Translated from the Hebrew original

ADGAR INVESTMENTS AND DEVELOPMENT LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2010

UNAUDITED

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Auditors' review report to the shareholders of Adgar Investments and Development Limited

Introduction

We have reviewed the accompanying financial information of Adgar Investments and Development Limited and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of June 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 30% of total consolidated assets as of June 30, 2010, and whose revenues constitute approximately 54.9% and 55.7% of total consolidated revenues for the six and three months then ended, respectively. The condensed interim financial information of that company was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of that company, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "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 generally accepted auditing standards in Israel 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 and the review reports of other auditors, 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 IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
August 26, 2010

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	June 30, 2009	June 30, 2010	Convenience translation (Note 1e) June 30, 2010
	Audited	Unaudited		Unaudited
	N I S			U.S. $
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	39,640	40,784	192,056	49,563
Trade receivables	20,353	21,223	24,740	6,385
Deposit	24,953	6,703	29,976	7,736
Other accounts receivable	79,362	75,731	69,846	18,023
Ultimate parent company	-	21,145	-	-
Current taxes receivable	2,000	2,433	870	225
Financial derivatives	3,110	42,005	2,432	628
	169,418	210,024	319,920	82,560
ASSETS HELD FOR SALE	54,944	276,332	-	-
	224,362	486,356	319,920	82,560
NON-CURRENT ASSETS				
Loans	9,761	8,439	11,611	2,996
Fixed assets, net	14,120	15,286	14,276	3,684
Investment property	2,762,910	2,521,953	2,772,786	715,557
Investment property under construction	152,608	231,922	154,465	39,862
Intangible assets, net	672	849	630	163
Deferred taxes	21,033	33,404	9,562	2,468
	2,961,104	2,811,853	2,963,330	764,730
	3,185,466	3,298,209	3,283,250	847,290

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	June 30, 2009	June 30, 2010	Convenience translation (Note 1e) June 30, 2010
	Audited	Unaudited	Unaudited	Unaudited
	N I S (In thousands)			U.S. $
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Credit from banks and current maturities of long-term loans	835,263	545,859	601,538	155,236
Trade payables	24,672	81,549	17,914	4,623
Taxes payable	6,079	51	596	154
Other accounts payable	35,500	48,285	35,242	9,095
Current maturities of debentures	60,306	58,997	126,368	32,611
Financial derivatives	26,163	22,092	30,116	7,772
	987,983	756,833	811,774	209,491
LONG-TERM LIABILITIES				
Loans from banks and others	989,898	1,312,619	1,099,567	283,759
Debentures	464,815	495,035	601,089	155,120
Employee benefit liabilities, net	14	1,345	89	23
Deferred taxes	57,071	52,091	58,506	15,098
	1,511,798	1,861,090	1,759,251	454,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital	152,268	152,268	155,768	40,198
Share premium	239,557	239,557	256,643	66,230
Other capital reserves	(19,907)	(15,890)	(24,828)	(6,407)
Receipts on account of options	3,955	3,955	-	-
Foreign currency translation adjustments of foreign investees	(49,829)	(63,801)	(76,329)	(19,698)
Retained earnings	356,915	361,693	400,691	103,404
	682,959	677,782	711,945	183,727
Non-controlling interests	2,726	2,504	280	73
Total equity	685,685	680,286	712,225	183,800
	3,185,466	3,298,209	3,283,250	847,290

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

August 26, 2010			
Date of approval of the financial statements	Doron Schneidman Chairman of the Board	Roy Gadish Managing Director and Member of the Board	Daniel Stern Deputy Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 2009	Three months ended June 30, 2009	Three months ended June 30, 2010	Six months ended June 30, 2009	Six months ended June 30, 2010	Convenience translation (Note 1e) Six months ended June 30, 2010
	Audited	Unaudited				Unaudited
	N I S (In thousands, except per share data)					U.S. $
Revenues:						
Revenues from rental of properties	189,608	48,527	46,793	96,145	93,427	24,110
Impairment (appreciation) of investment property and investment property under construction, net	(220,108)	(249,017)	62,224	(256,890)	62,224	16,058
	(30,500)	(200,490)	109,017	(160,745)	155,651	40,168
Expenses:						
Maintenance of properties, net	16,230	2,781	4,917	5,919	7,709	1,989
General and administrative	22,728	5,243	8,443	10,298	14,930	3,853
	38,958	8,024	13,360	16,217	22,639	5,842
Income (loss) before financial expenses	(69,458)	(208,514)	95,657	(176,962)	133,012	34,326
Financial income	7,043	542	979	1,414	1,289	333
Financial expenses	(128,414)	(11,530)	(50,330)	(28,458)	(76,021)	(19,619)
Financial expenses, net	(121,371)	(10,988)	(49,351)	(27,044)	(74,732)	(19,286)
Income (loss) before taxes on income	(190,829)	(219,502)	46,306	(204,006)	58,280	15,040
Taxes on income (tax benefit)	(41,211)	(66,987)	10,575	(59,320)	14,203	3,665
Net income (loss)	(149,618)	(152,515)	35,731	(144,686)	44,077	11,375
Attributable to:						
Equity holders of the Company	(149,533)	(152,551)	35,480	(144,755)	43,776	11,297
Non-controlling interests	(85)	36	251	69	301	78
	(149,618)	(152,515)	35,731	(144,686)	44,077	11,375
Net earnings (loss) per share attributable to equity holders of the Company:						
Basic and diluted net earnings (loss)	(1.38)	(1.40)	0.33	(1.33)	0.40	0.10

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2009	Three months ended June 30, 2009	Three months ended June 30, 2010	Six months ended June 30, 2009	Six months ended June 30, 2010	Convenience translation (Note 1e) Six months ended June 30, 2010
	Audited	Unaudited				Unaudited
	N I S (In thousands)					U.S. $
Net income (loss)	(149,618)	(152,515)	35,731	(144,686)	44,077	11,375
Other comprehensive income (loss):						
Gain (loss) from cash flow hedges, net	(9,791)	3,409	(2,664)	(5,774)	(5,831)	(1,505)
Revaluation of fixed assets	-	-	910	-	910	235
Foreign currency translation adjustments of foreign investees	69,098	5,745	(6,835)	54,981	(26,459)	(6,828)
Other comprehensive income (loss), net	59,307	9,154	(8,589)	49,207	(31,380)	(8,098)
Total comprehensive income (loss)	(90,311)	(143,361)	27,142	(95,479)	12,697	3,277
Total comprehensive income (loss) attributable to:						
Equity holders of the Company	(90,577)	(143,437)	26,872	(95,754)	12,355	3,188
Non-controlling interests	266	76	270	275	342	89
	(90,311)	(143,361)	27,142	(95,479)	12,697	3,277

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Other capital reserves	Receipts on account of options	Foreign currency translation adjustments of foreign investees	Retained earnings	Total	Non-controlling interests	Total equity
	N I S (In thousands)								
Balance as of January 1, 2009 (audited)	152,268	239,557	(10,116)	3,955	(118,576)	514,448	781,536	2,229	783,765
Total comprehensive income (loss)	-	-	(9,791)	-	68,747	(149,533)	(90,577)	266	(90,311)
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	546	546
Dividend paid to Company shareholders	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(315)	(315)
Balance as of December 31, 2009 (audited)	152,268	239,557	(19,907)	3,955	(49,829)	356,915	682,959	2,726	685,685
Balance as of April 1, 2009 (unaudited)	152,268	239,557	(19,299)	3,955	(69,506)	514,244	821,219	2,428	823,647
Total comprehensive income (loss)	-	-	3,409	-	5,705	(152,551)	(143,437)	76	(143,361)
Balance as of June 30, 2009 (unaudited)	152,268	239,557	(15,890)	3,955	(63,801)	361,693	677,782	2,504	680,286
Balance as of April 1, 2010 (unaudited)	152,268	239,557	(23,074)	3,955	(69,475)	365,211	668,442	1,662	670,104
Total comprehensive income (loss)	-	-	(1,754)	-	(6,854)	35,480	26,872	270	27,142
Exercise of stock options into shares	3,500	17,086	-	(3,955)	-	-	16,631	-	16,631
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(1,652)	(1,652)
Balance as of June 30, 2010 (unaudited)	155,768	256,643	(24,828)	-	(76,329)	400,691	711,945	280	712,225
Balance as of January 1, 2009 (audited)	152,268	239,557	(10,116)	3,955	(118,576)	514,448	781,536	2,229	783,765
Total comprehensive income (loss)	-	-	(5,774)	-	54,775	(144,755)	(95,754)	275	(95,479)
Dividend paid to Company shareholders	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
Balance as of June 30, 2009 (unaudited)	152,268	239,557	(15,890)	3,955	(63,801)	361,693	677,782	2,504	680,286

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Other capital reserves	Receipts on account of options	Foreign currency translation adjustments of foreign investees	Retained earnings	Total	Non-controlling interests	Total equity
	N I S (In thousands)								
Balance as of January 1, 2010 (audited)	152,268	239,557	(19,907)	3,955	(49,829)	356,915	682,959	2,726	685,685
Total comprehensive income (loss)	-	-	(4,921)	-	(26,500)	43,776	12,355	342	12,697
Exercise of stock options into shares	3,500	17,086	-	(3,955)	-	-	16,631	-	16,631
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(2,788)	(2,788)
Balance as of June 30, 2010 (unaudited)	155,768	256,643	(24,828)	-	(76,329)	400,691	711,945	280	712,225
	Convenience translation into U.S. $ (Note 1e) (In thousands)								
Balance as of January 1, 2010 (audited)	39,295	61,821	(5,137)	1,021	(12,859)	92,107	176,248	703	176,951
Total comprehensive income (loss)	-	-	(1,270)	-	(6,839)	11,297	3,188	89	3,277
Exercise of stock options into shares	903	4,409	-	(1,021)	-	-	4,291	-	4,291
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(719)	(719)
Balance as of June 30, 2010 (unaudited)	40,198	66,230	(6,407)	-	(19,698)	103,404	183,727	73	183,800

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1e) Six months ended June 30,
	2009	2009	2010	2009	2010	2010
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands)					
Cash flows from operating activities:						
Net income (loss)	(149,618)	(152,515)	35,731	(144,686)	44,077	11,375
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Adjustments to the profit or loss items:						
Impairment (appreciation) of investment property and investment property under construction, net	220,108	249,017	(62,224)	256,890	(62,224)	(16,058)
Financial expenses, net	121,371	10,988	49,351	27,044	74,732	19,286
Depreciation and amortization	2,707	754	553	1,529	1,046	270
Taxes on income (tax benefit)	(41,211)	(66,987)	10,575	(59,320)	14,203	3,665
Change in employee benefit liabilities, net	(1,301)	13	-	30	75	19
	301,674	193,785	(1,745)	226,173	27,832	7,182
Changes in asset and liability items:						
Decrease (increase) in trade receivables	3,304	8,575	(1,661)	3,395	(4,762)	(1,229)
Decrease (increase) in other accounts receivable	778	(5,556)	18,627	(10,691)	12,343	3,185
Increase (decrease) in trade payable	3,480	8,291	(1,986)	10,655	6,297	1,625
Increase (decrease) in other accounts payable	(4,004)	(4,496)	(9,521)	10,549	46	12
	3,558	6,814	5,459	13,908	13,924	3,593
Cash paid and received during the period for:						
Interest paid	(112,250)	(24,505)	(18,878)	(61,420)	(56,840)	(14,668)
Interest received	1,040	542	833	1,414	1,143	295
Taxes paid	(2,829)	(334)	(46)	(845)	(6,141)	(1,585)
Taxes received	2,342	-	-	-	134	35
	(111,697)	(24,297)	(18,091)	(60,851)	(61,704)	(15,923)
Net cash provided by operating activities	43,917	23,787	21,354	34,544	24,129	6,227

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1e) Six months ended June 30,
	2009	2009	2010	2009	2010	2009
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands)					
Cash flows from investing activities:						
Proceeds from sale of investment property	220,630	12,838	59,197	13,215	59,898	15,458
Purchase of investment property	(67,582)	(8,102)	(27,670)	(18,106)	(44,071)	(11,373)
Purchase of investment property under construction	(164,385)	(54,096)	(1,639)	(84,596)	(1,781)	(460)
Purchase of fixed assets	(831)	(5)	(789)	(113)	(789)	(204)
Purchase of intangible assets, net	(118)	23	(200)	(39)	(212)	(55)
Proceeds from sale of fixed assets	3,806	-	219	-	240	62
Grant of loan to non-controlling interests, net	(1,848)	(984)	(1,204)	(1,652)	(1,412)	(364)
Net cash provided by (used in) investing activities	(10,328)	(50,326)	27,914	(91,291)	11,873	3,064
Cash flows from financing activities:						
Short-term credit from banks, net	(97,065)	733	(43,970)	(58,497)	(76,734)	(19,802)
Loans from related companies and the parent company, net	19,093	-	-	-	-	-
Receipt of long-term loans	235,197	48,884	22,088	106,694	73,818	19,050
Repayment of long-term loans	(225,914)	(16,496)	(73,258)	(31,408)	(86,939)	(22,436)
Deposit granted for interest on debentures	-	-	(6,030)	-	(6,030)	(1,556)
Proceeds from sale of financial derivatives	38,497	-	-	-	-	-
Dividend paid to Company shareholders	(3,075)	(3,075)	-	(3,075)	-	-
Dividend paid to non-controlling interests	(315)	-	(1,652)	-	(2,788)	(719)
Exercise of stock options into shares	-	-	16,631	-	16,631	4,292
Issue of shares to non-controlling interests	546	-	-	-	-	-
Issue of debentures net of issue expenses	-	-	197,855	-	197,855	51,059
Repayment of debentures	(43,918)	-	-	-	-	-
Net cash provided by (used in) financing activities	(76,954)	30,046	111,664	13,714	115,813	29,888
Increase (decrease) in cash and cash equivalents	(43,365)	3,507	160,932	(43,033)	151,815	39,179
Translation differences for cash balances in foreign investees	(2,410)	(222)	164	(1,598)	601	154
Cash and cash equivalents at beginning of period	85,415	37,499	30,960	85,415	39,640	10,230
Cash and cash equivalents at end of period	39,640	40,784	192,056	40,784	192,056	49,563
(a) Significant activities not involving cash flows:						
Purchase of fixed assets and investment property against trade payables	27,607	1,899	14,424	9,957	23,540	6,075
Proceeds from sale of investment property against other accounts receivable	11,099	-	(758)	4,779	(1,154)	(298)

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2010 and for the six and three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2009 and for the year then ended and accompanying notes ("annual financial statements").

b. The Company has a working capital deficiency of approximately NIS 492 million as of June 30, 2010. As an income-producing real estate company which finances most of its investments using credit from financial institutions, including for the short term, now and then the Company incurs a working capital deficiency. This deficiency is not expected to impair the Company's business operations since the banks usually refinance the credit granted by them for the short term.

   The working capital deficiency stems mostly from current maturities of loans provided against the pledge of assets, principally in Israel and Canada, whose maturity date is in the year after the balance sheet date. In view of the relatively low financing rate of these loans compared to the value of the pledged assets, the Company estimates that the credit will be refinanced.

c. Lowering of the rating of debentures:

   On April 22, 2010, Midroog announced that it was updating the rating of the Company's series of debentures from A3 with a stable outlook to Baa1 with a stable outlook. This rating was also granted to the debentures (series F) issued by the Company in May 2010 totaling NIS 200,000 thousand.

   After the balance sheet date, on August 5, 2010, Standard & Poor's Maalot ratified the ilBBB rating of the Company's debentures and changed the rating outlook to stable.

d. Shelf prospectus:

   On May 26, 2010, the Company issued a shelf prospectus for offering securities during a period of 24 months as detailed in the Company's shelf prospects.

   To date, the Company has not yet offered any securities based on the shelf prospectus of May 2010.

e. The financial statements as of June 30, 2010 and for the six months then ended have been translated into U.S. dollars using the representative exchange rate as of that date ($ 1 = NIS 3.875). The translation was made solely for the convenience of the reader. The amounts presented in these financial statements should not be construed to represent amounts receivable or payable in dollars or convertible into dollars, unless otherwise indicated in these statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except as noted below:

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

According to the new Standards:

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

- Non-controlling interests, including goodwill, can be measured either at fair value or at the proportionate share in the acquiree's fair value of net identifiable assets on the acquisition date, this separately in respect of each business combination transaction.

- Contingent consideration in a business combination is measured at fair value and changes in the fair value of the contingent consideration, which do not represent adjustments to the acquisition cost in the measurement period, are not recognized as goodwill adjustments. If the contingent consideration is classified as a financial derivative within the scope of IAS 39, it will be measured at fair value through profit or loss.

- Direct acquisition costs attributed to a business combination transaction are recognized in the statement of income as incurred.

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- A transaction, whether sale or purchase, with non-controlling interests that does not result in a loss of control, is accounted for as an equity transaction. Accordingly, the acquisition of non-controlling interests by the Group is recognized as an increase or decrease in equity and is calculated as the difference between the consideration paid by the Group and the proportionate amount of the non-controlling interests acquired on the acquisition date. Upon the disposal of an interest in a subsidiary that does not result in a loss of control, an increase or decrease is recognized in equity for the amount of the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary which have been added to the Company's equity, also taking into account the reattribution of reserves originating from other comprehensive income (loss), such as translation differences, if any, based on the decrease in the interests in the subsidiary.

- Any classification or designation made when recognizing assets and liabilities are assessed in accordance with the contractual terms, economic circumstances and pertinent conditions that exist at the acquisition date, except for leases and insurance contracts.

- In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognize the resulting gain or loss, if any, including reverse of deferred amounts, in other comprehensive income.

The Standards were adopted as a prospective change from January 1, 2010. The adoption of the Standards will affect the accounting treatment of future business combinations and transactions with non-controlling interest shareholders.

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

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

The amendment was adopted prospectively from January 1, 2010. The amendment had no effect in the interim consolidated financial statements.

b. Disclosure of new IFRS Standards in the period prior to their adoption:

IFRS 3 - Business Combinations:

The amendments to IFRS 3 are as follows:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Measurement of non-controlling interests:

The amendment limits the circumstances in which it is possible to choose the measurement of non-controlling interests based on their fair value on the date of acquisition or at the present ownership instruments' share in the recognized amounts of the acquiree's identifiable net assets. According to the amendment, this possibility is only available for types of non-controlling interests that entitle their holders to present ownership interests and a proportionate share to the entity's net assets in the event of liquidation (usually shares). In contrast, other types of non-controlling interests (such as options that represent equity instruments in the acquiree) do not allow such choice and must be measured at fair value on the acquisition date, unless another measurement basis is required by IFRSs such as in IFRS 2. The amendment will be effective from the financial statements for periods commencing on January 1, 2011. The amendment will be adopted retrospectively from the date of adoption of IFRS 3 (Revised). Early adoption is possible.

Share-based payment awards in a business combination:

The amendment elaborates the accounting treatment of a business combination that refers to the exchange of the acquiree's share-based payment transactions (whether it is obligated or chooses to exchange them) with the acquirer's share-based payment transactions. Accordingly, the acquirer must allocate a value on the acquisition date and an expense in the period following the acquisition date. However, if the award expires as a result of the business combination and is exchanged for a new award, the value of the new award in accordance with IFRS 2 will be recognized as an expense in the period following the acquisition date and will not be included in the purchase price. Furthermore, if share-based payment awards are not exchanged, then, if the instruments have vested, they will form part of the non-controlling interests and are measured pursuant to the provisions of IFRS 2. If the instruments have not vested, they will be measured at the value that would have been used had they been re-granted on the acquisition date whereby this amount is allocated between the non-controlling interests and the post-acquisition expense. The amendment will be in effect starting from the financial statements for periods commencing on January 1, 2011. The amendment will be adopted retrospectively from the date of the first time adoption of IFRS 3 (Revised). Early adoption is possible.

The Company estimates that the above amendments will not have a material effect on its financial position, operating results and cash flows.

IFRS 7 - Financial Instruments: Disclosure:

The amendment to IFRS 7 clarifies the disclosure requirements prescribed by the Standard. The Standard highlights the connection between the quantitative and qualitative disclosures and the nature and scope of the risks arising from financial instruments. The disclosure requirements regarding securities held by the company have been minimized and the disclosure requirements regarding credit risk have been revised. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

The Company estimates that the amendment is will not have a material effect on financial instruments presented in the financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IAS 34 - Interim Financial Reporting:

Pursuant to the amendment to IAS 34, new disclosure requirements were introduced to interim financial reporting regarding the circumstances that are likely to affect the fair value of financial instruments and their classification, the transfers of financial instruments between different fair value levels, changes in the classification of financial assets and changes in contingent liabilities and contingent assets. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

The required disclosure will be included in the Company's financial statements.

IAS 1 - Presentation of Financial Statements:

According to the amendment to IAS 1, the changes between the opening and the closing balances of each other comprehensive income component may be presented in the statement of changes in equity or in the notes accompanying the annual financial statements. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

The amendment is not expected to have a material effect on the Company's financial statements.

NOTE 3:- DATA OF THE ISRAELI CPI AND THE EXCHANGE RATES OF FOREIGN CURRENCIES

	Israeli	Representative exchange rate		
	CPI	U.S. $	C$	€
As of	**Points *)**		**N I S**	
June 30, 20010	207.6	3.875	3.689	4.7575
June 30, 2009	202.7	3.919	3.400	5.5346
December 31, 2009	206.2	3.775	3.603	5.442
Change during the period		**%**		
June 2010 (6 months)	0.7	2.6	2.4	(12.6)
June 2010 (3 months)	1.6	4.4	1.0	(4.7)
June 2009 (6 months)	2.2	3.1	9.2	4.5
June 2009 (3 months)	2.3	(6.4)	1.8	(0.7)
December 2009 (12 months)	3.9	(0.7)	15.7	2.7

*) According to an average basis of 1993 = 100.

NOTE 4:- OPERATING SEGMENTS

a. General:

1. The Group operates in the income-producing real estate market. The Group's main activity is holding income-producing properties, mainly for use as office premises. The Group has income-producing properties abroad (Belgium, Canada and Poland) that are held through companies registered abroad, as well as income-producing properties in Israel.

2. All the income and expenses are attributed directly to operating segments since management examines its activities based on these segments.

b. Operating segment information:

	Year ended December 31, 2009 (audited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	57,271	12,084	21,673	98,580	189,608
Impairment of investment property and investment property under construction, net	(20,386)	(10,897)	(165,943)	(22,882)	(220,108)
Total revenues	36,885	1,187	(144,270)	75,698	(30,500)
Segment results	21,652	(3,353)	(155,676)	67,919	(69,458)
Financial expenses, net					(121,371)
Loss before taxes on income					(190,829)

	Three months ended June 30, 2009 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	15,111	3,023	5,224	25,169	48,527
Impairment of investment property and investment property under construction, net	(22,407)	(9,297)	(168,316)	(48,997)	(249,017)
Total revenues	(7,296)	(6,274)	(163,092)	(23,828)	(200,490)
Segment results	(11,610)	(7,692)	(164,914)	(24,298)	(208,514)
Financial expenses, net					(10,988)
Loss before taxes on income					(219,502)

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2010 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	11,847	2,363	6,502	26,081	46,793
Appreciation (impairment) of investment property and investment property under construction, net	(205)	(809)	3,755	59,483	62,224
Total revenues	11,642	1,554	10,257	85,564	109,017
Segment results	4,463	(202)	9,178	82,218	95,657
Financial expenses, net					(49,351)
Income before taxes on income					46,306

	Six months ended June 30, 2009 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	31,715	5,894	9,784	48,752	96,145
Impairment of investment property and investment property under construction, net	(22,407)	(9,297)	(176,189)	(48,997)	(256,890)
Total revenues	9,308	(3,403)	(166,405)	(245)	(160,745)
Segment results	1,882	(6,204)	(169,713)	(2,927)	(176,962)
Financial expenses, net					(27,044)
Loss before taxes on income					(204,006)

	Six months ended June 30, 2010 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	24,076	5,211	12,848	51,292	93,427
Appreciation (impairment) of investment property and investment property under construction, net	(205)	(809)	3,755	59,483	62,224
Total revenues	23,871	4,402	16,603	110,775	155,651
Segment results	16,457	1,465	10,877	104,213	133,012
Financial expenses, net					(74,732)
Income before taxes on income					58,280

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. Agreements for the sale of investment property:

In April 2010, a subsidiary, which is 92.5% held by the Company, sold an office building in Montreal, Canada for a net consideration of approximately NIS 58.7 million. As a result of the sale, the Company repaid a loan of NIS 38.3 million. Since the asset was presented at fair value, the Company did not derive/incur a material gain/loss.

b. Issuance of debentures:

On May 4, 2010, in accordance with the Company's shelf prospectus of May 27, 2008 and the shelf offering report of May 2, 2010, the Company issued NIS 200,000 thousand par value of registered debentures (series F) of the Company of NIS 1 par value each, in return for their par value. The debentures are repayable in four equal annual installments to be paid on May 1 of each of the years 2014 through 2017, linked to the Israeli CPI (the base index being March 2010) and bear annual interest of 6.1% paid semi-annually starting November 1, 2010 through May 1, 2017 (effective annual interest of 6.3%).

The total proceeds from the issuance, net of issuance expenses of approximately NIS 2 million, amounted to approximately NIS 198 million.

In the context of the issuance, the following financial covenants were imposed on the Company:

1. Its shareholders' equity shall not be below NIS 500 million.

2. The ratio of the Company's shareholders' equity to its total balance sheet less cash and deposits shall not be lower than 20%.

Failing to comply with one or both of said financial covenants will lead to an increase in the interest payable by the Company to the holders of debentures (series F) by an annual rate of 0.5%.

In addition, if the rating of the debentures (series F) is lower from Baa1, or a corresponding rating, the interest payable by the Company to the holders of debentures (series F) will increase by an annual rate of 0.25%. Furthermore, if ratio of the Company's shareholders' equity to its total balance sheet less cash and deposits is lower than 12%, this will represent a violation which is subject to immediate repayment of the entire unsettled balance of debentures.

c. Exercise of options:

On June 24, 2010, 3,500,000 stock options (series 8), which had been held by the parent company, were exercised into 3,500,000 Ordinary shares of NIS 1 par value each in return for NIS 16,631 thousand.

As a result of the exercise, the parent company holds 54.56% of the Company's share capital (50.001% as of December 31, 2009).

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