role in the Russian economy ensures its appeal to domestic and foreign businesses, leading to increased demand for quality commercial real estate across all sectors, with several large firms starting to migrate to the city.

St. Petersburg office market

St. Petersburg's modern office market, virtually non-existent a few years ago, is now in the early stages of development both in terms of size and overall quality. Although it may not match Moscow's ascension from virtually no modern stock in 1995 to one of Europe's most dynamic in volumes of new office construction and record-setting take-up, its office market stock is expected to grow substantially, both in terms of supply and demand.

While total stock of modern office space is growing, the market remains unsaturated, with demand exceeding supply, though at a healthier vacancy rate of 2-4 per cent. (compared to Moscow's 2.7 per cent.) as at 30 September 2006. In terms of office stock per capita, St. Petersburg, with only 0.2 square metres of modern office space per inhabitant, remains behind Moscow (0.53 square metres per inhabitant) and even further behind most of Western and Central Europe.

The St. Petersburg office market is concentrated in the historic centre, a phenomenon that directly relates to the early stage of the market's evolution. As the office market develops further, it is expected that modern office space will be built outside the historic centre.

By the end of the first half of 2006, prime rents for Class A offices were US$600-840 per square metre per annum, without VAT but including operating expenses. The fact that operating expenses are still included in the rent for Class A and B offices is one of the indicators that the market remains at an early stage of maturity. Prime yields for office buildings in St. Petersburg are estimated at 10 to 13 per cent.

St. Petersburg retail market

While still in the early stages, the St. Petersburg retail market is rapidly growing more mature and professional, assisted by steadily growing personal incomes. St. Petersburg's Nevsky, Ligovsky and Bolshoy Prospects, as well as Sadovaya Street, form the traditional retail, business and social centre of the city. Modern retail concepts are, however, increasingly moving to less central locations.

Historically, Scandinavian countries were among St. Petersburg's major trade partners and foreign investors. Sweden's IKEA and Finland's Stockmann continue this trend with IKEA developing two of the city's largest retail projects, which are currently under construction (one, MEGA DIBENKO, is due to open in November 2006). While there are some international developers operating in St. Petersburg, retail development continues to be dominated by local companies.

International-standard, modern shopping centres are a relatively recent development in St. Petersburg. At the end of the first quarter of 2006, the total modern shopping centre stock reached 472,300 square metres of gross lettable area, divided into nine modern shopping centres, which is low compared to the 86 modern shopping centres currently operating in Moscow. Shopping centre stock is poised for dramatic change in the upcoming two to three years, which will address part of the current undersupply of modern shopping space and strong demand from both domestic and foreign retailers, as they take advantage of the consumer boom.

The investment market in St. Petersburg is even smaller than its equivalent in Moscow. Prime yields for shopping centres in St. Petersburg are slightly higher than those found in Moscow, and are estimated at 10 to 12 per cent.

The historical centre of St. Petersburg is considered to be the most prestigious and expensive place for retail in the city. The launch of new projects in this area is generally hindered by a lack of available plots and restrictions imposed on the reconstruction of old buildings and facades, many of which are considered historical monuments. The fastest rate of retail development is occurring outside the city centre where there are major concentrations of residential areas, more land availability, fewer architectural limitations, and parking and logistics issues.

St. Petersburg residential market

The residential real estate market in St. Petersburg has been experiencing the fastest rate of development over the past couple of years. Compared to commercial real estate, the residential real estate market attracts developers and investors through a shorter recovery period and a relatively high rate of profit.

The St. Petersburg residential real estate market differs not only from the residential real estate markets in other countries, but also from the markets in Moscow and other Russian cities. Housing stock in St. Petersburg has more or less continuously developed over the course of three centuries. Local residential specialists estimate that each year approximately one million square metres of new residential space is coming to the market in St. Petersburg.

The majority of the historic city centre was home to rental housing, differing mainly according to the social status of their respective tenants, i.e. the division of one and the same house into a frontal and courtyard part. The most expensive accommodation has always been located closer to the heart of the city centre with the least expensive regions located further away from the centre and closer to the industrial suburbs.

The period of communism including its underinvestment in good quality housing has left many of the old buildings in the city centre in a rather low quality fit out such as electricity, pipes or windows. Moreover, it is difficult to realise larger residential developments in the centre due to the scarcity of available land plots. As a result, modern quality residential developments in the city outskirts have become more attractive in the recent years.

In line with economic growth in Russia, residential real estate prices in St. Petersburg have shown a relatively stable growth over the last few years with average growth rates of between five and 15 per cent. per year.

The second half of 2005 has seen a relatively dynamic increase in prices, resulting in an average price per square metre of US$1,150 to US$1,200 for newly developed suburb economy class apartments at the end of 2005. This trend has rapidly accelerated over the course of 2006.

Current stock in St. Petersburg amounts to 98.6 million square metres, with an average size of 58 square metres per apartment and more than 50 per cent. of dwellings within the suburbs. After a drop in 2005, both on the primary and secondary markets, prices increased at the beginning of 2006, with a high volume of pre-let deals on newly built modern stock in large projects.

Secondary cities' market characteristics

Russian and international real estate developers and investors have mainly focused their activities on Moscow and St. Petersburg which, with more than 10 and four million inhabitants, respectively, are by far the largest cities in Russia. The country does however, possess numerous secondary cities with more than 500,000 inhabitants, with very little or almost no modern real estate stock and associated competition coming primarily from small local developers.

Retail constitutes the most attractive segment of this market, stimulated by growing purchasing power in Russia's regions and still little, or non-existent, shopping centre stock — even in some of the country's largest secondary cities.

Secondary cities retail market

Both Russian and international retailers continue to look towards the regions as an attractive expansion opportunity. While only two years ago developers' ambitions ended in large cities with a population of over one million inhabitants, chiefly concentrated in the country's more European part, they are now actively building new shopping centres and retail parks around the country.

Important regional centres such as Novosibirsk, Kazan, Yekaterinburg, Samara, Nizhny Novgorod, Perm, Volgograd and Chelyabinsk are seeing very active development. Smaller cities, such as Yaroslavl, Kaliningrad or Kaluga, and towns around Moscow are also rapidly expanding.

Yaroslavl retail market

Retail turnover in the city of Yaroslavl in the first half of 2005 amounted to RUR 11.7 million (US$409 million) representing an increase in real terms of 13.6 per cent. over the same period, in comparison to 2004. In the first half of 2005, retail turnover in Yaroslavl reached RUR 19.37 (US$675) per capita.

Growth in the retail sector among medium and large enterprises in Yaroslavl is evident from a monthly analysis of their turnovers in the first halves of 2004 and 2005.

Shopping centres in Yaroslavl are characterised by a chaotic composition of small retail tenants selling inferior goods, non-optimal layout and circulation, an absence of anchor tenants, and poor or non-existent catering, entertainment and convenience facilities. There is also an absence of clear positioning within the city.

Saratov retail market

Retail turnover in Saratov and Saratov region is experiencing stable growth. For example, retail turnover in the first quarter of 2006 amounted to RUR11.5 billion, which is 18.1 per cent. higher more than the same indicator a year ago.

Rental rates in prime retail corridors of Saratov are between US$800 per square meter per year and US$1,700 per square meter per year. The market is ready to accept new operators which will pay higher rent.

Strong market players are starting to enter the Saratov retail market, as it is considered quite perspective and undeveloped.

The growth of income of Saratov's inhabitants and of the consumer market volume accounts for the current demand on retail premises. There are practically no quality retail centres in the city, and many tenants await the appearance of quality retail premises to lease them. Because of their absence, many brands are located in retail corridors only, or in renovated pre-Revolutionary buildings in the historical part of the city.

3. Certain aspects of Russian real estate law and practice

For several decades Russia had almost no formal regulation of private real estate ownership, with the result that many aspects of real estate law remain underdeveloped.

Russian real estate law is now primarily based on the Civil Code of the Russian Federation ("Civil Code"), together with the Land Code of the Russian Federation ("Land Code"), the Town-Planning Code of the Russian Federation, the Federal Law on State Registration of Rights to Immovable Property and Transactions therewith (the "State Registration Law"), the Federal Law on Mortgages and the Federal Law on Turnover of Agricultural Land. There is also regional legislation, and some provisions of the Federal Water Code, the Federal Forestry Code, the Federal Law on Environmental Protection and other statutes may also impact real estate issues.

Ownership of real estate

Although Russian law recognises the right to own, to use and to dispose of real estate as long as neither legislation nor the lawful rights of others are contravened, it makes an important legal distinction between land and buildings, which are treated as separate legal interests.

Both the Civil Code and the Land Code permit private land ownership and the transfer of land from one person to another. The Land Code generally provides for foreigners to own land on the same terms as Russian nationals, save for certain exemptions. The most notable is a prohibition on foreigners owning land near Russia's borders and in certain other territories (defined by Federal laws), as well as a prohibition on foreign ownership of agricultural land.

The Land Code establishes the procedure for privatising both state and municipally owned land. The Land Code also determines the maximum payment owners of buildings on a plot of land may be required to pay for the land.

Although private ownership of land is increasing, it remains rare in most parts of Russia. Most of the land earmarked for private development is currently held by investors who have acquired a lease from the state or municipal authorities. Generally, the term of such leases varies between regions, starting from a term of 10 years.

Buildings may generally be owned by anybody including, without any discriminatory restrictions, foreign companies. Despite the separation of the legal interest in land from the legal interest in buildings on that land, a tenant of a plot of land may also be the owner of a building constructed on it.

Under the Land Code, legal entities generally have one of three types of rights with regard to land plots: (1) freehold ownership; (2) lease; or (3) right of perpetual use (in relation to land that was obtained prior to the enactment of the previous Land Code of 1991).

Under current practice, in Moscow generally, the land is subject to leasehold interest with the Moscow government and accordingly, a developer becomes the owner of the building/structures on the land in Moscow, but does not become the owner of the land on which such building/structures are located.

Russian law provides that land or buildings may be expropriated for ''state or municipal needs''. The owner of expropriated real estate is entitled to one year's advance notice together with payment of the full market value and compensation for any other losses suffered. Current court practice is to construe ''state or municipal needs'' narrowly, restricting expropriation to where there is an obvious need, thus limiting attempts by certain public authorities to apply the rule widely.

An owner of a building is generally allowed to sell or lease it without any requirement to obtain state consent unless, in rare cases, the sale falls within the remit of the Federal Antimonopoly Service, in which case, consent is required.

Categorisation of use

All land is categorised as having a particular purpose, as follows:

- agricultural land;
- settlement land;
- land used for industrial purposes, power engineering, transportation, communication, radio broadcasting, television, space-related activities, defence, security and other specialised purposes;
- protected land, such as areas of natural beauty, national parks and historical and cultural monuments;
- forestry land;
- lands covered by water and on the waterfront; and
- reserve land (or land which is owned by the state, is not used for commercial purposes and which can be transferred to any of the other categories).

The Land Code requires that each category of land be used in accordance with its designated purpose. The land within each particular category is also subject to specific requirements established by federal, regional and local laws and regulations regarding the use of such land. For example, the settlement lands are subject to specific planning and permitted uses, including residential, administrative and business, industrial, engineering and transport infrastructure, recreational, agricultural, special purpose and military.

Russian law provides for the creation of a unified land cadastre that records the details of land plots, such as their measurements and boundaries. Most land in the Russian Federation, however, has not yet been incorporated into the unified land cadastre.

Obtaining rights to land plots

Russians and foreigners may acquire land held by state or local authorities for the development and construction of buildings. The Land Code prohibits refusal by state or local authorities to grant land plots for construction purposes except where the sale of a land plot is restricted by federal law, or the land plots are reserved for state or local needs. Any refusal can be appealed in the Russian courts.

The Land Code draws a distinction between land plots granted for construction purposes with and without prior approval for the location of a building or other facilities on the land. The grant of ownership or lease of land plots for construction purposes with prior approval for the location of a building or facility on the land can be acquired pursuant to the terms of a lease.

Selection of a land plot for construction purposes is made on the basis of an application specifying the intended purpose of the building or facility, its intended location and the estimated size of the land plot. The application may be accompanied by a project feasibility study or other calculations. The selection results are documented in an act on selection of a land plot for construction purposes. The act on selection must be approved by a decision on the preliminary authorization of the building location. This decision constitutes the basis for execution of a land plot for construction purposes. As a general rule, all of the abovementioned decisions are currently to be taken by the federal, regional and local authorities in charge of granting land plots (e.g., in Moscow, such decisions are taken either by the Moscow City Government or by heads of the administrative districts of Moscow).

Pursuant to the Civil Code and the State Registration Law, all rights in, transactions with, and encumbrances over, real estate are subject to state registration in the Register of Rights (except for leases of under one year). Rights to real estate are not effective without state registration.

The process is now governed by the State Registration Law which came into force in January 1998 and introduced a nationwide Unified State Register of Rights to Immovable Property and Transactions therewith (''Register of Rights''). The Register of Rights is public and it is possible to order searches and obtain extracts from the Register of Rights. It will be some years, however, before the Register of Rights is comprehensive and therefore totally reliable.

With respect to buildings, registration is usually only carried out on a completed building. Although it is possible to register a building under construction, in practice this is cumbersome and very rarely happens, not least because subsequent registration of the completed building is still required. Only when registration has been completed may a building be disposed of, mortgaged or leased.

Any transfer of ownership must also be registered to be effective. The registration must normally be completed by the authorities within one month of receipt of any properly documented application. In practice however, this is often a more time-consuming and complicated exercise.

Where a purchaser acquires a building on land belonging to someone else, the purchaser will have the right to use the land beneath the building. The owner of a building located on someone else's land has a right of pre-emption to buy or to lease the land.

A purchaser will not have any rights in the land it has acquired on failure to register the transaction as described above.

Construction and development

Construction and development of real estate in Russia is primarily governed by the Civil Code, Land Code and the Town Planning Code and the Federal Law on Entry into Effect of the Town Planning Code. Construction and development is a multi-stage process, which involves compliance with burdensome regulatory requirements, and the co-ordination of work between many specialists and authorizations from a large number of authorities at federal, regional and local levels. In particular, Rosstroy, the Federal Service for Supervision in the Sphere of Use of Natural Resources, the Federal Service on Ecological, Technological and Nuclear Supervision and regional state architectural and construction supervisory bodies are involved in the process of authorising and supervising real estate development.

The main stages for the construction of a building typically include the following:

- obtaining the lease or ownership rights to the land;
- changing the permitted use, in some cases, of the land for the purposes of development;
- preparing the project (design) documentation prior to the commencement of construction, which includes, amongst others, (1) initial authorisation documentation (2) urban-planning documentation and (3) project documentation;
- obtaining infrastructure/utilities documentation from the relevant organisations;
- obtaining a construction permit from the competent federal, regional or local authorities;
- performing construction works;
- carrying out the acceptance procedure for a new building by a commission from representatives of various state authorities; and
- registering title to the new building.

Some of these key stages are described in more detail below.

Under Russian law, land may be developed only by those who hold rights thereto, i.e. the owner, user or lessee.

To carry out construction activities, a construction permit from the competent authority and duly approved design documentation are required. A landholder organising construction, including the signing of contracts for development of design documentation and construction contracts, must have sufficient professional knowledge and a licence to perform the functions of a ''Zakazchik-zastroyschik'' (construction manager).

If the landholder does not hold such a licence, the land may be developed using the services of a duly licensed ''Tekhnicheskiy zakazchik'' (third party construction manager). In this case, it will be the responsibility of the construction manager to supervise construction, to deal with designers and contractors and to take decisions on behalf of the landholder to accept work performed. The relationship between the landholder and the construction

manager may be detailed in one or a number of different forms of agreement, including an agency agreement or a contract for services.

Construction may be financed both by funds provided by the landholder and funds provided by third parties. Funds may be raised in different ways (borrowing or direct investment in the construction by other investors).

On completion of construction, the competent authority will check that the constructed facility complies with relevant standards and safety requirements. The mandatory conditions for commissioning a newly-constructed facility are appropriate quality and compliance with the architectural and town-planning, environmental and sanitary legislation and fire safety requirements. On full compliance with such requirements, the relevant commissioning authority will issue a "commissioning act" which is a pre-condition to the registration of title to the land on the Register of Rights.

Obtaining construction permits

A construction permit has to be obtained either by the owner or by the tenant of the land plot. Obtaining a construction permit is a multi-stage process, which includes obtaining approvals and registering the project documentation with a number of governmental bodies including architectural and urban development agencies, environmental management and protection agencies and governmental bodies that oversee public health issues. A construction permit is issued for a term of not more than three years, but it may be extended. Construction permits may also be amended once the construction has begun, to the extent the scope and nature of the project has changed. A construction permit may also be cancelled prior to its expiry date; in particular, in the event of a fundamental breach of the project documentation and/or the building and architectural rules and regulations or on other grounds.

Subject to compliance with statutory requirements, the owner or the tenant of the land plot can enter into agreements with investors to raise funds for construction on the property.

Acceptance procedures

Upon completion of construction, the building is to be approved by the special state acceptance committee consisting of representatives for the investor, developer, executive authorities, contractors, construction designers, operating organization, governmental bodies that oversee public health issues, state fire supervision services, architectural and urban development agencies, environmental management and protection agencies and other state agencies responsible for monitoring the building. When such approval is granted, the rights to the completed building, including the rights of the investors who financed the construction, can be registered.

Fees

Although no stamp duty is payable under Russian law for transactions involving real estate, registration and search fees are standard, although normally not significant. Notarisation of real estate transactions is not required by law, although may have agreements notarised voluntarily, in which case notarial fees are subject to an agreement with the notary public and typically do not exceed 1 to 1.5 per cent. of the transaction value.

Leases

It is generally possible for anyone to lease land throughout Russia on terms which are regulated by the Civil Code and the Land Code. Lease terms vary, although lease agreements will often provide a right of renewal on expiry, with a preferential right of renewal supported by the provisions of the Land Code. Accordingly, it is usual that leases are renewed on application for extension.

A land lease for a term of one year or more must be registered in the Register of Rights. Rental rates for private land are not restricted by legislation. Where, however, the land is owned by the state or municipality, the rates are unilaterally determined generally, on an annual basis, by the owner. The transfer of ownership of land will not change the terms of a lease granted over it.

Owners of buildings are generally allowed to lease them without any requirement for state approval.

Mortgages

Under Russian law, a mortgage is a form of security taken over real estate to ensure due payment of money owed or proper performance of any other obligation. If the debtor defaults, the mortgagee can apply to the courts for the sale of the real estate and for the settlement of its claim out of the proceeds of such sale.

In case of liquidation or bankruptcy, a mortgagee will have preferential rights over unsecured commercial creditors (but will rank behind some other classes of creditors, such as unpaid employees and certain tax payments). As long as the mortgage is properly entered on the Register of Rights, it will bind any subsequent purchaser or other owner. A mortgage of a lease normally requires only notification to the lessee (and not consent). Unless the mortgage terms provide otherwise, a mortgage of land automatically applies to the buildings on the land. If land or buildings are acquired using debt finance, the land or buildings are deemed to be mortgaged in favour of the lender (without any need for a mortgage agreement, although registration of the mortgage in the Register of Rights is required).

Liabilities of land and building owners

Owners of land plots and buildings are required to comply with federal, regional and local legislation, which includes, among others, environmental, public health, fire, residential and urban planning rules and regulations. The owner of a building generally bears all liabilities that may arise in connection with the building. Owners and leaseholders are required to use the land plot in accordance with its permitted use (i.e., planning requirements), not cause harm to the environment, assume the liability and financial costs relating to compliance with various land use standards and not allow the pollution of, littering on or degradation of the land plot. Regional or local legislation, or an investment or lease contract entered into with the regional or local authorities, may also subject the owner to various financial obligations, such as the financing of local engineering services, transportation and social infrastructure, as well as reimbursing certain expenses to the previous tenants of the land plot.

Real estate asset management

Real estate asset management activities are broadly regulated by the Civil Code rules governing various real estate transactions as described elsewhere in this prospectus.

Land and real property taxation

Property tax

The property tax is established by the Tax Code of the Russian Federation. The payers of the tax are Russian and foreign organizations carrying out business activities through permanent establishments in Russia or through the ownership of real property in the Russian Federation. The tax rate is established by regional authorities, but may not be higher than 2.2 per cent. The taxable base is the average annual net book value (generally calculated as the cost per statutory accounts less statutory depreciation) of the property. In general, the taxable base includes most fixed assets, including real estate properties. However, land and certain non-productive types of property are specifically excluded from the taxable bases, which is payable on a quarterly basis in Russia.

Land tax

The land tax is also established by the Tax Code of the Russian Federation. Among the payers of the tax are physical persons and legal entities holding freehold and perpetual use title to land plots in the Russian Federation. The tax rate is established by the local Russian authorities (e.g. in Moscow and St. Petersburg: by the relevant city government), but may not be higher than 0.3 per cent. of the taxable base for agricultural and residential lands and higher than 1.5 per cent. of the taxable base for other lands. For legal entities, the tax is payable on a quarterly basis.

Land rent

Persons and legal entities in Russia pay a land rent to a regional or local body pursuant to land lease agreements. The general rules for assessing land rent are established by the relevant regional and local authorities. The federal law authorises regional and local authorities to establish individual land rent rates for certain categories of land and lessees.

PART VI

VALUATION REPORT

The Directors
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13 December 2006

Dear Sirs

PROPERTY VALUATION AS AT 30TH OF SEPTEMBER 2006 VARIOUS PROPERTIES TOGETHER KNOWN AS THE "MIRLAND DEVELOPMENT CORPORATION ASSETS" ("THE PROPERTIES") FOR MIRLAND DEVELOPMENT CORPORATION PLC ("THE COMPANY"), CREDIT SUISSE SECURITIES (EUROPE) LIMITED AND MERRILL LYNCH INTERNATIONAL

In accordance with the contracts between ourselves and Mirland Development Corporation plc dated 31st of October 2006 respectively, we have pleasure in reporting to you as follows:

1.1 Scope of Instructions

We, Cushman & Wakefield Stiles & Riabokobylko and Cushman & Wakefield (herein together referred as "*C&WS&R*"), have considered each property as set out in the Appendix.

We are instructed to prepare this Valuation Report for investment purposes. The effective date of each valuation is 30th of September 2006.

Each valuation has been prepared in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors in May 2003 ("*the Red Book*") as amended, and prepared by an appropriate valuer who conforms to the requirements as set out in the Red Book, acting in the capacity of External Valuer.

We confirm that this Valuation Report is a Regulated Purpose Valuation as defined in the Red Book.

1.2 Basis of Valuation

Each property is either: held as an investment; for development; or is in the course of development and has, as instructed and in accordance with the requirements of the Red Book, been valued on the basis of Market Value, as defined in the Red Book as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion."

1.3 Tenure and Tenancies

We have not reviewed the Title Deeds or Leases and each valuation has been based entirely on the information which the Company has supplied to us as to tenure, tenancies and statutory notices. We understand each property is either held by the Company, its subsidiaries, or jointly with third parties. We have valued a 100% share of the

tenure stated in each property, unless otherwise specifically stated, as if each property was held entirely by the Company as at the valuation date. We have not made any adjustment to value, which may be appropriate when considering fractural ownership for each individual property. In the summary below, an apportionment has been provided taking into account the share ownership of each property as provided to us by the Company. This is a straight apportionment based on these percentages, and no further deductions have been made to reflect minority share ownerships or the fact of fractional ownership. This number therefore may differ from the Market Value for the share ownership of individual properties, particularly when only a minority interest is held by the Company.

A number of properties are held leasehold on ground leases from Moscow City Government. The standard terms of these leases are that rents are reviewed annually (upwards, or downwards) in accordance with a city-wide formula that is set by the Moscow City Government. Each ground lease is subject to Term Extension Right Clause as standard, allowing for the extension of the duration of the lease upon expiry, on the same terms and conditions. However you should be aware that the effectiveness of the Term Extension Right Clause remains untested in the market because few leases have reached expiry. Our valuation assumes that the ground lease at each property can be extended in accordance with the Term Extension Right Clause.

Where a property is either "*currently in the course of development*" or "*held for future development*" and is held leasehold, the land leases generally confer the landlord's permission to develop. Where the considered development scheme differs from that anticipated by the land lease, our valuation assumes that the required variation to the landlord's permission will be forthcoming without material cost or delay. Where a property is to be held leasehold but the terms of the land lease are not finalised, our valuation takes in to account any additional, reasonable, risks of delay and cost in receiving landlord's permissions. We have assumed that there are no unforeseeable circumstances that would cause additional cost or delay in excess of that generally experienced.

Unless disclosed to us to the contrary and recorded in the property descriptions, each valuation is on the basis that:

a) the property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;

b) where the interest held in the property is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;

c) leases to which the property may be subject are on standard market terms, and contain no unusual or onerous provisions or covenants which would affect value;

d) all notices have been served validly and within appropriate time limits;

e) the property excludes any mineral rights; and

f) vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

In certain cases we have been informed by the Company that land lease rights are "*in the process of being formulated*". Unless otherwise stated our valuation is for a full share interest in the Property and assumes that a good and marketable title exists. This should be taken into account in consideration of individual properties. Where specific outstanding costs have been identified to us as being required to arrive at ownership of a full share interest in the requisite Property or in order to obtain the necessary permits, these costs have been taken into account in the valuation in full.

For some properties we have been informed by the Company that investment contracts are held for the development. In these cases our valuations assume that a ground lease and an ownership certificate will be issued upon completion of the development, as is normal development practice in Moscow.

1.4 Net Annual Rent

The net annual rent for each property is referred to in the Schedule at Appendix One. Net annual rent is defined in the Listing Rules as:

"*the current income or income estimated by the valuer:*

(i) ignoring special receipts or deductions arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent''.

1.5 Town Planning

We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority, or from the Company. Each valuation is on the basis that the property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations. Except where stated otherwise, each valuation is on the basis that each property is not affected by proposals for road widening, Compulsory Purchase, planning inquiry, or archaeological investigation.

We are informed by the Company that for a number of ''properties held for development'', the relevant planning permission approvals are either; ''*in the process of being applied for*'', or ''*in the process of being updated*''. Each valuation assumes that all required planning permission consents will be received within a normally acceptable timescale and that there are no such issues which would materially delay the issuance of the required consent, or have a material effect on value or marketability.

Although, where appropriate, we have considered the Company's business plan to develop each property, each valuation reflects our opinion of an appropriate development that could reasonably be expected to form the basis of a bid for a property by a third party. I.e. the Highest and Best Use as defined by the International Valuation Standards has been considered for each property. The Highest an d Best Use is defined in Paragraph 3.4 of IVS 1 as: ''*The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued*''.

Therefore our valuations do not necessarily reflect the Company's intended investment/development program.

1.6 Structure

We have neither carried out a structural survey of each property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure or services at any property. Each valuation takes into account any information supplied to us and any defects noted during our inspection, but otherwise are on the basis that there are no latent defects, wants of repair or other matters which would materially affect each valuation.

We have not inspected those parts of each property which are covered, unexposed or inaccessible and each valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, each valuation is on the basis that no hazardous or suspect materials or techniques have been used in the construction of any property.

1.7 Site and Contamination

We have not investigated ground conditions/stability and each valuation is on the basis that any buildings have been constructed, having appropriate regard to existing ground conditions. Where the property has development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

1.8 Plant and Machinery

Where the interest held in the property is freehold, usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued. Where the interest held in the property is short leasehold (<50 years), these items have been treated as belonging to the landlord upon reversion of the lease.

Process-related plant/machinery and tenants' fixtures/trade fittings have been excluded from each valuation.

1.9 Inspections, Areas and Dimensions

We have inspected each property internally and externally from ground level on dates as specified in each of the Property descriptions below unless specific reference is made to a limited inspection. Further inspections have been carried out where there have been significant changes to any individual property, and these further inspection dates, where applicable, are identified in the property descriptions below.

No measured surveys have been carried out by C&WS&R, we have relied entirely on the site and floor areas and dimensions provided to us by the Company. We have assumed that these are correct and calculated on the appropriate basis, as normally adopted by the local property market. Any reference to the age of buildings are approximate.

1.10 General Principles

Each valuation is based on the information which has been supplied to us by the Company or which we have obtained in response to our enquiries. We have relied on this information as being correct and complete and on there being no undisclosed matters which would affect each valuation.

In respect of tenants' covenants, whilst we have taken into account information of which we are aware, we have not received a formal report on the financial status of the tenants. We have not been supplied with any information to indicate that there are material arrears or that the tenants are unable to meet their commitments under the leases. Each valuation is on the basis that this is correct. You may wish to obtain further information to verify this.

Where we have reflected development potential in a valuation, we have assumed that all structures at the property will be completed using good quality materials and first class workmanship and that the development scheme will let to tenants who satisfy the tenant mix policy and are of reasonable covenant status and on typical market lease terms.

No allowances have been made for any expenses of realisation arising from a sale or development of each property. Each valuation does not make allowance either for the cost of transferring sale proceeds internationally or elsewhere within the Company, or for any restrictions on doing so. No account has been taken of any leases granted between subsidiaries of the Company, and no allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over each property. Where a grant has been received, no allowance has been made in our valuations for any requirement to repay the grant.

A purchaser of a property is likely to obtain further advice or verification relating to certain matters referred to above before proceeding with a purchase. You should therefore note the conditions on which this Valuation Report has been prepared.

The valuation of each property has been undertaken by the professional(s) identified in the valuation schedule below.

We strongly recommend that no disposal of any property should be undertaken without proper exposure to the market. Each valuation assumes that there is an active letting and funding market. This Valuation Report should be read in conjunction with the contracts referred to above, our terms of engagement and in particular our Standard Terms and Conditions of Appointment of Cushman & Wakefield Stiles & Riabokobylko as Valuers.

1.11 Special Assumptions, Reservations and Departures

We can confirm that each valuation is not made on the basis of any Special Assumptions or any Departures from the Practice Statements contained in the Red Book. Subject to the general limitations of our inspections and sources of information set out above, each valuation is not subject to any specific Reservations in relation to restricted information or property inspection.

1.12 Disclosure

The members of The Royal Institution of Chartered Surveyors signing this Report have not previously been the signatories to the valuations provided to the Company for the same purposes as this Valuation Report. C&W S&R have not previously carried out these valuations for the same purpose as this Valuation Report on behalf of the Company.

C&W S&R have from time to time provided other professional or agency services to the client and have done so for a period of less than 5 years. In relation to the preceding financial year the proportion of the total fees payable by the Company to the total fee income of C&W S&R is less than 5%.

1.13 Aggregate Valuation

Subject to the foregoing, and based on values current as at 30th of September 2006, we are of the opinion that the aggregation of the Market Value of each 100% share of each freehold and leasehold interest each property, as set out in the appendix, is the total sum of (rounded):

US$853,289,000

(Eight Hundred Fifty Three Million Two Hundred and Eighty Nine Thousand US Dollars)

This sum may be apportioned as follows:

	Freehold (rounded)	Leasehold (rounded)
Properties in the Course of Development	80,899,000	82,913,000
Properties Held for Development	554,223,000	135,254,000
Total	635,122,000	218,167,000

Based on the information supplied to us as regards ownership, we are of the opinion that the Market Value of the Company's beneficial share in each Property, on the basis outlined above is the total sum of (rounded):

US$764,561,000

(Seven Hundred Sixty Four Million Five Hundred and Sixty One Thousand US Dollars)

This sum may be apportioned as follows:

	Freehold (rounded)	Leasehold (rounded)
Properties in the Course of Development	51,671,000	82,913,000
Properties Held for Development	494,723,000	135,254,000
Total	546,394,000	218,167,000

The valuation stated above represents the aggregate of the current values attributable to the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot. We set out the value ascribed to each property in the appendix.

We have considered an appropriate development commencement date and development period for each property in isolation, based on each property's particular circumstance. Each valuation does not consider any effect of multiple properties being developed concurrently (eg. any resource, expense or savings issues if undertaken by a single developer), or released to the market (occupation or investment) together.

The Summary Valuation Schedule shows our opinion of the appropriate discount rate on an unleveraged basis as used in the Market Valuation for each property. This discount rate is calculated on the assumption that each property would be held for a reasonable period to allows stabilisation of income upon development completion, with the exception of the development of residential property for sale, and that no debt is used (see "Global Assumptions — Debt Assumptions" below).

1.14 Confidentiality

The contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Valuation Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Report is combined with others.

Notwithstanding the preceding paragraph, our prior written approval shall not be required for the reproduction and inclusion of this report, in its entirety, in the Mirland Development Corporation plc AIM admission document or for the reproduction and dissemination of this report in its entirety in connection with the Mirland Development Corporation plc Placing and admission to AIM. Where part only of this report is reproduced, included or disseminated, the preceding paragraph will apply.

Yours faithfully
For and on behalf of
Cushman & Wakefield Stiles & Riabokobylko
and Cushman & Wakefield

TJ MILLARD MA(Cantab) MRICS
Partner
Head of Advisory Services

K LEBEDEV
Valuation Team Leader
Advisory Services

APPENDIX ONE

VALUATION METHODOLOGY
GLOBAL ASSUMPTIONS
SCHEDULE OF VALUES
PROPERTY SCHEDULES : SUMMARY TABLE
PROPERTY SCHEDULES : PROPERTIES IN COURSE OF DEVELOPMENT
PROPERTY SCHEDULES : PROPERTYIES HELD FOR DEVELOPMENT

VALUATION METHODOLOGY

There are three generally adopted approaches used to value property: *The Sales Comparison Approach; The Income Approach;* and *The Cost Approach*. We have valued the properties using the income approach, taking account of sales comparables where available. The cost approach has not been used as this produces a ''Non-Market Value'' suitable for financial statements relating only to ''specialised properties''. An overview of The Sales Comparison Approach and The Income Approach and how these relate to the Russian Market, follows.

The Sales Comparison Approach

This method involves analysing all available information on sales of comparable properties that have taken place and making adjustments in the prices achieved to reflect the differences in the properties sold and the property to be valued. This approach hinges on the availability of reliable market evidence of comparable sales. Distinction must be drawn between information that is known to be accurate and reported information that is second hand or at best hearsay. Only information that is known to be accurate can be relied upon with any degree of comfort to provide an accurate valuation.

There are severe difficulties of applying this valuation approach in emerging real estate markets, including Russia, as due to their comparative immaturity the availability of reliable market information is very limited. To reflect this, the International Valuation Standards Committee (''IVSC'') (the leading international body for setting valuation standards) devoted a recent White Paper to the study. It identifies specific problems for valuers in emerging markets, which apply very well to Moscow and to Russia — and these problems also tend to inhibit the operation of the market as a whole, in particular as regards investment.

The principal problem is a lack of transparency and a relatively low volume of recorded deals. In mature property markets there is a wealth of information available on completed sales transactions, in the form of yields and total sales prices, and this makes it relatively straight-forward to apply this valuation technique to any property. In Moscow this sort of information is often not available, and where the details of transactions are publicized their accuracy can not always be guaranteed. In addition, a large number of sales transactions in Moscow take place ''off-market'' and therefore details of them are seldom known beyond those who were party to the deal.

The volume of completed deals is very low in all sectors of the Moscow real estate market. In addition — as outlined above, deal information is rarely reported accurately and is often manipulated for other reasons benefiting the separate parties to any sale deal. Therefore it is often necessary to use offered prices as a basis for assessing the opinion as to value using the sales comparison approach.

Additionally the large majority of the properties included in this valuation are either ''held for development'' or ''in the course of development''. Properties in the course of development are rarely transacted and there is therefore very little comparable information for properties of this type. Development sites are transacted, but these transactions are usually ''off-market'' and therefore reliable comparable information is therefore only available to the parties to the transactions and their advisers — who are usually bound by confidentiality restrictions.

We are aware of the details of a number of transactions of land held for development. This comparable information has been taken into account in assessing the valuations herein, and where possible these comparables are referred to. However — in most cases we are bound by confidentiality and therefore can only provide guideline information.

The Income Approach

The most commonly used technique for assessing Market Value within the Income Approach is Discounted Cash-flow. This is a financial modelling technique based on explicit assumptions regarding the prospective cash-flow to a property or business and the costs associated with being able to generate the income. To this assessed cash-flow is applied a market-derived discount rate to establish a present value of the income stream. This Net Present Value

("NPV") is an indication of Market Value[1]. This approach is considered to be the most sophisticated valuation technique, over and above even the Sales Comparison Approach, because it allows differences between comparable sales and the subject property to be explicitly considered and analysed. It is therefore less based on subjective judgements but objectively on market available information.[2]

For the basis of the current valuations where for the majority of properties consents exist for a specific type of development, the income approach is the most relevant. The residual value for properties under development or properties held for future development is the NPV of all future income streams less the NPV of all future costs. The costs include all of the development costs still outstanding in respect of each property, taxes paid over the operation incomes and tax for the sale of assets, and future incomes are assessed based on current returns for completed properties of a similar nature in the market adjusted to reflect the expected completion date for the particular project and anticipated future trends in rents and / or sales prices.

The difficulty in applying this method in the Russian market is assessing the correct market derived discount rate, due to the very small number of transactions, the lack of transparency in the reporting of information and in the wide variations in returns required on projects from different investors.

The costs and incomes associated with the project have been assessed on the basis of standard construction costs in the market together with property or project specific information provided by the developer and current market returns adjusted to reflect anticipated future trends.

In order to assess the residual valuation of the land a discount rate has to be applied to the projected cash-flows. The discount rate is market derived and reflects the minimum returns a typical investor would require to undertake a project of this type. This approach then provides the maximum value that an investor would be willing to pay for the land in its current condition, being the Net Present Value of all identified future costs and incomes at the necessary rate of return.

In the Moscow market this approach specifically excludes the use of debt and the effect of leverage. The availability of debt, and on what terms, varies widely from investor to investor, and there is no market standard — especially in a comparatively immature debt market such as Moscow. Pre-debt discount and capitalisation rates are therefore used to represent the risk-return requirement of investors.

The Cost Approach

Under IVS this approach is relevant to specialised properties (i.e. properties that are rarely if ever sold on the open market ... due to their uniqueness which arises from their specialised nature and design of the buildings, their configuration, size, location or otherwise) and Limited Market Property (i.e. properties that because of market conditions, unique features, or other factors attract relatively few buyers).

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(1) International Valuation Standards Sixth Edition — Guidance Note 9

(2) International Valuation Standards Committee Newsletter — Global Valuation Issues (Sept. 2003)

GLOBAL ASSUMPTIONS

For those properties "held for development" or "in the course of development", some general assumptions have been made in developing the residual valuations, in addition to the assumptions and conditions above.

These are summarised below:

Acquisition Cost	The properties are currently owned. However, in the modelling process the Market Value for a third party purchaser has been treated as the initial investment;
Development Proposals	It has been assumed where project documentation exists that any development would conform to the overall sizes as provided to us unless it is reasonable to assume that development could take place in some other form;
Utilities & Road Improvement	In Russia the cost of providing utilities and executing necessary road improvements can vary widely. Where utilities need to be provided or road works executed it has been assumed that the cost estimates supplied to us are accurate;
Construction Phasing	All projects, unless specifically stated otherwise, have been assumed to be constructed in one phase. Due to the size of the Saint Petersburg (Residential and Trade Centre) and Techagrocom projects it has been assumed that it would be phased and that the phasing would be designed to maximise the returns from the site;
Construction Costs	Construction costs have been assessed in accordance with standard rates in the market that a third party developer / purchaser would expect to have to pay in the course of the development of each project. In some cases these costs differ in their general level from the anticipated construction costs as provided by the Company;
Construction Contract	An advance payment is included in the cost calculations, which is charged to the first quarter of the construction contract. A hold-back against defects requiring remedy is also included and is charged to the quarter after completion of construction of the relevant phase. The remaining construction costs are applied equally throughout the development period;
Permit & Design Costs	Where there are outstanding permitting costs these have been assessed in line with the anticipated numbers as supplied by the client as, once again, there can be a wide variation in the permitting costs. Design costs — where appropriate have been assessed in line with market standards;
Assumed Sale	In order to assess the capital value of a completed development, we have assumed that a property is to be held upon completion for a period until the net income stabilizes, and thereafter is sold. Taxes for the operation period and for the sale of assets were deducted from the proceeds (See taxes below). This is a valuation technique and does not necessarily represent the intention of the owner;
Returns	Rental rates for commercial office and retail spaces have been projected together with capitalisation rates, for the period of the cash-flow. Sales prices for residential developments have been assessed for the reasonably expected completion dates; These figures are based on research carried out by *Cushman & Wakefield Stiles & Riabokobylko* and market information. In respect of commercial rents they are exclusive of operating expenses and VAT and have been assessed on a conservative projection of future market movements (see *market analysis* below). They therefore provide realistic minimum figures that it is anticipated can be achieved;

Market Capitalisation rates have been projected based on the assessment that the property investment market for Moscow, Saint Petersburg and the regions in general will become more sophisticated over the period and that the number of active investors will increase. It is therefore anticipated that the changes in market yields will reflect the experiences in other Eastern European countries where the property investment environment is already more mature such as Poland and the Czech Republic and that there will be a yield compression over time. See the commentary on market yields below;

Review / Renewal Period

This is the length of the initial leases. The rents for the initial leases remain fixed for their entire term, in line with current market practices where indexation and rent reviews are not prevalent, and the rent during this period will depend upon the prevailing market rental rate in the year of completion. The assumed length of initial leases varies depending upon the property class — office leases are typically 5 years and retail leases are typically 3 to 5 years;

Vacancy Rate

Vacancy has been assumed for the duration of each project and depends upon the property class, its location, the local market and the relative merits of each anticipated project;

Operating Expenses

For commercial properties these are assumed to be paid by the tenant at cost, and they are therefore cash-flow and VAT neutral and they are not included in the cash-flow analysis. For residential properties it is also assumed that operating expenses will be passed through to residents in the form of a service charge or similar;

Security Deposit

It is common for tenants to pay security deposits in the Russian market which are held interest free by the Landlord and offset against the last relevant period of the lease. Standard levels of Security Deposit have been assumed for different property classes. These deposits are treated as financing cash-flow and will be off-settable against the final relevant period of each lease;

Debt Assumptions

In assessing the Market Value of property it has been assumed that no debt is used. There are wide variations as to the financing terms available in the as yet immature Russian property finance market and it is not therefore possible to apply standard terms.

Therefore unleveraged yields are used to provide a consistent approach;

VAT Rate

The VAT rate has been taken at the current rate of 18% introduced at the beginning of 2004. The VAT rate is of importance because although in theory VAT in Russia is immediately recoverable from the government the practice is slightly different. The VAT paid on construction and other development costs is considered a VAT credit account in favour of the landowner. VAT on future rents can be retained and offset against the VAT account until it is zeroed out. This has a significant effect on cash-flow. For the purchase of existing properties VAT is payable in respect of that part of the purchase price apportioned to building improvements. VAT is not payable in respect of the part (or whole) of the purchase price that relates to the land plot (or land lease).

It has been assumed that all of the costs in association with the development of the project will be subject to VAT and also that all of the tenants (where appropriate) will be VAT paying. Where applicable the current VAT credit account has been taken into account — depending upon the tenure of the property. I.e. freehold property sales are subject to VAT, but sales of shares in a company

are not. For the purposes of this valuation all properties have been assessed on a freehold basis as opposed to the existence of any SPVs;

VAT Inflation Loss — The VAT credit account is rouble denominated whereas rents are receivable in dollars. A factor is used to take account of annual losses to the VAT credit account balance, which is non-interest bearing, due to inflation and exchange rate movements;

Cash Reserve — A contingency account against future capital expenditures is a prudent measure. Contributions to this cash reserve have been set depending on the different criteria of each proposed development;

Agent's & Brokers Fees — Standard market practice is to use brokers to lease commercial space. This has been taken into account;

Depreciation — Assessed over 30 years on a straight line basis, in line with local regulations excluding that part of the balance sheet value that relates to the underlying land value. The type of tenure affects the annual depreciation and will therefore affect the level of costs which are deductible for profit tax purposes. A sale of a freehold property results in the property being held on the balance sheet at the transaction value and usually results in a higher level of depreciation and therefore a higher level of tax deductible costs, potentially increasing income. Where a property is held in a Special Purpose Vehicle (SPV) any sale of the shares will not affect the value of the property on the balance sheet (usually the existing depreciated construction cost) and this will ordinarily result in a lower level of depreciation. As outlined above, all of the properties in this report have been valued on the basis of a freehold sale;

Taxes — Similarly property tax is payable on the book value of any property, excluding that part that relates to the underlying land value, currently at 2.2% and the nature of the tenure will affect the overall level of property tax payable. There may also be effects on the level of other taxes payable due to the type of tenure. The standard corporate profit tax rate is currently at 24.0% and has been included in our financial analysis, i.e. taxes were deducted from the operation profits during the operation period and from capital gains due to sale of assets.

Schedule of Values

A summary table is included below. The appendices contain information for each of the individual properties within the classes of: ‘‘Properties in the course of development’’, and ‘‘Properties held for development’’.

SUMMARY TABLE

Mirland Development Corporation Assets — Overview of Market Values as of September 30th 2006

Ref.	City	Property Name and Address	Market Value as at September 30th, 2006	Total sqm of Land	Projected Net Leasable Area in sqm upon Completion (excl. Parking)	Market Value per sqm of Projected Net Leasable Area	Discount Rate	Projected Exit Date	Projected Exit Capitalisation Rate	Projected Exit Sales Price	Projected Corporate Profit Tax on Exit Sales Price	Projected Exit Sales Price per sqm of Net Leasable Area	Total Outstanding Investment (excl. VAT & Land)	Total NOI (assuming 100% Occupancy)
001	Moscow	Hydromashservice, 2-Khutorskaya str., 38A	$ 38,386,431	12,237	16,517	$2,324	14.00%	12/31/2008	11.8%/12.6%	$ 51,283,821	$ 2,049,674	$3,105	$ 4,552,092	$ 6,515,255
002	Moscow	MAG, 2-Khutorskaya str., 38A	$ 44,526,085	21,940	16,133	$2,760	13.50%	12/31/2007	12.2%/12.6%	$ 50,617,639	$ 619,060	$3,138	$ 3,546,054	$ 6,645,419
003	Moscow Region	Perkhushkovo, Odintsovsky district	$ 66,122,143	225,300	56,370	$1,173	16.50%	9/30/2008	Residential	$ 138,793,332	Residential	Residential	$ 47,155,760	Residential
004	Saratov	Retail mall, 167 Zarubina street	$ 29,342,139	22,000	25,685	$1,142	15.00%	6/30/2009	9.00%	$ 98,321,667	$ 7,773,282	$3,828	$ 38,158,236	$ 8,848,950
005	Moscow	Skyscraper, Dmitrovskoe schosse, 1	$135,254,595	9,079	91,900	$1,472	18.00%	3/31/2012	8.00%	$ 786,867,500	$111,233,841	$8,562	$ 199,594,060	$62,949,400
006	St. Petersburg	Residential	$331,134,610	326,651	712,650	$ 465	20.00%	12/31/2011	Residential	$1,315,975,294	Residential	Residential	$ 746,601,364	Residential
007	St. Petersburg	Trade Centre, Baumana str., 86	$ 38,195,923	81,663	90,000	$ 424	18.00%	Dec. 2009 until Sept. 2014	between 8.0% and 10.0%	$ 325,558,719	$ 42,214,169	$3,617	$ 131,365,500	$30,200,000
008	Moscow Region	Techagrocom, Kaluzhskoe Highway	$107,319,913	220,000	174,000	$ 617	17.00%	30.09.2009/ 31.03.2011/ 30.06.2012	11.0%/10.0%/9.5%	$ 467,332,886	$ 41,484,775	$2,686	$ 194,132,000	$52,252,000
009	Yaroslavl	Trade Center, Kalinina str.	$ 51,556,613	120,000	32,299	$1,596	14.00%	9/30/2007	10.50%	$ 84,926,971	$ 17,826,038	$2,629	$ 11,494,057	$ 8,917,332
010	Yaroslavl	Remaining unimproved Land Plot of 18 ha	$ 11,450,404	180,000	50,000	$ 229	19.00%	9/30/2010	8.50%	$ 88,235,294	$ 11,324,415	$1,765	$ 42,675,000	$ 7,500,000
Total			**$853,288,858**							**$3,407,913,123**			**$1,419,274,123**	

Explanations:	Projected Exit Capitalisation Rate:	The "Projected Exit Capitalisation Rate" represents the expected market capitalisation rate for the projected disposal year of the respective project
	Projected Exit Sales Price:	This value is based on the respective Market Rental Values (net operating income) and the Projected Exit Capitalisation Rate If the repective project is getting sold in several phases/years different capitalisation rate may apply
	Projected Profit Tax on Exit Sales Price:	This column shows the Russian corporate profit tax amount which is expected to be paid upon the sale of the underlying asset The profit corporate profit tax rate of currently 24.0% is applied to the difference of the projected exit sales price to the book value
	Total Outstanding Investment (excl. VAT & Land):	This column represents the remaining money to be invested into the respective project (mainly construction costs). It excludes VAT and land acquisition costs
	Total NOI (assuming 100% Occupancy):	This number represents the market rental value under the assumption that 100% of the leasable areas are occupied at the market rental lebes(s)
Comments:	Hydromashservice & MAG:	The valuation models have been split into two for each project according to refurbished areas (exit capitalisation rate of 12.6%) and areas currently under refurbishment
	Hydromashservice & MAG:	The column "Projected Profit Tax on Exit Sales Price" shows the corporate profit tax for the uncompleted parts only
	Perkhushkovo	Please note that the Projected Exit Sales Price represents total income before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales)
	St. Petersburg Residential:	Projected Building Area including 42,600 sqm of Community Buildings
	St. Petersburg Residential:	Land area of 326,651 sqm is taken out of the whole land plot of 408,314 sqm and split in line with the phases (four for residential and one for commercial)
	St. Petersburg Residential:	Please note that the Projected Exit Sales Price represents total income over the phases before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales)
	St. Petersburg Trade Centre:	According to the various construction phases the assumed sale of the phases takes place at different dates in time
	St. Petersburg Trade Centre:	Land area of 81,663 sqm is taken out of the whole land plot of 408,314 sqm and split in line with the phases (four for residential and one for commercial)
	Techagrocom:	According to the three construction phases the assumed sale of the phases takes place at different dates in time
	Yaroslavl, Remaining Land Plot of 18 ha:	According to information provided by the client there is demand for another retail property of 50,000 sqm of lettable area

PROPERTIES IN COURSE OF DEVELOPMENT

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Hydromashservice" **2-Khutorskaya street, 38A** **Moscow, Russia**	The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskoye. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road. Hydromashservice currently comprises office and warehouse buildings (#9, 10, 11 and #15). According to information provided to us by the Company besides buildings #9 and #15 the other two buildings contain no areas which have a leasing potential. We have therefore not inspected buildings #10 and #11. The majority of the areas of the two buildings #9 and #15 are currently under reconstruction. According to information provided by the Company some 10,851.56 sqm (refurbished and non-refurbished areas) are rented as at the date of valuation. During the course of our inspection it was further planned to construct a new building #10 until January 2008 with a net leasable area of 255 sqm. Upon completion of the reconstruction and the construction of building #10 (January 2008) the Hydromashservice project will provide a total net leasable area of 16,517.2 sqm (split into class B offices and a supermarket of 2,000 sqm) together with a surface parking for 175 slots. According to information provided by the Company total outstanding development costs are estimated at US$4,552,092 (excluding VAT) as at the date of valuation. The Property has originally been constructed and used as an industrial premise in the former century. The Company did not provide us with any information regarding the age of the Property. The building improvements are owned by Hydromashservice LLC according to ownership certificates provided by the Company. According to the Government Order #85 from 16.01.2006 the amendment to the land lease agreement #M-09-025311 registered on 19.01.2004 includes the area of the land plot, which will contain 1.2237 ha. Currently the land lease agreement is under formalisation at the Government Land Committee. We assume that the Land Committee will finalise the land lease agreement within a reasonable period. This is a key assumption and in the event the land lease agreement is not completed the values reported herein will be severely affected.	According to information provided by the Company, currently almost all class B office areas that are rented are subject to short term leases up to one year.	n/a	$6,060,702 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$38,386,000** **US$38,386,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$51,284,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"MAG" **2-Khutorskaya street, 38A** **Moscow, Russia**	The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road. MAG currently comprises office and warehouse/storage buildings (#4, 6, 16, 22, 23, 24, 25 and #26). According to information provided to us by the Company besides buildings #4, 23, 25 and #26 the other four buildings contain no areas which have a leasing potential. We have therefore not inspected buildings #6, 16, 22 and #24. The majority of the areas of the four buildings (#4, 23, 25 and 26) are currently under reconstruction. According to information provided by the Company some 2,747.29 sqm (refurbished and non-refurbished areas) are rented as at the date of valuation. Upon completion of the reconstruction (end of December 2006) the MAG project will provide a total net leasable area of 16,133.5 sqm (split into class B offices and a cafe of 360 sqm) together with a surface parking for 175 slots. The land plot with a total area of 1.139 ha is held by Mashinostroenie and Hydravlika OJSC under the lease agreement #M-09-005269 registered on 19.11.99 for ten years. The land plot with a total area of 1.055 ha is held by Mashinostroenie and Hydravlika OJSC under the lease agreement #M-09-511687 from 28.07.04 for five years.	According to information provided by the Company, currently almost all class B office areas that are rented are subject to short term leases up to one year.	n/a	$6,181,785 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$44,526,000** **US$44,526,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$50,618,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
Perkhushkovo, Odintsovo District **Moscow Region, Russia**	The Property is represented by two undeveloped "Greenfield" land plots being located opposite to each other and separated by a dead-end street with a total area of 22.53 ha: • Land plot #1 with a total area of 10.57 ha; • Land plot #2 with a total area of 11.96 ha The Property is held for residential development and is intended to provide 97 cottages with a total area of 41,870 sqm and 58 townhouses with total area of 14,500 sqm according to the information provided by the Company. According to information provided by the Company construction work of the premises is expected to start in the fourth quarter 2006. Following their construction completion, the Company plans to dispose the townhouses and cottages on a single unit basis to end users. Total outstanding development costs are estimated at US$47,155,760 (excluding VAT). The Property is located in the Moscow Region in the Odintsovsky district close to the Mozhayskoe highway in approximately 15 km distance to the west from MKAD (Moscow Ring Road) and approximately five km from Perkhushkovo railway station. The neighbouring land plots are characterised by housing settlements and forests. The tenure of the land plots is freehold.	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	**US$66,122,000** **US$66,122,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully sold on market terms US$138,793,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
167 Zarubina street **Saratov, Russia**	The Property is represented by a land plot of 21,814 sqm. As at the date of inspection the land plot incorporated several outdated buildings which were in the process of getting demolished. The Property is intended for future development of a retail mall including parking facilities. According to information provided by the Company construction work of the retail complex is expected to start at the end of December 2006. According to the Company the approval of the concept was principally signed by the municipality. The planned retail areas are divided into different structures: retail gallery, retail (anchors) and retail (semi-anchors). Overall, some 25,685 sqm of net leasable area are expected to get constructed in one phase. 10,869 sqm will be used by anchors, 5,393 sqm will be used by semi-anchors and 9,423 sqm will be occupied by tenants of the retail gallery. Customer parking including 175 surface parking lots and 321 underground parking places will be further included. Total outstanding development costs are estimated at US$38,158,236 (excluding VAT). The subject Property is located at the intersection of Astrakhanskaya and Kutyakova streets in 15 minutes' walking distance from the historical centre of Saratov, near Saratov airport and Saratov railway station. The north-eastern border faces Zarubina street. Universitetskaya street is in the north-west from the site and Astrakhanskaya street is the south-eastern frontier. The south-western border of the site is Kutyakova street. The surroundings are predominantly retail, residential and industrial premises. This location is considered to have a high potential for a land plot development as a retail mall. The tenure of the land plot is freehold.	n/a	n/a	$8,231,581 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$29,342,000** **US$26,408,000** for the 90% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$98,322,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Yaroslavl Mall" **Moskovskoye Highway & Kalinina street** **Yaroslavl, Russia**	The Property is represented by a modern retail complex with entertaining areas which is currently under construction. Upon construction completion which is expected in January 2007 (fit-out in March 2007) a total area of 32,299 sqm will be available for letting. As at the date of valuation, the construction process was approximately 78.5% completed (according to the already invested amounts provided by the Company). The complex will consist of one ground floor and a guest ground parking for 1,450 slots. The planned gross area of the Property is 40,787 sqm. According to information provided by the Company total outstanding development costs are estimated at US$11,494,057 (excluding VAT) as at the date of valuation. The Property is located at the intersection of Kalinina street (ring road of Yaroslavl) and Moskovskoye highway at the border of the city of and the Yaroslavl region. The city centre (six km) can be reached in about 15 to 20 minutes driving distance. The district is mostly residential, with a large residential micro-district in the north and individual housing surrounding the subject Property. The tenure of the land plot (12 hectares in size) is freehold. The remaining land area of 18 hectares is reserved for future development (see "Yaroslavl: remaining land plot of 18 hectares")	n/a	n/a	$8,295,193 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$51,557,000** **US$25,263,000** for the 49% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$84,927,000)

PROPERTIES HELD FOR FUTURE DEVELOPMENT

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Skyscraper" **1 Dmitrovskoye Schosse (9,079 sqm land plot) 1B, Dmitrovsky lane (6,800 sqm land plot for which leasehold rights need to be obtained)** **Moscow, Russia**	The property is represented by a land plot of 9,079 sqm of total area and intended for future construction of a 48-storey class A office building including retail areas in the lower floors. The existing constructions are to be demolished before the construction commencement. There is also an adjacent site of 6,800 sqm of total area for which the leasehold rights need to be obtained. This site is intended for structured parking allocation. According to the concept provided by the Company the planned construction will include (all leasable area) 86,900 sqm of class A office space, 5,000 sqm of retail space, 976 structured parking spaces and 497 underground parking spaces. Construction is expected to take place in one phase starting in January 2008 and expected to being completed at the end of 2010. Total outstanding development costs are estimated at US$199,594,060 (excluding VAT). The property is confined by transportation routes of the North-Eastern part of the junction formed by Dmitrovsky lane in the North, and slip road to Dmitrovskoye Schosse in the North-East, Rizhskaya railroad line in the South and street railway depot in the West. The site is located in Northern Administrative District of Moscow. It is situated near the crossing of Dmitrovskoye Schosse and Dmitrovsky lane. Dmitrovsky lane is a four-lane road (two lanes each way), Dmitrovskoye Schosse has four lanes each way. Both of the roots are high traffic routes. The tenure of the land plots is leasehold. The leasehold of the 6,800 sqm land plot still needs to be obtained as at the date of valuation.	n/a	n/a	$58,557,581 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$135,255,000** **US$135,255,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$786,868,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Saint Petersburg Residential" **30 Pulkovskoe Shosse** **Saint Petersburg, Russia**	The Property is represented by a land plot of 32.66512 hectares in total and is part of 40.8314 hectares site which is intended for future development of residential apartment dwellings including appertaining community buildings and parking facilities in four phases. As at the date of inspection the Property incorporated several smaller outdated buildings and greenhouses which were in the process of getting demolished (apart from three smaller buildings which will be used during the course of the future construction). A high-voltage power line passes the site along the eastern land plot boundaries. The power line takes a comparable small part of the land plot. The concept provided to us suggests constructing all in all 8,934 residential dwellings comprising an average saleable area of 75.0 sqm per apartment (670,050.0 sqm in total) in four phases. The quality of the apartments is split into "Economy" class (569,542.5 sqm or 85.0% of the total sum) and "Comfort" class (100,507.5 sqm or 15.0% of the total sum). The construction of the first phase including 20.0% of net saleable residential area is scheduled to start in July 2007 with the consecutive phases following at a time difference of one year each. Moreover, some 42,600 sqm net area of community buildings as well as some 4,000 underground parking spaces will be constructed as part of the Saint Petersburg Residential project. Total outstanding development costs are estimated at US$746,601,364 (excluding VAT). The Property is located in second line to the main road (Pulkovskoe Shosse) connecting the Saint Petersburg airport to the city centre. The distance to the airport is approximately five km. The city centre is about 16 km away. The tenure of the land plot is freehold.	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	**US$331,135,000** **US$331,135,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully sold on market terms US$1,315,975,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Saint Petersburg Trade Centre" **30 Pulkovskoe Shosse** **Saint Petersburg, Russia**	The Property is represented by a land plot of 8.16628 hectares in total and is part of 40.8314 hectares site which is intended for future development of class B office and retail space including parking facilities in four phases. As at the date of inspection the Property incorporated several smaller outdated buildings and greenhouses which were in the process of getting demolished (apart from three smaller buildings which will be used during the course of the future construction). A high-voltage power line passes the site along the eastern land plot boundaries. The power line takes a comparable small part of the land plot. The concept provided to us suggests the development of a modern business park (office Class B) as well as a retail complex and street retail areas in several, partly overlapping, phases with construction expected to start in June 2008 and the last phase being completed and fitted out in June 2013. It is planned to construct 60,000 sqm leasable area of Class B office space in four phases. The construction of the first phase including 15,000 sqm of net leasable area is scheduled to start in June 2008 with the consecutive phases following at a time difference of one year each. The planned retail areas are split into two different forms. Overall, some 30,000 sqm of net leasable area are expected to get constructed in five different phases. 15,000 sqm will be used for a commercial centre. Construction is planned to begin in June 2009 and being completed and fitted out at the end of August 2011. The other 15,000 sqm will be spread over the residential areas of the "Saint Petersburg Residential" project. Moreover, some 500 surface parking spaces and 1,000 underground parking spaces will be constructed as part of the Saint Petersburg Trade Centre project. Total outstanding development costs are estimated at US$131,365,500 (excluding VAT). The Property is located in second line to the main road (Pulkovskoe Shosse) connecting the Saint Petersburg airport to the city centre. The distance to the airport is approximately five km. The city centre is about 16 km away. The tenure of the land plot is freehold.	n/a	n/a	$28,093,023 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$38,196,000** **US$38,196,000** for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$325,559,000)

Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
"Techagrocom" **Kaluzhskoe Highway** **Moscow Region, Russia**	The Property is represented by four land plots of 22 hectares total area. They represent a clear field. It is free from any capital constructions, however, two high-voltage power lines pass along the North-West and South-West land plot boundaries. The power lines run above a significant portion of the land plot. The Property is held for future development of a modern business park as well as a retail complex in three phases. The retail complex will be oriented towards the traffic flow along Kaluzhskoye Highway and is expected to provide some 74,000 sqm of net leasable area. The office premises will amount to 100,000 sqm of net leasable area. Construction of the first phase is expected to begin in April 2007 with the last phase being completed at the end of June 2011. Total outstanding development costs are estimated at US$194,132,000 (excluding VAT). The Property is geographically situated on the territory of the Moscow Region, but in fact it is adjacent to Moscow — the land plot is located within only one kilometre from MKAD, on Kaluzhskoye Avenue representing the extension of Profsoyuznaya Street. The tenure of the land plots is freehold.	n/a	n/a	$48,606,512 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$107,320,000** **US$53,660,000** for the 50% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$467,333,000)
"Yaroslavl: Remaining Land Plot of 18 Hectares" **Moskovskoye Highway & Kalinina street** **Yaroslavl, Russia**	The Property is represented by a land plot of approximately 18 hectares (remaining part of the Yaroslavl land plot which has not been used for the development of the Yaroslavl mall) which is unimproved as at the date of valuation. According to information provided by the Company the construction of a big box retail complex incorporating some 50,000 sqm of total leasable area is planned in the future. Construction is supposed to begin in September 2008 and will be completed in January 2010. Total outstanding development costs are estimated at US$42,675,000 (excluding VAT). The Property is located at the intersection of Kalinina street (ring road of Yaroslavl) and Moskovskoye highway at the border of the city of and the Yaroslavl region. The city centre (six km) can be reached in about 15 to 20 minutes driving distance. The district is mostly residential, with a large residential micro-district in the north and individual housing surrounding the subject Property. The tenure of the land plot is freehold.	n/a	n/a	$6,976,744 upon completion and assuming a structural vacancy rate of 7.5% in the long run.	**US$11,450,000** **US$5,611,000** for the 49% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US$88,235,000)

APPENDIX TWO

OFFICE CLASSIFICATION STANDARDS

The group, consisting of Cushman & Wakefield Stiles & Riabokobylko, Colliers International, Jones Lang LaSalle, Noble Gibbons/CB Richard Ellis has been coordinating some of their data collection activities since autumn 2002 to provide consistent information to investors, developers, occupiers and press.

In order to provide accurate and consistent information, MRF has produced a set of definitions based on geographic division, terminology and building classification. The main aim of the new agreement was to establish consistent terminology and technique for classifying modern office space in Moscow into A and B class buildings.

The office classification is represented below.

Class A office building: should meet or exceed a minimum of 16 out of 20 of the following standard specifications:

1. A high quality standard finish with comprehensive technical services, including BMS (Building Management System);
2. Professional property management;
3. Building situated in a good location within its submarket with good access;
4. An Air Conditioning system that provides heating, cooling and humidification to control the internal environment to meet European HVAC standards;
5. Suspended ceilings;
6. Floor to ceiling height with suspended ceilings average 2.7 m;
7. Open efficient floor plates (column structure construction);
8. Either three compartment trunking for telephones, electricity and computer cable or raised floors (or possibility to install them)
9. High quality modern windows, rational window spacing;
10. Modern high speed lifts, maximum waiting time of about 30 seconds;
11. Underground parking;
12. Quality materials used in fitout of common areas;
13. Parking ratio of 1 space per 100 m2 of rentable building area (both surface and underground);
14. Loss factor not exceeding 12%;
15. High quality telecom providers;
16. Dual city power supply with automatic change-over or a Generator power supply system back-up; (power supply should be minimum 50 W/m2 of usable area for tenants small power + an additional 20 W/m2 for ceiling lighting;
17. Load bearing capacity: 400-450 kg per 1 m2;
18. Modern security system and access control;
19. Staff cafeteria and other amenities;
20. Floor depth 18 to 20 m from window to window.

Class B office building: should meet or exceed a minimum of 10 of 20 above mentioned points.

Class C office building: should meet or exceed no more than 8 out of 20 above mentioned points.

PART VII

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS

The following unaudited pro forma consolidated statement of net assets of the Group is provided to show the effect on the net assets of the Group as of 30 September 2006 of the subsequent additional investment in properties, settlement of the shareholders' loans and associated financing and the Placing had these events taken place on 30 September 2006. The unaudited pro forma consolidated statement of net assets is prepared on the basis of the consolidated balance sheet of MirLand Development Corporation plc as at 30 September 2006.

This unaudited pro forma consolidated statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and it does not represent the Group's actual financial position. The unaudited pro forma consolidated statement of net assets is compiled on the basis set out below.

	MirLand Development Corp. (Note 1)	Additional investment in properties (Note 2a)	Repayment of shareholders' loans and associated financing (Note 2b)	Shareholders' loans converted to equity (Note 2c)	Unaudited pro forma consolidated net assets before net placing proceeds	Net placing proceeds (Note 2d)	Unaudited pro forma consolidated net assets
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
ASSETS							
Non-current assets:							
Investment properties	65,709	—	—	—	65,709	—	65,709
Investment properties under construction	25,486	12,875	—	—	38,361	—	38,361
Inventories of lands	69,224	—	—	—	69,224	—	69,224
Equipment	358	—	—	—	358	—	358
Loan receivable	6,437	(6,437)	—	—	—	—	—
Option for acquisition of investment properties	1,600	—	—	—	1,600	—	1,600
Long-term receivables	4,557	—	—	—	4,557	—	4,557
Total non-current assets	173,371	6,438	—	—	179,809	—	179,809
Current assets:							
Receivables from related party	3,151	—	—	—	3,151	—	3,151
Trade and other receivables	1,644	—	—	—	1,644	—	1,644
Cash and cash equivalents	5,908	—	—	—	5,908	262,229	268,137
Total current assets	10,703	—	—	—	10,703	262,229	272,932
TOTAL ASSETS	184,074	6,438	—	—	190,512	262,229	452,741

MIRLAND DEVELOPMENT CORPORATION PLC

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS

	MirLand Development Corp. (Note 1)	Additional investment in properties (Note 2a)	Repayment of shareholders' loans and associated financing (Note 2b)	Shareholders' loans converted to equity (Note 2c)	Unaudited pro forma consolidated net assets before net placing proceeds	Net placing proceeds (Note 2d)	Unaudited pro forma consolidated net assets
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
LIABILITIES							
Non-current liabilities:							
Shareholders' loans	112,192	6,438	(56,438)	(62,192)	—	—	—
Long-term borrowings	15,082	—	56,438	—	71,520	—	71,520
Other long-term liabilities	5,080	—	—	—	5,080	—	5,080
Deferred taxes	3,266	—	—	—	3,266	—	3,266
Total non-current liabilities	135,620	6,438	—	(62,192)	79,866	—	79,866
Current liabilities:							
Trade and other payables	3,993	—	—	—	3,993	—	3,933
Income tax payable	752	—	—	—	752	—	752
Total current liabilities	4,745	—	—	—	4,745	—	4,745
TOTAL LIABILITIES	140,365	6,438	—	(62,192)	84,611	—	84,611
NET ASSETS/ (LIABILITIES)	43,709	—	—	62,192	105,901	262,229	368,130

Notes:

1. The consolidated net assets of the Company as of 30 September 2006 has been extracted without material adjustment from the financial information included in Part XI of this Admission Document.
2. Adjustments have been made to reflect:
   a. In October 2006, the Company, together with a third party, acquired a company (Techagrocom) that owns land near Moscow in order to develop a mixed-use trade and business park. The Company's share of the consideration was US$12,875 thousand. At 30 September 2006 the Company was due an amount of US$6,347 thousand from the vendor of Techagrocom which arose as a result of a loan of this amount from a shareholder of the Company to the vendor of Techagrocom being assigned to the Company. The settlement of this loan, together with the payment of an additional amount of US$6,438 thousand in October 2006 to the vendor, represents the total consideration paid. The additional payment of US$6,438 thousand was funded through a shareholder loan. The Company's share in the project is 50%. The land is currently under preliminary construction.
   b. In October 2006, the Company received bank loans of US$56,438 thousand, which were guaranteed by shareholders and were used to repay US$56,438 thousand of the loans from shareholders. The bank loans bear interest at annual rates of LIBOR plus 1.1 to 1.25%. Repayment of the loans will begin in 2008 and end in 2009.
   c. In accordance with a shareholder resolution the Founder Shareholders agreed to capitalise shareholders' loans in the amount of US$62,192 thousand to equity, conditional on Admission.
   d. The net proceeds of the Placing, calculated as follows:

	US$000
Gross Placing proceeds(*)	282,699
Placing expenses	20,470
	262,229

   (*) Excluding proceeds from new Ordinary Shares which may be issued pursuant to the Over-allotment Option.
3. Other than as described above, no adjustment has been made to reflect the trading results of the Group since 30 September 2006, or any change in the assets and liabilities of the Group since 30 September 2006.
4. 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:
   a. The agreement requires the parties to use 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 per cent. interest in RealService and satisfaction of all other conditions precedent.
   b. Within 36 months from the date of the framework agreement (the "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$4,500 thousand.

   For details on the framework agreement see also paragraph 11.17 of Part X — "Additional information".

PART VIII

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the financial information set out in Part XI — "Financial information on MirLand Development Corporation" which contains consolidated audited financial information for the financial period 10 November 2004 to 31 December 2005, and unaudited figures for the nine months ended 30 September 2006 and the other financial information contained elsewhere in this document. The financial information contained in Part XI — "Financial information on MirLand Development Corporation" has been prepared in accordance with IFRS and in compliance with the applicable requirements of Cypriot law.

References in this document to the Company's financial results all relate to the financial results from continuing operations. The financial information for the nine month period 1 January 2006 to 30 September 2006, is unaudited and has been prepared using the Company's management accounts.

1. Overview

MirLand is an internally managed, Cypriot real estate development company which was incorporated in 2004 and develops property solely in Russia. Controlled by the Fishman Group, an international real estate investment and development group based in Israel with over 30 years' experience in the real estate development market, the Company is currently one of the few developers in Russia to build international quality commercial and residential properties employing western business practices. The Company also differentiates itself by being one of only a few international developers currently active in Russia's secondary cities.

MirLand offers investors an attractive portfolio of existing Russian development projects, a substantial pipeline of other real estate investment opportunities across Russia and a strong management team, comprising local professionals and international real estate experts.

The Company's strategy is to focus on developing (a) high quality commercial and residential real estate assets in Moscow and St. Petersburg and (b) commercial projects in other large Russian cities. The Company aims to maximise Shareholder value, while maintaining geographical and property-type diversification. The Company's policy is to sell residential properties and lease the commercial properties it develops.

The Company has an existing Portfolio of eight development projects, the acquisition of one of which is in the process of completion, of over 1.2 million square metres, comprising both commercial and residential projects in Moscow and St. Petersburg, and commercial properties in Yaroslavl and Saratov. MirLand's Properties were valued by Cushman & Wakefield, an independent international real estate appraiser and one of the leading valuers in Russia, at US$853.3 million, as at 30 September 2006. Joint ownership of several of these assets means that the portion of attributable value to the Company was US$764.6 million.

The Company's business model seeks to generate returns on investment by capitalising on the development opportunities presented by the Russian real estate market through attractive yields and margins on commercial investment properties and capital gains on the disposal of completed residential properties and certain commercial trading properties.

2. Factors affecting results of operations

Macroeconomic factors

Given that the Company operates solely in Russia, Russian macroeconomic trends and country-specific risks will have a significant impact on its performance. Russia has demonstrated impressive economic growth over the past six years and it is anticipated that this trend, with the consequent growth both in terms of disposable income and consumer expectations, will continue in the medium term. The political situation in Russia has also been stable over the past five years and country risk has reduced, as signalled by sustained fiscal and trade surpluses and pending World Trade Organisation entry.

The Russian real estate market

The Russian real estate market has experienced, and, at least in the medium term, is expected to continue to exhibit, strong growth across both the commercial and residential sectors. The market is currently characterised by high demand and relatively low supply. In particular, the office sector has experienced significant growth with most development activity being concentrated in Moscow and St. Petersburg. The office market has been characterised by strong demand for Class A and B offices, low vacancy rates and increasing rental rates with demand outstripping supply. The retail sector has also grown significantly both in terms of the number of

shopping centres, total retail space available and turnover and demand for more sophisticated retail concepts. The market remains undersupplied with one of the lowest per capita stock of retail space in Europe. The market for residential property in Russia is characterised by low supply per capita and ageing stock. The increasing availability of mortgage financing coupled with the growth in individual disposable income is expected to generate an increased demand for residential property, particularly where developed to international standards.

Competition

Whilst competition from other real estate development companies has not impacted the Company's ability to identify and pursue opportunities to date, future performance could be affected by increasing competition with respect to the identification and acquisition of properties in Russia, especially in the Moscow region.

3. Available financial information

The Company was incorporated in November 2004 and the Group acquired its assets during the financial years 2005 and 2006. The majority of these assets are in the early stages of development and only two are partially yielding. For this reason, the Directors believe that a comparative discussion on the financial periods since the Group's establishment would not provide meaningful insight into the trends affecting the Company's business. Accordingly, the purpose of this Part VIII is to explain the key elements likely to affect the Company's business and the key accounting policies and internal performance measures used by the Company.

4. Critical accounting policies and estimates

Critical accounting policies are those policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Such accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. The Company's critical accounting policies are those described below. For a detailed discussion of these and other accounting policies, see the consolidated financial statements in Part XI of this document — "Financial information on MirLand Development Corporation".

Estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the amounts of assets and liabilities relate to an estimate of the fair value of investment properties. In forming an opinion, the Company considers information from a variety of sources including, in order of priority, the current prices in an active market and discounted cashflow projections, based principally on third party valuations and internal management estimates.

The principal assumptions underlying the management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void/vacancy periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to the Company's actual market yield data and its actual transactions and those reported by the market. The expected future market rents are determined on the basis of current market rents for similar properties in the same location and condition.

Revenues

The Group's revenue will consist of three items: (i) income from investment properties; (ii) income from the disposal of residential units and any other trading properties and (iii) revaluation gains. Income from investment properties also includes management and utilities fees due to the Group as well as rental income.

The Group recognises rental income from tenants on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Other revenues, including management fee income, are recognised in the accounting period in which the services are rendered by the Group, by reference to the stage of completion of the specific transaction. Revenues are assessed on the basis of the actual service provided as a proportion of the total services to be provided, and are measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales related taxes.

The Group does not recognise revenue if there are significant uncertainties regarding recovery of the consideration due and associated costs.

The Group recognises revenue from the sale of its residential and any other trading properties when the risks and rewards of ownership have been transferred to the buyer and provided that the Group has no further substantial acts to complete under the contract.

Revaluation gains on investment properties are recognised bi-annually in accordance with IFRS, as described in the paragraph ''Investment properties'' below.

Land inventory

Land which is acquired for residential development purposes is classified as land inventory and is initially measured at cost, including transaction costs. On completion of construction the real estate (land and buildings) is reclassified as trading properties but gains would only be recorded in the income statement as and when sales are realised.

Investment properties under construction

The majority of the Group's current projects are not yet yielding and are therefore classified as investment properties under construction. Investment properties under construction are real estate projects which, on completion, will typically be held as investment properties and retained by the Group to generate income and/or capital appreciation.

Such assets are initially measured at cost, including transaction costs, and on completion of development, reclassified as investment property and thereafter stated at fair value at each balance sheet date. Gains and deficits on revaluation are recorded in equity within the revaluation reserve, except where a deficit reduces the value of an asset to below its historical cost in which case the amount below cost is recorded as a loss in the income statement. Gains are also recorded in the income statement to the extent that they reverse impairments previously recorded in the income statement. Depreciation is not recorded on investment properties under construction as such assets are not used within the Group's business until their completion whereupon they are reclassified as investment properties.

When an item of investment property under construction is transferred to investment property on completion, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in the income statement. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

Investment properties

Investment properties are properties and/or land which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. An external, independent valuation company values the investment portfolio semi-annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. 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 the management to sell the companies holding these properties rather than the properties themselves, deferred taxes on the above differences have not been recorded.

The fair value of the properties have been reduced to reflect the fair values of the deferred tax liabilities that the Company would transfer to a buyer on the sale of companies owning the properties. Company management believes that the actual amount of the reduction might be substantially lower due to the financial 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.

The Group prepares the valuations by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cashflows is then applied to the net annual rentals to arrive at the property valuation.

The Group's valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. Any gain or loss arising from a change in fair value is recognised as revenue in the income statement.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property will, unless it continues to be yielding, be reclassified, during the redevelopment, as an investment property under construction. If the property continues to be yielding during redevelopment, the property will remain classified as an investment property and continue to be measured based on fair value.

Trading properties

Properties that are developed for sale (inventory) will be classified as trading properties and stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. Gains on trading properties are only recognised on sale.

All costs directly associated with the purchase and construction of a trading property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset in progress and expenditures and borrowing costs are being incurred. The Group may continue the capitalisation of borrowing costs until the assets are substantially ready for their intended use. The Group arrives at the capitalisation rate by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

Expenses incurred in advance of the conclusion of an acquisition, such as legal or survey fees, are capitalised to the extent that the Group has a reasonable expectation that such project initiation costs will lead eventually to an acquisition. The Group includes project initiation costs in the development costs associated with the purchase of a property, which are recorded at cost. If the acquisition is not completed, the project initiation costs associated with the property are written off by the Group to its profit and loss account.

Group approach

The majority of the Group's commercial projects will, on completion be classified as investment properties. Such properties will be continually assessed however, and, depending on prevailing market and other conditions, may be reclassified as trading properties if disposal is considered the optimal approach to that property. On completion of development, the Group's residential properties will be classified as trading properties.

Functional currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the US Dollar but the functional currency of the Company's operating Subsidiaries is the Russian Rouble. The US Dollar is the currency in which the consolidated financial statements are prepared, the majority of investment acquisitions and/or disposals are carried out and budgets are drawn up. The Group continually assesses its exposure to variations in currency exchange rates and enters into associated derivative instruments as appropriate.

The balance sheets of Subsidiaries and joint ventures with functional currencies other than US Dollars are translated using the closing rate method, whereby assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. The income statements of such Subsidiaries and joint ventures are translated at average exchange rates for the period. Exchange differences arising on the retranslation of net assets are taken directly to equity.

5. Key performance indicator ("KPI")

The KPI most relied upon by the Group is the Adjusted Net Asset Value of its properties, which is based upon the market value of the Company's property portfolio. This allows the Group's management to monitor the growth in value created as projects are developed. This measure also monitors the market-driven changes of value in the properties held by the Group.

The Company's Adjusted NAV figure is determined by reference to the market value of the Company's property assets as determined by a third party valuation, adjusted to reflect the percentage interests held by the Group, plus its non-property assets minus its total liabilities and to reflect assumed amounts payable under certain management services agreements with Senior Managers. The following table demonstrates the calculation of Adjusted Net Asset Value based on the Cushman & Wakefield valuation report in Part VI of this document and

the unaudited pro forma consolidated statement of net assets of the Company and the financial information on the Company in Parts VII and XI, respectively, of this document.

	As of 30 September 2006 US$ millions
Market value of the Company's beneficial share in the Properties	764.6
Pro forma non-property non-current assets	4.9
Pro forma non-current liabilities[1]	(79.9)
Pro forma current assets less current liabilities	6.0
Exercise price of option to purchase two companies which own 100% interest in Moscow land	(20.4)
Adjustment for minority interests and other third party sales obligations in respect of the Cushman & Wakefield valuation[2]	(4.1)
Adjusted Net Asset Value (pre-Placing)	**671.1**
Net proceeds of the Placing	262.2
Adjusted Net Asset Value	**933.3**

(1) Includes provision for fees payable to FIN on a sale of Hydro and MAG, as referred to in note 23 of Part XI — "Financial information on MirLand Development Corporation".

(2) Includes the following adjustments:

(i) the Cushman & Wakefield valuation of Saratov in the amount of US$0.6 million, to reflect the actual economic interest of the Company's joint venture partner; less

(ii) the fees payable to FIN on a sale of the Skyscraper property (referred to in paragraph 8 of Part X — "Additional information"), which, as it is currently classified as inventory, would entitle FIN to two per cent. of the sale price, being US$2.7 million based on the Cushman & Wakefield valuation as at 30 September 2006; less

(iii) the fees payable to FIN on a sale of the Perkhushkovo property (referred to in paragraph 8 of Part X — "Additional information"), which, as it is currently classified as inventory, would entitle FIN to three per cent. of the sale price, being US$2.0 million based on the Cushman & Wakefield valuation as at 30 September 2006.

By taking into account the market value of the assets, Adjusted NAV implies a liquidation of the Company's assets. The Company does not believe that it is appropriate to deduct deferred taxation on revaluation gains as management believe that it is unlikely that a tax liability would be incurred in a liquidation as the Group would effect any property sales in the most efficient way possible, in this case through the sale of the project company which owns an individual asset rather than through the sale of the asset itself. The Company's property investments are made via individual special purpose vehicles which allow it to complete a share sale while incurring immaterial tax charges. If however the Company follows its business plan, including the completion of all of its development assets, it may be prudent to assume that taxes will be payable as residential units are sold to end users, as these sales cannot be accomplished via share sales.

Adjusted Net Asset Value is not a measure of financial performance under IFRS and should not be considered as an alternative to the gross or net assets calculated in accordance with IFRS.

6. Components of the Group's results of operations

Revenue

The Group's revenue will consist of three items: (i) income from investment properties; (ii) income from the disposal of residential units and any other trading properties; and (iii) revaluation gains. Income from investment properties also includes management and utilities fees due to the Group as well as rental income.

In accordance with IAS 40 the Group has revalued its "investment properties" for the financial period ended 31 December 2005 and the nine months ended 30 September 2006, and recognised the resulting movement in valuation through its income statement as "gain from revaluation of investment property". Revaluation gains are not realised on "investment properties under construction", which feature as investment properties under construction on the balance sheet and comprise the Group's current projects under development.

Expenses

Operating expenses

The operating expenses of the Group are expected to consist of three principal elements: property maintenance expenses, property taxes and the cost of selling trading properties. Currently, the Group's principal expenses are property maintenance costs and salaries.

The Group's remaining expenses relate principally to repair costs (which, in the normal course, will be expensed), land lease payments and the head office costs incurred in managing the development of real estate projects, including salaries and related expenses. These costs vary with the level of development activity taking place in the Group. Property operations and maintenance expenses comprise all acquisition and development costs, but exclude construction costs.

Construction costs

Construction costs are not currently shown on the Group's income statement but will be those incurred in relation to trading properties, i.e. the Group's residential units. Construction costs relating to investment property will be capitalised into the assets and reflected in the associated revaluation on completion of development.

General and administrative expenses

The Group's general and administrative expenses are expected to consist primarily of salaries and related expenses, together with professional fee expenses, depreciation of fixed assets and travelling and office expenses.

The Group's professional service expenses relate to the fees incurred from statutory audits, legal fees, general architecture and design fees that are not project specific, consultancy fees and other professional services related to specific projects or issues. Those that are project specific will be capitalised into the assets and reflected in the associated revaluation on completion of development.

To date the Group's highest general and administrative expense item has been professional fees but is, in the future, expected to be salaries. Current general and administrative expenses also include maintenance and repair costs which are expected to be lower in the future.

The Group's travelling expenses relate to business related travel for employees, consultants and directors both on particular projects and in the normal course of business.

General and administrative expenses also includes provision for doubtful debts on tenant debtors.

Selling and marketing expenses

Although not currently shown on the Group's income statement, selling and marketing expenses will consist primarily of advertising and marketing costs associated with the Group's residential developments, including the salaries of the Group's marketing department.

Financing revenue/costs

The Group's financing revenue/costs consist of three principal elements: interest on loans from third and related parties, interest on deposits and hedging costs.

The finance expense on loans from third and related parties is dictated by the interest rate specified in the individual loan agreement, exchange rate movements and the loan balance outstanding.

Tax

The taxation of companies in Cyprus is based on tax residence and all companies are taxed at the rate of 10 per cent. A special levy of 10 per cent. 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 per cent. withholding tax.

In relation to dividend distributions from the Cypriot Subsidiaries to the Company, it should be noted that any profits attributable to shareholders who are Cypriot tax residents are subject to the deemed dividend distribution. Companies which do not distribute 70 per cent. 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 per cent. of

these profits. A special levy at 15 per cent. 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.

Subsidiaries in Russia are subject to tax under the Russian Federation at a rate of 24 per cent. Deferred income tax in relation to the Company's investment properties 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. 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. Where investment properties are sold by way of a share sale, rather than a direct property disposal, the tax liability may be substantially lower than the deferred tax provision.

7. Liquidity and capital resources

Funding structure

The Company has relied primarily upon equity contributions, loans from its Founder Shareholders, as well as bank debt (some of which has been guaranteed by the Founder Shareholders) to finance the development and construction of specific projects. The Company expects that Russian bank debt could become an increasingly important source of funds as the debt market in Russia continues to develop. The tables below set out the principal components:

	For the financial period ended 31 December 2005	For the nine months ended 30 September 2006
	US$'000	(Unaudited) US$'000
Non current:		
Bank loans	0	15,082
Related party loans	39,564	112,192
	39,564	127,274
Current:		
Bank loans — current maturities	0	0
Related party loans	460	0
	460	0

The Company, as at 30 September 2006, had drawn down US$15.08 million of its US$43.0 million facility with Gazprombank (relating to the Company's Yaroslavl project), as further described in paragraph 11 of Part X — "Additional information".

Of the US$112.19 million related party loans from Founder Shareholders as at 30 September 2006, the Company has repaid US$50 million through refinancing with third party banks (further described in paragraph 11 of Part X — "Additional information") and has capitalised the balance, conditional on Admission, against the Company's share premium account through issue of five new Ordinary Shares to the Founder Shareholders.

Since 30 September 2006, the Company incurred US$21 million in additional bank debt, US$16 million of which was used to repay bridge loans for development costs received from the Founder Shareholders granted after 30 September 2006, and the remainder of the bank loans are being used for working capital (further described in paragraph 11 of Part X — "Additional information").

With the exception of the Gazprombank facility, which is secured against the Company's property in Yaroslavl, all of the Company's loans are guaranteed by the Founder Shareholders, as further described in paragraph 12 of Part X — "Additional information".

Cash flow

The following tables set out data regarding the consolidated cashflow of the Group.

A summary of the consolidated cashflow statements for the financial period ended 31 December 2005 and the unaudited nine month period ended 30 September 2006 is as follows:

	For the financial period ended 31 December 2005	For the Nine months ended 30 September 2006
	US$'000	(Unaudited) US$'000
Net cashflows (used in) from operating activities	(292)	(4,640)
Net cashflows (used in) from investing activities	(43,995)	(74,496)
Net cashflows (used in) from financing activities	43,226	84,476
Net increase in cash and cash equivalents	(1,061)	5,340
Effect of exchange rate movements	1,725	(96)
Cash and cash equivalents at start of period	—	664
Cash and cash equivalents at end of period	664	5,908

(i) Operating activities

Net cash associated with the Group's operating activities arises from the currently yielding assets at Hydro and MAG, net of operating expenses.

(ii) Investing activities

Cash flow associated with the Group's investing activities are the gains received on the disposal of residential and other trading properties net of the acquisition costs of investments.

(iii) Financing activities

Cash flow from the Group's financing activities are generated from the principal sums loaned net of lending fees and other associated costs and any net equity proceeds.

8. Quantitative and qualitative disclosures about market risks

The Group is exposed to market risks from changes in both foreign currency exchange rates and interest rates.

Foreign currency risk

The Group's functional currency across its operating Subsidiaries is the Rouble, whereas the Company's functional currency is the US Dollar. The majority of the Group's revenue, costs and capital expenditures are either priced, incurred, payable or otherwise measured in US Dollars. Although most transactions are settled in Roubles, the price for real estate property is tightly linked to the US Dollar. The Group is exposed to fluctuations in the Rouble pending receipt of refunds or offsets of excess input VAT under Russian VAT legislation. The Group's policy is generally not to enter into currency hedging transactions but hedging will be considered in relation to those VAT refunds.

Interest rate risk

Whilst the Group does not currently have any significant interest bearing assets changes in interest rates could affect the cost of current and future financing.

Credit risk

The Group performs ongoing credit evaluations of its tenants, purchasers and contractors and its financial statements include specific allowances for doubtful accounts. The Group also seeks to mitigate the risk of non-payment in structuring its contractual arrangements with such parties.

Contractual commitments

The following table sets out the Group's contractual obligations over a five year period:

Contractual obligations	Less than 1 year	1-3 years	3-5 years	More than five years	Total
			US$'000		
Operating leases	0.0	163.0	493.0	1,055.0	1,711.0
Bank loans	0.0	71.0	0.0	0.0	0.0
Construction and other capital expenditure contracts[1]	24,088.8	10,483.5	13,813.5	0.0	48,385.8
Acquisition obligations[2]	11,400.0	9,000.0	0.0	0.0	20,400.0
Total contractual obligations	35,488.8	90,646.5	14,306.5	1,055.0	141,496.8

Notes:

1. Certain of the construction commitments are estimates.
2. Relating to amounts owed to acquire RealService, as described further in paragraph 11.17 of Part X — "Additional information".

9. Capitalisation and indebtedness

The table below sets out the capitalisation of the Group as at 30 September 2006:

	Capitalisation as at 30 September 2006 (Unaudited) US$'000
Shareholders' equity	
Share capital	18
Capital reserves	7,397
Other reserves	2,150
Total capitalisation	9,565

Set out below is an analysis of the Group's indebtedness as at 30 September 2006. Indebtedness in currencies other than US Dollars has been translated at 30 September 2006 exchange rates.

	Net indebtedness as at 30 September 2006 (Unaudited) US$'000
Cash	5,908
Cash equivalent	—
Trading Securities	—
Liquidity	—
Current financial receivable	—
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	—
Current financial debt	—
Net current financial indebtedness	
Non-current bank loans	15,082
Bonds issued	—
Other non-current loans	112,192
Non-current financial indebtedness	127,274
Net financial indebtedness	121,366

10. Debt/equity ratio

	For the financial period ended 31 December 2005	For the nine months ended 30 September 2006
	US$'000	(Unaudited) US$'000
Interest bearing loans and borrowings	40,146	127,274
Restricted bank deposits	—	—
Cash and short term deposits	664	5,908
Net debt	39,482	121,366
Shareholders' equity	6,654	43,709
Gross gearing ratio (%)	6.03	2.91
Net gearing ratio (%)	5.93	2.78

The Company's policy is to limit its leverage to 66 per cent. of the gross value of the Group's assets, including all development, trading and investment properties. As Russian real estate finance continues to develop, it is expected that the associated development costs of the Company's commercial projects will be, in optimal circumstances, up to 70 per cent. debt financed. On completion, the Company anticipates that its properties will be refinanced on entering the yielding phase, at up to 60 per cent. of the relevant property's valuation. Residential projects, on the other hand, are expected to be principally financed with equity as the financing market for residential projects remains relatively undeveloped in Russia. Accordingly, residential projects are constructed in phases, primarily using the capital from pre-sales to finance upcoming phases of development.

PART IX

DETAILS OF THE PLACING

1. Terms and conditions of the Placing

The Company is issuing 30,000,000 Placing Shares by way of the Placing (in Sterling) to institutional investors in the UK and to certain qualified institutional investors elsewhere in the world, as permitted in the relevant jurisdictions, to raise approximately US$262 million in aggregate net of expenses. The Placing Shares will represent approximately 30.0 per cent. of the Enlarged Share Capital assuming no exercise of the Over-allotment Option. All Placing Shares will be sold at the Placing Price.

Each of Messrs Wright, Blausten and Eliezer Fishman and Dr Brown are subscribing for Ordinary Shares in the Placing in the amounts set out in paragraph 8 of Part X — "Additional information".

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will be effective and that unconditional dealings in the Ordinary Shares will commence on AIM on 18 December 2006. Prior to that time, it is expected that dealings in the Ordinary Shares will commence on a conditional basis (as dealings in unlisted securities) on 13 December 2006. These dates may be subject to change.

Conditional dealings before Admission will only be settled if Admission takes place and will be for settlement three business days after Admission. All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

Allocations of Ordinary Shares under the Placing will be determined by the Underwriters, following consultation with the Company, once indications of interest from prospective investors have been received.

2. Over-allocation and stabilisation

In connection with the Placing, Merrill Lynch International, as Stabilising Manager, may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Placing Shares comprised in the Placing. For the purposes of allowing Merrill Lynch International to cover short positions resulting from any such over-allotments and/or from sales of Placing Shares effected by it during the stabilising period, the Company has granted to it the Over-allotment Option pursuant to which, Merrill Lynch International, may require the Company to issue additional new Placing Shares up to a maximum of 15 per cent. of the total number of Placing Shares at the Placing Price. The Over-allotment Option is exercisable in whole or in part, upon notice by Merrill Lynch International, for 30 calendar days after the commencement of conditional trading in the Placing Shares. Any new Ordinary Shares issued by the Company following the exercise of the Over-allotment Option will be issued on the same terms and conditions as the Placing Shares and will form a single class for all purposes with the other Placing Shares.

In connection with the Placing, Merrill Lynch International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the Placing Shares at a level higher than that which might otherwise prevail in the open market. Merrill Lynch International is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period from 13 December 2006 up to and including 12 January 2007. Save as required by law, the Stabilising Manager does not intend to disclose the extent of over-allotments made and/or stabilisation transactions conducted in connection with the Placing.

3. Placing arrangements

On 13 December 2006, the Company, the Directors and the Founder Shareholders entered into the Placing Agreement with the Underwriters.

Pursuant to the Placing Agreement the Underwriters have agreed, severally and not jointly, and subject to the fulfilment of certain conditions, to procure subscribers or, failing which, themselves to subscribe for the Placing

Shares at the Placing Price. The issue of the Placing Shares is conditional, amongst others, upon Admission and the Placing Agreement becoming unconditional in all respects.

The Placing is subject to the execution by the Company and the Underwriters of a pricing statement recording the Placing Price and the satisfaction of certain additional conditions set out in the Placing Agreement, including Admission becoming effective, which is expected to take place on 18 December 2006.

The Placing Agreement contains provisions entitling the Underwriters to terminate the Placing Agreement in certain circumstances prior to Admission. The Placing Agreement also contains certain warranties from the Company, the Founder Shareholders and the Directors and indemnities from the Company and the Founder Shareholders, all in favour of the Underwriters.

The Placing Agreement provides that the Underwriters will be paid commission in respect of Placing Shares sold pursuant to the Placing. Any commissions received by the Underwriters may be retained and any Placing Shares acquired by them may be retained or dealt with by them for their own benefit. Investors should be aware that, while the ability of the Underwriters to retain Placing Shares is not unusual in placing agreements, doing so to any significant degree could, because it limits the number of Ordinary Shares generally available in the market, have an impact on the market price of the Ordinary Shares. Further details of the Placing Agreement are set out in paragraph 10 of Part X - ''Additional information''.

RP Capital Partners Cayman Islands Limited and Itzhak Swary Ltd., consultants to the Company, will receive an aggregate fee of one per cent. of the gross proceeds of the Placing, further details of which are summarised in paragraph 11 of Part X — ''Additional information''.

4. Dealing arrangements

The Placing Price and the final number of Ordinary Shares comprised in the Placing are expected to be announced on 13 December 2006. It is expected that dealings in the Ordinary Shares (as unlisted securities) will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 13 December 2006.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 18 December 2006. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be in unlisted securities and on a ''when issued'' basis. If the Placing does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

It is expected that Ordinary Shares allocated to investors pursuant to the Placing will be delivered in uncertificated form represented by DIs and settlement will take place through CREST on Admission. Shareholders may elect to receive Ordinary Shares in registered uncertificated form. Share certificates will not be issued. Investors in the Placing will pay the Placing Price in respect of the Ordinary Shares to be transferred to them in such a manner as shall be directed to them by or on behalf of the Underwriters.

When admitted to trading on AIM, the Ordinary Shares, and any DIs representing them, will be registered with ISIN CY0100141015 and SEDOL B1J1MT3 and the Company's stock exchange symbol will be MLD. The Ordinary Shares will be in registered form. The primary share register will be maintained in Cyprus by CLR Securities & Financial Services Ltd. The DI register will be maintained by the Registrars.

5. Lock-in arrangements

Pursuant to the Placing Agreement, the Company, the Founder Shareholders and each of the Directors (as further described in paragraph 10 of Part X — ''Additional information'') has undertaken to each of the Underwriters, amongst others, not to offer, issue or sell Ordinary Shares (or any interest therein or in respect thereof) held by them for a period of one year from Admission (subject to certain limited exceptions). In addition, Fishman Family Properties Ltd., an entity controlled by Messrs Eliezer and Eyal Fishman and their family and Option holders whose Options have vested on Admission have also agreed not to offer, issue or sell Ordinary Shares (or any interest therein or in respect thereof) held by them for a period of one year from Admission, subject to certain limited exceptions permitted by the AIM Rules.

6. Provisions governing sales and transfer restrictions

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and thereafter persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follows. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

6.1 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a ''Relevant Member State'') an offer to the public of any Placing Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriters for any such other; or

(d) in any other circumstances following within Article 3(2) of the Prospectus Directive;

provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each Manager and the Company that it is a ''qualified investor'' within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this paragraph, the expression an ''offer to the public'' in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospective Directive, such financial intermediary will also be deemed to have represented, warranted and agreed to and with each Manager and the Company that (i) the Ordinary Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale, or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Underwriters and each of their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Ordinary Shares.

6.2 United Kingdom

This document is being distributed only to, and is directed only at, persons (i) who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the ''Order''), (ii) falling within Article 49(2) (a) to (d) of the Order and (iii) to whom it may otherwise lawfully be distributed (all such persons together with qualified investors (as defined above) being referred to as ''relevant persons''). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity

to which this document relates is available only in the United Kingdom to relevant persons, and will be engaged in only with such persons.

6.3 United States

The Ordinary Shares have not been registered under the Securities Act or with any securities regulatory authority of any state or territory of the United States and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered except pursuant to an exemption from the registration requirements under the Securities Act or pursuant to an effective registration statement under the Securities Act. Terms used in this section that are defined in Rule 144A or Regulation S of the Securities Act are used here as defined therein.

The Ordinary Shares have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Due to the following restrictions, purchasers of Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Ordinary Shares.

Each purchaser of the Ordinary Shares offered in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act (the "Rule 144A Ordinary Shares") who is located in the United States will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A are used herein as defined therein):

(a) it is (i) a QIB, (ii) acquiring such Rule 144A Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) is not acquiring the Rule 144A Ordinary Shares with a view to further distribution of such Rule 144A Ordinary Shares and (iv) is aware and each beneficial owner of such Rule 144A Ordinary Shares has been advised that the sale of Rule 144A Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act;

(b) it understands that the Rule 144A Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iii) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S, and (B) in accordance with all applicable securities laws of the states of the United States;

(c) it acknowledges that the Rule 144A Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) offered and sold hereby are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Rule 144A Ordinary Shares. The purchaser understands that the Rule 144A Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of Rule 144A Ordinary Shares established or maintained by a depositary bank, unless and until such time as such Rule 144A Ordinary Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the Securities Act;

(d) it understands that any offer, sale, pledge or other transfer of the Rule 144A Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company; and

(e) the Rule 144A Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR

WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) AS PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY. FURTHER, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY, OR A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), BUT MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO A GOVERNMENTAL, CHURCH OR NON-US PLAN, PROVIDED SUCH ACQUISITION, HOLDING AND/OR DISPOSITION DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW OR SUBJECT THE COMPANY TO ANY LAWS APPLICABLE TO SUCH PLAN. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF ORDINARY SHARES OF THE COMPANY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Each purchaser of the Ordinary Shares offered in reliance on Regulation S (the “Regulation S Ordinary Shares”) will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(a) the purchaser is, at the time of the offer to it of the Regulation S Ordinary Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;

(b) the purchaser is aware that the Regulation S Ordinary Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S; and

(c) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company in respect of the Regulation S Shares.

In addition, until 40 days after commencement of the Offer, an offer or sale of the Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Prospective investors are hereby notified that sellers of Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

6.4 Israel

In the State of Israel this document shall be distributed only to, and may only be directed at, Israeli investors listed in the First Addendum (the “Addendum”) to the Israeli Securities Law 5728-1968 (each an “institutional

investor'' and collectively ''institutional investors'') including mutual trust funds or joint investment funds, provident funds, insurance companies, banks and portfolio managers who purchase the shares for themselves (i.e. not with a view to selling or distributing them to others) or for clients who are institutional investors or investment advisers who purchase the shares for themselves, members of the Tel Aviv Stock Exchange purchasing the shares for themselves or for clients who are institutional investors, underwriters who purchase the shares for themselves, venture capital funds and corporations (except for a corporation that was incorporated for the purpose of purchasing securities in a specific offer) with a shareholder equity in excess of NIS 250 million, each as defined in the Addendum or in the applicable law referred to therein. In addition, certain numbered copies of this document may be distributed and directed at no more than 35 investors who are not institutional investors and who are specifically identified and approved by Credit Suisse and Merrill Lynch International and are listed in their records as such. As a prerequisite to the receipt of a copy of this document, each of the recipients shall be required to submit written confirmation to Credit Suisse, Merrill Lynch International and the Company that: (a) it if it is an institutional investor, it qualifies as an investor listed in the Addendum; (b) it is acquiring the shares being offered to it under the offer for investment for its own account or, if applicable, for investment for clients who are institutional investors and in any event not as a nominee, market maker or agent and not with a view to, or for the resale in connection with, any distribution thereof; and (c) it has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Company. Except as referred to above, the Company shall not distribute or direct this document to investors in the State of Israel. The offer of Ordinary Shares does not constitute an offer made to the public in the State of Israel within the meaning of section 15 of the Israeli securities law and this document was not reviewed or approved by the Israel Securities Authority.

6.5 Russian Federation

Neither the Ordinary Shares nor this document have been, or are intended to be, registered with the Russian Federal Service for the Financial Markets or any other state bodies that may from time to time be responsible for such registration. This document does not constitute a public offer or advertisement for the Ordinary Shares in Russian Federation, and is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer the Ordinary Shares to an unlimited group of persons in the Russian Federation.

6.6 Austria

The Ordinary Shares may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and/or the Austrian Investment Funds Act and any other laws applicable in the Republic of Austria governing the offer and sale of the Ordinary Shares in the Republic of Austria. The Ordinary Shares are not registered or otherwise authorised for public offer under the Capital Market Act or the Investment Funds Act or any other relevant securities legislation in Austria. The recipients of this document and any other selling materials in respect to the Ordinary Shares have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the Ordinary Shares may not be, and are not being, offered or advertised publicly or offered similarly under either the Capital Market Act or the Investment Funds Act or any other relevant securities legislation Austria. This offer may not be made to any other persons than the recipients to whom this document is personally addressed. This document and any other selling materials in respect to the Ordinary Shares may not be issued, circulated or passed on in Austria to any person except under circumstances neither constituting a public offer of, nor a public invitation to subscribe for, the Ordinary Shares. This document has been issued to each prospective investor for its personal use only. Accordingly, recipients of this document are advised that this document and any other selling materials in respect to the Ordinary Shares shall not be passed on by them to any other person in Austria.

6.7 France

Neither this document nor any other offering material relating to the Ordinary Shares has been submitted to the clearance procedures of the Autorité des marches financiers in France. The Ordinary Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this document nor any other offering material relating to the Ordinary Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Ordinary Shares to the public in France. Such offers, sales and distributions will be made in France only (i) to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire

et financier, or (ii) to investment services providers authorised to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with Article L.411-2-II-1-or-2 or 3 of the French Code monétaire et financier, does not constitute a public offer (appel public à l'epargne) as a result of the aggregate amount of the offer, in one or several transactions over a period of twelve consecutive months, or, as the case may be, of the individual amount of investment by each investor or of the nominal amount of each of the securities, as such amounts are provided by article 211-2 of the General Regulations (Réglement General) of the Autorité des marches financiers. The Placing Shares may be resold only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

6.8 Ireland

Prospective Irish investors are recommended to seek their own independent financial advice in relation to the opportunities described in this document from their stockbroker, bank manager, solicitor, accountant or other independent financial advisor who is duly authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland.

6.9 Italy

The placing of Ordinary Shares has not been cleared by the Italian Securities Exchange Commission (Comissione Nazionale per le Società e la Borsa, or ''CONSOB'') pursuant to Italian securities legislation and, accordingly, the new Ordinary Shares may not and will not be offered, sold or delivered, nor may or will copies of this document or any other documents relating to and/or connected with the Ordinary Shares or this document be distributed in Italy, other than to professional investors (''operatori qualificati''), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended (''Regulation No. 11522''), pursuant to Article 30, paragraph 2 and Article 100 of the Legislative Decree No. 58 of 24 February 1998 (the ''Italian Finance Law'') or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided for under the Italian Finance law or CONSOB regulation No. 11971 of 14 May 1999, as amended, applies. Any offer, sale or delivery of the Ordinary Shares or distribution of copies of this document or any other document relating to and/or connected with the Ordinary Shares or this document in Italy must be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the ''Italian Banking Law''), the Italian Finance Law, CONSOB Regulation No. 11522 and any other applicable laws and regulations; and (ii) in compliance with any other applicable notification requirement or limitation which may be imposed upon the offer of the ordinary shares by CONSOB or the Bank of Italy.

6.10 Norway

The material provided has not been registered under the public offer rules in the Norwegian Securities Trading Act of 1997. The recipient of this material must not copy or in any other way transmit its contents to any other person.

6.11 Switzerland

In the Swiss Confederation, this document does not constitute a prospectus, an offer, an invitation to make an offer, to sell, to purchase, to exchange or otherwise transfer shares to an unlimited group of persons who have no particular expertise and business experience.

In Switzerland, the Swiss purchaser will bear the whole amount of the stamp duty due under the Swiss Federal Law on Stamp Duty, if any, and consequently, the purchaser will pay the amount corresponding to the stamp duty, if any, in addition to the purchase price, to the seller.

6.12 Other jurisdictions

The Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, The Republic of South Africa or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada, The Republic of South Africa or Japan or to, or for the account or benefit of, any resident of Australia, Canada, The Republic of South Africa or Japan.

PART X

ADDITIONAL INFORMATION

1. Responsibility

1.1 The Directors, whose names, functions and addresses appear on page 14 of this document, and the Company accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Cushman & Wakefield accepts responsibility for the report reproduced in Part VI of this document. To the best of the knowledge and belief of Cushman & Wakefield (who have taken all reasonable care to ensure that such is the case) the information contained in their report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated as a limited liability company limited by shares and registered in Cyprus on 10 November 2004 under the name Bastwick Investments Limited by the filing of its original Memorandum and Articles of Association with the Cyprus Registrar of Companies. On 19 November 2006, the Company resolved to become a public company and to change its name to MirLand Development Corporation plc.

2.2 The Company's registered number is HS153919 and its registered office and principal place of business is Thessalonikis Str., Nicolaou Pentadromos Centre, 10th Floor, Flat/Office 1002, 3025, Limassol, Cyprus. The telephone number of the registered office is +35 7 25 850 000.

2.3 The principal legislation under which the Ordinary Shares have been created and under which the Company was formed and now operates is the Cyprus Companies Law. The liability of the shareholders of the Company is limited. Under the Cyprus Companies Law, Cap. 113, a Shareholder of a company is not personally liable for the acts of the company, save that a shareholder may become personally liable by reason of his or her own acts.

2.4 The Company is not subject to the City Code. Accordingly, any person or persons acting in concert will be able to acquire Ordinary Shares which, when taken together with the Ordinary Shares already held by them, carry 30 per cent. or more of the voting rights in the Company without being required to make a general offer for the entire issued share capital of the Company. Additionally, any party intending to acquire all or a substantial part of the issued share capital of the Company will not be obligated to comply with the provisions of the City Code as to announcements and equality of treatment for shareholders as to the value and type of consideration offered, and will not be subjected to the scrutiny and sanctions of the UK Panel on Takeovers and Mergers.

2.5 Cypriot law contains the following provisions in respect of squeeze out rights:

2.5.1 where, further to any scheme or contract involving the transfer of shares in a company (''target''), shares are transferred to a company or its nominee (''transferee'') and those shares, together with any other shares in the target held by or by a nominee for the transferee or its subsidiary at the date of the transfer, comprise not less than nine tenths in the value of the shares in the target or any class of those shares then:

2.5.1.1 the transferee shall, within one month from the date of the transfer, give notice of that fact in the prescribed manner to all holders of the remaining shares in the target who have not assented to the scheme or contract; and

2.5.1.2 any such holder of shares may, within three months from the receipt of such notice, require the transferee to acquire the shares in question; and

2.5.1.3 where a holder of such shares gives notice under paragraph 2.5.1.2, the transferee shall be entitled and bound to acquire those shares on the same terms as those under the scheme or contract pursuant to which it has already acquired shares in the target from approving shareholders, or on any such terms as may be agreed or as the court on the application of either the transferee or the shareholder thinks fit to order; and

2.5.2 where a scheme or contract involving the transfer of shares (or any class of shares) in a company ("target") to another company occurs, such company ("transferee"), has within four months after the making of the offer, on the basis that it has been approved by shareholders of no less than nine tenths in value whose transfer is involved (other than those already held by the transferee or an affiliate), a further two months to give notice to any dissenting shareholder that it desires to acquire their shares. If the offer is accepted by nine tenths of the remaining shares and assuming that the dissenting shareholders have not successfully applied to court against such action, the transferee shall be entitled and bound to acquire those shares.

2.6 The Company's principal places of business are in Russia and Cyprus and their addresses are Office 1002, 10th Floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus and 2nd Khutorskaya Street, 38A, bldg. 9, Moscow, Russian Federation.

3. Subsidiaries and investments

3.1 The Company is the holding company of the Group and has the following principal Subsidiaries:

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Dunchoille Holdings Limited	Cyprus	Office 1002, 10th Floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus	Dormant company	100%
Felixtowe Holdings Limited	Cyprus	Office 1002, 10th Floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus	Dormant company	100%
Mall Project Co. Limited	Cyprus	Florinis 11, City Forum, 7th floor, P.C. 1065, Nicosia, Cyprus	Holding company	90%*
I.W.W. Astraestate & Co Limited Partnership	Cyprus	Gr. Zenopoulou, 17, P.C. 3106, Limassol, Cyprus	Holding company, partnership	50%††
Winta Holdings Limited	Cyprus	Gr. Zenopoulou, 17, P.C. 3106, Limassol, Cyprus	Holding company	50%†
Heckbert 22 Group Financing Limited	Hungary	1062 Budapest, Andrássy út 100., Hungary	Financing company	100%
IRS IsraRussia Services Ltd.	Israel	9 Hamenofim St. Herzliya Pitua, Israel	Service company	100%
Hydromashservice LLC	Russian Federation	2nd Khutorskaya street, 38A, bldg. 9, Moscow, Russian Federation	Property investment company	100%
Mashinostroenie & Hydravlika OJSC	Russian Federation	2nd Khutorskaya street, 38A, Moscow, Russian Federation	Property investment company	100%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Petra-8 LLC	Russian Federation	Mayakovskogo side street, 2, office 1, Moscow, Russian Federation	Property investment company	100%
Romi-1 LLC#	Russian Federation	Mayakovskogo side street, 2, office 1, Moscow, Russian Federation	Property investment company	100%
CreativeCom LLC	Russian Federation	Mayakovskogo side street, 2, office 1, Moscow, Russian Federation	Property investment company	100%
Invetisionno Ipotechnaya Company LLC	Russian Federation	Bolshaya Sadovaya street, 239, Saratov, Russian Federation	Property investment company	90%**
Techagrocom-2 LLC	Russian Federation	Kommunarka rural Circuit, Leninsky district, Moscow region, Russian Federation	Property investment company	50%†††

* *The Company holds its interest in Mall Project Co. Limited with Norman Asset Management Ltd., who holds 10 per cent. of the remaining issued share capital. The Company has 100 per cent. voting rights.*

** *Invetisionno Ipotechnaya Co is a wholly owned subsidiary of Mall Project.*

† *The Company holds its interest in Winta Holdings Limited with Woklam Investments Limited, who holds the remaining 50 per cent. of the issued share capital.*

†† *Astraestate is owned as to 49.95 per cent. by the Company, 49.95 per cent. by the Company's joint venture partner, Woklam Investments Limited and as to 0.01 per cent. by Winta Holdings Limited, acting as general partner, which is itself owned as to 50 per cent. by the Company and as to 50 per cent. by Woklam Investments Limited.*

††† *Techagrokom-2 is a wholly owned subsidiary of Astraestate.*

\# *Romi-1 LLC is in the process of being disposed of as described in paragraph 12.9 of this Part X.*

3.2 In addition to its holdings in the above Subsidiaries, the Company holds interests in the following companies:

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Inverton Enterprises Limited	Cyprus	Florinis 11, City Forum, 7th floor, P.C. 1065, Nicosia, Cyprus	Holding company	49%*
Global 1 LLC	Russian Federation	Bolshaya Gruzinskaya street, 60, bldg. 1, Moscow, Russian Federation	Property investment company	49%**
Mall Mortgage Co. Limited	Cyprus	Office 1002, 10th Floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus	Financing company	49%***

* *The Company holds its interest in Inverton Enterprises Limited with Norman Asset Management Ltd. (holding a 3 per cent. interest) and Purtone Limited, a company associated with Gazprombank (holding a 48 per cent. interest). The Company has 50 per cent. of the voting rights at board level.*

** *Global 1 is a wholly owned subsidiary of Inverton Enterprises Limited.*

*** *Mall Mortgage Co. Limited is a 100 per cent. subsidiary of Inverton Enterprises Limited.*

3.3 Save as disclosed in this document, the Company has no significant investments in progress. The Company continues to actively seek acquisitions in accordance with its growth and acquisition strategy.

4. Share capital

4.1 The Company was incorporated with a share capital of CYP5,000 divided into 5,000 ordinary shares of CYP1 each. On 10 October 2005, the Company's authorised share capital was subdivided into 7,110 ordinary shares of US$1 each. On 12 August 2006, the share capital was increased to US$17,775 divided into 17,775 ordinary shares of US$1 each. On 13 November 2006, each share of the Company's authorised share capital was subdivided into 100 ordinary shares of US$0.01 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 each.

4.2 By a resolution of the Shareholders passed on 19 November 2006 it was resolved to:

4.2.1 become a public limited company and change the name of the Company to MirLand Development Corporation plc;

4.2.2 adopt new articles of association;

4.2.3 issue five Ordinary Shares to the Founder Shareholders pro rata to their existing shareholdings, the consideration for which was satisfied through the capitalisation in full of shareholder loans of US$62,192,000;

4.2.4 approve the adoption of the Share Option Plan and the grant of associated options;

4.2.5 increase the authorised share capital from US$700,000 divided into 70,000,000 shares of US$0.01 each to US$1,200,000 divided into 120,000,000 ordinary shares of US$0.01 each;

4.2.6 authorise the Directors generally and unconditionally to exercise all the powers of the Company to allot all of the unissued share capital of the Company, such authority to expire on the conclusion of the Company's first annual general meeting, but so as to enable the Company before that date to make an offer or agreement which would or might require relevant securities to be allotted after that date and to enable the Directors to allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired; and

4.2.7 empower the Directors to allot equity securities for cash pursuant to the authority referred to in paragraph 4.2.6 without first having to offer them to existing shareholders on a pre-emptive basis, such power to be limited to:

4.2.7.1 the allotment of the Placing Shares (and any required pursuant to exercise of the Over-allotment Option); and

4.2.7.2 the allotment (other than pursuant to the power referred to in sub-paragraph 4.2.7.1) of equity securities representing five per cent. of the Enlarged Share Capital,

and shall expire on the conclusion of the Company's first annual general meeting, save that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

4.3 As at the date of this document, the authorised and issued fully paid share capital of the Company is:

	Authorised		Issued (fully paid)	
Class of Shares	**US$**	**Amount**	**US$**	**Amount**
Ordinary Shares	1,200,000	120,000,000	700,000	70,000,005

4.4 Assuming no exercise of the Over-allotment Option, the authorised and issued fully paid share capital of the Company immediately following Admission will be as follows:

	Authorised		Issued (fully paid)	
Class of Shares	**US$**	**Amount**	**US$**	**Amount**
Ordinary Shares	1,200,000	120,000,000	1,000,000	100,000,005

4.5 The following table shows the issued share capital of the Company as at the beginning and end of FP 2005:

As at 10 November 2004		As at 31 December 2005	
Nominal Value	**Number**	**Nominal Value**	**Number**
CYP5,000	5,000	US$7,110	7,110

4.6 Assuming no exercise of the Over-allotment Option, on Admission, on the basis that none of the existing shareholders in the Company participate in the Placing, they will suffer a dilution of 30.0 per cent. in their interests in the Company.

4.7 None of the capital of the Company has been paid for with assets other than cash within the period covered by the historical financial information.

4.8 The authorised but unissued share capital of the Company immediately following Admission will be 19,999,995 Ordinary Shares representing approximately 16.7 per cent. of the authorised share capital of the Company. Approximately 4.05 per cent. of the authorised share capital has been reserved for the issue of 4,866,310 Ordinary Shares on the exercise of the options that have been, or may be, granted under the Share Option Scheme, as referred to in paragraph 9 of this Part X.

4.9 Other than the issue of Ordinary Shares pursuant to the Placing and on exercise of the share options as described in paragraph 9 of this Part X, the Company has no present intention of issuing any of the authorised but unissued share capital of the Company.

4.10 The Company does not have in issue any securities not representing share capital.

4.11 The Articles (to the extent not disapplied by shareholders' resolution) confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash and, on Admission, will apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraph 4.2 above. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a pro rata basis.

4.12 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

4.13 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company or any other member of the Company (other than intra-group issues by wholly-owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing or on the exercise of the options to be issued under the Share Option Scheme, as referred to in paragraph 9 of this Part X) no such issues are proposed.

4.14 Save as disclosed in paragraphs 10 and 11 of this Part X, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

4.15 Save as disclosed in paragraph 9 of this Part X, on Admission no share or loan capital of the Company or any other member of the Company will be under option or will be agreed conditionally or unconditionally to be put under option.

4.16 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.

4.17 The Placing Shares will be in registered form. No temporary documents of title will be issued and, prior to the issue of definitive certificates, transfers will be certified against the register. The Placing Shares will not themselves be admitted to CREST. Instead, the Registrar, acting as depositary, will issue DIs in respect of the underlying Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through the CREST system. It is expected that DIs in respect of Placing Shares will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares in CREST.

5. Memorandum and Articles of Association

5.1 Memorandum of Association

The purpose of the Company is to carry on business as a commercial company, empowered to, amongst others, carry out investments and trade. The objects of the Company are set out in full in Clause 3 of its Memorandum of Association.

5.2 Articles of Association

In this section "Law" means the Companies Law, Cap. 113 of Cyprus and any successor statute or as the same may from time to time be amended. The current Articles were adopted by the Company on 19 November 2006.

The following is a brief summary of certain material provisions of the Articles as will be in effect immediately prior to the Placing.

Rights attaching to shares

5.3 Issue of shares

The Board may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise deal with or dispose of any unissued shares (whether forming part of the original or any increased capital) to such persons, at such times and generally on such terms as the Board may decide but no share may be issued at a discount.

5.4 Pre-emption rights

On an issue of shares, each Shareholder has a right of pre-emption to subscribe for shares (apart from shares issued for a non-cash consideration or issued to employees of the Company or a Group company) in cash in proportion to the aggregate amount of their shareholding. In the event that a Shareholder does not exercise his/her pre-emption rights entitlement, the other Shareholders have pre-emption rights over the entitlement not taken up. If all the Shareholders do not fully exercise all their pre-emption rights, the body corporate authorised to issue shares can decide who to issue the shares to and at what price.

In relation to individual issues only, the pre-emption rights may be limited or excluded by Shareholders passing a resolution by a two thirds majority of the share capital represented at a general meeting, except where at least half of the issued share capital is represented at the meeting, in which case, the resolution can be passed by a simple majority.

5.5 Voting rights

Subject to any special rights or restrictions as to voting attached to shares (of which there are none at present), every holder of Ordinary Shares who is present in person shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member.

5.6 Dividends

The Company in a general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay to Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company but no dividend will be paid otherwise than out of profits.

The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also, without placing the same to reserve, carry forward any profits which they may think prudent not to divide.

5.7 Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate General Meeting of the holders of the shares of the class.

5.8 Alteration of capital

The Company may by ordinary resolution:

5.8.1 increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

5.8.2 consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;

5.8.3 subdivide its existing shares, or any of them, into shares of smaller amounts than is fixed by the memorandum of association subject, nevertheless, to the provisions of section 60(1)(d) of the Law; and

5.8.4 cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

The Company may also, by special resolution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by Law.

5.9 Purchase of own shares and reduction of capital

The Company may, subject to and in accordance with the provisions of the Law, purchase all or any of its shares of any class, including any redeemable shares and may hold such shares as treasury shares or cancel them.

5.10 Winding up

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law:

5.10.1 divide amongst the shareholders in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not);

5.10.2 vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder will be compelled to accept any shares or other securities whereon there is any liability.

Form and transfer of shares

5.11 The Ordinary Shares may be held in certificated and uncertificated form. Where a Shareholder holds shares in certificated form, the instrument of transfer of any share will be executed by or on behalf of the transferor and transferee, and the transferor will be deemed to remain a holder of the share until the name of the transferee is entered in the register of members.

5.12 In relation to any share or other security which is in uncertificated form:

5.12.1 the Company shall not be obliged to issue a certificate evidencing title to a share and all references to a certificate in respect of any shares or securities held in uncertificated form in the Articles will be deemed inapplicable to such shares or securities which are in uncertificated form;

5.12.2 the registration of title to, and transfer of, any shares or securities in uncertificated form will be sufficient for its purposes and shall not require a written instrument of transfer.

5.13 The Board may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien and unless the instrument of transfer:

5.13.1 is lodged, duly stamped, at the office or at such other place as the Board may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

5.13.2 is in respect of only one class of shares; and

5.13.3 is in favour of not more than four transferees.

Depositary Interests

5.14 The Board is authorised to make such arrangements as it may think fit in order to enable shares in the Company to be represented by and exchanged for DIs which are eligible to be held and transferred in uncertificated form in a computer-based system whether located in Cyprus or in any other country.

Directors

5.15 Number of directors

The minimum number of Directors is five and there is no limitation as to the maximum number. As long as three members of the Board hold office the remaining members of the Board may continue their activities despite a vacancy on the Board. If less than three members of the Board hold office the remaining member(s) of the Board will continue to be authorised exclusively to facilitate the appointment of such number of members of the Board as are required to create a quorum.

5.16 Appointment of directors

The Shareholders in a General Meeting are entitled to appoint, suspend and dismiss members of the Board. In addition, the office of any Director will be vacated if a Director:

5.16.1 becomes bankrupt or makes any arrangement or composition with his creditors generally;

5.16.2 becomes prohibited from being a director by reason of any order made under section 180 of the Law;

5.16.3 becomes of unsound mind;

5.16.4 resigns his office by notice in writing to the Company;

5.16.5 if his period of office has terminated in accordance with the provisions of the Articles; or

5.16.6 has been, for more than six months, absent without permission of the Directors from at least three consecutive meetings of the Directors duly convened and held during that period.

5.17 Retirement by rotation

At each annual general meeting, one-third of the members of the Board shall retire from office (excluding any member of the Board who has been appointed since the previous annual general meeting). A Director so retiring is eligible for re-appointment by the Shareholders at that annual general meeting.

5.18 Directors' interests

A Director shall not vote at a meeting of Directors or of a committee of Directors (nor be counted in the quorum) on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the permitted interests set out as follows:

5.18.1 the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiaries;

5.18.2 the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

5.18.3 his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any of its subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange;

5.18.4 the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by HM Revenue & Customs for taxation purposes.

5.19 Remuneration of directors

The remuneration of the executive Directors shall be determined by the Board from time to time and a remuneration report may be presented to the Shareholders in a general meeting. Individual Non-executive

Directors' fees shall not exceed £100,000 (Sterling) per annum unless otherwise determined by the Shareholders at a general meeting.

Board of directors

5.20 The quorum for a Board meeting may be fixed by the Directors and unless so fixed shall be two. In any meeting of the Board, each Director is entitled to one vote and a simple majority is required to pass a resolution. In the event of an equality of votes the resolution shall be deemed to have been rejected. A resolution can be passed without a meeting if all the Directors consent in writing to the proposal. Subject to the Law, the Articles and any regulation determined by the Board, the Board may delegate its powers to one or more of its members or a committee made up of some of its members.

Directors' powers

5.21 Subject to the Law, the Articles and any regulation determined by the Board, the Board is in charge of the management of the Company.

Meetings of shareholders

5.22 The first annual general meeting must be held within 18 months of incorporation and thereafter, not more than 15 months shall elapse between the date of one annual general meeting and the next. Extraordinary general meetings will be held if requested by the Board or by the written request of two or more Shareholders representing.

5.23 General meetings can be convened by the Board by a notice, specifying the matters to be discussed, issued 21 days before the meeting. If the notice period is less than 21 days, the meeting will be deemed to have been duly called if it is so agreed:

5.23.1 in the case of a meeting called as the annual General Meeting, by all the Shareholders entitled to attend and vote; and

5.23.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares.

5.24 A notice convening a general meeting must be sent to each of the Shareholders. All Shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. In the general meeting every share gives the holder the right to cast one vote.

5.25 The quorum for a general meeting will consist of at least two Shareholders, present in person or by proxy holding, in the aggregate, at least 20 per cent. of the voting rights in the issued share capital of the company. The general meeting can adopt resolutions without convening a meeting if adopted in writing unanimously by all Shareholders entitled to vote.

Notification of interest of shares

5.26 Where a Shareholder either:

5.26.1 to his knowledge acquires a Notifiable Interest in shares in the Company, or ceases to be so interested in shares; or

5.26.2 becomes aware that he has acquired a Notifiable Interest in shares in the Company or that he has ceased to be so interested in shares in the Company in which he was previously interested; then the Shareholder is obliged to notify the Company of the interests which he has or had in shares.

5.27 A Shareholder has a ''Notifiable Interest'' at any time when he is interested, directly or indirectly, in shares of an aggregate nominal value equal to or more than 3 per cent. of the Company's issued share capital and a shareholder ceases to have such a ''Notifiable Interest'' at any time when the aggregate nominal value of the shareholding in the Company's issued share capital in which he is directly or indirectly interested (expressed as a percentage) is less than 3 per cent.

5.28 Where the obligation of notification arises, the Shareholder must notify the Company within the period of two days next following the day on which the obligation arises. The notification must:

5.28.1 specify the number of shares in which the Shareholder is interested at the time the obligation of disclosure arose, or

5.28.2 if the Shareholder no longer has a Notifiable Interest in shares, state that the shareholder no longer has that interest.

5.29 The Shareholder's notification shall include the following details:

5.29.1 the identity of the Shareholder to which the notification relates; and

5.29.2 the number of those shares in which the Shareholder is interested, so far as known to the Shareholder at the date when the notification is made.

Distribution of assets on a liquidation

5.30 In the case of a dissolution and subsequent liquidation of the Company, the surplus remaining after payment of debts will be paid to the Shareholders in proportion to their individual shareholdings.

Indemnity of officers

5.31 To the maximum extent as allowed by the Law, the Company will indemnify and keep indemnified the members of the Board, the Company's officers and members of the committees of the Board from any liabilities, obligations, losses, damage, fines, proceedings, judgments, legal actions, costs, expenses or disbursements of whatever kind or nature to which he may be obliged on the basis of his position or on the basis of any action taken or omitted within the scope of his obligations, except for those that have arisen from wilful failing or fraud.

5.32 The Board may purchase and maintain for, or for the benefit of, any person who holds or who has at any time held a relevant office insurance against any liability or expense incurred by him in relation to the Company or any subsidiary of the Company or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant officer concerned or otherwise in connection with the holding of that relevant office.

6. Taxation

The following statements are intended only as a general guide to the main Cypriot, UK and United States tax consequences which will apply to Shareholders of the Company or holders of Depositary Interests. It does not purport to be a comprehensive analysis of all the tax consequences applicable to all types of Shareholders and is based on current law and practice which may be subject to change. **Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction should seek professional advice immediately.**

6.1 Cypriot taxation

Tax residency in Cyprus

In accordance with Cyprus income tax laws, a company is tax resident in Cyprus if its management and control are exercised in Cyprus. There is no definition in the Cyprus income tax laws as to what constitute management and control.

Cyprus tax rates

Cyprus tax resident companies are, in general, subject to corporation tax on their taxable profits at the rate of 10 per cent. with specific objective exemptions applying to certain types of income and gains. Cyprus tax resident companies are eligible for treaty benefits under the Cyprus Double Tax Treaty network.

Profit from disposal of securities

In accordance with the Cyprus-Russia tax treaty, only Cyprus has the right to tax any gains derived by the Company or its Cypriot subsidiaries, on the disposal of Russian securities. Therefore, no Russian profit tax should be due. In addition, sale of shares should not be subject to VAT under Russian tax law.

Any gains derived by a Cyprus tax resident company or individual from the disposal of securities are exempt from Cyprus income tax.

Any gain from disposal of securities is not subject to Cyprus income tax, irrespective of the trading nature of the gain, the number of shares held or the holding period and is also outside the scope of capital gains tax provided that the company whose securities are disposed of does not hold any immovable property situated in Cyprus.

Dividends

Under the provisions of the Tax Treaty, provided that the Company does not create a permanent establishment (''PE'') in Russia, the rate of Russian withholding tax on dividends should be reduced to five per cent. if the Company has invested in the capital of the Russian company not less than the equivalent of US$100,000, otherwise it should be 10 per cent. This should also apply to dividend distributions to a Cypriot partnership, in so far as the partners of the partnership are Cypriot tax residents.

Dividend income (whether received from Cyprus resident or non-resident companies) is exempt from Cyprus income tax. Dividend income from Cyprus resident companies is exempt from Special Contribution for Defence whereas dividend received from non Cyprus resident Companies is exempt from Special Contribution for Defence under certain participation holding conditions if the participation interest in the share capital of a foreign subsidiary is one per cent. or more. The exemption does not apply if the company paying the dividend engages directly or indirectly more than 50 per cent. in activities which lead to investment income and the foreign tax burden of the company paying the dividend is substantially lower than the tax burden of the company in Cyprus receiving the dividend (in practice ''foreign tax burden being significantly lower'' means at an effective tax of less than five per cent.). If the exemption for a Special Contribution for Defence does not apply, dividends received or credited from non Cyprus resident companies care taxed at a rate of 15 per cent.

In most cases no tax liabilities are expected to be incurred in Cyprus by the Company, either due to the participation exemption applying, or if not, due to double tax relief under the provisions of the Tax Treaty, provided the proper documentation can be provided to the Cyprus tax authorities. Double tax relief is available by way of credit for foreign tax against Cyprus tax payable in respect of the same item of income or capital for which the credit is claimed.

Deemed distribution rules

In relation to dividends distributions from the Cypriot subsidiaries of the Company to the Company, it should be noted that any profits attributable to shareholders (companies or individuals) who are Cyprus tax residents are subject to the deemed dividend distribution rules. These rules provide that a company, which does not distribute at least 70 per cent. of its accounting profits after tax, as defined by the relevant law, within two years after the end of the relevant tax year will be deemed to have distributed as a dividend 70 per cent. of such profits. Profits in this respect mean the accounting profits as arrived by applying internationally accepted accounting principles (IFRS). A Special Contribution for Defence at a rate of 15 per cent. will be payable by the Company at the end of the two years on such deemed dividend distribution.

The amount of deemed dividend distribution is reduced by the actual dividend paid out of the profits of the relevant year during the relevant two years.

These provisions do not apply to profits attributable to non-Cyprus tax resident shareholders (companies or individuals) but do apply to the Cypriot subsidiaries of the Company. Special Contribution for Defence by the Company in consequence of a deemed dividend distribution shall in the first instance be paid by the Cypriot subsidiaries which will debit such contribution to the Company.

Interest income

To the extent that interest is received by or credited to the Company, which is considered to arise in the ordinary course of the business or closely connected thereto (''business income''), it will be subject to income tax in Cyprus at the rate of 10 per cent. and should not be subject to the Special Contribution for Defence. Interest income of companies which act as vehicles for the purpose of financing group companies is considered to be connected with the ordinary carrying on of a business.

Any interest received or credited which is deemed to be ''non business income'' will be subject for 50 per cent. to income tax rate and also to Special Contribution for Defence at a rate of 10 per cent. on the gross amount of interest received or credited before the deduction of any expenses.

Cyprus withholding taxes

No Cypriot withholding taxes will apply with respect to any distribution of dividends and interest by a company to non-Cyprus tax resident shareholders (companies and individuals) and Cyprus tax resident companies. Dividends payable to individuals tax resident in Cyprus are subject to Special Contribution for Defence at a rate of 15 per cent.

Capital duty

Capital duty in the form of registration fees is payable to the Registrar of Companies in respect of the registered authorised and issued share capital of a Cypriot company upon its incorporation and upon subsequent increases thereon. The capital duty rates for subsequent changes of the registered authorised and issued share capital are as follows:

- 0.6. per cent. on the nominal value of additional registered authorised share capital; and
- CYP10 flat duty on every issue, whether the shares are issued at their nominal value or at a premium.

VAT

The provisions of the VAT legislation are beneficial to the majority of Cypriot companies engaged in activities outside Cyprus. This is because in the majority of the situations, although no VAT is charged on providing of supplies of goods or services made by such companies (the legislation is not aimed at taxing transaction taking place outside Cyprus), the companies have the right, under certain conditions as explained below, to claim refund of any VAT suffered on expenses and acquisitions made in Cyprus.

Pure holding companies, whose only income is or is to be expected from dividends, are not considered as 'business entrepreneurs' for VAT purposes. As a result they are outside the scope of the Cyprus VAT legislation. However, if they are to supply any other Vatable supply of goods or services then they fall within the scope of the Cyprus VAT legislation.

Registration for most Cypriot companies, the activities of which are exclusively carried out overseas, is voluntary.

The granting of loans and provisions of guarantees by the Company is considered to a supply of services which is VAT exempt, hence no VAT must be charged on any interest income or guarantee fees (if any). However, the Company should register for VAT purposes in Cyprus, submit VAT returns on a quarterly basis, and pay VAT, currently at a rate of 15 per cent. in case certain (reverse charge type of) services are provided to the Company by non Cyprus based businesses. If the granting of loans and the provision of guarantees are made to parties resident outside the EU, then this is an activity for which the right to claim the amount of the related input VAT is granted — whereas this right is not granted when such loans are provided to EU resident parties.

Stamp duty in Cyprus

Cyprus levies stamp duty on every instrument if:

- it relates to any property situated in Cyprus; or
- it relates to any matter or thing which is performed or done in Cyprus.

There are instruments which are subject to Cypriot stamp duty at a fixed fee (ranging from 2 cents to CYP20) and instruments which are subject to stamp duty based on the value of the instrument (for sums exceeding CYP100,000: 2 cents for every CYP10). The above obligation arises irrespective of whether the instrument is executed in Cyprus or abroad.

Contracts are generally subject to stamp duty based on the value of the instrument (for sums exceeding CYP100,000: 2.0 cents. for every CYP10, £150 for the first £100,000). The above obligation arises irrespective of whether the instrument is executed in Cyprus or abroad.

6.2 UK taxation

The following is of a general nature only and is based on current law and HM Revenue & Customs practice published at the date of this document, both of which are subject to change. It is intended as a general guide to the main UK tax consequences which may apply to Shareholders or holders of Depositary Interests who are individuals and are resident or ordinarily resident in the UK for tax purposes or companies which are resident in the UK for tax purposes, who are beneficial owners of Ordinary Shares as an investment. It does not purport to be a comprehensive analysis of all of the UK tax consequences applicable to all types of Shareholders or holders of Depositary Interests. Prospective investors should consult their own taxation advisers as to the UK tax consequences for them associated with the acquisition, holding and disposing of Ordinary Shares or Depositary Interests.

Dividends

The Company is not resident for tax purposes in the UK and will not be obliged to make any withholding on account of UK tax on payment of any dividends.

UK individuals who are resident, ordinarily resident and domiciled in the UK will be liable to UK income tax on the gross dividend paid by the Company (i.e. including any amount of tax withheld in Cyprus). As such dividends will be foreign income for the purposes of UK taxation, they will be subject to a different tax regime from that applying to dividends received from UK resident companies. In particular, the dividends will not carry a UK tax credit, unlike dividends received from a UK resident company. Double taxation relief, however, may be available for Cypriot withholding tax, with the provision that the relief cannot exceed the amount of UK tax payable on the dividend. UK resident individuals who are not domiciled in the UK will generally only be subject to UK income tax in respect of the dividend if it is remitted to the UK. The dividend receipt will be regarded as the top slice of the individual's income and will be subject to UK income tax at the rates set out below.

Individual shareholders who are liable to income tax at no more than the basic rate will be subject to income tax on the gross dividend at the dividend ordinary rate (currently 10 per cent.). Individual shareholders liable to income tax at the higher rate will be subject to income tax on the gross dividend at the dividend upper rate (currently 32.5 per cent.).

A UK resident company will, where double tax relief is claimed, be liable to UK tax on the gross dividend paid by the Company, at the prevailing UK corporation tax rate (the basic rate of which is 30 per cent.), subject to credit for any Cypriot withholding tax deducted at source. A UK resident company may, if certain shareholding requirements are satisfied, seek relief for underlying tax (borne by the Company and its subsidiaries on the profits out of which the dividend is paid) associated with the dividend. As credit for overseas tax suffered on the dividend cannot exceed the UK corporation tax liability on the dividend, a UK company may, subject to satisfying the provisions within the UK double taxation regulations, be entitled to claim credit for excess unrelieved foreign tax against dividends received from certain other sources.

Chargeable gains in the UK

An individual who is resident, ordinarily resident and domiciled in the UK for tax purposes will be liable to capital gains tax where a gain arises on the disposal of chargeable assets situated anywhere in the world (including Ordinary Shares or Depositary Interests in the Company held as an investment) subject to any available exemptions or reliefs.

An individual who is resident and ordinarily resident in the UK for tax purposes but not domiciled in the UK for tax purposes will be liable to UK capital gains tax only to the extent that chargeable gains made on the disposal of Ordinary Shares or Depositary Interests are remitted or deemed to be remitted to the UK.

If an individual ceases to be resident or ordinarily resident in the UK and subsequently disposes of Ordinary Shares or Depositary Interests, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident or ordinarily resident in the UK.

For an individual, capital gains tax is charged at the rate equivalent to the rate of income tax which would apply if the gain were the individual's top slice of income. For disposals after 5 April 1998, "taper relief" was introduced which applies to UK resident individual investors and UK resident trustees (but not companies). Taper relief reduces the amount of chargeable gain assessable to capital gains tax in relation to the period the shares are held and the amount of the relief is dependent on whether the Ordinary Shares or Depositary Interests of the Company are considered to be a "business" or "non-business" asset. The amount of the relief available for "business" assets is higher than that for "non-business" assets. Business assets currently include shares in qualifying unlisted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unlisted.

UK resident companies making a disposal of Ordinary Shares or Depositary Interests in the Company will be liable to corporation tax in respect of chargeable gains arising on such disposal, subject to the availability of indexation allowance.

Stamp duty and stamp duty reserve tax ("SDRT") in the UK

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

The allocation and issue of Placing Shares will not generally give rise to a liability to stamp duty or SDRT. There is generally no liability to stamp duty or SDRT on the issue of Depositary Interests by the depositary.

Stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration rounded up to the nearest £5, will arise on the transfer or sale of shares if the document of transfer is executed in the UK or it is executed outside the UK but relates to property situated in the UK or it is in connection with any ''matter or thing'' to be done in the UK. The term ''matter or thing'' is very wide and can include paying consideration out of a UK bank account. While it is possible that a charge to UK stamp duty could arise on the transfer or sale of Ordinary Shares, it is however unlikely in practice that any UK stamp duty which does arise would need to be paid in order for the transfer of the Ordinary Shares to take effect.

UK stamp duty at a fixed rate of £5 per transfer will be payable where an investor wishes to deposit the Ordinary Shares with the depositary in order that DIs will be issued under the Depositary Interest arrangements outlined in paragraph 14 of this Part X. SDRT (at 0.5 per cent. of the purchase price) will be chargeable in respect of an agreement to sell DIs representing the Ordinary Shares.

No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares provided that the shares are not registered in any register kept in the UK by or on behalf of the Company.

6.3 United States taxation

The following is a general summary of the material United States federal income tax consequences relating to the acquisition, ownership and disposition of Ordinary Shares by certain holders that purchase Ordinary Shares pursuant to the Placing. This summary is based upon the Internal Revenue Code of 1986, as amended (the ''Code''), Treasury Regulations promulgated thereunder, judicial decisions, and the United States Internal Revenue Service's current administrative rules, practices and interpretations of law, all as in effect on the date of this document, and all of which are subject to change, possibly with retroactive effect. This summary also takes into account proposed Treasury Regulations regarding passive foreign investment companies, which are not currently in effect but would purport to apply on a retroactive basis (the ''Proposed Regulations''). There can be no assurance as to whether, when or in what form the Proposed Regulations will be adopted as final Treasury Regulations.

For the purposes of this summary, a ''United States Person'' means a beneficial owner of Ordinary Shares that is, for United States federal income tax purposes (i) an individual that is a citizen or resident of the United States, (ii) a corporation, or an entity treated as such for United States federal income tax purposes, created or organised in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of such trust and (b) one or more United States Persons have the authority to control all substantial decisions of such trust. A ''Non-United States Person'' means a beneficial owner of Ordinary Shares, other than a partnership or an entity treated as a partnership for United States federal income tax purposes, that is not a United States Person. If an entity treated as a partnership for United States federal income tax purposes holds Ordinary Shares, the United States federal income tax treatment of a partner in the partnership generally will depend on the status and the activities of the partner and the partnership. A partnership holding Ordinary Shares should consult its own tax advisors with respect to the United States federal income tax consequences applicable to it and its partners of the acquisition, ownership and disposition of Ordinary Shares.

This summary is only a general discussion and is not intended to be, and should not be construed to be, legal or tax advice to any prospective investor. In addition, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a United States Person in light of such person's particular circumstances, including certain holders of Ordinary Shares that may be subject to special treatment under the Code (for example, persons that (i) are tax-exempt organisations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts; (ii) are financial institutions, insurance companies, grantor trusts, real estate investment trusts, regulated investment companies, or brokers, dealers or traders in securities; (iii) are subject to the alternative minimum tax provisions of the Code; (iv) own Ordinary Shares as part of a straddle, hedging, conversion transaction, constructive sale or other arrangement involving more than one position; (v) are expatriates or other former long-term residents of the United States; (vi) own (or are deemed to own) ten per cent. (by voting power or value) of the stock of the Company; and (vii) hold Ordinary Shares other than as capital assets or do not use the US Dollar as their functional currency). Moreover, this summary does not include any discussion of United States federal estate or gift tax consequences or state, local or foreign income, estate, gift or other tax consequences.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES ARE COMPLEX AND POTENTIALLY UNFAVOURABLE TO UNITED STATES PERSONS. ACCORDINGLY, EACH UNITED STATES PERSON WHO ACQUIRES SHARES IS STRONGLY URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN INCOME, ESTATE, GIFT AND OTHER TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES, WITH SPECIFIC REFERENCE TO SUCH PERSON'S PARTICULAR CIRCUMSTANCES.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING, WITHIN THE MEANING OF INTERNAL REVENUE SERVICE CIRCULAR 230, OF THE ORDINARY SHARES. THIS DESCRIPTION IS LIMITED TO THE UNITED STATES FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE UNITED STATES FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE ORDINARY SHARES, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE INVESTORS SHOULD SEEK ADVICE FROM THEIR OWN INDEPENDENT TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN SHARES BASED ON THEIR PARTICULAR CIRCUMSTANCES.

General taxation of distributions

Subject to the discussion below under "Passive Foreign Investment Company treatment", a United States Person that receives a distribution, including a constructive distribution, of cash or property with respect to the Ordinary Shares, other than certain distributions, if any, of the Ordinary Shares distributed pro rata to all shareholders, generally will be required to include the amount of such distribution in gross income as dividend income (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company, as determined under United States federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate United States Persons. Subject to the discussion below under "Passive Foreign Investment Company treatment", to the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a United States Person's tax basis in the Ordinary Shares, causing a reduction in the adjusted basis of the Ordinary Shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognised by such United States Person on a subsequent disposition of the Ordinary Shares), and (b) thereafter, as capital gain from the sale or exchange of such Ordinary Shares (as discussed below).

Any such dividend paid in a currency other than the US Dollar will be included in the gross income of a United States Person in an amount equal to the US Dollar value of such currency on the date of receipt. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. If a distribution that is made in a currency other than the US Dollar is converted into US Dollars on the date of receipt, a United States Person receiving such distribution generally should not be required to recognise foreign currency gain or loss in respect of such distribution. A United States Person may have foreign currency gain or loss if the amount of such distribution is not converted into US Dollars on the date of receipt.

Dividends received by a United States Person with respect to Ordinary Shares will be treated as foreign source income, which may be relevant in calculating such United States Person's foreign tax credit limitation, if any. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company generally will constitute "passive income", or,

in the case of certain United States Persons, ''financial services income''. United States Persons should note, however, that the ''financial services income'' category will be eliminated for taxable years beginning after 31 December 2006. The foreign tax credit limitation categories will thereafter be limited to ''passive category income'' and ''general category income''.

Subject to the discussion below under ''Information reporting and backup withholding'', a Non-United States Person generally will not be subject to United States federal income or withholding tax on dividends received on Ordinary Shares, unless such income is effectively connected with the conduct by such Non-United States Person of a trade or business in the United States.

Reduced tax rates for certain dividends

Subject to the discussion below under ''Passive Foreign Investment Company treatment'', for taxable years before 1 January 2011, a dividend paid by the Company generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) the Company is a ''qualified foreign corporation'' (as defined below), (b) the United States Person receiving such dividend is an individual, estate, or trust and (c) such dividend is paid on Ordinary Shares that have been held by such United States Person for more than 60 days during the 120-day period beginning 60 days before the ''ex-dividend date'' (i.e., the first date that a purchaser of such Share will not be entitled to receive such dividend).

The Company generally will be a ''qualified foreign corporation'' (a ''QFC'') if it is eligible for the benefits of a comprehensive income tax treaty with the United States which includes an information exchange program that the IRS determines is satisfactory. However, even if the Company is so eligible, it will not be treated as a QFC if it is a PFIC for the taxable year during which it pays a dividend or for the preceding taxable year.

As discussed below, the Company does not expect to be a PFIC for United States federal income tax purposes for the taxable year ended 31 December 2006 and does not expect to become a PFIC for the taxable year ending 31 December 2007. Thus, the Company expects that it will be a QFC for the taxable year ending 31 December 2007. The Company cannot assure prospective investors that it will be considered a QFC for any taxable year.

Disposition of Ordinary Shares

Subject to the discussion below under ''Passive Foreign Investment Company treatment'', a United States Person will generally recognise gain or loss on the sale or other taxable disposition of Ordinary Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received, determined on (i) the date of receipt of payment in the case of a cash basis United States Person and (ii) the date of such sale or other disposition in the case of an accrual basis United States Person, and (b) such United States Person's adjusted tax basis in the Ordinary Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Ordinary Shares are held by such United States Person for more than one year. In the case of a non-corporate United States Person, the maximum marginal United States federal income tax rates applicable to long-term capital gain will be lower than the maximum marginal United States federal income tax rate applicable to ordinary income (other than certain dividends). The deductibility of capital losses is subject to limitations. Gain or loss recognised by a United States Person on the sale or other taxable disposition of Ordinary Shares generally will be treated as ''United States source'' for purposes of applying the United States foreign tax credit rules. A cash basis United States Person or an electing accrual basis United States Person that receives payment in a currency other than the US Dollar upon the sale or other disposition of the Ordinary Shares will realise an amount equal to the US Dollar value of such currency on the settlement date if Ordinary Shares are treated as being ''traded on an established securities market''. Any other United States Person generally will determine the amount realised on the date of sale and will have additional ordinary foreign exchange gain or loss attributable to the movement in exchange rates between the date of sale and the settlement date. The initial tax basis of Ordinary Shares to a United States Person will be the US Dollar value purchase price determined on the date of purchase. If the Ordinary Shares are treated as traded on an ''established securities market'', a cash basis United States Person or an electing accrual basis United States Person will determine the US Dollar value of the cost of such Ordinary Shares by translating the amount paid at the spot rate of exchange on the settlement date of purchase. The conversion of US Dollars to a non-United States currency and the immediate use of such currency to purchase Ordinary Shares generally will not result in taxable gain or loss for a United States Person. Any gain or loss realised by a United States Person on a subsequent conversion of the currency for a different amount generally will be ordinary foreign currency gain or loss.

Preferential tax rates apply to long-term capital gains of a United States Person that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a United States Person that is a

corporation. Deductions for capital losses and net capital losses are subject to complex limitations. For a United States Person that is an individual, estate, or trust, capital losses may be used to offset capital gains and up to US$3,000 of ordinary income. Any unused capital loss of a United States Person that is an individual, estate, or trust generally may be carried forward to subsequent taxable years, until such capital loss is exhausted. For a United States Person that is a corporation, capital losses may be used to offset capital gains, and any unused capital loss generally may be carried back three years and carried forward five years from the year in which such net capital loss is recognised.

Subject to the discussion below under "Information reporting and backup withholding", a Non-United States Person generally will not be subject to United States federal income or withholding tax on any gain realised on the sale or other disposition of Ordinary Shares unless (a) such gain is effectively connected with the conduct by such Non-United States Person of a trade or business in the United States; or (b) such Non-United States Person is an individual and has been present in the United States for 183 days or more in the taxable year of such sale of other disposition and certain other conditions are met.

Passive Foreign Investment Company treatment

In general, a non-US corporation will be classified as a passive foreign investment company ("PFIC") in any taxable year for United States federal income tax purposes if 75 per cent. or more of its gross income in such taxable year, including its pro rata share of the gross income of any company treated as a corporation for United States federal income tax purposes (United States or non-US) in which it is considered to own, directly or directly, 25 per cent. or more of the shares by value, is passive income. Alternatively, a non-US corporation will also be classified as a PFIC if at least 50 per cent. of its assets in a taxable year, averaged quarterly over the taxable year and ordinarily determined based on fair market value and including its pro rata share of the assets of any company treated as a corporation for United States federal income tax purposes (United States or non-US) in which it is considered to own, directly or indirectly, 25 per cent. or more of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes rents, interests, dividends, royalties, annuities, the excess of gains over losses from certain types of transactions in commodities and gains from assets that produce passive income.

Based on the Company's income, assets and activities, the Company does not expect to be a PFIC for United States federal income tax purposes for the taxable year ended 31 December 2006 and does not expect to become a PFIC for the taxable year ending 31 December 2007. However, because the determination of whether the Ordinary Shares constitute shares of a PFIC is determined annually based upon the composition of the Company's income and assets, and certain entities in which the Company holds at least a 25 per cent. interest, there can be no assurance that the Company will not become a PFIC in the future. While the Company intends to manage its business so as to avoid PFIC status, to the extent consistent with its other business goals, the Company cannot predict whether its business plans will allow it to avoid PFIC status or whether its business plans will change in a manner that affects its PFIC determination. In addition, because the market price of the Ordinary Shares is likely to fluctuate after the Placing and because that market price may affect the determination of whether the Company will be considered a PFIC, the Company cannot assure prospective investors that it will not be considered a PFIC for any taxable year.

In the event the Company were determined under these rules to be a PFIC for a taxable year, any gain recognised by a United States Person upon a sale or other disposition of Ordinary Shares generally will be ordinary (rather than capital), dividends paid to a United States Person with respect to Ordinary Shares owned thereby would not be taxed at the lower rates applicable to long-term capital gains, and any resulting United States federal income tax may be increased by an interest charge. Rules similar to those applicable to dispositions generally will apply to certain "excess distributions" (i.e. distributions that exceed 125 per cent. of the average amount of distributions in respect of such Ordinary Share received during the preceding three years or, if shorter, during the United States Person's holding period prior to the distribution year) in respect of an Ordinary Share. A United States Person generally may avoid some of these unfavourable United States federal income tax consequences by making a "qualified electing fund" ("QEF") election, or alternatively, potentially making a mark-to-market election ("mark-to-market election"), with respect to the Company, both as described below, in the first taxable year in which the United States Person acquires Ordinary Shares.

QEF election

A United States Person that owns Ordinary Shares may elect, provided that the Company provides such person with certain information, to have the Company treated, with respect to that person, as a QEF. (A United States Person who makes a QEF election with respect to the Company is referred to herein as an "Electing

Shareholder''). The QEF election is made on a shareholder-by-shareholder basis, applies to all Ordinary Shares held or subsequently acquired by the Electing Shareholder and can only be revoked with consent of the United States Internal Revenue Service. The QEF Election must be made by a shareholder on or before the due date (with regard to extensions) for such person's tax return for the taxable year for which the election is made and, once made, will be effective for all subsequent taxable years of such person unless revoked.

An Electing Shareholder generally will be required to include currently in gross income its pro rata share of the Company's annual ordinary earnings and net capital gains, if any, in any taxable year that the Company is a PFIC. Any income inclusion will be required whether or not such shareholder owns Ordinary Shares for an entire taxable year or at the end of the Company's taxable year. The amount so includable will be determined without regard to the Company's prior year losses or the amount of cash distributions, if any, received from the Company. Electing Shareholders will be required to pay tax currently on such income, unless, as described below, an election is made to defer such payment. If, in the future, the Company determines that it is a PFIC, the Company will make available to holders of Ordinary Shares the annual statement currently required by the United States Internal Revenue Service, which would include information as to the allocation of ordinary earnings and net capital gain among the Ordinary Shares and as to distributions on such Ordinary Shares. In such an event, the Company will also permit any United States Person that is a holder of Ordinary Shares to examine its books, accounts, records or other documents so as to enable such holder to verify that such holder's pro rata share of ordinary income and net capital gains has been calculated according to applicable United States federal income tax principles. Such statement may be used by Electing Shareholders for purposes of complying with the reporting requirements applicable to the QEF election.

So long as an Electing Shareholder's QEF election is in effect with respect to the entire holding period for its Ordinary Shares, any gain or loss realised by such shareholder on the disposition of such Ordinary Shares held as capital assets ordinarily would be a capital gain or loss. Such capital gain or loss ordinarily would be long-term if such Electing Shareholder had held such Ordinary Shares for more than one year at the time of the disposition. For non-corporate United States Persons, long-term capital gain is generally subject to a maximum federal income tax rate of 15 per cent. for taxable years beginning on or before 31 December 2010.

United States Persons will be permitted to make retroactive elections in particular circumstances, including if the United States Person had a reasonable belief that the non-United States corporation was not a PFIC and filed a protective election. Investors should consult their tax advisors as to the consequences of making a protective QEF election or other consequences of making the QEF election.

Mark-to-market election

A United States Person generally may make a mark-to-market election with respect to shares of ''marketable stock'' of a PFIC. Under the Code and Treasury Regulations, the term ''marketable stock'' includes stock of a PFIC that is ''regularly traded'' on a ''qualified exchange or other market''. Generally, a ''qualified exchange or other market'' means (i) a national securities exchange which is registered with the United States Securities and Exchange Commission or the national market system established pursuant to Section 11A of the United States Securities Exchange Act of 1934 or (ii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and that has the following characteristics: (a) the exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors, and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced and (b) the rules of the exchange effectively promote active trading of listed stocks. A class of stock is ''regularly traded'' on a qualified exchange or other market for any calendar year during which such class of stock is traded (other than in de minimis quantities) on at least 15 days during each calendar quarter, subject to special rules for an initial public offering. The Company believes that the AIM is a qualified exchange and that there is sufficient trading volume with respect to the Ordinary Shares, and accordingly, that the Ordinary Shares will be ''marketable stock'' for such purposes. In the event the Ordinary Shares are not ''marketable stock'' for these purposes, a United States Person will not be eligible to make a mark-to-market election.

As with a QEF election, a mark-to-market election is made on a shareholder-by-shareholder basis, applies to all Ordinary Shares held or subsequently acquired by a United States Person and can only be revoked with consent of the United States Internal Revenue Service (except to the extent the Ordinary Shares no longer constitute ''marketable stock''). As a result of a mark-to-mark election, in any taxable year that the Company is a PFIC, a United States Person would generally be required to report gain or loss annually to the extent of the difference between the fair market value of the Ordinary Shares at the end of the taxable year and such United States

Person's adjusted tax basis of the Ordinary Shares at that time. Any gain under this computation, and any gain on an actual disposition of the Ordinary Shares, would be treated as ordinary income. Any loss under this computation, and any loss on an actual disposition of Ordinary Shares, generally would be treated as ordinary loss to the extent of the cumulative net mark-to-market gain previously included. Any remaining loss from marking Ordinary Shares to market will not be allowed, and any remaining loss from an actual disposition of Ordinary Shares generally would be capital loss. The United States Person's tax basis in the Ordinary Shares is adjusted annually for any gain or loss recognised under the mark-to-market election.

Unless either (i) the mark-to-market election is made with respect to the taxable year in which the United States Person's holding period for the Ordinary Shares commences or (ii) a QEF election has been in effect for such person's entire holding period, any mark-to-market gain for the election year generally will be subject to the general rules applicable to the disposition of Shares of a PFIC, discussed above.

Information reporting and backup withholding

United States information reporting requirements and backup withholding tax generally apply to certain payments to certain non-corporate holders of Ordinary Shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Ordinary Shares by a paying agent within the United States to a holder of Ordinary Shares (other than an "exempt recipient", which includes corporations, payees that are not United States persons that provide an appropriate certification and certain other persons). A paying agent or other intermediary within the United States generally will be required to withhold, at a rate currently of 28 per cent. through 2010, on any payment of dividends with respect to, and on the proceeds from the sale or redemption of, Ordinary Shares within the United States to a United States Person (other than a corporation or other "exempt recipient") if such person fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a United States Person generally may be refunded (or credited against such United States Person's United States federal income tax liability, if any) provided the required information is furnished to the United States Internal Revenue Service. United States Persons should consult their tax advisors as to the application of United States information reporting and backup withholding and their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. If information reporting requirements apply to a United States Person, the amount of dividends paid with respect to, and the gross proceeds from the sale or redemption of, such Ordinary Shares will be reported annually to the United States Internal Revenue Service and such United States Person.

The above is a summary of certain aspects of current law and practice in Cyprus, the US and the UK. A Shareholder who is in any doubt as to his tax position should consult his or her professional adviser.

7. Major shareholders

7.1 There are no applicable disclosure of interest requirements under Cypriot law for companies who are not listed on an 'official list'. However, for the purposes of this document and in line with the requirements under UK regulations, at the date of this document and on Admission, save for the interests of the Directors disclosed in paragraph 8 of this Part X, the Directors are aware of the following persons who are or will be interested (for the purposes of section 198 of the Act), directly or indirectly, in 3 per cent. or more of the issued share capital of the Company, both as at the date of this document and immediately on Admission, assuming no exercise of the Over-allotment Option (on a non-fully diluted basis):

	As at the date of this document		Immediately on Admission	
Name	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
JEC*	28,000,002	40.00	28,000,002	28.0
IBC**	28,000,002	40.00	28,000,002	28.0
Darban**	14,000,001	20.00	14,000,001	14.0

* Two of JEC's Ordinary Shares are held by two individual nominees, on trust absolutely for JEC.

** One of each of IBC's and Darban's Ordinary Shares are held by two separate nominees, on trust absolutely for IBC and Darban, respectively.

7.2 Save as disclosed above, the Company is not aware of any person who will, immediately following Admission, be interested (for the purposes of section 198 of the Act), directly or indirectly, in 3 per cent. or

more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

7.3 The Founder Shareholders are controlled by the Fishman Group which is in turn controlled by Mr Eliezer Fishman and certain members of his family, including Mr Eyal Fishman.

7.4 The Founder Shareholders have agreed amongst themselves, in relation to resolutions put before the Shareholders at a general meeting regarding the appointment of Directors, or the termination of office of Directors, to vote at such general meetings in accordance with their prior mutual agreement.

7.5 The persons referred to in paragraph 7.1 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder of the Company.

7.6 Neither the Company nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

8. Directors and Senior Managers

8.1 Details of the names and functions of the Directors and Senior Managers are set out in paragraphs 1 and 2 of Part III — "Management of the Company and its business".

8.2 As at the date of this document, the interests (all of which are beneficial) of the Directors and their immediate families and of persons connected with them within the meaning of sections 324 and 328 of the Act in the share capital of the Company and, as expected immediately following Admission, assuming no exercise of the Over-allotment Option (on a non-fully diluted basis), are as follows:

	As at the date of this document		Immediately on Admission		Options		
	Number of Ordinary Shares	Percentage of issued share capital	Expected number of Ordinary Shares	Expected percentage of share capital	Number of Ordinary Shares under option	Number of vested Options	Exercise price of Options (US$)
Mr Wright	0	0.00	20,500	0.02	0	0	NA
Mr Aliev	0	0.00	0	0.00	0	0	NA
Mr Blausten	0	0.00	18,450	0.02	0	0	NA
Mrs Brown	0	0.00	2,050	0.00	0	0	NA
Mr Hadjianastasiou	0	0.00	0	0.00	0	0	NA
Mr Eliezer Fishman*	0	0.00	200,000	0.20	0	0	NA
Mr Eyal Fishman*	0	0.00	200,000	0.20	0	0	NA
Mr Morag	0	0.00	0	0.00	1,122,995	0	9.42
Mr Rozental	0	0.00	0	0.00	449,198	0	9.42

* Messrs Eliezer and Eyal Fishman's holding is 200,000 Ordinary Shares in aggregate, held jointly through an entity controlled by them and their family.

8.3 No Director or any member of a Director's family (within the meaning of sections 324 and 328 of the Act) has a related financial product referenced to the Ordinary Shares.

8.4 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by any member of the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

8.5 Messrs Eliezer and Eyal Fishman, together with other members of their family, indirectly control the share capital of each of JEC, IBC and Darban through the holdings in these companies of the Fishman Group.

8.6 Mr Moshe Morag owns 12,801 shares in IBC (representing less than 0.1 per cent. of IBC's current issued share capital).

8.7 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships and/or partnerships:

Mr Wright:

Current directorships/partnerships:
NW Capital Limited

Past directorships/partnerships held over the past five years:

Arcadian Estates Limited	London & Henley (High Wycombe) Limited
Arden Estates Limited	London & Henley (Isis House) Limited
Beaufort Antiques Market Limited	London & Henley (Leighton Buzzard) Limited
Beaufort Estates Limited	London & Henley (Marlow) Limited
BESA B&W XV Limited	London & Henley (Mellor House) Limited
BESSA B&W II Limited	London & Henley (Middle Brook Street) Limited
BESSA B&W III Limited	London & Henley (Peascod Street) Limited
BESSA B&W IV Limited	London & Henley (Reading) Limited
BESSA B&W IX Limited	London & Henley (Thameside) Limited
BESSA B&W Limited	London & Henley (Tonbridge) Limited
BESSA B&W V Limited	London & Henley (Wigmore Street) Limited
BESSA B&W VI Limited	London & Henley (Winchester) Limited
BESSA B&W VII Limited	London & Henley (Windsor) Limited
BESSA B&W VIII Limited	London & Henley Leisure Limited
BESSA B&W X Limited	London & Henley Properties Limited
BESSA B&W XII Limited	London & Henley Property Group Limited
BESSA B&W XIII Limited	London & Henley Property Holdings Limited
BESSA B&W XIV Limited	London & Henley Property Management Limited
BESSA B&W XVI Limited	London & Henley Retail Properties Limited
BESSA B&W XVII Limited	Made To Measure Systems Limited
BESSA B&W XVIII Limited	Milljay Limited
Circuitport Limited	Residential Property Reversions III Limited
De Stefano Investment Corporation Limited	Residential Property Reversions IV Limited
De Stefano Property (Winchester) Limited	Residential Property Reversions Limited
De Stefano Property Group Limited	Riverbank (Bristil) Limited
First Residential Investment Limited	Riverbank (five) Limited
Firstop Limited	Riverbank (Reading) Limited
Friarose Limited	Riverbank (Tonbridge) Limited
John De Stefano & Company Limited	Riverbank Holdings Limited
John De Stefano Management Services	Sandy Lane Developments (Barbados) Limited Limited
Liston Road Limited	Second Acquisition Limited No. 1 Limited
London & Heley (Bell Street) Limited	Second Acquisition No. 2 Limited
London & Henley (Bournemouth) Limited	Second Acquisition No. 3 Limited
London & Henley (Bromley) Limited	Second Acquisition No. 4 Limited
London & Henley (Brook House) Limited	Second Acquisition No. 5 Limited
London & Henley (Chapel House) Limited	Second Acquisition No. 6 Limited
London & Henley (Croydon) Limited	Second Acquisition No. 7 Limited
London & Henley (Dean Court) Limited	Second Acquisition No. 8 Limited
London & Henley (Duke Street) Limited	Shannon Residential No. 1 Limited
London & Henley (Friar Street) Limited	Shannon Residential No. 2 Limited
London & Henley (High Street Tonbridge)	Shannon Residential No. 3 Limited Limited

Mr Aliev:	*Current directorships/partnerships:*	
	Rosbank (joint stock commercial bank)	
	Past directorships/partnerships held during the past five years:	
	Dresdner Kleinwort Wasserstein	
Mr Blausten:	*Current directorships/partnerships:*	
	Hollydale Properties Limited	H&F Capital Partners Limited
	Oakburn Properties Limited	H&F Nominee 1 Limited
	Oakburn Investment Holdings Limited	H&F Nominee 2 Limited
	Hodgson and Faraday Ltd	British American Business Inc.
	Linnell Developments Limited	Cyril Leonard GmbH
	Oakburn European Properties Limited	Cyril Leonard & Co
	CLPS Limited	Oakburn Investment GmbH — Property Investment
	Canterbury Best Limited	Oakburn Properties GmbH — Property Investment
	Past directorships/partnerships held during the past five years:	
	The River Bure Property Company Limited	Grosvenor Land Holdings plc
	Abraxus Investments PLC	Plymouth & Exeter Properties Limited
	Grosvenor Land (North) Limited	Terrace Hill Group PLC
	Grosvenor Land (South) Limited	
Dr Brown:	*Current directorships/partnerships:*	
	Enteraction TV Limited	I Play TV Limited
		Play to Win TV Limited
	Past directorships/partnerships held during the past five years:	
	Gulf Keystone Petroleum Ltd, Bermuda	WSP Group plc
	Netcall plc	
Mr Hadjianastasiou:	*Current directorships/partnerships:*	
	Baker Tilly Klitov & Partners	Centre of Economic Research of the University of Cyprus
	Past directorships/partnerships held during the past five years:	
	Association of Cyprus Commercial Banks	Cyprus Employers' Bankers Association
Mr Eliezer Fishman:	*Current directorships/partnerships all of which are incorporated in Israel):*	
	Alei Dagan Ltd.	Meimadim Financial Company of Construction (1995) Ltd.
	Alliance Tire Company (1992) Ltd.	Meimadim Investments Ltd.
	Aviv Yael Daroma Ltd.	Metzad Ateret Ltd.
	Azael Ltd.	Milotal Development Ltd.
	AZTM Ltd.	Milotal Frozen Vegetables Ltd.
	B.R.A.P Yizum Projects Ltd.	Mimun Hakal Ltd.
	Baron-Fishman Holdings Ltd.	Mivnat Holdings Ltd.
	Baron-Fishman Telecommunication Ltd.	Monitin Itonut Holdings (1985) Ltd.
	Baron-Haim Holdings Ltd.	Monitin Itonut Ltd.
	Big Band Buildings Ltd.	Montrose Building Management Ltd.
	Blue Horizon Services Limited	Offis Textile Ltd.
	Bonjour (1986) Ltd.	Ofiel Limited
	C.D.K. Financing & Investments (1992) Ltd.	Omini Sport Marketing Ltd.
	Chemoplast Industries (1994) Ltd.	Oneal Construction Ltd.
	Hutzot Hakrach Ltd.	Onib Holdings Ltd.
	Hutzot Zahav Ltd.	Oval Properties Management Food Industries Ltd.
	Company Power Center Trade Center (1995) Ltd.	Pelach Orchard Cultivating Ltd.
	D.P.L.Y Properties Ltd.	Prosapia Investments Ltd.
	Darban Investments Ltd.	Shaligal Promotion Ltd.
	Darban Real Estate (1997) Ltd.	Shmey-Bar (I.A.) 1993 Ltd.
	Dardan (Finance) Ltd.	Shmey-Bar (T.H.)1993 Ltd.
	La-Digue Ltd.	Shmey-Bar Real Estate 1993 Ltd.
	Drom Hasharon Communications 1970 Ltd.	Skalar Ltd.
	E.T. Fishman Properties (1998) Ltd.	T.L.C. Finance & Management (1989) Ltd.
	Eli-Pi Properties Ltd.	T.L.C. Leasing (1990) Ltd.
	Eyal Investments Ltd.	T.L.C. Properties & Investments Ltd.
	Fish Et Ltd.	T.L.C. Real Estate Holdings Ltd.
	Fishman Family Properties Ltd.	T.L.M. Television for Subscribers Ltd.

Fishman Family Properties Management (1988) Ltd.
Fishman Mifalei Kerur Ltd.
Gan Hayir Ashdod Holdings
Globes Publisher News (1983) Ltd.
Globescom Ltd.
Hakal Bniya Upikuach Ltd.
Hashkaot Kedaiot Ltd.
Hypertoy Toy Center Ltd.
Home Centers (DIY) Ltd.
Industrial Buildings Corp. Ltd.
Scepia Internet Solutions Ltd.
Isracable Ltd.
Jerusalem Economic Corporation Ltd.
Kedai Economical Consultants Ltd.
Kiryat Taasiyot Atirot Mada Ltd.
Lukarno Ltd.
Maavar Ltd.
Marketing Tnuport International Ltd.
Mega Sport Sporting Equipment (1996) Ltd.
Megamart Sporting Goods Ltd.
Tashas Britania Ltd.
Tashnat Investments Ltd.
Ten- Petroleum Company Ltd.
The Company for Beerot Yitzhak Land Development Ltd.
The Park Company for the technological park in Hof Hakarmel Haifa Ltd.
Tirzalit Ltd.
Tnudar Ltd.
Tnuport (1990) Ltd.
Tnuport Export Ltd.
Tnuport Citrus Ltd.
Tsuf Assets Finance and Investments (1992) Ltd.
Tzuf Properties Ltd.
Waste Management Israel Ltd.
Yakdar Ltd.
Yuropal Finance & Investments Ltd.
Yuvaley Hasharon Ltd.

Past directorships/partnerships held during the past five years:
A. Even Investments Ltd.
Aspen building and development Ltd.
Aspen properties (1990) Ltd.
Aspen real estate Ltd.
Gan Pelach Limited Partnership
Gan Pelach Ltd.
Mehadrin Tnuport Export Limited Partnership
Mehadrin Tnuport Export Ltd.
Tnuport Holland 2000 B.V., The Netherlands

Mr Eyal Fishman:

Current directorships/partnerships (all of which are incorporated in Israel unless stated otherwise):
Afik chains Ltd.
Best Buy Reshatot Shiruk Ltd.
Celio Chains Israel
Darban Investments Ltd.
Drug Commerce Ltd.
Dyners Club Israel Ltd.
Fishman Chains Ltd.
Home Centers (DIY) Ltd.
Hutzot Zahav Ltd.
Hypertoy Toy Center Ltd.
Israel Credit Cards Ltd.
Jerusalem Economic Corporation Ltd.
Keshet Hypertoy Toys Ltd.
MBS Sport Agencies Ltd.
Mega Sport Sporting Equipment (1996) Ltd.
Megamart Sporting Goods Ltd.
Muse Import & Marketing Ltd.
Offis Textile
Omini Sport Marketing Ltd.
Oneal Construction Ltd.
P.K.P Design Ltd.
Power Card (2000) Ltd.
Secora B.V., The Netherlands
Superhome Center (DIY) Limited, Cyprus
Telepharma Direct Drug Store Ltd.
Telepharma Drug Commerce Ltd.
Tirzalit Ltd.
Zer 4 U (2000) Ltd.

Past directorships/partnerships held over the past five years:
Alliance Tire Company (1992) Ltd.

Mr Morag:

Current directorships/partnerships (all of which are incorporated in Israel unless stated otherwise):
A.M. High-Tech in the Negev Ltd.
Ackerstein Management of Commercial Centre (2000) Ltd.
Ackerstein Office Management (2000) Ltd.
Ackerstein Towers Ltd.
Big Band Buildings Ltd.
HBMT — Property Management & Building Maintenance Ltd.
Koteret Ramla Ltd.
Lake Placid Enterprises Inc, BVI
Mash-har Shopping Centres Ltd.
Meimadim Financial Company of Construction (1995) Ltd.
Meimadim Investments Ltd.
MTC Kanot Industrial Centre Ltd.
Nazarath Mall (management) Ltd.
Tel Aviv Towers Ltd.
The Park Company for the technological park in Hof Hakarmel Haifa Ltd.

Past directorships/partnerships held during the past five years:
Azimut Ltd.
Industrial Buildings Ashdod (1994) Ltd.
Industrial Buildings Corporation Ltd.
Yiskal Ltd.

Mr Rozental:

Current directorships/partnerships:
None

Past directorships/partnerships held during the past five years:
None

8.8 In May 2006, Mr Eliezer Fishman and certain companies controlled by him incurred significant foreign exchange losses in respect of certain transactions relating to the Turkish Lira. The net losses incurred by Darban (the only Founder Shareholder to have incurred such losses), from the time these transactions commenced in October 2005 until when they were closed in May 2006, were approximately US$1.8 million. The Israeli Securities Authority (the ''ISA'') has initiated enquiries principally relating to the timing of disclosure of these losses and has questioned persons associated with Darban, including Messrs Eliezer and Eyal Fishman, both of whom are directors of Darban and the Company. To date, no formal proceedings have been initiated by the ISA against Darban or Messrs Eliezer and Eyal Fishman.

8.9 None of the Directors has any unspent convictions in relation to indictable offences.

8.10 None of the Directors has been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body).

8.11 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

8.12 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement; nor in that time have the assets of any such partnership been the subject of a receivership.

8.13 No asset of any Director has at any time been the subject of a receivership.

8.14 None of the Directors is, or has been, bankrupt or been the subject of any form of individual voluntary arrangement.

8.15 None of the Directors is, or has ever been, disqualified by a court from acting either as a director of a company or in the management or conduct of the affairs of any company.

8.16 Pursuant to an agreement dated 13 December 2006 and entered into by the Founder Shareholders and Messrs Wright, Aliev, Blausten and Hadjianastasiou and Dr Brown (together, the ''Independent Non-executive Directors''), the Founder Shareholders have severally, and on a proportionate basis, agreed to indemnify the Independent Non-executive Directors in respect of misstatements in this document and any breach of certain warranties given by them in the Placing Agreement. The indemnity is subject to a number of limitations and restrictions, including the actual knowledge of the Independent Non-executive Directors.

8.17 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors; nor are there any loans or guarantees provided by any of the Directors for the benefit of any member of the Group.

8.18 Mr Eliezer Fishman is chairman of each of JEC, IBC and Darban and Mr Eyal Fishman is a director of Darban. Although there are no current conflicts of interest, it is possible that the fiduciary duties owed by these Directors to the Founder Shareholders may give rise to conflicts of interest with the duties they owe to the Group.

8.19 Pursuant to Mr Eliezer Fishman's role as chairman of IBC, he is entitled to receive from IBC a fixed annual bonus equal to four per cent. of the proportionate interest (on an ownership basis) of the net operating income and capital on realisation of assets of each of its overseas investments (of which the Company is one). Additionally, pursuant to his role as chairman of each of JEC and Darban, he is entitled to receive from each of them a fixed annual bonus until 2010, equal to four per cent. of the proportionate interest (on an ownership basis) of the net operating income and capital on realisation of the assets of the Company, capped in the case of JEC at US$2.25 million in total.

8.20 The Directors are subject to the lock-in arrangements described in paragraph 5 of Part IX — ''Details of the Placing''.

Non-executive Directors

The following agreements have been entered into between the Non-executive Directors and the Company:

8.21 Directors' and Senior Managers' letters of appointment and service agreements

8.21.1 a letter of appointment dated 27 November 2006 pursuant to which Mr Wright was appointed as Non-executive Chairman of the Company. The appointment is for an initial period of three years

and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £45,000 plus the reimbursement of properly incurred expenses;

8.21.2 a letter of appointment dated 27 November 2006 pursuant to which Mr Aliev was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £30,000 plus the reimbursement of properly incurred expenses;

8.21.3 a letter of appointment dated 27 November 2006 pursuant to which Mr Blausten was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £30,000 plus the reimbursement of properly incurred expenses;

8.21.4 a letter of appointment dated 27 November 2006 pursuant to which Dr Brown was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £30,000 plus the reimbursement of properly incurred expenses;

8.21.5 a letter of appointment dated 27 November 2006 pursuant to which Mr Hadjianastasiou was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £30,000 plus the reimbursement of properly incurred expenses;

8.21.6 a letter of appointment dated 27 November 2006 pursuant to which Mr Eliezer Fishman was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. No annual fee is payable by the Company to Mr Eliezer Fishman. Mr Eliezer Fishman is entitled to be reimbursed for properly incurred expenses; and

8.21.7 a letter of appointment dated 27 November 2006 pursuant to which Mr Eyal Fishman was appointed as a Non-executive Director. The appointment is for an initial period of three years and is then terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee (exclusive of VAT) of £30,000 plus the reimbursement of properly incurred expenses.

Where a Non-executive Director is appointed as a member of any of the Company's corporate governance committees (being the nomination, remuneration and audit committees), they will be entitled to receive an additional fee of £3,000 per annum per committee. If a Non-executive Director is appointed as a member of the Investment Committee, they will be entitled to receive a further additional fee of £6,000 per annum.

Executive Directors

The following service agreements have been entered into between the Executive Directors and the Company:

8.21.8 a service agreement dated 28 November 2006, effective from 1 December 2006, between the Company and Mr Morag pursuant to which Mr Morag is employed as chief executive officer of the Company. The agreement is terminable by either party on giving the other no less than six months' prior written notice. Mr Morag has given an undertaking not to disclose any confidential information obtained during the course of his employment. The agreement provides for a salary of US$5,375 per month and the reimbursement by the Company for reasonable expenses incurred by Mr Morag in the course of employment;

8.21.9 a service agreement dated 28 November 2006 between the Company and Mr Rozental, effective from 1 December 2006, pursuant to which Mr Rozental is employed as chief financial officer of the Company. The agreement is terminable by either party on giving the other no less than six months' prior written notice. Mr Rozental has given an undertaking not to disclose any confidential information obtained during the course of his employment. The agreement provides for a salary of US$4,031 per month and the reimbursement by the Company for reasonable expenses incurred by Mr Rozental in the course of employment;

8.21.10 a service agreement dated 28 November 2006, effective from 1 December 2006, between the Company's Subsidiary, I.R.S. IsraRussia Services Ltd. (''IRS'') and Mr Morag pursuant to which Mr Morag is employed as chief executive officer of IRS. The agreement is for a fixed term of three

years and is terminable by either party on giving the other six months' prior written notice. In the event that the agreement is terminated without cause by IRS, Mr Morag will be entitled to six months' salary. Mr Morag has given an undertaking not to disclose any confidential information obtained during the course of his employment. The agreement provides for a salary of US$20,000 per month and other benefits commensurate with his position, including disability assurance, pension benefits and a company car; and

8.21.11 a service agreement dated 28 November 2006 between IRS and Mr Rozental, effective from 1 December 2006, pursuant to which Mr Rozental is employed as chief financial officer of IRS. The agreement is for a fixed term of three years and is terminable by either party on giving the other six months' prior written notice. Mr Rozental has given an undertaking not to disclose any confidential information obtained during the course of his employment. The agreement provides for a salary of US$9,250 per month and other benefits commensurate with his position, including disability assurance, pension benefits and a company car.

Senior Managers

The following agreements have been entered into between the Senior Managers and the Company. Certain of the Senior Managers provide their services through consultancy agreements on a full time basis:

8.21.12 a service agreement dated 28 November 2006, effective from 1 December 2006, between IRS and Mr Marom pursuant to which Mr Marom is employed as chief of engineering of IRS. The agreement is for a fixed term of three years and is terminable by either party on giving the other six months' prior written notice. Mr Marom has given an undertaking not to disclose any confidential information obtained during the course of his employment. The agreement provides for a salary of US$10,300 per month and other benefits commensurate with his position, including a disability allowance, pension benefits and a company car;

8.21.13 a management services agreement dated effective 1 July 2005 (as amended by an agreement between the same parties dated as of 14 September 2006) between Hydro and FIN and a management services agreement dated as of 1 September 2006 between MAG and FIN, pursuant to which FIN's management services are provided to Hydro and MAG, respectively. Either party to each agreement may terminate the agreement without cause at any time upon providing the other party with a minimum of three months' prior written notice. In consideration of FIN's services, the relevant Subsidiaries have agreed to pay FIN the following:

8.21.13.1 for the provision of services relating to the identification and acquisition of new investment properties (''FIN Properties''), 10 per cent. of the net income generated and received by the relevant Subsidiary in respect of FIN Properties plus two per cent. of rents actually received by the relevant Subsidiary in respect of such properties, such fees to be payable until consummation of a sale of such properties, irrespective of earlier termination. The properties owned by Hydro and MAG are FIN Properties and the agreements provide for advance monthly payments totalling US$50,000 on account of the fees referred to above, until certain thresholds have been reached;

8.21.13.2 the direct costs of engaging employees of FIN (other than Mr Krichevsky or his partner, Mr Ofer Fadida-Lupin) for the provision of the management services under the agreement provided such costs are in accordance with a planned prior budget approved by the relevant Subsidiary and (in certain circumstances) its shareholder, such approval not to be unreasonably withheld;

8.21.13.3 on the sale of a FIN Property, a one time payment equal to 10 per cent. of the net profit received by the relevant Subsidiary on such sale;

8.21.13.4 under the agreements, FIN has an option to participate up to a level of 20 per cent. in relation to any investment property which constitutes a FIN Property but this option has been waived in relation to the properties currently owned by Hydro and MAG;

8.21.14 a management services agreement dated 30 November 2006 between CreativeCom and FIN, pursuant to which FIN's management services are provided to CreativeCom. CreativeCom has a freehold interest in land plots located in Perkushkovo (''Property''). The agreement continues for

an indefinite period covering the life of the Perkushkovo project and may only be terminated for breach. In consideration of FIN's services, CreativeCom has agreed to pay FIN the following:

8.21.14.1 a sum equal to two per cent. of the net sale price received by CreativeCom (excluding VAT if any) as a result of a sale of a unit in the Property, which will be based upon an amount per square metre received by CreativeCom for three distinct classes of property, as set out in the agreement. In the event that a sale of a unit results in CreativeCom receiving an amount per square meter above the amounts set out in the agreement, FIN is entitled to an amount equal to seven per cent. of such additional amount (the "Fee");

8.21.14.2 until the earlier of 31 March 2007, or the date on which construction plans for the Property have been approved by the relevant authorities, a non-refundable, monthly advance payment of US$30,000 plus VAT, if applicable. The advance payments are paid on account of the Fee;

8.21.14.3 the direct costs of engaging employees of FIN (other than Mr Krichevsky or Mr Ofer Fadida-Lupin) for the provision of the services under the agreement, provided such costs are in accordance with an agreed budget; and

8.21.14.4 on the sale of the Property or of CreativeCom, if such sale takes place prior to the commencement of, or during, construction, but before any sales have taken place, a sum equal to three per cent. of the sale price received by CreativeCom in place of the Fee;

8.21.15 on oral agreement made on or about 20 November 2006 between the Company and FIN, conditional on the acquisition of RealService by the Company, pursuant to which FIN's management services are to be provided to RealService for an indefinite period covering the life of the Skyscraper project and terminable only on breach. In consideration of FIN's services, RealService will agree to pay FIN the following:

8.21.15.1 for the provision of services relating to the identification and acquisition of new investment properties ("FIN Properties"), 10 per cent. of the net income generated and received by RealService in respect of FIN Properties plus two per cent. of rents actually received by RealService in respect of such properties, such fees to be payable until consummation of a sale of such properties, irrespective of earlier termination. The property owned by RealService, Skyscraper, is a FIN Property;

8.21.15.2 the direct costs of engaging employees of FIN (other than Mr Krichevsky or his partner, Mr Ofer Fadida-Lupin) for the provision of the management services under the agreement, provided such costs are in accordance with a planned prior budget approved by RealService and (in certain circumstances) its shareholder, such approval not to be unreasonably withheld;

8.21.15.3 on the sale of a FIN Property, a one time payment equal to 10 per cent. of the net profit received by RealService on such sale;

8.21.15.4 on the sale of the FIN Property or of RealService, if such sale takes place prior to the commencement of, or during, construction, but before any sales have taken place, a sum equal to two per cent. of the sale price received by RealService in place of the Fee.

The Directors expect that a definitive written agreement will be entered into between FIN and RealService after completion of the acquisition by the Company of RealService, which will supersede this oral agreement;

8.21.16 an employment agreement dated 2 March 2006 between Techagrocom and Mr Tchernovalov, pursuant to which Mr Tchernovalov was appointed as general director of Techagrocom with the responsibility of overseeing the day to day management of its real estate project. The agreement provides for a salary of 114,655.50 RUR (as at 31 October 2006, US$4,286) per month and is for a fixed term of one year. The agreement does not contain any restrictive covenants and may be terminated prior to the expiry of the fixed term in accordance with the labour legislation of the Russian Federation;

8.21.17 a consultancy and management agreement dated 27 November 2006 between Petra-8 and Mr Lev Margolin, acting through his company, ZAO Alliance Development Group varying an existing

agreement between Romi-1 LLC and ZAO Alliance Development Group dated 1 January 2006. Under the agreement, Mr Margolin undertakes to perform project development and managerial functions for Petra-8 at a cost of US$110,410 per month including VAT for the duration of the project in St. Petersburg (which the Directors estimate to be 95 months, from 1 January 2006) and an aggregate success fee of US$1,695,900 including VAT upon completion of certain operational stages of the project. The agreement contains limited restrictive covenants and may be terminated by either party in the case of default and may also be terminated by mutual agreement or by upon giving 30 days' written notice; and

8.21.18 an agreement dated 1 August 2006, as amended, between CreativeCom and Mr Moshe Shor, acting through his company, Kar-Stroi LLC ("Kar-Stroi") pursuant to which Kar-Stroi undertook to perform project and development managerial functions in the process of design and construction of the building on the land plots located in Perkhushkovo (referred to as the project). The Directors expect the duration of the project to be 33 months. In consideration of such services, Kar-Stroi is entitled to receive a total amount of US$2.07 million plus an additional completion bonus of US$345,000, both payable subject to the terms and conditions provided for in the agreement. The agreement may be terminated by either party on giving the other no less than 30 days' prior written notice. Mr Shor has undertaken not to compete with the business of the Group while he is employed by any of its Subsidiaries.

8.22 The aggregate remuneration paid (including pension fund contributions and benefits in kind, but excluding bonuses and Options granted which are summarised in paragraph 9 below) to the Directors by members of the Group in respect of the financial period from 1 January 2006 to 30 September 2006 was nil. It is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind, but excluding bonuses) payable to the Directors by members of the Company in respect of the current financial year (under the arrangements in force at the date of this document) will be US$51,937.

9. Employee share scheme

MirLand Development Corporation Employee Option Plan ("Share Option Scheme")

9.1 The Company currently operates one share option plan, the Share Option Scheme, which was adopted by the Company on 19 November 2006 (the "Adoption Date"). As at Admission, the Company will have granted options over 3,368,984 Ordinary Shares under the Share Option Scheme ("Options"), 748,663 of which vested immediately but have not yet been exercised.

9.2 Vesting schedule

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

9.3 Eligibility

Eligible Persons for the purpose of the Share Option Scheme are employees or full time directors of the Company and/or any of its Subsidiaries at the date of grant of Options, or any person who has been a consultant to the Company and/or any of its Subsidiaries or who has provided valuable services or added to the success of the Company and/or any of its Subsidiaries. Options may not be granted to full time employees within two years of their normal anticipated retirement date.

9.4 Limits

The aggregate number of Ordinary Shares which may be issued pursuant to the Share Option Scheme during any 10 year period from the Adoption Date shall not exceed 6.5 per cent. of the issued ordinary share capital of the Company prior to the issue of the Placing Shares. In all events, each Option will lapse on the fifth anniversary of its date of grant.

9.5 Grant of Options

Options may not be granted otherwise than during the period of 42 days commencing on the date of the announcement by the Company of its final or interim results, provided that no Option may be granted on the first five dealing days of this period, unless the Directors consider that there are exceptional circumstances to justify such grant.

9.6 Exercise price

The exercise price of an Option is determined as follows: (i) if granted within 30 days after Admission, the price must not be less than the Placing Price; (ii) if granted more than 30 days after Admission, the price must not be less than the average closing sales price for an Ordinary Share (or the closing bids, if no sales were reported) for the last five dealing days prior to the grant of the Option. The exercise price is subject to adjustment to reflect any dividends paid by the Company to its Shareholders after an Option has been granted, but prior to its exercise. The exercise price must never be less than zero and, if greater, must satisfy the minimum amount required to be paid under Cypriot law. Such exercise price is to be satisfied on a cashless basis, i.e. where an option holder satisfies the exercise price payable by surrender of an appropriate number of other Options he holds.

9.7 Transfer of Options

Each Option is personal to the option holder and may not be transferred, assigned, disposed of or charged, other than as provided for in the Share Option Scheme rules.

9.8 Vesting of Options

Options granted under the Share Option Scheme become vested and exercisable in accordance with their individual vesting schedule appended to the relevant letter of grant.

9.9 Termination of eligibility

The period in which an Option may be exercised is altered if a participant ceases to be an Eligible Person.

9.10 Change in control, bankruptcy and winding up

In the event of an issue of Ordinary Shares or on a re-organisation of the Company, Options may be adjusted as the Directors deem appropriate, provided the auditors of the Company give their written confirmation that the adjustment is fair and reasonable. In the event of a voluntary winding-up, takeover, reconstruction or amalgamation of the Company, an Option shall remain capable of being exercised for a period of six months. At the end of this period all Options will lapse automatically. In the event of a non-voluntary winding-up of the Company, an Option will lapse immediately.

9.11 Modifications of the Share Option Scheme

The Directors may at any time modify the rules of the Share Option Scheme provided such modification does not adversely affect the rights of option holders unless it is made with the consent of option holders who are entitled to acquire 75 per cent. of the Ordinary Shares which would be issued if all the Options under the Share Option Scheme were exercised.

9.12 Tax

If at any time the Company becomes liable to any tax authority under the Share Option Scheme, subject to applicable laws, the burden will lie entirely with the option holder and the option holder will indemnify the Company and hold them harmless against and from any liability for any tax and penalties due.

9.13 Special conditions

The rules to the Share Option Scheme contain special conditions in an annex relating to Options held by Israeli participants to ensure compliance with Israeli tax regulations. Where any provisions of this annex conflict with those of the main Share Option Scheme, the terms of the annex will prevail.

10. Placing agreement

Under the terms of the Placing Agreement entered into on 13 December 2006 between the Company, the Directors, the Founder Shareholders and the Underwriters, subject to certain conditions, the Underwriters have severally agreed to procure subscribers for the Placing Shares failing which to subscribe themselves at the Placing Price. The Placing Agreement contains, among others, the following provisions:

10.1 the Company has appointed Credit Suisse and Merrill Lynch International as Underwriters to the Placing;

10.2 the Company has undertaken to pay on the Closing Date (as therein defined) to the Underwriters, commission of 3.25 per cent. of the amount equal to the product of the Placing Price and the aggregate number of Placing Shares to be issued by the Company pursuant to the Placing, together with any VAT chargeable thereon;

10.3 the Company has undertaken to pay on the Over-allotment Closing Date (as therein defined) to the Underwriters, commission of 3.25 per cent. of the amount equal to the product of the Placing Price and the number of Ordinary Shares to be issued pursuant to the Over-allotment Option (''Over-allotment Shares'') on that date, together with any VAT chargeable thereon;

10.4 the Company has undertaken to pay on the Over-allotment Closing Date to the Underwriters an incentive fee of up to 0.75 per cent. of the amount equal to the product of the Placing Price and the aggregate number of Placing Shares and any Over-allotment Shares, together with any VAT chargeable thereon;

10.5 the obligations of the Underwriters to procure subscribers for Placing Shares are conditional upon certain matters that are typical for an agreement of this nature. These conditions include, among others, the continuing accuracy of the warranties under the Placing Agreement immediately prior to Admission and Admission occurring by not later than 8 a.m. GMT on 18 December 2006 or such later time and/or date as the Underwriters may agree with the Company;

10.6 the Underwriters may terminate the Placing Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include certain changes in financial, political or economic conditions. If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Placing Agreement is terminated prior to, Admission then the Placing will lapse. The Placing Agreement cannot be terminated after Admission;

10.7 the Company has agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees, expenses of, or in connection with, or incidental to, amongst other things, the Placing and/or Admission;

10.8 the Company, the Founder Shareholders and the Directors have given certain warranties to the Underwriters. The Company and the Founder Shareholders have also given indemnities to the Underwriters subject, in the case of the Founder Shareholders, to certain limitations;

10.9 the Company has undertaken to each of the Underwriters that during a period of 365 days from the date of Admission it will not, without the prior written consent of the Underwriters, such consent not to be unreasonably withheld, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of (a) the issue of Placing Shares or the Over-allotment Shares pursuant to the terms of the Placing Agreement; or (b) Ordinary Shares to be issued pursuant to the exercise of options under share option schemes in existence on the date of Admission and described in paragraph 9 of this Part X; and

10.10 each of the Directors and Founder Shareholders has undertaken to each of the Underwriters that, during a period of 365 days from the date of Admission he/she will not, without the prior written consent of the Underwriters, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, subject to certain limited exceptions.

11. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are or may be material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

Real estate transactions

11.1 Real estate sale and purchase agreement dated 14 November 2005 between CreativeCom and Firma Promproekt LLC (acting as seller) pursuant to which CreativeCom purchased two land plots from the seller for US$22.5 million, payable by promissory notes issued in favour of the seller. The seller provided warranties and indemnities customary for a transaction of this nature.

11.2 Real estate sale and purchase agreement dated 15 March 2006 between Status LLC (acting as seller) and Romi-1 LLC pursuant to which Romi-1 LLC acquired a freehold interest in real estate in the Company's project in St. Petersburg for US$36.7 million.

11.3 Real estate sale and purchase agreement dated 19 June 2006, as amended, pursuant to which Petra-8 acquired freehold real estate in St. Petersburg from Romi-1 LLC in consideration for an adjusted purchase price of US$43.3 million. Payment of this amount was secured by a mortgage over the land at St. Petersburg in favour of Romi-1 LLC. The Company subsequently sold Romi-1 LLC out of the Group, to a subsidiary of IBC, on a debt-free, asset-free basis (see paragraph 12.9 of this Part X). On the sale, the mortgage in favour of Romi-1 LLC was discharged and the register is in the process of being updated.

Share transactions and associated agreements

11.4 Share sale and purchase agreement dated 3 June 2005, as amended, between Mr Chikhachev (acting as the seller) and the Company pursuant to which the seller sold the entire issued share capital of Hydro, which has an interest in real estate in Moscow, to the Company. The purchase price of US$8.95 million for the shares was payable in two instalments of US$7.8 million on closing and US$1.1 million on the later of 30 April 2006 or the fifth business day following the date of the seller's satisfaction of various obligations under the agreement, which is still outstanding. The seller provided representations and warranties customary for a transaction of this nature.

11.5 Share sale and purchase agreement dated 19 October 2005 between Mr Babich Sergey Alekseevich, Mr Khabeeev Renat Rushanovich and Mr Krasheninnikov Alexey Ivanovich (acting as sellers) and one of the Company's Subsidiaries, Mall Project Limited (as the purchaser) ("Mall") pursuant to which Mall purchased 100 per cent. of the entire issued share capital in the capital of IIK, which has an interest in real estate in Saratov, for US$3.4 million, of which US$250,000 is still outstanding pending the completion by the sellers of certain demolition on the site. The sellers provided customary representations and warranties for a transaction of this nature.

11.6 Share sale and purchase agreement dated 1 February 2006, as amended, between Mr Pavlov, Mrs Pavlova and Ms Pavlova (acting as sellers) and the Company pursuant to which the sellers sold the entire issued share capital of MAG to the Company in consideration of US$6.5 million paid in instalments. MAG owns a leasehold interest in real estate in Moscow. The sellers provided representations and warranties customary for a transaction of this nature. Pursuant to the share sale agreement, Mr Pavlov and Ms Pavlova (as managers) also undertook certain obligations relating to the remedying of discrepancies in the Russian real estate register. The Company has a put option, which is triggered on any failure on the part of the managers to comply with such obligations, to sell MAG back to the sellers.

11.7 Management and services agreement dated 7 February 2006 between MAG and Mr Pavlov and Mrs Pavlova (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$2.48 million. The service providers have undertaken to repay the initial payment if they fail to meet their obligations under the agreement.

11.8 Contribution and subscription agreement dated 12 October 2006 between the Company, Woklam Investments Limited ("Woklam"), I.W.W. Astraestate & Co Limited Partnership (referred to as the Partnership) and Winta Holdings Limited, acting as general partner to the Partnership, pursuant to which Woklam and the Company, as limited partners in the Partnership, each with a participation of 49.95 per cent., agreed to make additional contributions to the Partnership as follows:

- Woklam to contribute 50 per cent. of the issued shares held in Techagrocom; and
- the Company to contribute US$6,437,500 and assign the rights of IBC under a loan agreement dated 23 December 2005 (as amended) between Fosbourne (the controlling shareholder of Woklam), as the borrower, and IBC, as the lender ("Loan") which was subsequently assigned (see paragraphs 11.11 and 11.12 below).

11.9 Share sale and purchase agreement dated 12 October 2006 between Woklam and the Partnership (acting as buyer) pursuant to which the buyer acquired 50 per cent. of the issued share capital of Techagrocom from Woklam in consideration of US$12.875 million, payable as to US$6,437,500 within 3 business days of

closing and the balance set-off against the Loan. The consideration is subject to reduction in the amount of the buyer's loss arising from breach of any warranty or representation given, in which case the seller is entitled to terminate the agreement subject to return to the buyer of the consideration in full plus interest, the repayment by Techagrocom to the Company of a loan of US$125,000 and the repayment of any and all loans provided to the seller or Techagrocom by the Company and/or its affiliates.

11.10 Deed of assignment of obligation and novation dated 12 October 2005 between IBC, as lender, Fosbourne Properties Ltd. (''Fosbourne''), as borrower, the Company, as loan assignee and Woklam, as new obligor pursuant to which IBC assigned its rights and obligations pursuant to a loan agreement dated 23 December 2005 (as amended), for a loan of US$6,437,500 (''Loan'') which, at the relevant date had still not been made, to the Company. The parties agreed to substitute Woklam as the new borrower under the Loan, but with Fosbourne remaining secondarily liable to the Company to repay the Loan if Woklam were to default.

11.11 Deed of assignment of loan and set-off dated 25 October 2005 between the Company, as lender, Fosbourne, Woklam, as borrower, and the Partnership pursuant to which the Company, as part of its contribution to the Partnership, assigned the Loan described in paragraph 11.10 above to the Partnership and the parties released Fosbourne from its obligations in relation to the Loan. The parties agreed that the assignment of the Loan was to be deemed a contribution by the Company of the amount of the Loan to the Partnership's capital.

11.12 Deed of assignment and set-off dated 30 October 2006 pursuant to the share sale and purchase agreement dated 12 October 2006 described in paragraph 11.9 above between Woklam and the Partnership pursuant to which Woklam agreed to assign the shares carrying 50 per cent. of the voting rights of the issued share capital of Techagrocom to the Company.

Shareholder agreements

11.13 Assignment and amendment agreement dated 14 September 2006, between IBC, Purtone Ltd. (''Purtone''), Norman Asset Management Ltd. (''NAM'') and the Company, pursuant to which IBC transferred and assigned all its rights and liabilities relating to its shareholding in Inverton to the Company (pursuant to a share sale and purchase agreement dated 22 February 2005 and a shareholders' agreement dated 22 February 2005). NAM and Purtone approved the assignment. The underlying shareholder agreement relates to the land owned by Global 1, Inverton's wholly owned subsidiary. The parties agreed that NAM would be responsible for Inverton's business relating to land acquisition, pre-construction stage, construction stage, the proposed Gazprombank loan, leasing and other aspects including co-ordination of local supports. NAM does not have any voting rights at board level.

11.14 Assignment and amendment agreement dated 14 September 2006, between IBC, NAM and the Company pursuant to which IBC transferred and assigned all its rights and liabilities relating to its shareholding in Mall Project Co. Limited (''Mall'') to the Company (pursuant to a share sale and purchase agreement dated 11 December 2005 and a shareholders' agreement dated 11 December 2005). NAM agreed to the assignment. The underlying shareholders' agreement pertained to the acquisition of IIK. NAM agreed to be broadly responsible for land acquisition, pre-construction stage, construction stage, project finance and leasing. IBC agreed to be broadly responsible for contributing experience and professional support to the project particularly with respect to debt financing, and medium or long-term debt finance. NAM does not have any voting rights in Mall at either board or shareholder level.

11.15 Shareholders agreement dated 12 October 2006 between the Company, Woklam Investments Limited (''Woklam'') and Winta Holdings Limited (''Winta'') in relation to Winta and Techagrocom, the parties having separately agreed to insert I.W.W. Astraestate & Co Limited Partnership (''the Partnership'') as the 100 per cent. owner of Techagrocom. The parties agreed that the business of Winta would be the participation in the Partnership and the performance of all actions to promote the development of the land owned by Techagrocom, including its financing. The Company undertook to meet all costs of the transaction and to indemnify Woklam for 50 per cent. of any losses of Techagrocom or Winta or the Partnership arising as a result of Woklam being a limited partner in the Partnership as opposed to a shareholder in a limited liability company. The board of Winta is to comprise four directors, two of whom are representatives of the Company and two, representatives of Woklam. The parties undertook to contribute their experience and professional support to the business of Techagrocom and, in particular, to procure debt financing for the related real estate project. In the event of an unresolved deadlock at board or shareholder level or failure to procure debt financing, which remains unresolved within 60 days of service of notice regarding such matter, the Company may serve notice on Woklam requiring Woklam to sell its shares to the Company at the price stated in the notice and Woklam has the ability to serve a counter-notice

on the Company to acquire the Company's shares the same terms as established by the Company in its original notice. All profits of Winta shall be used to repay existing loans before being available for distribution.

11.16 Limited partnership agreement dated 12 October 2006 between the Company and Woklam Investments Limited (as limited partners) and Winta Holdings Limited (as general partner) which regulates the relationship between the parties. The limited partners hold 50 per cent. each of the share capital of the general partner. The general partner agreed to be responsible for the management of I.W.W. Astraestate & Co Limited Partnership ("the Partnership") and the parties agreed that the general partner would have the power to exercise all of the powers of the Partnership. The limited partners agreed to contribute their experience and professional support to the Partnership and its Subsidiary, Techagrocom for the development of the real estate project. If there is a deadlock situation pursuant to the shareholders' agreement described in paragraph 11.15 above, which results in a sole shareholder of the general partner, the other party agreed to withdraw from the Partnership and to receive compensation of US$1. After the repayment of any loans, the general partner agreed that it would not be entitled to receive any distribution on the declaration of any dividend by the Partnership.

Conditional sale and purchase agreements

11.17 Framework agreement dated 10 November 2006 between the Company, Yakovlev Sergey Viktorovich ("Mr Yakovlev"), Whitebourne Limited ("Whitebourne") and Gasconade Holding Limited ("Gasconade") (as amended) pursuant to which Mr Yakovlev, in consideration of a non refundable option payment of US$1.6 million (paid by Felixtowe as referred to in the agreement described in paragraph 12.7 below), undertook the following:

- to procure and guarantee the entry into of a share sale and purchase agreement between Whitebourne and the Company for the acquisition by the Company of the entire issued share capital of Gasconade for US$13 million (including the US$1.6 million paid on account of the option). The agreement requires the parties to use their best efforts to enter into the share sale and purchase agreement by 15 December 2006 and provides that closing shall be conditional on confirmation of registration of Gasconade's 58 per cent. interest in RealService and satisfaction of all other conditions precedent. The Company expects to file for approval of the acquisition with the Russian anti-monopoly authorities. Mr Yakovlev warranted that at the date of purchase, Gasconade would own 58 per cent. of the issued share capital in RealService which owns a leasehold interest in real estate in Dmitrovskoye Shosse, Moscow. The Directors expect this sale and purchase agreement to be entered into on or before 15 December 2006 and to be completed during January 2007; and

- to procure and guarantee the entry into of a second share sale and purchase agreement for the acquisition by the Company of the remaining 42 per cent. of the entire issued share capital of RealService in consideration of US$9 million payable in two instalments. The first instalment of US$4.5 million for 21 per cent. of the share capital, shall be due on the earlier of the date of registration of new lease arrangements in respect of Dmitrovskoye Shosse and obtaining the necessary permissions for use of the property as anticipated by the Company and the entry into an investment contract. The second instalment shall be due on the receipt of the necessary construction permits from the City of Moscow authorities in respect of the proposed development of the Skyscraper. The purchase price shall decrease by US$4.5 million if Mr Yakovlev's covenants for the procurement of the permits are not obtained within a timely manner. If the first instalment pre-conditions are not met, the purchase price for the 42 per cent. interest will decrease to US$1.

The framework agreement provides that two share sale and purchase agreements shall contain the level of warranties and representations customary for transactions of this nature. Mr Yakovlev agreed to guarantee the obligations and liabilities of the sellers of the interests for a period of five years from the date of completion of purchase.

The parties also agreed that they would negotiate and enter into a service agreement between RealService and a Russian entity (or entities) nominated by Mr Yakovlev (the "Service Provider") pursuant to which the Service Provider would assist RealService in connection with obtaining a land lease and all permits necessary for the Company's anticipated external parking project on land adjacent to the land on which the Skyscraper will be constructed, the construction of the related parking complex, 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$1.28 million plus VAT, payable in instalments, 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 are not, in any circumstances, to exceed US$1.5 million, including VAT.

Consultancy and management agreements

11.18 Consultancy services agreement dated 1 August 2005 between Global 1 and Norman Project LLC ("NAM") (acting as consultant) pursuant to which NAM undertook to provide consulting services to Global 1 in relation to the land plot near Kalinina Street in the Yaroslavl region in consideration of the Rouble equivalent of US$687,788 (excluding VAT). The agreement expires on the performance in full by the parties of their obligations under the agreement.

11.19 Management agreement dated 10 February 2006 (to be read together with the shareholders agreement described above in paragraph 11.14) between IIK and NAM. NAM agreed to assume the authority of the sole executive body of IIK in relation to the management of the Company's project in Saratov (subject to the Company's ability to remove NAM). IIK agreed to pay NAM US$200,000 (excluding VAT), payable in eight instalments by 1 October 2007. NAM will continue to perform its functions under the agreement after full payment of the consideration until 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 serving prior written notice to the other party.

11.20 Consultancy service agreement dated 16 March 2006 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.

11.21 Management agreement dated 31 August 2006 between Global 1 and NAM (to be read together with the shareholders agreement described above in paragraph 11.13). Under the agreement, Global 1 transferred all powers of its sole executive body to NAM so that NAM may exercise control over all of its operations (subject to the Company's ability to remove NAM). NAM is entitled to receive a management fee of US$20,000 (excluding VAT), payable in eight equal monthly instalments from 1 September 2006 to 1 April 2007. The agreement concludes on 31 August 2009 but may be terminated earlier by mutual agreement. The agreement will automatically terminate where the consultancy services agreement described in paragraph 11.18 above is terminated early.

Banking facilities

11.22 Loan agreement dated 16 February 2006 between the Company's Subsidiary, Global 1 and Gazprombank for the provision by Gazprombank of a credit line of up to US$43.0 million to 16 February 2011 at an annual interest rate of 12 per cent. The Group is using the principal to finance phase one of the commercial centre in Yaroslavl. The loan is secured over the property in Yaroslavl, owned by Global 1 pursuant to a mortgage in favour of the lender. Subsequent charges over the land are not permitted. Other transactions relating to the land, including sale, contribution to a charter capital and leasing are permitted upon preliminary written consent of the lender. The mortgage will be discharged on full repayment by Global 1 under its covenants out of the Gazprombank loan agreement.

11.23 Facility agreement dated 28 September 2006 between the Company and Israel Discount Bank Limited ("Discount Bank"), and supplemented by a further agreement dated 20 November 2006, pursuant to which Discount Bank granted the Company facilities of US$20 million and US$8.4 million, repayable on demand and, at the latest, on 30 September 2009 and 20 November 2009, respectively. The loans bear interest at the rate of LIBOR plus 1.2 per cent. per annum. These loans are guaranteed by IBC (see paragraph 12.11 below).

11.24 Facility agreement dated 11 October 2006 between the Company and Bank Hapoalim (London Branch) (acting as lender), and supplemented by a further agreement dated 21 November 2006, pursuant to which the lender granted the Company facilities of US$20 million and US$8.4 million, repayable on demand and, at the latest, on 20 October 2009 and 31 October 2009, respectively. The loans bear interest at 1.1 per cent. above the prevailing rate in the London Interbank Market at any relevant period. The Company must provide the lender with such security as the lender may require in its sole discretion from time to time. These loans are guaranteed by JEC (see paragraph 12.12 below).

11.25 Facility agreement dated 13 October 2006 between the Company and Bank Leumi (UK) plc (''Bank Leumi''), and supplemented by a further agreement dated 22 November 2006, pursuant to which Bank Leumi granted the Company facilities of US$10 million and US$4.2 million, repayable on demand and, to be reviewed in September 2007 and November 2009, respectively. The loans bear interest at the rate of three months LIBOR plus 1.25 per cent. per annum. These loans are guaranteed by Darban (see paragraph 12.13 below).

Admission associated agreements

11.26 Letter dated 9 May 2006 between the Company and RP Capital Partners Cayman Islands Limited (''RP Capital'') and Itzhak Swary Ltd. for the provision by RP Capital and Itzhak Swary Ltd. of consulting services to the Company in relation to the structuring of the Placing and providing general advice in relation to the Admission and fundraising process. In consideration for these services, the Company will pay to the consultants an aggregate fee equal to one per cent. of the gross proceeds of the Placing.

11.27 Informal agreement dated on or around 1 August 2006 with Magna Capital for the provision to the Company of consultancy services relating to the Company's business model and Placing and Admission for an incentive fee of US$350,000 payable on the successful closing of the Placing.

11.28 Engagement letter dated 31 October 2006 between the Company and Cushman & Wakefield appointing Cushman & Wakefield as the independent property valuer to determine and report on the market value of the Portfolio. Pursuant to this letter, the Company agreed to indemnify Cushman & Wakefield from any direct losses, damages or costs in excess of £50,000,000 which Cushman & Wakefield may suffer or incur from any third party relating to or arising directly out of the provision of the Valuation Report, save to the extent such loss or liability arises as a result of Cushman & Wakefield's fraud or wilful misconduct.

11.29 Letter dated 20 November 2006 with Professor Omri Yadlin for the provision of legal consultancy services in relation to the Placing and Admission in consideration for a fee of US$30,000.

11.30 Directors and officers insurance dated to commence with effect from 21 November 2006 with AIG Europe (UK) Limited and Liberty and Zurich. The policies also cover claims arising out of the Placing. The premiums payable in respect of the Placing insurance amount to US$350,000.

11.31 The Placing Agreement, details of which are set out in paragraph 10 of this Part X above.

11.32 Nominated adviser and broker agreement dated 13 December 2006 between the Company, the Directors and Credit Suisse, pursuant to which the Company agreed (conditional on Admission), among other things, to appoint Credit Suisse as nominated adviser and broker in relation to the application for Admission, to comply with its legal obligations and those imposed on it by AIM, to consult on and discuss with Credit Suisse all of its announcements and statements and to provide Credit Suisse with any information which Credit Suisse believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser.

12. Related party transactions

The transactions described in this paragraph 12 are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Company during the period commencing on 10 November 2004 and up to the date of this document with a Related Party. Each of the transactions was concluded at arm's length.

12.1 The indemnity granted to each of the Directors pursuant to the Articles, as summarised in paragraph 5 of this Part X.

Home Centers

The following transactions are related party transactions because Home Centers is wholly owned by the Fishman Group.

Retail lease

12.2 Preliminarily lease agreement dated 18 July 2006 between Global 1 and Home Centers pursuant to which the parties agreed to, within 18 months of the agreement, enter into a lease agreement (''Lease'') for premises in a shopping centre of a total area of 6,440 square metres to be operated by Home Centers. The term of the Lease will be 15 years with the option to terminate at year 10 on 12 months' notice to Global 1

and with a penalty payment equivalent to the 14th and 15th years' rents. The Lease will have two consecutive optional extension periods of five years. The minimum basic annual rents payable monthly in advance will be, for first year, US$120 per square metre of gross lettable area, for the second year US$125 per square metre of gross lettable area, and, for the third year, US$130 per square metre of gross lettable area. Thereafter, the annual rent for the fourth year shall, on an annual basis, be increased in line with the rate of inflation in the US Consumer Price Index. Home Centers will also pay Global 1 additional rent equal to the positive difference, if any, between 4.5 per cent. of the net turnover of Home Centres' business in the premises and the minimum basic annual rent each year of the term of the Lease.

Office/warehouse leases

12.3 Immovable property lease agreement dated 30 August 2006 between Hydro and Home Centers in respect of premises at Moscow, 2nd Khutorskaya, 38A, bld.9, for 199.5 square metres. The lease is valid from 1 October 2006 until 31 August 2007. The rent is US$5,469.60 per month until 15 December 2006 and US$6,016.59 per month starting from 16 December 2006 until 31 August 2007.

12.4 Immovable property lease agreement dated 28 March 2006 between Hydro and Home Centers in respect of premises in Moscow, at 2nd Khutorskaya, 38A, bld.9, for 150.3 square metres. The lease is valid until 28 February 2007 and the rent is US$49,445 per year.

12.5 Immovable property lease agreement dated 24 July 2006 between MAG and Home Centers in respect of premises in Moscow, at 2nd Khutorskaya, 38A, bld.23, for 311 square metres. The lease is valid until 31 December 2006 and the rent is US$6,479 per month.

Founder Shareholders

Share sale and purchase agreements

12.6 Share sale and purchase agreement dated 1 April 2006 between the Founder Shareholders and the Company pursuant to which IBC and Darban purchased shares in the Company so that, following such issue, IBC would own 40 per cent, JEC would own 40 per cent and Darban would own 20 per cent of the Company. In consideration for the shares in the Company, based on a valuation of the assets of Hydro and MAG held by the Company, IBC paid the Company US$822,000 and Darban paid the Company US$2,869,000 and IBC contributed certain of its assets to achieve the above contributions (as set out below). The parties also contributed further shareholder loans to ensure that each party provided its pro-rata share of the aggregate shareholder loans provided by IBC and JEC to the Company. These are summarised below and have since been repaid or capitalised. The following assets were transferred from IBC to the Company:

- the entire issued share capital of the entity owning the real estate in St. Petersburg;
- the entire issued share capital of CreativeCom;
- 49 per cent. of the entire issued share capital of Inverton, the parent of Global 1; and
- 90 per cent. of the entire issued share capital of Mall, the parent of IIK.

Each party to the sale and purchase agreement gave standard representations and warranties for the nature of the transaction.

12.7 Share sale and purchase agreement dated 13 September 2006, between IBC, Hechevra Lepituach Hamlacha Ltd. (together "the sellers") and the Company, pursuant to which the Company acquired the entire issued share capital of Felixtowe Holdings Ltd. for US$1.61 million in cash (being the sum paid in relation to the Skyscraper project detailed in paragraph 11.17 above). The sellers provided the standard representations and warranties for the nature of the transaction.

12.8 Share sale and purchase agreement dated 13 September 2006, between IBC, Hechevra Lepituach Hamlacha Ltd. (together "the sellers") and the Company, pursuant to which the Company acquired the entire issued share capital of Dunchoille Holdings Ltd. for US$10,000. The sellers provided the standard representations and warranties for the nature of the transaction.

12.9 An agreement effected on or around 20 November 2006 pursuant to which Romi-1 LLC was disposed of for nil consideration on an asset-free, debt-free basis to Frodhorn Investments Ltd., a company controlled by the Fishman Group. On the disposal, the mortgage held by Romi-1 LLC over the land in St. Petersbourg was released and is in the process of being removed from the registry.

Loans and guarantees

12.10 Various arrangements pursuant to which JEC, IBC and Darban provided intra-group on demand loans of US$128.2 million to the Group, all of which have been repaid or capitalised as share premium as at the date of Admission.

12.11 Guarantees dated 27 September 2006 and 3 December 2006 given by IBC in favour of Israel Discount Bank Limited (''Discount Bank'') for up to US$20 million and US$8.4 million respectively for the full payment of all sums owed by the Company to Discount Bank pursuant to the facility agreements detailed at paragraph 11.23 above. IBC deposited US$18.3 million with Discount Bank. The term of the guarantees is contemporaneous with that of the facility agreements.

12.12 Guarantees dated 3 October 2006 and 20 November 2006 given by JEC in favour of Bank Hapoalim for up to US$20 million and US$8.4 million respectively for the full payment of all sums owed by the Company to Bank Hapoalim pursuant to the facility agreements detailed at paragraph 11.24 above. The term of the guarantees is contemporaneous with that of the facility agreements.

12.13 Guarantees dated 22 October 2006 and 30 November 2006 given by Darban in favour of Bank Leumi for up to US$10 million and US$4.2 million respectively for the full payment of all sums owed by the Company to Bank Leumi pursuant to the facility agreements detailed at paragraph 11.25 above. The term of the guarantees is contemporaneous with that of the facility agreements.

12.14 Letter of guarantee dated 27 October 2006 from Bailwick Investments Limited (''Bailwick'') in favour of Global 1 pursuant to which Bailwick guarantees the liabilities of its subsidiary, Home Centers, under the preliminary lease agreement as summarised in paragraph 12.2 above. The guarantee will expire two months after the termination or expiry of the lease agreement entered into by Home Centers and Global 1 pursuant to the preliminary lease agreement.

12.15 Deed of assignment of obligation and novation dated 12 October 2005 between IBC, Fosbourne Properties Ltd., the Company and Woklam Investments Limited as described in paragraph 11.10 above.

Other

12.16 Capitalisation and subscription represented by written shareholder resolutions of the Company signed by all of the Founder Shareholders dated 19 November 2006 pursuant to which the Founder Shareholders agreed to capitalise in full the outstanding amounts of shareholder loans owed by the Company of US$62 million against the share premium account of the Company.

12.17 The Company uses, from time to time, and in accordance with the Group's needs, the flight services provided by an airplane indirectly held by the Fishman Group. Following Admission, the terms of usage will be reviewed by the audit committee to ensure that they are on an arm's length basis. In addition, the audit committee will approve any usage which exceeds 150 flight hours or 50 days of travel per year.

12.18 Lease agreement dated 10 December 2006 between Ackerstein Towers, a company within IBC's group, and the Company's wholly owned Subsidiary IRS IsraRussia Services Ltd., for the provision of offices of approximately 280 square metres at a monthly rental rate of US$16 per square metre and 3 parking spaces at a monthly rental rate of US$110 each. The lease is for an initial term of five years.

12.19 The Relationship Agreement dated 13 December 2006 between the Company and the Founder Shareholders, pursuant to which the Founder Shareholders undertook (conditional on Admission) that, for so long as they collectively retain a Controlling Interest, they will not exercise their voting powers so as to derogate from the independence of the Board, and the Company and the Founder Shareholders will ensure that any transactions entered into by the Founder Shareholders with the Company are conducted at arm's length and on a normal commercial basis. The Founder Shareholders also individually undertook not to compete in the real estate market in Russia for the longer of seven years from 9 August 2006 and the date on which such Founder Shareholder owns less than five per cent. of the then issued share capital of the Company. The agreement provides that this covenant would not prevent any of the Founder Shareholders from pursuing any business opportunity in Russian real estate in circumstances where such opportunity is presented to the Board and each of the independent directors vote not to proceed with such opportunity. The agreement terminates (a) upon the Ordinary Shares ceasing to be traded on AIM or any other securities market and upon, save with respect to the non-compete covenant referred to above, (b) in respect of a Founder Shareholder, upon that Founder Shareholder ceasing to be under the control of the same persons who control the other Founding Shareholders and such Founding Shareholder ceasing to control 30 per cent. or more of the voting rights in the Company, and (c) in respect of all the Founder Shareholders, upon them collectively ceasing to control (together with their related parties) 30 per cent. or more of the voting rights in the Company.

The total revenue to the Company from these contracts during FP 2005 amounted to US$nil in aggregate.

13. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

14. CREST, Depositary Interests and the Deed Poll

CREST and Depositary Interests

14.1 The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form, rather than paper form, although a shareholder can continue dealings in the shares of the Company based on registered shares.

14.2 The Ordinary Shares are in registered form. It is proposed however, that, with effect from Admission, Ordinary Shares may be delivered, held and settled in dematerialised form through CREST. Pursuant to a method approved by CRESTCo under which transactions in foreign securities may be settled through CREST, the depositary appointed as such by the Registrars ("Depositary") will issue DIs representing entitlements to the Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. The Depositary will hold the Ordinary Shares on trust for the holder of DIs and this trust relationship is documented in a deed poll executed by the Depositary ("Deed Poll"). The registrar agreement under which the Company has appointed the Registrars to provide the Depositary Interest services is summarised in paragraph 14.15 below.

14.3 The DIs will be created pursuant to and issued on the terms of the Deed Poll. Prospective holders of DIs should note that they will have no rights in respect of the underlying Ordinary Shares or the DIs representing them against CRESTCo or its subsidiaries. Ordinary Shares will be transferred to an account for the Depositary to their nominated custodian ("Custodian") and the Depositary will pass onto the holders of DIs any cash or other benefits received by it as holder of Ordinary Shares. Holders of DIs will also receive notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its Shareholders and received by the Registrars, acting as Depositary.

14.4 The DIs will have the same International Security Number ("ISIN") as the underlying Ordinary Shares and will not require a separate application for Admission. Participation in CREST is voluntary and Shareholders who wish to hold their Shares in registered form may do so. They will not, however, be able to settle their Ordinary Shares through CREST and will have their holding recorded on the Company's share register in Cyprus.

14.5 Application has been made by the Registrars for the DIs, representing the Ordinary Shares to be admitted to CREST on Admission.

Depositary Interests — Terms of the Deed Poll

14.6 Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of Berwin Leighton Paisner LLP as set out in paragraph 20 of this Part X. The Deed Poll contains, among other things, provisions summarised below which are binding on all holders of DIs.

14.7 The Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.

14.8 Holders of DIs warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's articles of association or any relevant contractual obligation, law or regulation.

14.9 The Depositary (or its Custodian) must pass onto holders of DIs and exercise on behalf of holders of DIs all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received, together with any amendments and additional

documentation necessary to effect such passing-on or, as the case may be, exercised in accordance with the Deed Poll.

14.10 The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary is not liable to any holder of DIs or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence, wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use of such Custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of (a) the value of the Ordinary Shares and other deposited property properly attributable to the DIs to which the liability relates and (b) that proportion of £5 million which corresponds to the portion of the amount that the Depositary would otherwise be liable to pay to the holder of DIs in respect of the same act, omission or event or, if there are no such amounts, £5 million.

14.11 The Depositary is entitled to charge holders of DIs fees and expenses for the provision of its services under the Deed Poll. The Depositary is not liable for taxes, duties, charges, costs or expenses which may become payable in respect of the Ordinary Shares or other deposited property or the DIs.

14.12 Each holder of DIs is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary or Custodian, or if the Depositary has failed to exercise reasonable care in the appointment and continued use of such Custodian or agent and in certain other circumstances.

14.13 The Depositary may terminate the Deed Poll by giving not less then 30 days' prior notice to the holders of DIs. During such period, holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant holder of DIs or, at its discretion, sell all or part of such deposited property and request the removal of the DIs from CREST. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to it, together with any other cash held by it under the Deed Poll, pro rata to holders of DIs in respect of their DIs.

14.14 The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are owned or held and the identity of any other person with any interest of any kind in such DIs or the underlying Shares and the holders are bound to provide such information requested. In addition, if and to the extent that, among other things, the Company's articles of association require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in, the Company's securities, the holders of DIs must comply with such provisions and with the Company's instructions with respect to them.

Registrar agreement

14.15 The terms of the registrar agreement dated 6 November 2006 between the Company and CLR Securities & Financial Services Ltd. (''CLR'') under which the Company appoints CLR to maintain the Company's primary share register in Cyprus and provide certain other services are summarised below. CLR will perform various services in their capacity as registrars, including maintenance of the register in Cyprus; maintenance of dividend instruction records; certification and registration of share transfers; preparation and despatch of dividend warrants; supplying to the Company, as soon as reasonably practicable, all necessary information so that the register is open for inspection at the registered office of the Company; and arranging for the provision of facilities for the holding of general meetings including the distribution of ballot papers in the event of a poll, and the provision of scrutineers of any vote, if required. The agreement can be terminated by either party on the giving to the other of six months' prior written notice or at any time if either party commits a material breach of its obligations. CLR are not liable to the Company for any loss sustained by the Company for whatever reason provided that CLR remain liable for any loss arising as a result of fraud, negligence or wilful default by them.

DI agreement

14.16 The terms of the DI agreement dated 27 November 2006 between the Company and the Registrars under which the Company appoints the Registrars to maintain the Company's DI register and provide certain

other services are summarised below. The Registrars will perform various services in their capacity as registrars, including maintenance of the DI register; maintenance of dividend instruction records; certification and registration of share transfers; preparation and despatch of dividend warrants; supplying to the Company, as soon as reasonably practicable, all necessary information; and arranging for the provision of facilities for the holding of general meetings including the distribution of ballot papers in the event of a poll, and the provision of scrutineers of any vote, if required. The agreement can be terminated by either party on the giving to the other of six months' prior written notice or at any time if either party commits a material breach of its obligations. The Registrars are not liable to the Company for any loss sustained by the Company for whatever reason provided that the Registrars remain liable for any loss arising as a result of fraud, negligence or wilful default by them.

15. Working capital

The Directors and the Company are of the opinion, having made due and careful enquiry, that the working capital of the Company, taking into account the proceeds of the Placing, will be sufficient for its present requirements, that is, for at least 12 months from the date of Admission.

16. Employees

16.1 The following table shows the number of employees of the Company for each of the following period ends:

30 September 2006	31 December 2005
49	69

16.2 As at 31 October 2006, the Company employed a workforce of 49 staff all of whom are located in Russia.

16.3 The arrangements for involving the employees in the share capital of the Company are set out in paragraph 9 of this Part X.

17. Research and development and intellectual property

Save as set out elsewhere in this document, the business of the Company does not depend on any material intellectual property or any research or development.

18. Significant changes

Except as stated in Parts VII and VIII of this document and the entry into of new contracts in the ordinary course of business, there has been no significant change in the financial or trading position of the Company since 30 September 2006, the date to which the last consolidated unaudited accounts of the Company were prepared.

19. General

19.1 The estimated costs and expenses relating to the Placing, assuming no exercise of the Over-allotment Option (including those fees and commissions referred to in paragraph 10 of this Part X) payable by the Company are estimated to amount to approximately US$20,470,000 (excluding VAT). The total net proceeds of the Placing, after settling such costs and expenses, will be US$262,228,760.

19.2 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of Section 240 of the Act. Where required, statutory audited accounts of the Company and its subsidiaries relating to each financial period to which the financial information relates have been delivered to the relevant Cypriot Chamber of Commerce.

19.3 The information as set out in paragraph 2 of Part II — "Information on the Company" has been accurately reproduced and, as far as the Company is aware and has been able to ascertain, no facts have been omitted which render the reproduced information inaccurate or misleading.

19.4 Credit Suisse Securities (Europe) Limited is registered in England and Wales under number 891554 and has its registered office at One Cabot Square, London E14 4QJ. Credit Suisse is regulated by the Financial Services Authority and is acting in the capacity as nominated adviser and broker to the Company, and joint global co-ordinator and bookrunner to the Placing.

19.5 Merrill Lynch International is registered in England and Wales under number 891554 and has its registered office at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. Merrill Lynch

International is regulated by the Financial Services Authority and is acting in the capacity as joint global co-ordinator, bookrunner and stabilisation agent to the Placing.

19.6 Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young Global, chartered accountants, has given and not withdrawn its written consent to the inclusion in this document of its report in Part XI in the form and context in which it is included.

19.7 Cushman & Wakefield, chartered surveyors, Russia, has given and not withdrawn its written consent to the inclusion of the valuation report in Part VI and the references thereto and to their name in the form and context in which they are included in this document. Cushman & Wakefield has no material interest in the Company.

19.8 Save as disclosed in this document, there are no environmental issues that may affect the Company's utilisation of the tangible fixed assets.

19.9 There have been no interruptions to the Company's business in the 12 months preceding the date of this document which may have or have had a significant effect on the Company's financial position.

19.10 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has in relation to the Placing and Admission:

19.10.1 received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or

19.10.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

19.10.2.1 fees totalling £10,000 or more;

19.10.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

19.10.2.3 any other benefit with a value of £10,000 or more at the date of Admission.

19.11 30,000,000 Ordinary Shares are to be allotted and issued pursuant to the Placing and the Company will apply for the Ordinary Shares to be admitted to trading on AIM. The ISIN of the Ordinary Shares and DIs is CY0100141015.

19.12 The Placing Shares, when paid up, will be available in uncertificated form as registered shares or DIs and settled in CREST as DIs. The records in respect of all shares and DIs will be maintained by the Registrars.

19.13 The Placing Shares will rank in full for all dividends and other distributions declared, made or paid after the date of their issue and otherwise equally in all respects with the existing Ordinary Shares. A description of the rights attached to the Ordinary Shares, including transferability, is set out in paragraph 5 of this Part X. The Placing Shares are denominated in US Dollars with the Placing Price in Sterling.

19.14 It is expected that the Placing Shares will be issued on 13 December 2006 and CREST accounts in respect of DIs will be credited on the date of Admission.

19.15 There have been no public takeover bids by third parties in respect of the Company's shares which have occurred during either the last financial year or the current financial year.

19.16 The Placing Price of 478 pence per Placing Share is at a premium of US$9.41 per Placing Share above the nominal value of each Placing Share, based on an exchange rate of US$1.97 to £1.00 as at 12 December 2006.

19.17 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange; nor has any application for admission been made; nor is it intended for there to be any other arrangements for dealings in the Ordinary Shares.

19.18 Save as set out in this document, there are no undertakings in which the Company has a proportion of the capital which are likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

20. Documents available to the public and for inspection

20.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA for at least one month from the date of this document:

20.1.1 the Articles;

20.1.2 the Deed Poll;

21.1.3 the Valuation Report; and

20.1.4 the consolidated audited accounts of MirLand Development Corporation for the financial period 10 November 2004 to 31 December 2005 and the consolidated unaudited accounts for the nine month period ended 30 September 2006 referred to in Part XI of this document.

20.2 Copies of this document will be available to the public free of charge from the offices of each of Credit Suisse, One Cabot Square, London E14 4QJ, United Kingdom and Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of Admission and for one month thereafter.

Dated: 13 December 2006

ERNST & YOUNG ■ Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel ■ Phone: 972-3-6232525
Fax: 972-3-5622555

The Directors
MirLand Development Corporation plc (formerly: Bastwick Investments 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

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

US Dollars in thousands (except earnings per share)	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)*
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

Note:

(*) Date of inception (see note 2(a)).

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

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED BALANCE SHEETS

US Dollars in thousands	Note	30 September 2006 (unaudited)	31 December 2005 (audited)
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.

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total recognised income and expenses	
US Dollars in thousands	Share capital	Capital reserves	Retained earnings (accumulated deficit)	Currency translation reserve	Total	Minority interest	Total equity	Parent	Minority
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.

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED STATEMENTS OF CASHFLOWS

US Dollars in thousands	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)*
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 2(a).

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

MIRLAND DEVELOPMENT CORPORATION PLC

NOTES TO CONSOLIDATED 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.

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''.

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

Note 2: Summary of significant accounting policies (Cont.)

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.

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.

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

Note 2: Summary of significant accounting policies (Cont.)

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.

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.

Note 2: Summary of significant accounting policies (Cont.)

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.

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
- 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

Note 2: Summary of significant accounting policies (Cont.)

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.

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:

US Dollars in thousands	Fair value	Carrying value
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:

US Dollars in thousands	Fair value	Carrying value
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 businesses from companies under common control

On 1 April 2006, the Company, then owned as to 100% 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 businesses 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
CreativeCom LLC	100%	Owns undeveloped land in Perkhushkovo, Moscow, intended for construction of 97 vacation homes (see also Note 24(h))	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

Note:

(*) Jointly controlled entity — see Note 5.

(**) See also Note 24(i).

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 2(f)).

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:

US Dollars in thousands	30 September 2006	31 December 2005
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:

US dollars in thousands	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)
Expenses	—	—	265

NOTE 6: Operating expenses

US Dollars in thousands	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)*
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
Note:			
(1) Including maintenance of managed buildings	221	—	—

NOTE 7: General and administrative expenses

US Dollars in thousands	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)*
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

Note:

(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

US Dollars in thousands	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)*
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:

US Dollars in thousands	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)*
Current taxes	57	—	9
Deferred taxes	2,131	130	359
Charge to statements 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:

US Dollars in thousands	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)*
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.

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.

NOTE 9: Taxation (Cont.)

c. Deferred taxes:

US Dollars in thousands	30 September 2006	31 December 2005
	(unaudited)	*(audited)*
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

Number of shares	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)*
Weighted average number of Ordinary Shares used for computing basic and diluted earnings per share(*)	47,935,801	734,278	4,191,659

Notes:

(*) 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 cashflow analysis.

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

NOTE 11: Investment properties (Cont.)

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 24(g).

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 will own 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 in 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$6,500 thousand. 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$1,500 thousand.

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 26(e).

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 was 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 26(a).

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

US Dollars in thousands	30 September 2006 *(unaudited)*	31 December 2005 *(audited)*
Long-term receivables[1]	2,242	—
Prepayments[2]	2,315	—
	4,557	—

Notes:

(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) Represents 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 24(i)).

NOTE 18: Trade and other receivables

US Dollars in thousands	30 September 2006 *(unaudited)*	31 December 2005 *(audited)*
Trade receivables	298	5
Government authorities	585	193
Other	761	6
	1,644	204

NOTE 19: Share capital

Number of shares	30 September 2006 *(unaudited)*	31 December 2005 *(audited)*
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.

On 10 October 2006, each share of the Company's authorised share capital was subdivided into 100 Ordinary Shares of $0.01 par value each, resulting in a total of 1,777,500 Ordinary Shares. On the same date, the

NOTE 19: Share capital (Cont.)

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 $0.01 par value each.

See Note 26(c) regarding the issue of Ordinary Shares subsequent to the balance sheet date.

Dividend policy

The Company intends to adopt a dividend policy which will reflect the long-term earnings and cashflow 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 cashflow 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 26(f)), 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 Ordinary Shares.

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

NOTE 20: Related parties

a. Transactions with related parties:

US Dollars in thousands	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)*
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 capitalised	3,626	123	936

b. Balances with related parties:

1. Loans from related parties:

US Dollars in thousands	30 September 2006	31 December 2005
	(unaudited)	*(audited)*
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 26(b) and (c).

NOTE 20: Related parties (Cont.)

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

US Dollars in thousands	30 September 2006 *(unaudited)*	31 December 2005 *(audited)*
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

	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

According to the management services agreement between MAG and Hydro (''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 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:

Certain 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:

	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 Company LLC ("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 Perkhushkovo, Moscow plus, depending on the sales 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 thousand 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$2,300 thousand and is obligated to pay approximately US$2,480 thousand. 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$6,300 thousand.

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 lessors 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.

NOTE 25: Financial instruments (Cont.)

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 the 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 the rate 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 $62,192 thousand to equity (capital reserves) in consideration for the issue of 5 Ordinary Shares.

d. As for changes 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:

- 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.
- 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$4,500 thousand.

f. On 27 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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