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27 May 2008

AFI DEVELOPMENT PLC
RESULTS FOR THE THREE MONTHS TO 31 MARCH 2008
Net Profit Doubles to US$68.8 million

AFI Development PLC ("AFI Development"/ "the Company"), a leading real estate company focused on developing property in Russia and the CIS, has today announced their financial results for the First Quarter ended 31 March 2008.

Q1 2008 Financial Highlights:

- Profit before tax was US$69.7 million; a 60% increase compared to US$43.6 million for Q1 2007.
- Net profit more than doubled from US$33.3 million in the Q1 2007 to US$68.8 million in Q1 2008.
- Revenues also significantly increased, to US$5.2 million Q1 2008 compared to US$ 0.7 million for Q1 2007.

Q1 2008 Operational Highlights:

- Successful sale of Aquamarine II for US$207 million, implying an exit yield of 6.8% and resulting in a capital gain of US$35 million under IFRS rules. We had previously announced that this gain would be recognized in the second quarter 2008 as a gain on disposal. Our auditors, however, established that this gain will be recognized in the consolidated income statement for the first quarter 2008 as a "valuation gain on investment property" in line with IFRS rules.
- Progress on leasing activity and rental rates for Tverskaya Zastava Square and Moscow City developments with continuing buoyant market outlook for the year.
- Acquisition of four hotel properties in Caucasian Mineral Springs Area in the Stavropol region for US$70 million, as part of a consolidation of Russian property assets in AFI Development by our parent company, Africa Israel.
- Acquisition of a 20% stake in the Perm project from Danya Cebus International Holdings, a subsidiary of Africa Israel parent Limited, valued at US$11.1 million.
- Following a strategic review, AFI Development has entered the Ukraine market through the acquisition of AFI Ukraine Limited for US$30 million. Management believes that significant opportunities exist within this dynamic and fast growing market.

Commenting on today's announcement, Alexander Khaldey, Chief Executive stated:

"We are very pleased with the progress we have made in the first quarter of 2008. In line with our stated objectives, and despite more challenging conditions in the global financial and real estate markets, we continue to deliver on our strategy of developing large-scale, multi-phase, mixed use projects"

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Chairman's & Chief Executive's Statement

We are pleased to report that in the first quarter of 2008 we continued to build on the successes and momentum gained throughout 2007. In particular, net profit more than doubled to US$68.8 million in the first quarter of 2008 compared to US$33.3 million in the corresponding quarter of 2007 reflecting a net gain of US$35 million from the sale of Aquamarine II, a nine-storey Class A office building in Moscow.

In line with our strategy of exiting completed projects where appropriate, we recently announced the sale of Aquamarine II. This forms part of Phase II of the Company's Ozerkovskaya Embankment Project in the Central Administrative District of the City of Moscow and comprises 16,372 sq. m. of built up facilities (12,678.5 sq. m. of lettable area). The sale price of US$207 million implied an exit yield of 6.8% and resulted in a net gain of US$35 million under IFRS accounting standards for the AFI Development group. We had previously announced that this gain would be recognized in the second quarter 2008 as a gain on disposal. Our auditors, however, established that this gain will be recognized in the consolidated income statement for the first quarter 2008 as a "valuation gain on investment property" in line with IFRS rules.

Revenues also increased significantly with the first quarter of 2008 seeing revenues of US$5.2 million compared to US$0.7 million in the first quarter of 2007. This increase in revenues is attributable to completion of a growing number of our development projects according to plan and their entry into the yielding phase, being accompanied with successful letting activities. We expect to see this trend continue going forward as more of our development projects reach completion.

We have also made a number of important acquisitions in the Caucasian Mineral Springs and Perm regions of Russia as well as in Ukraine which has resulted in the consolidation of all of Africa Israel Group's interests in these regions under AFI Development.

Despite the more challenging conditions in the global financial and real estate markets, Management believes that AFI Development remains in an excellent position to deliver on its strategy of developing large-scale, multi-phase, mixed use projects in Russia and Ukraine, where the real estate fundamentals are expected to remain strong in the short and medium term.

Results:

Our financial performance for the first quarter to 31 March 2008 is headlined by a more than doubling of net profit from US$33.3 million in the first quarter of 2007 to US$68.8 million in the first quarter of 2008. This largely reflects the sale of Aquamarine II which resulted in capital gain of US$35 million.

Revenues also significantly increased to US$5.2 million in the first quarter of 2008 compared to US$0.7 million for the first quarter of 2007. This has been almost entirely driven by a particularly strong rise in rental income from the completion of some of our development projects of high-yielding prime office space and their conversion into yielding properties.

Cash and cash equivalents for the 1st quarter 2008 rose by 180% to US$702 million compared to US$251 million in the 1st quarter 2007, reflecting mainly the results of our successful US$1.4 billion capital raising in May 2007. With over US$700 million of cash and cash equivalents on hand supplemented with the expected inflow of additional sale proceeds from the sale of Aquamarine II we remain in a strong position to continue our development portfolio.

Profit before tax increased 60% to US$69.7 million in the first quarter of 2008 compared to US$43.6 million in the first quarter of 2007.

Strategic update:

In line with our stated objectives at the time of the IPO in May 2007, AFI Development continues to deliver on its strategy of developing large-scale, multi-phase, mixed use projects. The Company's experienced management team is committed to investing only in locations with strong market fundamentals, which are supported by socio-economic and demographic trends.

We have seen encouraging progress in terms of both leasing activity and the achievement of market leading rental rates for shopping centers and office space at our Tverskaya Zastava Square and Moscow City developments during the quarter and we expect to see this continuing during the rest of the year. Similarly residential pre-sales at our Four Winds residential building, also part of the Tverskaya Zastava Square development, have been strong during the quarter and we expect this to continue as the building nears completion in the second half of this year.

In accordance with the Company's strategy of existing completed projects, where appropriate, on attractive terms, we have also recently announced post-quarter close, the sale of Aquamarine II, a nine-storey Class A office building in Moscow for US$207 million at an implied exit yield of 6.8%.

In terms of strategic acquisitions, AFI Development has purchased four properties located in the Caucasian Mineral Springs Area in the Stavropol region from Africa Israel Hotels Ltd., a subsidiary of Africa-Israel Investments Ltd, our parent company, ("Africa-Israel"), for US$70 million; three of the properties are located in Kislovodsk with the remaining property located in Zheleznovodsk. We have also acquired a 20% equity stake in the Perm project from Danya Cebus International Holdings, a subsidiary of Africa Israel. Together these acquisitions strategically consolidate all of Africa Israel's property assets in Russia under AFI Development.

Following careful consideration, the Board of AFI Development has decided that there are significant opportunities available to expand the Company's operations in the CIS, particularly in Ukraine. Due to the similarities between the Russian and Ukrainian real estate sectors, Management believes that further value can be achieved by increasing the Company's presence in these dynamic and fast growing markets.

Further details are set out in the portfolio update below.

Portfolio update:

AFI Development has made a number of important acquisitions to strengthen and consolidate its portfolio during the first quarter and has made a significant disposal post-quarter end:

Sale of Aquamarine II

Subsequent to the close of the first quarter 2008, AFI Development sold the Aquamarine II office building for US$207 million. This forms part of Phase II of the Company's Ozerkovskaya Embankment Project in the Central Administrative District of the City of Moscow and comprises 16,372 sq. m. of built up facilities (12,678.5 sq. m. of lettable area). The sale resulted in a capital gain of US$35 million under IFRS accounting standards on the Company's Consolidated Income Statement for the first quarter 2008. This follows a revaluation gain of US$49 million from the Company's 50% stake in Aquamarine II, which was recognized in the Company's 2007 year end results.

AFI Development has entered into a sale and purchase agreement with a local non-related third party buyer. The building is fully let to a single tenant while the overall rental revenue under the existing lease agreement is US$14 million per annum. AFI Development's interest in Aquamarine II is 50%. The remaining 50% stake in Aquamarine II, which is also being sold to the same buyer, belongs to a non-related third party, who is the Company's 50% partner in Phases II and III of the Ozerkovskaya Embankment Project, excluding the element of the Ozerkovskaya Embankment Project comprising the hotel development.

The Ozerkovskaya Embankment Project began in 2006. This sale represents the second major disposal for AFI Development, following the successful sale of Aquamarine I for US$54.2 million in 2005 with a capital gain of US$32 million and is in line with the Company's strategy of exiting completed projects on attractive terms.

Encouraging Leasing Progress

We have continued to see strong interest in leasing activities and continued strong rental rates at our Tverskaya Zastava Square and Moscow City developments during the first quarter of 2008. Within the Tverskaya Zastava Square development, which offers over 450,000 sqm of gross leasable/sellable area across seven mixed-use commercial and residential developments, marketing to anchor tenants has begun at the Tverskaya Mall where we are achieving market leading rates of on average US$1,700 per sqm. Also, within the Tverskaya Zastaya Square development, the Four Winds office building is now fully let to AAA tenants at an average of US$1,700 per sqm.

We have also seen good progress in signing anchor tenants for the Mall of Russia, part of the Moscow City Central Core development comprising over 130,000 sqm of retail and leisure space, a 6,000 seat concert hall and a hotel in one of the largest squares in Moscow. We have been targeting an average rental rate of US$1,834 per sqm at the Mall of Russia.

We expect to see these strong trends in leasing activity and the achievement of market leading rental rates continuing in 2008 for both of these developments.

Caucasian Mineral Springs Area Acquisitions

AFI Development has consolidated all of Africa Israel's property assets in Russia through the acquisition of four of its properties located in the Caucasian Mineral Springs Area in the Stavropol region for US$70 million.

Pursuant to the Jones Lang LaSalle LLC ("JLL") evaluation as of 1 March 2008, the aggregate value ascribed to these properties, as detailed below, is US$72.1 million currently and US$223 million upon completion:

- **Plaza Spa Hotel, *Kislovodsk* –**
    - An operating 4 star spa hotel;
    - 50% of the beneficial ownership;
    - Total capacity of 274 rooms;
    - Total build area 25,362 sqm;
    - Estimated operational income for 2008 is expected to be US$9 million;
    - JLL evaluation of 1 March 2008 (100 percent interest) – US$60 million.
- **Park Plaza, *Kislovodsk* –**
    - Development of 3 star hotel with spa and health treatment facilities and additional recreational zones;
    - 100% of the beneficial ownership;
    - Total build area of 40,000 sqm or 500 rooms;
    - Total development cost is expected to be U$65.2 million;
    - Completion expected during 2010;
    - JLL evaluation of 1 March 2008 – US$19.3 million and US$ 95 million at completion.
- **Versailles, *Kislovodsk* –**
    - Renovation of a historic building and construction of a new facility expected to include a boutique hotel with a total capacity of 53 suites;
    - 100% of the beneficial ownership;
    - Total build area of 11,000 sqm;
    - Total development cost is expected to be US$25.5 million;
    - Development completion expected during the first half of 2009;
    - JLL evaluation of 1 March 2008 – US$11.9 million and US$39 million at completion.

- **Kalinina, *Zheleznovodsk* –**
    - Conversion of an existing building into a modern 3 star spa hotel;
    - 100% of beneficial ownership;
    - Total build area of 11,500 sqm with capacity of 175 rooms;
    - Total development cost is expected to be US$18 million;
    - Completion expected during the first half of 2009;
    - JLL evaluation of 1 March 2008 – US$10.9 million and US$29 million at completion.

Perm Region

In March 2008, we concluded an understanding to enter into an agreement with Danya Cebus International Ltd, a subsidiary of Africa Israel, for the purchase of its 20% share in the Company's Perm project. The project is jointly held with a local unrelated partner (50%). Under the sale and purchase agreement, the Company will purchase a 40% share in the Cypriot entity which in turn holds a 50% stake in the project. As a result, the Company will own 100% of the Cypriot entity which holds 50% of the project. The parties have agreed to a purchase price of US$11.1 million which is based on the JLL valuation as at 31 December 2007 which includes the portion of Danya Cebus's shareholder's loan. The purchase price remains subject to the actual US Dollar to Russian Rouble exchange rate at the date of closing. The transaction is conditional upon receiving the approval of a qualified majority at a General Shareholders' Meeting of Danya Cebus Ltd.

Ukraine

Following careful consideration, the Board of AFI Development has decided that there are significant opportunities available to expand the Company's operations in the CIS, particularly in Ukraine. Due to the similarities between the Russian and Ukrainian real estate sectors, Management believes that further value can be achieved by increasing the Company's presence in these dynamic and fast growing markets.

Consequently, AFI Development agreed to acquire AFI Ukraine Limited, representing all of the Africa Israel's development activities in Ukraine, for US$30 million. The transaction was completed on 1 May 2008. All future Africa Israel and Nirro development activities in Ukraine will be performed by AFI Development.

AFI Ukraine's activities include the Borispol City project, the acquisition of which is expected to be completed during the first half of 2008. The Borispol City project is located in the vicinity of Kiev international airport in Borispol, and comprises several land plots with an aggregate area of 426 hectares, of which AFI Ukraine has to date acquired 121 hectares. Our beneficial share in the land plots range from 60% to 92.5%. The Company is considering the development of several large, phased mixed-use developments at this location, expected to include a shopping mall, a residential complex, parking spaces and offices.

Market Overview:

Russia's continued political and economic stability has enabled the international community to grow more comfortable with relying on positive forecasts of economic trends, and has attracted a great deal of investment interest into the country. In the first quarter of 2008, the Russian economy maintained the strong trends set in the past consecutive nine years, demonstrating strong growth across all main macroeconomic indicators.

There was increased economic growth thanks to high investor and consumer demand. The rapid growth in energy prices, which make up some 60% of the nation's exports, provided an influx of capital into Russia's economy. The investment horizon has lengthened to take in another four-year, and perhaps even eight-year, term. Furthermore, collaborations between foreign investors and local developers are becoming more commonplace on the market as more participants recognize the potential benefits to both parties.

According to Colliers International Real Estate Review, March 2008:

> "These achievements have raised business and investor confidence in Russia's economic prospects. The Russian capital market continues to demonstrate unarguable growth, as evidenced by inflows of foreign capital totaling $75–80 billion by the end of last year. The value of commercial real estate investments have grown almost 20% year-on-year to $15–18 billion on the back of buoyant demand faced with a shortage of premises in operation on the market.
> Ever since 2004, private consumption has outpaced Russia's overall rate of GDP growth. Double-digit growth in real disposable incomes over the last several years has catapulted the country's retail sector to second place among Europe's largest consumer markets. Moscow and St. Petersburg are still the most active development markets, with the nation's capital, accounting for over 20% of national turnover, despite having just 7% of the population. In spite of the rapid growth of new space, retailer demand for new space is more than keeping pace, and vacancy levels are less than 1%."

Meanwhile, a growing number of small and medium businesses are keeping office rental rates buoyant as the country's emerging middle class keeps demand high. Intense competition and a lack of high-quality space result in a stable increase of rental rates as both local and international players keep growing in scale and number. This has resulted in further market decentralization with the development of properties outside the traditional inner city, and the additional redevelopment of industrial zones offering new potential for investment.

Outlook:

In an increasingly mature real estate market investors are trying to be more discerning in assessing risk and more focused on the fundamental real estate strengths of the assets they are appraising. The appearance of new projects, investors, and types of deals clearly indicates the Russian market is gradually becoming more sophisticated and provides a solid basis for assessing future potential. The high quality, superb locations and successful market positioning of our projects continue to spearhead AFI Development's position as one of the most prosperous developer's on the market.

Mr. Leviev, Chairman **Mr. Khaldey, Chief Executive Officer**

Independent report on review of condensed consolidated interim financial information to the Members of AFI DEVELOPMENT PLC

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of AFI Development PLC as at 31 March 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes (interim financial information). The Company's Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

KPMG
Chartered Accountants

Nicosia, 25 May 2008

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the period from 1 January 2008 to 31 March 2008

	1/1/08-31/3/08 US$ '000	1/1/07-31/3/07 US$ '000
Revenue		
Construction consulting/management services	552	268
Rental income	5,199	762
	5,751	1,030
Other income	189	3
Operating expenses	(2,302)	(547)
Administrative expenses	(5,647)	(1,009)
	(2,009)	(523)
Valuation gains on investment property	35,000	41,465
Results from operating activities	32,991	40,942
Finance income	36,929	4,193
Finance expenses	(176)	(1,524)
Net finance income	36,753	2,669
Profit before income tax	69,744	43,611
Income tax expense	(967)	(9,938)
Profit from continuing operations	68,777	33,673
Loss from discontinued operations (net of income tax)	-	(409)
Profit for the period	68,777	33,264
Attributable to:		
Equity holders of the Company	68,632	33,265
Minority interest	145	(1)
Profit for the period	68,777	33,264
Earnings per share		
Basic earnings per share (cent)	13.13	7.85
Continuing operations		
Basic earnings per share (cent)	13.13	7.95

AFI DEVELOPMENT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2008 to 31 March 2008

	Attributable to the equity holders of the Company					Minority Interest	Total
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2008	524	1,763,933	8,490	393,004	2,165,951	379	2,166,330
Profit for the period	-	-	-	68,632	68,632	145	68,777
Share option expense	-	-	-	624	624	-	624
Translation adjustments	-	-	4,897	-	4,897	-	4,897
Effect of acquisition of a subsidiary	-	-	-	-	-	797	797
Balance at 31 March 2008	524	1,763,933	13,387	462,260	2,240,104	1,321	2,241,425
Balance at 1 January 2007	424	421,325	6,047	175,745	603,541	-	603,541
Profit for the period	-	-	-	33,265	33,265	(1)	33,264
Translation adjustments	-	-	1,448	-	1,448	-	1,448
Effect of acquisition of a subsidiary	-	-	-	-	-	1	1
Balance at 31 March 2007	424	421,325	7,495	209,010	638,254	-	638,254

AFIDEVELOPMENT

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 31 MARCH 2008

	Note	31/3/08 US$ '000	31/12/07 US$ '000
Assets			
Investment property	5	335,481	287,865
Investment properties under development	6	1,180,695	1,062,545
Property, plant and equipment		43,717	45,563
Long-term loans receivable		4,721	4,396
VAT recoverable		23,994	19,889
Goodwill		150	150
Total non-current assets		1,588,758	1,420,408
Trading properties under construction	7	182,621	172,177
Inventory		41	39
Short-term loans receivable		4,565	4,498
Trade and other receivables	8	248,783	234,795
Cash and cash equivalents		701,658	812,373
Total current assets		1,137,668	1,223,882
Total assets		2,726,426	2,644,290
Equity			
Share capital		524	524
Share premium		1,763,933	1,763,933
Translation reserve		13,387	8,490
Retained earnings		462,260	393,004
Total equity attributable to equity holders of the Company	9	2,240,104	2,165,951
Minority interest		1,321	379
Total equity		2,241,425	2,166,330
Liabilities			
Long-term loans and borrowings	10	75,794	72,877
Deferred tax liability		53,214	50,893
Total non-current liabilities		129,008	123,770
Short-term loans and borrowings	10	268,255	259,072
Trade and other payables	11	72,301	83,816
Income tax payable		5,251	4,404
Deferred income		10,186	6,898
Total current liabilities		355,993	354,190
Total liabilities		485,001	477,960
Total equity and liabilities		2,726,426	2,644,290

The condensed consolidated interim financial statements were approved by the Board of Directors on the 25 May 2008.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the period from 1 January 2008 to 31 March 2008

		1/1/08-31/3/08 US$'000	1/1/07-31/3/07 US$'000
Cash flows from operating activities			
Profit for the period		68,777	33,673
Adjustments for:			
Depreciation		2,126	137
Interest income		(11,437)	(2,591)
Interest expense		53	1,524
Share option expense		624	-
Fair value adjustment	5	(35,000)	(41,465)
Write off of property, plant and equipment		16	-
Unrealized gain on foreign exchange		(25,492)	-
		(333)	(8,722)
Decrease /(increase) in trade and other receivables		3,508	(21,697)
Increase in inventories		(2)	(1)
Increase in trading properties under construction	7	(6,270)	(792)
Decrease in assets held for sale		-	(109)
(Decrease)/increase in trade and other payables	11	(12,817)	10,426
Increase in deferred income	11	3,288	1,675
Income tax expense		967	9,938
		(11,659)	(9,282)
Income taxes paid		(281)	-
Net cash flow from operating activities		(11,940)	(9,282)
Cash flows from investing activities			
Interest received		11,251	2,591
Proceeds from sale of investments		-	136,975
Net cash outflow from the acquisition of subsidiaries		(47,233)	(40,856)
Increase in advances to builders	7	(17,619)	(39,126)
Payments for investment properties under development	6	(57,487)	(20,530)
Increase in VAT recoverable		(4,105)	(1,190)
Payments for acquisition of property, plant and equipment		(213)	(38)
Net cash flow from investing activities		(115,406)	37,826
Cash flows from financing activities			
Payments for loans receivable		(113)	(1,134)
Proceeds from repayment of loans receivable		13	78
Proceeds from loans and borrowings		15,284	200,000
Repayment of loans and borrowings		(449)	-
Interest paid		(10,610)	(2,926)
Net cash flow from financing activities		4,125	196,018
Effect of exchange rate fluctuations		12,506	(16)
(Decrease)/increase in cash and cash equivalents		(110,715)	224,546
Cash and cash equivalents at 1 January		812,373	26,272
Cash and cash equivalents at 31 March		701,658	250,818
The cash and cash equivalents consist of:			
Cash at banks		701,652	250,810
Cash in hand		6	8
		701,658	250,818

1. INCORPORATION AND PRINCIPAL ACTIVITY

AFI Development PLC (the "Company") was incorporated in Cyprus on 13 February 2001 as a limited liability company under the name Donkamill Holdings Limited. In April 2007 the company was transformed into public company and changed its name to AFI Development PLC. The address of the Company's registered office is 25 Olympion Street, 3035 Limassol, Cyprus. The Company is a 71.70% indirect subsidiary of Africa Israel Investments Group which is listed in the Tel Aviv Stock Exchange (TASE). The 9.7% of its share capital is held by Nirro Group S.A. and the remaining shareholding is held by a custodian bank in exchange for the GDR's issued and listed in the London Stock Exchange.

The condensed consolidated interim financial statements of the Company for the period from 1 January 2008 to 31 March 2008 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The principal activity of the Group is real estate investment and development.

The principal activity of the Company is the holding of investments in subsidiaries and joint ventures.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Except as described below, in preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

5. INVESTMENT PROPERTY

	31/3/08 US$ '000	31/12/07 US$ '000
Balance 1 January	287,865	-
Transfer from investment properties under development	-	77,133
Fair value adjustment	35,000	201,908
Effect of movement in foreign exchange rates	12,616	8,824
Balance 31 March/ 31 December	335,481	287,865

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser twice a year having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The last valuation took place on 31 December 2007. The current period revaluation was based on the selling price of the building "Aquamarine II", as per note 14 subsequent events.

Investment property comprises the building H_2O which is part of the Paveletskaya development, the "Aquamarine II" building situated in 35 Bolshaya Tatarskaya street which is part of Ozerkovskaya Phase II complex and the building situated at 71 Bolshaya Gruzinskaya street which is part of the Four Winds project.

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	31/3/08 US$ '000	31/12/07 US$ '000
Balance 1 January	1,062,545	370,316
Additions due to acquisitions of subsidiaries	50,306	621,139
Construction costs	57,487	198,098
Capitalised interest	2,678	10,435
Transfer from property, plant and equipment	-	343
Transfer to investment property	-	(77,133)
Transfer to trading properties under construction (note 7)	-	(63,708)
Impairment loss	-	(1,151)
Effect of movements in foreign exchange rates	7,679	4,206
Balance 31 March/31 December	1,180,695	1,062,545

7. TRADING PROPERTIES UNDER CONSTRUCTION

	31/3/08 US$ '000	31/12/07 US$ '000
Balance 1 January	172,177	91,064
Construction costs	6,270	11,749
Capitalised interest	1,313	5,418
Transfer from investment property under development (note 6)	-	63,708
Effect of movements in exchange rates	2,861	238
Balance 31 March / 31 December	182,621	172,177

8. TRADE AND OTHER RECEIVABLES

	31/3/08 US$ '000	31/12/07 US$ '000
Advances to builders	153,272	135,653
Amounts receivable from related companies	862	383
Prepayments for acquisition of investments	31,629	34,355
Deferred expenditure	4,263	5,298
Trade receivables	747	1,290
Other receivables	49,348	48,217
VAT recoverable	7,971	9,262
Tax receivables	691	337
	248,783	234,795

Prepayments for acquisition of investments

Includes US$21,629 thousand prepaid for the acquisition of 100% shareholding of OOO Pikerton and US$10,000 thousand prepaid for the acquisition of 100% shareholding of OOO Avtograd.

9. SHARE CAPITAL AND RESERVES

Share Capital	31/3/08 US$ '000	31/12/07 US$ '000
Authorised		
1,000,000,000 shares of US$0.001 each	1,000	1,000
Issued and fully paid		
523,847,027 shares of US$0.001 each	524	524

Share premium

It represents the share premium on the issued shares on 31 December 2006 for the conversion of the shareholders' loans to capital US$421,325 thousand. It also includes the share premium on the issued shares which were represented by GDRs listed in the LSE in 2007. It is the result of the difference between the offering price, US$14, and the nominal value of the shares, US$0.001, after deduction of all listing expenses. An amount of US$1,399,900 thousand less US$57,292 thousand transaction costs was recognised during the year 2007.

Employee Share option plan

The Company has established an employee share option plan which is operated by the Board of Directors. Eligible are employees and directors, excluding independent directors, of the Company and employees and directors of the ultimate holding company, Africa Israel investments Ltd and its subsidiaries. The employees share option plan is discretionary and options will be granted only when the Board so determines at an exercise price derived from the closing middle market price preceding the date of grant.

Options over 2,810,126 GDRs were granted up to 31 March 2008 to Russian and Israeli employees and directors with an exercise price of US$14 vesting one-third on the second anniversary of the date of grant, a further one-third on the third anniversary and the remaining one-third, on the fourth anniversary of the date of grant provided that the participants remain in employment until the vesting date. The contractual life is ten years.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to the Group presentation currency.

Retained earnings
The amount at each reporting date is available for distribution. No interim dividends were proposed, declared or paid during the three-month period ended 31 March 2008.

10. LOANS AND BORROWINGS

	31/3/08 US$ '000	31/12/07 US$ '000
Long-term loans		
Secured bank loans	30,552	16,155
Unsecured loan from shareholder	-	316
Unsecured loan from other related companies	3,298	3,177
Secured loan from non-related company	40,352	51,700
Unsecured loan from non related company	1,592	1,529
	75,794	72,877
Short-term loans		
Secured bank loan	229,358	231,311
Unsecured loan from joint venture	3,966	3,890
Unsecured loans from other related companies	647	609
Secured loans from non-related companies	20,000	10,000
Unsecured loans from other non related companies	14,284	13,262
	268,255	259,072

There were no significant movements of loans and borrowings during the period apart for the following:

(i) The long term secured bank loan represents a non-revolving credit line which was obtained from Sberbank for US$280 million during the year ended 31 December 2007. Up to 31 March 2008 US$30,466 thousand (31/12/07 US$16,101 thousand) were drawn. The funds drawn under the credit line will be used to finance the construction of the Tverskaya Zastava Shopping Centre project. This credit line carries interest of 4.5% above 6 months USD LIBOR. The credit line is secured by a pledge over 51% of the shares in the asset company, a lien over the development rights regarding the Tverskaya Zastava shopping mall project, and a mortgage over the shopping mall and its parking when completed.

(ii) The long term secured loan from non-related party is from Quasar Capital Limited with Deutsche Bank London Branch acting as facility agent. According to the loan agreement dated 13 February 2006 the total amount of the loan granted was US$60 million, it carries interest at an annual rate of 2.4% above 6 months USD LIBOR and will be paid in fixed instalments with the last being on 13 February 2011. US$20,000 thousand (31/12/07 US$10,000 thousand) are payable within the next twelve months. The full amount of the loan is guaranteed by Africa Israel Investments Ltd, registered in Israel, which is the ultimate shareholder of the Company.

11. TRADE AND OTHER PAYABLES

	31/3/08 US$ '000	31/12/07 US$ '000
Down payments received for sale of flats	43,322	37,089
Trade payables	1,460	1,171
Payables to related parties	237	491
Amount payable to builders	13,542	14,706
VAT and other taxes payable	2,280	968
Down payments received for construction projects	2,957	15,742
Other payables	8,503	13,649
	72,301	83,816

Other payables
Includes an amount of US$555 thousand owed for the acquisition of Kosinskaya project and an amount of US$5,219 thousand owed for the acquisition of the additional 24% shareholding of OOO Bizar. The first amount is owed to Asnar Management Limited and the second is owed to Ramis Limited.

12. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

13. GROUP ENTITIES

During the period ended 31 March 2008 the Group acquired the following subsidiaries:

100% of Occuper Holdings Ltd, a Cypriot company, which owns 100% shareholding of OOO Adnera, registered in Russia. OOO Adnera holds ownership rights in real estate required for the Phase III of the Bolshaya Pochtovaya project in Moscow.

100% of OOO AFI RUS CM, registered in the Russian Federation.

24% additional interest in the share capital of OOO Bizar, registered in the Russian Federation. The Company acquired during 2007 50% shareholding in OOO Bizar, therefore it currently holds a total of 74%.

During the year ended 31 December 2007 the Group acquired or incorporated the following subsidiaries:

100% of ZAO Armand, OOO Volga StroyInkom Development, OOO Volga Land Development, OOO Semprex, OOO OlympProject, OOO North Investments and OOO StroyInkom- Realt all of which are registered in the Russian Federation.

60% of Krusto Enterprises Ltd, which is registered in Cyprus. Krusto Enterprises Ltd, together with a Russian partner established ZAO Kama Gate in the Russian Federation, as a joint venture with each owning 50% of its share capital.

50% of OOO Bizar, registered in the Russian Federation.

100% of Keyiri Trading & Investments Limited, a Cypriot company that holds 100% of OOO Favorit. OOO Favorit, a Russian registered entity, holds 76% interest in the land plot on which the St. Petersburg project will be located. 100% of OOO KO Proekt, subsidiary of Buildola Properties Limited which acquired 76% shareholding of OOO KO Development that will develop the St. Petersburg project. The remaining 24% of KO Development is currently held by the Group's local partner in St. Petersburg.

90.17% participatory interest in the charter capital of ZAO Nedra Publishing, which holds ownership rights to buildings required for the completion of Tverskaya Zastava Plaza II project.
100% shareholding of OOO Titon and ZAO UMM Stroyenergomekhanizatsiya, registered in the Russian Federation. Both entities own a number of long-term lease agreements with Moscow government for land plots needed for the completion of Kossinskaya project. Both companies were acquired through Rognerstar Finance Limited a Cypriot newly registered company which was incorporated during the year and is owned 100% by the Company

100% of Hermielson Investments Limited, a Cypriot company, that holds 100% shareholding of ZAO Firm Gloria, registered in the Russian Federation.

100% shareholding of Bundle Trading Limited, a Cypriot company, that acquired 98.6% shareholding of ZAO MTOK, registered in the Russian Federation.

90% shareholding of Bioka Investments Limited, a Cypriot company, which acquired 100% shareholding of OOO Nordservis, registered in the Russian Federation. OOO Nordservis is a co-investor to an investment agreement between the Moscow Government and a third party for the construction of a multi-purpose botanic gardens complex located in Moscow.

95% shareholding of Beslaville Management Ltd, a Cypriot company, which owns 100% shareholding of OOO Zheldoruslugi, registered in Russia. OOO Zheldoruslugi is the owner of properties, land and buildings, situated in Moscow, which are required for the completion of the Tverskaya Zastava Plaza IV project. In addition, the Company has concluded an agreement to buy out the remaining 5% in Beslaville Management Ltd with the pre-agreed price of US$1,424 thousand per each additional 1% interest in the company.

100% shareholding of LL Avia Management S.A., a BVI company which is the owner of an aircraft.

14. SUBSEQUENT EVENTS

The following events have taken place during the period and will be completed after the period end:

In March 2008, the Company concluded an understanding to enter into an agreement with Danya Cebus International Ltd, a related party, for the purchase of its 20% share in the Company's Perm project. The project is jointly held with a local unrelated partner (50%). Under the sale and purchase agreement the Company will purchase the 40% share in the Cypriot entity that holds 50% stake in the project. As a result, the Company will hold 100% in the Cypriot entity that holds the 50% of the project. The parties have agreed to a purchase price based on the latest JLL valuation as at 31 December 2007. Consequently, the purchase price was agreed as US$11.1 Million (subject to the actual US Dollar to Russian Rouble exchange rate at the date of closing). The transaction is subject to approval by a qualified majority at a General Shareholders' Meeting of Danya Cebus Ltd.

On 26 March 2008, the Company entered into agreement with Africa Israel Hotels Ltd, a related party, pursuant to which the Company acquired the seller's interest in four properties located in Caucasian Mineral Springs area in the Krasnodar region in the southern part of the Russian Federation. The title to these properties will be transferred subject to certain conditions to be fulfilled.

Subsequent to 31 March 2008 the following events have taken place:

On 4 April 2008 the Company has acquired title of Moonbeam Enterprises' Ltd and Nirro Group's S.A.'s operation in Ukraine, which consists of Boryspol project in the vicinity of Kiev international airport. On 1 May 2008 the Company has concluded the transaction at a cost totalling to US$30,260 thousand.

On the 20 May 2008 the Company announced the sale of its interest in Aquamarine II office building ("Aquamarine II"). Aquamarine II forms part of the Company's Ozerkovskaya Embankment project, Phase II in the Central Administrative District of the City of Moscow. The project comprises 16,372 sq. m. of built up facilities (12,678.5 sq. m. of gross lettable area). The Company has entered into a sale and purchase agreement with the buyer. The sale price for Aquamarine II is US$207 million at an implied exit yield of 6.8%. The building is fully let to a single tenant; the overall rental revenue under the existing lease agreement is US$14 million per annum. AFI Development's interest in Aquamarine II is 50%, the remaining 50% belong to a non-related third party, which is the Company's partner in Phases II and III of the Ozerkovskaya Embankment project.

AFIDEVELOPMENT

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