Translated
from the
Hebrew original

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

UNAUDITED

ADGAR INVESTMENTS AND DEVELOPMENT LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 (hereunder - the Group), which comprises the condensed consolidated balance sheet as of September 30, 2012 and the related condensed consolidated statements of profit and loss, 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 subsidiaries, whose assets constitute approximately 63.1% of total consolidated assets as of September 30, 2012, and whose revenues constitute approximately 70.7% and approximately70% of the total consolidated revenues for the nine and three months then ended. The condensed interim financial information of those companies 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 those companies, 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, 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.

Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
November 18, 2012

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

CONSOLIDATED BALANCE SHEETS

	September 30, 2012	September 30, 2011	December 31, 2011
	Unaudited	Unaudited	Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	183,163	124,803	112,672
Short-term investments	27	81,534	41,317
Customers	14,186	9,755	10,059
Deposit	32,458	40,952	41,186
Debtors and receivables	7,239	8,867	7,794
Current taxes receivable	5,743	8,034	11,224
Derivatives	-	-	821
	242,816	273,945	225,073
Assets designated for realization	-	8,071	-
	242,816	282,016	225,073
NON-CURRENT ASSETS			
Derivatives	2,113	299	80
Loans	9,327	7,826	8,530
Investment property	2,990,718	3,091,325	3,174,375
Investment property under construction	92,150	78,760	91,860
Fixed assets	17,723	15,759	15,519
Intangible assets	97	205	168
Deferred taxes	14,318	10,260	7,108
	3,126,446	3,204,434	3,297,640
	3,369,262	3,486,450	3,522,713

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

CONSOLIDATED BALANCE SHEETS

	September 30, 2012	September 30, 2011	December 31, 2011
	Unaudited	Unaudited	Audited
	NIS in thousands		
CURRENT LIABILITIES			
Credit from banking institutions and current maturities of long-term loans	219,753	292,057	365,822
Current maturities of bonds	123,265	127,608	131,764
Liabilities to suppliers and service providers	9,815	12,051	11,346
Taxes payable	7,741	80	6,177
Creditors and payables	58,646	55,028	57,801
Derivatives	11,818	9,236	9,965
	431,038	496,060	582,875
NON-CURRENT LIABILITIES			
Loans from banking institutions and other financial entities	1,305,424	1,403,874	1,312,973
Bonds	566,206	667,702	666,738
Derivatives	32,784	20,996	23,744
Employee benefit liabilities, net	23	10	23
Deferred taxes	128,136	85,765	100,633
	2,032,573	2,178,347	2,104,111
EQUITY			
Share capital	155,768	155,768	155,768
Share premium	256,643	256,643	256,643
Other reserves	(22,320)	(16,877)	(17,416)
Adjustments due to the translation of financial statements of activities abroad	(4,379)	(64,266)	(54,100)
Retained earnings	519,939	480,775	494,832
TOTAL EQUITY	905,651	812,043	835,727
	3,369,262	3,486,450	3,522,713

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

November 18, 2012			
Date of approval of the financial statements	Doron Schneidman Chairman of the Board	Roy Gadish CEO	Daniel Stern CFO

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	Unaudited				Audited
	NIS in thousands [except for net earnings per share data]				
INCOME					
Income from rental of properties	148,922	141,431	48,617	47,204	191,468
Increase in value of investment property and investment property under construction, net	63,872	94,091	-	-	139,328
Total income	212,794	235,522	48,617	47,204	330,796
EXPENSES					
Maintenance of assets, net	12,231	17,490	3,383	5,560	23,586
Administrative and general	24,333	25,920	6,887	7,570	36,700
Total expenses	36,564	43,410	10,270	13,130	60,286
Income before finance expenses, net	176,230	192,112	38,347	34,074	270,510
Finance income	4,041	2,372	1,234	233	4,010
Finance expenses	(106,698)	(131,401)	(33,454)	(41,706)	(162,911)
Finance expenses, net	(102,657)	(129,029)	(32,220)	(41,473)	(158,901)
Income (loss) before capital gain (loss)	73,573	63,083	6,127	(7,399)	111,609
Capital gain (loss)	55	(19)	19	-	(19)
Income (loss) before taxes on income	73,628	63,064	6,146	(7,399)	111,590
Taxes on income	23,521	16,480	3,553	(1,118)	35,949
Net income (loss)	50,107	46,584	2,593	(6,281)	75,641
Net earnings (loss) per share attributed to Company shareholders (NIS):					
Basic and diluted net earnings (loss)	0.45	0.42	0.03	(0.06)	0.67

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	Unaudited				Audited
	NIS in thousands				
Net income (loss)	50,107	46,584	2,593	(6,281)	75,641
Other comprehensive income (after the tax effect):					
Loss in respect of cash flow hedging transactions, net	(7,557)	(5,012)	(3,003)	(10,208)	(7,084)
Revaluation in respect of change of classification of fixed assets for investment property	-	593	-	-	593
Adjustment resulting from the translation of financial statements of activities abroad	49,721	33,575	35,785	25,187	43,741
Total other comprehensive income	42,164	29,156	32,782	14,979	37,250
Total comprehensive income	92,271	75,740	35,375	8,698	112,891

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other capital reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at January 1, 2012 (Audited)	155,768	256,643	(17,416)	(54,100)	494,832	835,727
Net income	-	-	-	-	50,107	50,107
Other comprehensive income (loss)	-	-	(7,557)	49,721	-	42,164
Total comprehensive income (loss)	-	-	(7,557)	49,721	50,107	92,271
Dividend paid to Company shareholders	-	-	-	-	(25,000)	(25,000)
Share-based payment	-	-	2,653	-	-	2,653
Balance as at September 30,2012	155,768	256,643	(22,320)	(4,379)	519,939	905,651

	Share capital	Share premium	Other capital reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at January 1, 2011 (Audited)	155,768	256,643	(18,338)	(97,841)	449,191	745,423
Net income	-	-	-	-	46,584	46,584
Other comprehensive income (loss)	-	-	(4,419)	33,575	-	29,156
Total comprehensive income (loss)	-	-	(4,419)	33,575	46,584	75,740
Share-based payment	-	-	5,880	-	-	5,880
Dividend paid to Company shareholders	-	-	-	-	(15,000)	(15,000)
Balance as at September 30,2011	155,768	256,643	(16,877)	(64,266)	480,775	812,043

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other capital reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at July 1, 2012	155,768	256,643	(19,997)	(40,164)	517,346	869,596
Net income	-	-	-	-	2,593	2,593
Other comprehensive income (loss)	-	-	(3,003)	35,785	-	32,782
Total comprehensive income (loss)	-	-	(3,003)	35,785	2,593	35,375
Share-based payment	-	-	680	-	-	680
Balance as at September **30,2012**	155,768	256,643	(22,320)	(4,379)	519,939	905,651

	Share capital	Share premium	Other capital reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Unaudited					
	NIS in thousands					
Balance as at July 1, 2011	155,768	256,643	(8,715)	(89,453)	487,056	801,299
Loss	-	-	-	-	(6,281)	(6,281)
Other comprehensive income(loss)	-	-	(10,208)	25,187	-	14,979
Total comprehensive income (loss)	-	-	(10,208)	25,187	(6,281)	8,698
Share-based payment	-	-	2,046	-	-	2,046
Balance as at September 30,2011	155,768	256,643	(16,877)	(64,266)	480,775	812,043

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other capital reserves	Adjustments resulting from the translation of financial statements of activities abroad	Retained earnings	Total
	Audited					
	NIS in thousands					
Balance as at January 1, 2011	155,768	256,643	(18,338)	(97,841)	449,191	745,423
Net income	-	-	-	-	75,641	75,641
Other comprehensive income (loss)	-	-	(6,491)	43,741	-	37,250
Total comprehensive income (loss)	-	-	(6,491)	43,741	75,641	112,891
Share-based payment	-	-	7,413	-	-	7,413
Dividend paid to Company shareholders	-	-	-	-	(30,000)	(30,000)
Balance as at December 31, 2011	155,768	256,643	(17,416)	(54,100)	494,832	835,727

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	Unaudited				Audited
	NIS in thousands				
CASH FLOWS FROM CURRENT ACTIVITIES					
Net income (loss)	50,107	46,584	2,593	(6,281)	75,641
Adjustments needed to present cash flows from operating activities:					
Adjustments to the profit or loss items:					
Increase in value of investment property and investment property under construction, net	(63,872)	(94,091)	-	-	(139,328)
Finance expenses, net	102,657	129,029	32,220	41,473	158,901
Capital loss (gain)	(55)	19	(19)		19
Depreciation and amortization	5,683	5,978	1,693	2,215	7,346
Taxes on income	23,521	16,480	3,553	(1,118)	35,949
Change in employee benefit liabilities, net	-	-	-	-	13
Share-based payment cost	2,653	5,880	680	2,046	7,413
	70,587	63,295	38,127	44,616	70,313
Changes in asset and liability items:					
Decrease (increase) in customers	(3,813)	5,650	(1,628)	4,405	5,415
Decrease in debtors and receivables	782	1,379	572	2,740	1,080
Increase (decrease) in liabilities to suppliers and service providers	664	(1,021)	623	(3,074)	(3,565)
Increase (decrease) in creditors and payables	(724)	3,979	3,135	(1,190)	8,592
	(3,091)	9,987	2,702	2,881	11,522
Cash paid and received during the period for:					
Interest paid	(99,848)	(98,354)	(32,378)	(34,118)	(132,655)
Interest received	3,424	4,837	1,948	700	6,357
Dividend received from short term investments	-	-	-	-	458
Taxes paid	(6,150)	(11,052)	(32)	(158)	(11,299)
Taxes received	1,681	150	476	-	150
	(100,893)	(104,419)	(29,986)	(33,576)	(136,989)
Net cash provided by current activities	16,710	15,447	13,436	7,640	20,487

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	Unaudited				Audited
	NIS in thousands				
CASH FLOWS FROM INVESTMENT ACTIVITIES:					
Investment in deposit, net	-	-	1,912	1,787	-
Proceeds from sale of investment property	220,836	7,315	332	-	15,642
VAT refund for investment property	-	70,925	-	-	70,925
Acquisition of short term investments	-	(93,068)	-	(334)	(93,068)
Sale of short term investments	41,892	55,036	-	46,753	95,127
Acquisition of investment property	(21,516)	(28,709)	(5,327)	(10,071)	(47,856)
Acquisition of investment property under construction	(290)	(289)	(89)	(243)	(11,563)
Acquisition of subsidiary	-	(16,719)	-	-	(16,719)
Acquisition of fixed assets	(1,087)	(316)	(465)	(122)	(384)
Acquisition of intangible assets	(18)	(53)	-	(32)	(53)
Proceeds from sale of fixed assets	189	136	102	-	136
Refund (grant) of lessee loan, net	142	-	48	-	(556)
Net cash provided by (used in) investment activities	240,148	(5,742)	(3,487)	37,738	11,631
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of short-term credit from banking institutions	(31,674)	(67,293)	(29,486)	(2,173)	(69,271)
Receipt of long-term loans	44,022	69,758	44,022	-	75,320
Settlement of long-term loans	(57,769)	(57,211)	(18,603)	(11,365)	(82,051)
Grant of deposit for bond interest	-	(7,056)	-	(1,256)	(7,056)
Dividend paid to Company shareholders	(25,000)	(15,000)	-	-	(30,000)
Settlement of bonds	(109,375)	(113,701)	(38,996)	(44,674)	(113,701)
Early settlement of bonds	(9,425)	(7,920)	(2,911)	(3,720)	(7,920)
Issue of bonds net issue expenses	-	196,603		-	196,603
Net cash used in finance activities	(189,221)	(1,820)	(45,974)	(63,188)	(38,076)
Increase (decrease) in cash and cash equivalents	67,637	7,885	(36,025)	(17,810)	(5,958)
Translation differences in respect of cash balances in in foreign entities	2,854	2,614	2,025	2,453	4,326
Balance of cash and cash equivalents as at the beginning of the period	112,672	114,304	217,163	140,160	114,304
Balance of cash and cash equivalents as at the end of the period	183,163	124,803	183,163	124,803	112,672

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	Unaudited				Audited
	NIS in thousands [except for net earnings per share data]				
(a) Significant non-cash activities					
Acquisition of fixed assets and investment property against suppliers and service providers		9,186		401	8,643
Sale of investment property against debtors	1,049	-	1,049	-	-

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, 2012 and for the nine and three months then ended (hereunder - interim consolidated financial statements). These financial statements should be read in conjunction with the Company's audited annual financial statements as of December 31, 2011 and for the year then ended and their accompanying notes (hereunder - annual financial statements).

b. As of September 30, 2012, the Company has a working capital deficiency of about NIS 188 million. As an income-generating real estate company which finances most of its investments using credit from financial institutions, including short term credit, the Company often incurs a working capital deficiency. In management's opinion, this deficit is not expected to impair the Company's business operations since the banks usually refinance the short term credit which they grant.

c. The rating of bonds

On August 30, 2012, Maalot (Standard & Poor's) approved the ilBBB rating of the Company's bonds series D and E with a stable rating outlook.

On April 19, 2012, Midroog approved the Baa1 rating for each series of outstanding bonds (Series D - G) and approved the Baa1 rating for the issue of additional bonds of up to NIS 150 million par value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IAS 12 - Taxes on Income

The amendment to IAS 12 (hereunder – the amendment) applies to investment property measured according to the fair value model. The amendment determines that the deferred tax asset/liability in respect of such property should be measured based on the presumption that the carrying amount of the property will be recovered in full through sale (and not through use). However, if the investment property is depreciable and is held within the Company's business model with the objective of recovering substantially all of the underlying economic benefits through use and not through sale, the Company should measure the deferred taxes according to the manner of the expected recovery of the base property.

The amendment supersedes the provisions of SIC 21 that require separation of the land component and the building component of investment property measured at fair value in order to calculate the deferred tax.

The amendment did not have a material effect on the Company's financial statements.

Amendments to IFRS 10, IFRS 11, IFRS 12, - Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities

In June 2012, the IASB published amendments to IFRS 10 Consolidated Financial Statements (hereunder – IFRS 10), IFRS 11 Joint Arrangements (hereunder – IFRS 11) and IFRS 12 Disclosure of Interests in Other Entities (hereunder – IFRS 12). The amendments clarify the transition instructions of IFRS 10.

The amendments include mitigations regarding the transitional provisions of IFRS 10, IFRS 11 and IFRS 12, and allow correction of comparative figures for one year only. Correction of comparative figures for previous periods is possible but not required. The corrections also eliminated the need to present comparative information for previous periods regarding structured entities which are not consolidated.

The amendments enter into force beginning from the financial statements for annual periods beginning from January 1, 2013 which is the commencement date of IFRS 10, IFRS 11 and IFRS 12.

NOTE 3:- DATA OF THE CPI AND REPRESENTATIVE EXCHANGE RATE OF FOREIGN CURRENCY

	Israeli CPI	Representative exchange rate of the Zloty (Polish currency)	Representative exchange rate of the Canadian dollar	Representative exchange rate of the Euro
	Points *)	NIS	NIS	NIS
As at				
September 30, 2012	220.8	1.23	3.995	5.065
September 30, 2011	216.2	1.14	3.642	5.044
December 31, 2011	216.3	1.12	3.740	4.938
Change in rates in the year ended	%	%	%	%
September 2012 (nine months)	2.1	10.1	6.8	2.6
September 2012 (three months)	1.1	6.4	4.4	2.7
September 2011 (nine months)	2.2	(4.4)	2.4	6.5
September 2011 (three months)	-	(7.8)	3.1	2.0
December 2011 (twelve months)	2.2	(6.5)	5.2	4.2

*) The index on an average basis of 1993 = 100.

NOTE 4:- SEGMENTS OF ACTIVITY

a. General

1. The Group operates in the income generating real estate market. Its 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 segments of activity since the Company's management examines its activities based on these segments.

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity

	For the period of nine months ended as at September 30, 2012				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of properties before amortization	33,245	10,406	34,333	75,576	153,560
Deduction of deferred incentives to lessees	(30)	-	(397)	(4,211)	(4,638)
Increase (decrease) in value of investment property	533	(99)	7,441	55,997	63,872
Total income	33,748	10,307	41,377	127,362	212,794
Segment results	17,652	6,918	36,759	114,901	176,230
Finance income					4,041
Finance expenses					(106,698)
Net finance expenses					(102,657)
Income before capital gain					73,573
Capital gain					55
Income before taxes on income					73,628

	For the period of nine months ended as at September 30, 2011				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of properties before amortization	31,242	7,384	30,927	76,629	146,182
Deduction of deferred incentives to lessees	-	-	(397)	(4,354)	(4,751)
Increase (decrease) in value of investment property	(2,872)	3,272	14,894	78,797	94,091
	28,370	10,656	45,424	151,072	235,522
Segment results	12,584	6,349	37,946	135,233	192,112
Finance income					2,372
Finance expenses					(131,401)
Net finance expenses					(129,029)
Income before capital loss					63,083
Capital loss					(19)
Income before taxes on income					63,064

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

b. Report regarding segments of activity

	For the period of three months ended as at September 30, 2012				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of properties before amortization	11,252	3,706	11,863	23,185	50,006
Deduction of deferred incentives to lessors	(9)	-	(106)	(1,274)	(1,389)
Total income	11,243	3,706	11,757	21,911	48,617
Segment results	6,652	3,030	10,170	18,495	38,347
Finance income					1,234
Finance expenses					(33,454)
Net finance expenses					(32,220)
Income before capital gain					6,127
Capital gain					19
Income before taxes on income					6,146

	For the period of three months ended as at September 30, 2011				
	Israel	Belgium	Poland	Canada	Total
	Unaudited				
	NIS in thousands				
Income from leasing of properties before amortization	10,257	2,671	9,396	26,662	48,986
Deduction of deferred incentives to lessors	-	-	(308)	(1,474)	(1,782)
Total income	10,257	2,671	9,088	25,188	47,204
Segment results	5,322	1,333	6,868	20,551	34,074
Finance income					233
Finance expenses					(41,706)
Net finance expenses					(41,473)
Loss before taxes on income					(7,399)

NOTE 4:- SEGMENTS OF ACTIVITY (Cont.)

a. Report regarding segments of activity

5.

	For the year ended as at December 31, 2011				
	Israel	Belgium	Poland	Canada	Total
			Audited		
			NIS in thousands		
Income from leasing of properties before amortization	41,651	10,015	42,062	103,432	197,160
Deduction of deferred incentives to lessors	(12)	-	(225)	(5,455)	(5,692)
Increase in value of investment property and investment property under construction, net	10,953	5,925	26,000	96,450	139,328
Total income	52,592	15,940	67,837	194,427	330,796
Segment results	29,711	10,312	58,095	172,392	270,510
Finance income					4,010
Finance expenses					(162,911)
Net finance expenses					(158,901)
Income before capital loss					111,609
Capital loss					(19)
Income before taxes on income					111,590

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On March 18, 2012, the Company's Board of Directors, after approval of the Audit Committee, approved the update management services agreement with a private company wholly owned by Mr. Roy Gadish, CEO of the Company. In accordance with the agreement the monthly management fees will be about NIS 109 thousand per month linked to the known CPI on the date of the payment (the base index is the known index for February 2012). Also the bonus formula will be updated, so that if the rate of return on capital exceeds 7%, the management company will be paid an annual grant of 2% of the annual income subject to the ceiling remuneration of NIS 3,500 thousands (hereunder – the remuneration ceiling). From the profit for calculating the grant, there will be a deduction of the previous year's loss, or an addition of the surplus profit for which no bonus was paid due to the previous year's remuneration ceiling. In addition, subject to the approval of the Audit Committee and compliance with the remuneration ceiling, the Company's Board of Directors was granted the authority to pay the management company a grant of up to 12 salaries, according to the discretion of the Board of Directors depending on how the Company's CEO functions, in such a manner that does not reflect the Company's financial results. All the other terms of the management agreement did not change.

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

b. On May 11, 2012 the transaction for the sale of 25% of the rights in the majority of assets owned by the subsidiaries in Canada, was completed, at a net consideration of about 56 million Canadian Dollars (about NIS 213 million). In addition, the purchaser, took upon itself the subsidiaries' liabilities to the financial institutions which provided finance for the acquisition of the assets in an additional amount of about 43 million Canadian Dollars (about NIS 163 million). In the framework of completion of the agreement, the agreements in relation to the ownership and management of assets were signed (hereunder – the collaboration agreements) as follows:

1. Each party will bear the expenses regarding the management of assets in accordance with his proportional share. The management services will be provided by a company wholly owned by the Company (hereunder – the services company), which will provide the management services. The expected consideration in respect of the management services will be about 600 thousand Canadian Dollars (CAD) per year.

2. Significant decisions regarding the assets will be by a joint decision according to the mechanisms prescribed in the collaboration agreements.

3. In the framework of the collaboration agreements, provisions were prescribed as is customary in connection with the transfer of property rights of the parties to the assets, including the right to transfer the assets to related parties and the right of the purchaser to transfer up to 49% of its rights in the assets to a third party, which is an entity operating in the field of pension funds. In addition, provisions were prescribed as is customary in such agreements, in respect of the sale of the other party's rights or the sale of the entire relevant asset. In addition, it was prescribed in the collaboration agreements that after five years from the date of completion of the transaction, each party is entitled to request the division of assets between the parties, based on the value of the holdings in the assets at the time of the said division and subject to payment adjustments, as set forth in the collaboration agreements.

   Completion of the transaction generated a loss for the Company in the amount of about 540 thousand Canadian Dollars (CAD) (about NIS 2 million) in respect of related expenses involved in completion of the transaction.

   In addition, the Company has undertaken a minimum operating profit for the first year from the date of completion of the transaction, in relation to assets sold.

c. On June 28, 2012 the Company distributed a dividend in the amount of NIS 25 million. The dividend constitutes about 22.3 agorot per share.

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

d. On May 28, 2012 the Company published an off the shelf prospectus for the issue of securities during 24 months as detailed in the off the shelf prospectus. Up to the present date, the Company has not yet offered securities on the basis of the off the shelf prospectus.

e. On May 28, 2012 the Company's Board of Directors approved a plan for the acquisition of the Company's bonds in the total sum of up to NIS 50 million. Realization of the plan, including the scope of acquisitions, is at the sole discretion of the Company.

   During the reporting period the Company acquired 7,612 thousand nominal value bonds (Series D) in consideration for the amount of about NIS 9,840 thousand.

NOTE 6:- EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Company began to examine the possibility of an initial public offer in Canada of the Company's activities in the field of real estate in Canada, among others by way of an offer for sale of some of the said activities.

It should be clarified that as at the date of this report a final decision has not yet been received regarding the performance of the abovementioned public offer, and the structure of the issue and the securities to be offered (if they will be offered), the scope of the public offer, its conditions, and its timing, has not yet been determined and it is not certain that this public offer will actually be performed.

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