Translated from the Hebrew original

ADGAR INVESTMENTS AND DEVELOPMENT LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 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 September 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 certain subsidiary, whose assets constitute approximately 29.7% of total consolidated assets as of September 30, 2010, and whose revenues constitute approximately 54.8% and 54.7% of total consolidated revenues for the nine 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
November 21, 2010

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	September 30, 2009	September 30, 2010	Convenience translation (Note 1e) September 30, 2010
	Audited	Unaudited		Unaudited
	N I S (In thousands)			U.S. $
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	39,640	60,067	150,192	40,980
Trade receivables	20,353	20,326	17,403	4,748
Deposit	24,953	65,458	30,008	8,188
Other accounts receivable	79,362	92,235	80,476	21,958
Ultimate parent company	-	20,042	-	-
Current taxes receivable	2,000	720	906	247
Financial derivatives	3,110	7,107	2,958	807
	169,418	265,955	281,943	76,928
Assets held for sale	54,944	52,779	54,000	14,734
	224,362	318,734	335,943	91,662
NON-CURRENT ASSETS				
Loans	9,761	9,033	12,314	3,360
Fixed assets, net	14,120	13,767	14,673	4,003
Investment property	2,762,910	2,575,179	2,746,106	749,279
Investment property under construction	152,608	252,646	154,614	42,187
Intangible assets, net	672	727	504	138
Deferred taxes	21,033	36,524	9,314	2,541
	2,961,104	2,887,876	2,937,525	801,508
	3,185,466	3,206,610	3,273,468	893,170

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	September 30, 2009	September 30, 2010	Convenience translation (Note 1e) September 30, 2010
	Audited	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	457,266	680,399	185,648
Trade payables	24,672	16,881	18,832	5,138
Taxes payable	6,079	2,907	753	205
Other accounts payable	35,500	39,289	39,242	10,709
Current maturities of debentures	60,306	53,696	126,489	34,513
Financial derivatives	26,163	25,982	29,511	8,052
	987,983	596,021	895,226	244,265
LONG-TERM LIABILITIES				
Loans from banks and others	989,898	1,423,807	1,030,934	281,292
Debentures	464,815	463,473	563,997	153,887
Employee benefit liabilities, net	14	1,290	89	24
Deferred taxes	57,071	47,392	58,237	15,890
	1,511,798	1,935,962	1,653,257	451,093
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital	152,268	152,268	155,768	42,501
Share premium	239,557	239,557	256,643	70,025
Other capital reserves	(19,907)	(19,060)	(23,546)	(6,425)
Receipts on account of options	3,955	3,955	-	-
Foreign currency translation adjustments of foreign investees	(49,829)	(55,920)	(81,077)	(22,122)
Retained earnings	356,915	351,259	416,922	113,758
	682,959	672,059	724,710	197,737
Non-controlling interests	2,726	2,568	275	75
Total equity	685,685	674,627	724,985	197,812
	3,185,466	3,206,610	3,273,468	893,170

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

November 21, 2010			
Date of approval of the financial statements	Doron Schneidman Chairman of the Board	Roy Gadish Managing Director	Daniel Stern Deputy Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 2009	Three months ended September 30, 2009	Three months ended September 30, 2010	Nine months ended September 30, 2009	Nine months ended September 30, 2010	Convenience translation (Note 1e) Nine months ended September 30, 2010
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands, except per share data)					
Revenues:						
Revenues from rental of properties	189,608	47,831	47,474	143,976	140,901	38,444
Appreciation (impairment) of investment property and investment property under construction, net	(220,108)	(1,062)	23,104	(257,952)	85,328	23,282
	(30,500)	46,769	70,578	(113,976)	226,229	61,726
Expenses:						
Maintenance of properties, net	16,230	3,441	3,041	9,360	10,750	2,933
General and administrative	22,728	5,525	7,313	15,823	22,243	6,069
	38,958	8,966	10,354	25,183	32,993	9,002
Income (loss) before financing	(69,458)	37,803	60,224	(139,159)	193,236	52,724
Finance income	7,043	366	1,029	1,780	2,318	632
Finance costs	(128,414)	(54,357)	(42,043)	(82,815)	(118,064)	(32,213)
Finance costs, net	(121,371)	(53,991)	(41,014)	(81,035)	(115,746)	(31,581)
Income (loss) before other income	(190,829)	(16,188)	19,210	(220,194)	77,490	21,143
Capital gain	-	-	41	-	41	11
Income (loss) before taxes on income	(190,829)	(16,188)	19,251	(220,194)	77,531	21,154
Taxes on income (tax benefit)	(41,211)	(5,788)	3,020	(65,108)	17,223	4,699
Net income (loss)	(149,618)	(10,400)	16,231	(155,086)	60,308	16,455
Attributable to:						
Equity holders of the Company	(149,533)	(10,434)	16,231	(155,189)	60,007	16,373
Non-controlling interests	(85)	34	-	103	301	82
	(149,618)	(10,400)	16,231	(155,086)	60,308	16,455
Net earnings (loss) per share attributable to equity holders of the Company:						
Basic and diluted net earnings (loss)	(1.38)	(0.10)	0.14	(1.43)	0.55	0.15

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e) Nine months ended September 30,
	2009	2009	2010	2009	2010	2010
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands)					
Net income (loss)	(149,618)	(10,400)	16,231	(155,086)	60,308	16,455
Other comprehensive income (loss):						
Gain (loss) from cash flow hedges, net	(9,791)	(3,170)	1,282	(8,944)	(4,549)	(1,241)
Revaluation of fixed assets	-	-	-	-	910	248
Foreign currency translation adjustments of foreign investees	69,098	8,042	(4,753)	63,023	(31,212)	(8,516)
Other comprehensive income (loss), net	59,307	4,872	(3,471)	54,079	(34,851)	(9,509)
Total comprehensive income (loss)	(90,311)	(5,528)	12,760	(101,007)	25,457	6,946
Total comprehensive income (loss) attributable to:						
Equity holders of the Company	(90,577)	(5,723)	12,765	(101,477)	25,120	6,854
Non-controlling interests	266	195	(5)	470	337	92
	(90,311)	(5,528)	12,760	(101,007)	25,457	6,946

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 July 1, 2009 (unaudited)	152,268	239,557	(15,890)	3,955	(63,801)	361,693	677,782	2,504	680,286
Total comprehensive income (loss)	-	-	(3,170)	-	7,881	(10,434)	(5,723)	195	(5,528)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(131)	(131)
Balance as of September 30, 2009 (unaudited)	152,268	239,557	(19,060)	3,955	(55,920)	351,259	672,059	2,568	674,627
Balance as of July 1, 2010 (unaudited)	155,768	256,643	(24,828)	-	(76,329)	400,691	711,945	280	712,225
Total comprehensive income (loss)	-	-	1,282	-	(4,748)	16,231	12,765	(5)	12,760
Balance as of September 30, 2010 (unaudited)	155,768	256,643	(23,546)	-	(81,077)	416,922	724,710	275	724,985

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
	NIS (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)	-	-	(8,944)	-	62,656	(155,189)	(101,477)	470	(101,007)
Dividend paid to Company shareholders	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(131)	(131)
Balance as of September 30, 2009 (unaudited)	152,268	239,557	(19,060)	3,955	(55,920)	351,259	672,059	2,568	674,627
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)	-	-	(3,639)	-	(31,248)	60,007	25,120	337	25,457
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 September 30, 2010 (unaudited)	155,768	256,643	(23,546)	-	(81,077)	416,922	724,710	275	724,985
	Convenience translation into U.S. $ (Note 1e) (In thousands)								
Balance as of January 1, 2010 (audited)	41,546	65,363	(5,432)	1,079	(13,596)	97,385	186,345	744	187,089
Total comprehensive income (loss)	-	-	(993)	-	(8,526)	16,373	6,854	92	6,946
Exercise of stock options into shares	955	4,662	-	(1,079)	-	-	4,538	-	4,538
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(761)	(761)
Balance as of September 30, 2010 (unaudited)	42,501	70,025	(6,425)	-	(22,122)	113,758	197,737	75	197,812

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 September 30,		Nine months ended September 30,		Convenience translation (Note 1e) Nine months ended September 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)	(10,400)	16,231	(155,086)	60,308	16,455
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Adjustments to the profit or loss items:						
Impairment (appreciation) of investment property and investment property under construction, net	220,108	1,062	(23,104)	257,952	(85,328)	(23,282)
Finance costs, net	121,371	53,991	41,014	81,035	115,746	31,581
Depreciation and amortization	2,707	659	692	2,188	1,738	474
Capital gain	-	-	(41)	-	(41)	(11)
Taxes on income (tax benefit)	(41,211)	(5,788)	3,020	(65,108)	17,223	4,699
Change in employee benefit liabilities, net	(1,301)	(55)	-	(25)	75	20
	301,674	49,869	21,581	276,042	49,413	13,481
Changes in asset and liability items:						
Decrease in trade receivables	3,304	1,269	7,281	4,664	2,519	687
Decrease (increase) in other accounts receivable	778	(292)	(24,200)	(10,983)	(11,857)	(3,235)
Increase (decrease) in trade payable	3,480	(21,055)	(254)	(10,400)	6,043	1,649
Increase (decrease) in other accounts payable	(4,004)	(6,239)	4,151	4,310	4,197	1,145
	3,558	(26,317)	(13,022)	(12,409)	902	246
Cash paid and received during the period for:						
Interest paid	(112,250)	(21,239)	(27,177)	(82,659)	(84,017)	(22,924)
Interest received	1,040	106	1,225	1,520	2,368	646
Taxes paid	(2,829)	(1,280)	(104)	(2,125)	(6,245)	(1,704)
Taxes received	2,342	-	28	-	162	44
	(111,697)	(22,413)	(26,028)	(83,264)	(87,732)	(23,938)
Net cash provided by (used in) operating activities	43,917	(9,261)	(1,238)	25,283	22,891	6,244

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 September 30,		Nine months ended September 30,		Convenience translation (Note 1e) Nine months ended September 30,
	2009	2009	2010	2009	2010	2010
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands)					
Cash flows from investing activities:						
Proceeds from sale of investment property	220,630	152,524	3,866	165,739	63,764	17,398
Purchase of investment property	(67,582)	(30,965)	(3,512)	(49,071)	(47,583)	(12,983)
Purchase of investment property under construction	(164,385)	(78,235)	(288)	(162,831)	(2,069)	(565)
Purchase of fixed assets	(831)	(2)	(999)	(115)	(1,788)	(488)
Purchase of intangible assets, net	(118)	(7)	-	(46)	(212)	(58)
Proceeds from sale of fixed assets	3,806	3,806	192	3,806	432	118
Grant of loan to non-controlling interests, net	(1,848)	252	(673)	(1,400)	(2,085)	(569)
Net cash provided by (used in) investing activities	(10,328)	47,373	(1,414)	(43,918)	10,459	2,853
Cash flows from financing activities:						
Short-term credit from banks, net	(97,065)	1,243	23,097	(57,254)	(53,637)	(14,635)
Loans from related companies and the parent company, net	19,093	-	-	-	-	-
Receipt of long-term loans	235,197	118,097	2,463	224,791	76,281	20,813
Repayment of long-term loans	(225,914)	(128,179)	(18,815)	(159,587)	(105,754)	(28,855)
Deposit granted for interest on debentures	-	-	-	-	(6,030)	(1,645)
Proceeds from sale of financial derivatives	38,497	34,469	-	34,469	-	-
Dividend paid to Company shareholders	(3,075)	-	-	(3,075)	-	-
Dividend paid to non-controlling interests	(315)	(131)	-	(131)	(2,788)	(761)
Exercise of stock options into shares	-	-	-	-	16,631	4,538
Issue of shares to non-controlling interests	546	-	-	-	-	-
Issue of debentures (net of issue expenses)	-	-	-	-	197,855	53,985
Repayment of debentures	(43,918)	(43,918)	(44,505)	(43,918)	(44,505)	(12,143)
Net cash provided by (used in) financing activities	(76,954)	(18,419)	(37,760)	(4,705)	78,053	21,297
Increase (decrease) in cash and cash equivalents	(43,365)	19,693	(40,412)	(23,340)	111,403	30,394
Translation differences for cash balances in foreign investees	(2,410)	(410)	(1,452)	(2,008)	(851)	(232)
Cash and cash equivalents at beginning of period	85,415	40,784	192,056	85,415	39,640	10,818
Cash and cash equivalents at end of period	39,640	60,067	150,192	60,067	150,192	40,980

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2009	Three months ended September 30, 2009	Three months ended September 30, 2010	Nine months ended September 30, 2009	Nine months ended September 30, 2010	Convenience translation (Note 1e) Nine months ended September 30, 2010
	Audited	Unaudited				Unaudited
	N I S					U.S. $
	(In thousands)					
(a) Significant activities not involving cash flows:						
Purchase of fixed assets and investment property against trade payables	27,607	(6,755)	(12,986)	3,202	10,554	2,880
Proceeds from sale of investment property against other accounts receivable	11,099	18,940	(63)	18,940	(1,217)	(332)

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 September 30, 2010 and for the nine 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 559 million as of September 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. Rating of debentures:

On April 22, 2010, Midroog announced that it was changing 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.

On August 5, 2010, Standard & Poor's Maalot ratified the ilBBB rating of the Company's debentures (series D) and debentures (series E) 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 September 30, 2010 and for the nine months then ended have been translated into U.S. dollars using the representative exchange rate as of that date ($ 1 = NIS 3.665). 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- 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.

- 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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 CPI	Representative exchange rate		
		U.S. $	C$	€
As of	**Points *)**		**N I S**	
September 30, 20010	210.1	3.665	3.564	4.987
September 30, 2009	205.2	3.758	3.501	5.510
December 31, 2009	206.2	3.775	3.603	5.442
Change during the period			**%**	
September 2010 (9 months)	1.9	(2.9)	(1.1)	(8.4)
September 2010 (3 months)	1.2	(5.4)	(3.4)	4.8
September 2009 (9 months)	3.4	(1.2)	12.5	4.0
September 2009 (3 months)	1.2	(4.1)	3.0	(0.4)
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.

NOTE 4:- OPERATING SEGMENTS (Cont.)

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)
Finance costs, net					(121,371)
Loss before taxes on income					(190,829)

	Three months ended September 30, 2009 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	13,983	3,055	5,914	24,879	47,831
Impairment of investment property and investment property under construction, net	(1,062)	-	-	-	(1,062)
Total revenues	12,921	3,055	5,914	24,879	46,769
Segment results	8,582	2,436	3,506	23,279	37,803
Finance costs, net					(53,991)
Loss before taxes on income					(16,188)

	Three months ended September 30, 2010 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	12,056	2,372	7,092	25,954	47,474
Appreciation of investment property and investment property under construction, net	-	-	23,104	-	23,104
Total revenues	12,056	2,372	30,196	25,954	70,578
Segment results	8,710	1,691	26,582	23,241	60,224
Finance costs, net					(41,014)
Capital gain					41
Income before taxes on income					19,251

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Nine months ended September 30, 2009 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	45,698	8,949	15,698	73,631	143,976
Impairment of investment property and investment property under construction, net	(23,469)	(9,297)	(176,189)	(48,997)	(257,952)
Total revenues	22,229	(348)	(160,491)	24,634	(113,976)
Segment results	10,464	(3,768)	(166,207)	20,352	(139,159)
Finance costs, net					(81,035)
Loss before taxes on income					(220,194)

	Nine months ended September 30, 2010 (unaudited)				
	Israel	Belgium	Poland	Canada	Total
	NIS in thousands				
Revenues from rental of properties	36,132	7,583	19,940	77,246	140,901
Appreciation (impairment) of investment property and investment property under construction, net	(205)	(809)	26,859	59,483	85,328
Total revenues	35,927	6,774	46,799	136,729	226,229
Segment results	25,167	3,156	37,459	127,454	193,236
Finance costs, net					(115,746)
Capital gain					41
Income before taxes on income					77,531

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 property 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 (inclusive). The debentures are 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.

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

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 and purchase of other shares by the parent company, the parent company holds 55.31% of the Company's share capital (50.001% as of December 31, 2009).

NOTE 6:- EVENTS AFTER THE BALANCE SHEET DATE

a. On October 31, 2010, the Company sold to RIET 1 Ltd. an office building in HaNechoshet St., Ramat Hachayal, Tel-Aviv for a total net consideration of approximately NIS 54 million. Part of the payment, approximately NIS 44.3 million was made in cash and the remainder by a private placement of 1,500,000 Ordinary shares of REIT 1 Ltd. The economic value of the shares issued in the above transaction was determined while taking into account the value of the shares when the transaction was closed since these securities are restricted for trade under the Securities Law.

Since the property was presented at fair value, the Company did not derive/incur a material gain/loss.

b. After the balance sheet date, on November 21, 2010, the Company's Board, after receiving the approval of the audit committee, decided to grant to 10 employees of the Company (including 5 officers) and 4 directors of the Company 6,370,000 options that are exercisable into 6,370,000 Ordinary shares of the Company of NIS 1 par value each. The options represent about 5.7% of the issued capital of the Company.

The above grants were made at no consideration under remuneration plan to employees and officers which was adopted by the Company on that date. The vesting conditions of the options to the optionees were modified such that 33% of the options are exercisable at the end of the first anniversary and thereafter 8.3% will be granted at the end of each quarter provided that the relevant optionee is employed by the Company during the vesting period. The options are exercisable during a period of 5 years after their grant. The exercise price per option is NIS 6, unlinked. The options are subject to adjustments in event of reorganization, voluntary liquidation, recapitalization, issue of rights and dividend. The options are not listed for trade on the Stock Exchange.

NOTE 6:- EVENTS AFTER THE BALANCE SHEET DATE (Cont.)

The fair value of the package is NIS 12,058 thousand. The fair value of the compensation on the grant date was NIS 1.89 per option. The computation was made using the binomial model based on volatility of 57.3% and risk-free interest of 3.68%.

The options were allocated to a trustee under section 102 to the Income Tax Ordinance (the equity track), except for the options to the CEO of the Company and the CEO of the subsidiary. The options, including the underlying shares, are subject to the restriction provisions of section 102 to the Income Tax Ordinance. Further, the underlying shares that will be granted to the optionees are subject to sale limitations pursuant to the provisions of section 15c to the Securities Law, 1968. As for directors, the above is subject to the approval of the meeting of the Company's shareholders.

c. After the balance sheet date, on November 21, 2010, the Company's Board approved a plan to repurchase debentures (series D) of the Company with overall monetary scope of up to NIS 50 million. The execution of the plan, as well as the scope of purchase, is at the Company's sole discretion. The purchases are not expected to have a material effect on the Company's monetary results.

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