II) 4 components of internal control procedures

a) Organization and environment

Plaza's internal control procedures distinguish permanent control from periodic control, which are independent but complementary. Permanent control is the responsibility of all Group employees. It is linked directly to the business sectors, functions and subsidiaries.

Managers of the business functions, country directors, aim to ensure compliance with the Group's internal control procedures, whose tasks are:

- to ensure the methods chosen at Group level are coordinated and implemented by their teams;
- to design and adapt the reporting procedures on a regular basis, giving the most appropriate indicators to obtain clear visibility of their permanent control;
- to regularly transmit this reporting to their superiors and indicate problems and incoherences in order to enable appropriate decisions to be taken regarding changes to the controls;

The powers of the Group companies' legal representatives are limited and subject to controls. Functional departments provide expertise to operational departments. Permanent control procedures require several participants. The involvement of many players necessitates tight coordination of actions and methods. At Group level, the coordination of permanent control is carried out under the authority of the Head of Accounting and CFO, whose tasks are:

- to ensure the design and implementation of actions to improve permanent control in the Group's business functions;
- to co-ordinate the choice of methodologies and tools;
- to monitor the development of the procedures in the business functions and subsidiaries.

b) Risk management

The Group is careful to anticipate and manage major risks likely to affect the achievement of its goals and to compromise its compliance with current laws and regulations. These risks are identified above in this section. The identification and evaluation of risks is used as a reference to determine procedures and controls which, in their turn, influence the level of residual risk. The procedures provide a framework for the activity, in a more precise way where risks have been identified, and their application provides a control mechanism.

c) Control activities to meet these risks.

The internal control and risk management system is based on two levels of control, the first two relating to permanent control, and the third to periodic control:

First level – First degree – Permanent control
The first level and first degree of control is exercised by every employee as part of his or her job-related tasks with reference to the applicable procedures. Control is ensured on an ongoing basis by the initiation of a task by operating employees themselves or by automatic systems for carrying out operations.

First level – Second degree – Permanent control
The second level is exercised by the management of the business function. Controls are carried out in the framework of operating procedures.

Second level – Permanent control
The second level of control is intended to ensure that the first level controls have been carried out and respected correctly. It is undertaken by separate functions, specially dedicated to permanent control.

Internal accounting control
A dedicated function within the Accounting Department is charged with checking the smooth functioning of first level accounting controls. See section below "Internal control procedures relating to the preparation and processing of the accounting and financial information".

d) Management and supervision of internal control systems

Under the direction of the Executive Board, the activities and functions managers carry out the supervision of the internal control system with the support of the permanent control co-ordination function. The Audit Committee meets at least twice per year, its work and conclusions are reported to the Executive Board. The supervision is also supported by the comments and recommendations of the statutory auditors and by any regulatory supervision which may take place.

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Risk management

continued

III) Risk management and internal control bodies

The main bodies involved in managing the internal control system are:

a) Executive Board

The Executive Board has overall responsibility for the Group's internal control systems. The Executive Board is tasked with defining the general principles of the internal control system, creating and implementing an appropriate internal control system and associated roles and responsibilities, and monitoring its smooth functioning in order to make any necessary improvements.

b) Audit Committee

The Audit Committee is informed at least once a year of the status of the Group's entire internal control system, changes made to the system and the findings of the work carried out by the various participants working in the system.

c) Functional management

Functional management departments define the orientation and procedures of their respective sectors, which they communicate to the countries.

d) Group employees

Operating supervisors and line managers are responsible for controlling risks and are the principal actors in permanent control. They exercise first level controls.

Internal control procedures relating to the preparation and processing of the accounting and financial information

I) Definition and objectives

The aim of accounting controls is to ensure adequate coverage of the main accounting risks. They rely on understanding operational processes and the way they are translated into the Company accounts, and on defining the responsibilities of the individuals responsible for accounting scopes and information system security. Internal accounting controls aim to ensure:

- that published accounting and financial information complies with accounting regulations;
- that the accounting principles and instructions issued by the Group are applied by all its subsidiary companies;
- that the information distributed and used internally is sufficiently reliable to contribute to processing accounting information.

II) Management process for accounting and financial organization

i) Accounting organization

The production of accounting information and the application of the controls implemented to ensure the reliability of said information are primarily the responsibility of the Company Financial & Accounting Department that submit information to the Group, and which certify its compliance with the internal certification procedure. The corporate and consolidated financial statements are prepared by the Financial & Accounting Department, which reports directly to the Executive Board. The department is charged with:

- updating accounting rules in view of changes in accounting regulations;
- defining the various levels of accounting control to be applied to the financial statement preparation process;
- ensuring correct operation of the internal accounting control environment within the Group, with particular reference to the internal certification procedure described below;
- preparing and updating the procedures, validation rules and authorization rules applying to the department;
- monitoring the implementation of recommendations made by external auditors.

b) Financial risk management

The management of financial risks, and in particular the financial structure of the Group, its financing needs and interest rate risk management procedures, is provided by the Financial & Accounting Department, which reports directly to the Executive Board. At the end of each year, the Supervisory Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources, as well as interest rate hedges. During the year, key financial transaction decisions are submitted individually for approval by the Supervisory Board, which also receives a summary of these transactions once they have been completed. The Financial & Accounting Department also develops internal procedures that define the distribution of intra-Group responsibilities for cash management and the implementation of Plaza share buyback programs. The processing and centralization of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Financial & Accounting Department, which keeps a record of commitments and ensures that they are reflected in the accounting system.

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c) The Audit Committee
The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified), working in collaboration with the statutory auditors.

III) Processes contributing to the preparation of accounting and financial information

a) Operational processes used to generate accounting information
The financial statements of Plaza are prepared centrally at Plaza's corporate headquarters. The country departments are responsible for collecting information from the local bookkeepers and applying a series of appropriate controls to their job functions, as defined in the corresponding procedures. The Accounting Department has set up a system of internal collection and verification of country data and controls carried out. This system of control covers all Group entities.

b) Processes used to prepare the corporate and consolidated financial statements
The financial statements for the entire scope of consolidation are consolidated by the Accounting Department. At the end of each year, the Executive Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources, as well as interest rate hedges. During the year, key financial transaction decisions are submitted individually for approval. The processing and centralization of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Investment Committee, which keeps a record of commitments and ensures that they are reflected in the accounting system.

c) The Audit Committee
The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified), working in collaboration with the statutory auditors.

Remuneration report

Remuneration Committee

As stated in the Corporate Governance report on pages 51 to 56 of this document, the Remuneration Committee meets at least twice each financial year to prepare, among other matters, the decision of the Board relating to the remuneration of directors and any share incentive plans. It is also responsible for preparing an annual report on the Company's remuneration policies and for giving full consideration in all its deliberations to the principles set out in the Combined Code.

The committee comprises three non-executive directors – it is chaired by Shimon Yitzhaki and the other members are Marius van Elbergen Santhagens and Marco Wichers.

Under Dutch corporate law and the Articles of the Company, a General Meeting of Shareholders must determine the principal guidelines governing the remuneration both of executive and non-executive directors. In addition, such a meeting also has to approve the granting to them of options and share incentive plans.

The Board may only determine the remuneration of directors within such guidelines, and no director or manager may be involved in any decisions relating to his or her own remuneration.

Remuneration policy

Plaza Centers' remuneration policy is designed to attract, motivate and retain the high-calibre individuals who will enable the Company to serve the best interests of shareholders over the long term, through delivering a high level of corporate performance. Remuneration packages are aimed at balancing both short-term and long-term rewards, as well as performance and non-performance related pay.

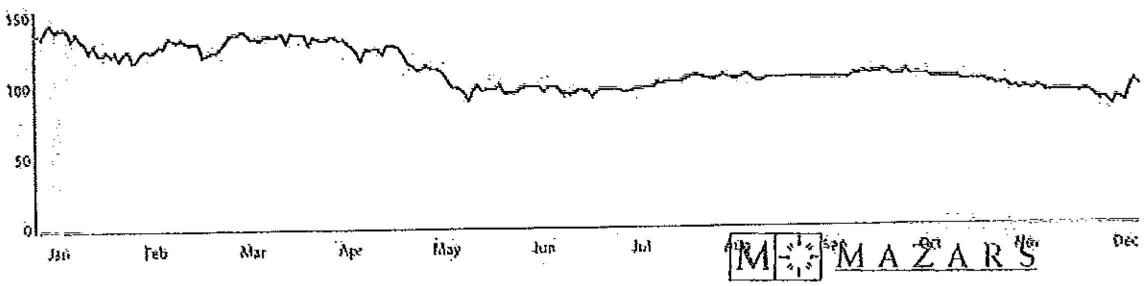
The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

The Remuneration Committee believes that any director's total remuneration should aim to recognize his or her worth on the open market and to this end pays base salaries in line with the market median supplemented by a performance-related element with the capacity to provide more than 50% of total potential remuneration.

2010	Salary and fees €'000	Share incentive plan[1] €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Chairman and executive directors				
Mr Mordechay Zisser	244	153	397	–
Mr Ran Shtarkman	481	397	878	100
Total	725	550	1,275	–
Non-executive directors				
Mr Shimon Yitzhaki	–	234	234	–
Mr Marius van Elbergen Santhagens	50	–	50	–
Mr Edward Paap	50	–	50	–
Mr Marco Wichers	50	–	50	–
Total	150	234	384	–
Total – all directors	875	784	1,659	100

1 Accounting non-cash expenses recorded in the Company's income statement in connection with the share option plan

Total shareholder returns performance 2010



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Service arrangements

The executive directors have rolling service contracts with the Company, which may be terminated on 12 months' and three months' notice in the cases of the Chairman and the CEO/President respectively.

The non-executive directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months' written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

Bonuses

The Company has a performance-linked bonus policy for senior executives and employees, under which up to 3% of net annual profits are set aside for allocation by the directors to employees on an evaluation of their individual contributions to the Company's performance. In addition, the Board can award ad hoc bonuses to project managers, area managers and other employees on the successful completion and/or opening of each project. The directors also have the authority to award discretionary bonuses to outstanding employees which are not linked to the Company's financial results.

Share options

The Company adopted its Share Option Scheme on October 26, 2006 which was amended on November 25, 2008 (refer to note 27 to the consolidated financial statements), the terms and conditions of which (except for the exercise price) are regulated by the Share Option Scheme. Options will vest in three equal annual portions and have a contractual life of seven years following grant. In the course of 2010, 2,789,000 options were granted. For the exercise and forfeit of options refer to the table below.

	Number of options granted	Number vested as at December 31, 2010	Exercise price of options £
Mr Mordechay Zisser	3,907,895	3,039,474	0.52
Mr Ran Shtarkman	10,150,376	6,475,287	0.52
Mr Shimon Yitzhaki	2,116,541	868,420	0.52-1.14
Mr Marius van Elbergen Santhagens	–	–	n/a
Mr Edward Paap	–	–	n/a
Mr Marco Wichers	–	–	n/a

	Number of options as at December 31, 2010
Total pool	33,834,586
Granted	38,951,174
Exercised	7,360,699
Forfeited	(5,720,298)
Left for future grant	603,710

Amsterdam, April 28, 2011

The Board of Directors

Mordechay Zisser | Ran Shtarkman | Shimon Yitzhaki

Marius van Elbergen Santhagens | Marco Wichers | Edward Paap

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Statement of the directors

The responsibilities of the directors are determined by applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing the annual report and the annual financial statements in accordance with applicable law and regulations.

Netherlands law requires the directors to prepare financial statements for each financial year that give, according to generally acceptable standards, a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies that are included in its consolidated accounts for that period.

Netherlands law requires the directors to prepare an annual report that gives a true and fair view of the position as per the balance sheet date, the course of business during the past financial year of the Company and its affiliated companies included in the annual financial statements; and that the annual report contains a proper description of the principal risks the Company faces.

Directors are required to abide by certain guidelines in undertaking these tasks.

The directors need to select appropriate accounting policies and apply them consistently in their reports. They must state whether they have followed applicable accounting standards, disclosing and explaining any material departures in the financial statements.

Any judgments and estimates that directors make must be both reasonable and prudent. The directors must also prepare financial statements on a "going concern" basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Throughout the financial year, the directors are responsible for keeping proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company. They are also responsible for ensuring that these statements comply with applicable company law.

In addition, they are responsible for internal control systems that help identify and address the commercial risks of being in business, and so safeguard the assets of the Company. They are also responsible for taking reasonable steps to enable the detection and prevention of fraud and other irregularities.

The Company's website may be accessed in many countries, which have different legal requirements. The directors are responsible for maintaining the accuracy of corporate and financial information on the website, where a failure to update or amend information may cause inappropriate decision making.

On the basis of the above and in accordance with Best Practice Provision II.1.4. of the Netherlands Corporate Governance Code, the directors confirm that internal controls over financial reporting within the Company provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirm that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so.

The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

In view of all of the above, hereby following the requirements of article 5:25c paragraph 2 under c. of the Netherlands Act on the financial supervision (Wet op het financieel toezicht), the directors hereby confirm that (i) the annual financial statements 2010 as included herein give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its affiliated companies that are included in the consolidated financial statements; and (ii) the annual report includes a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the consolidated annual financial statements and that the principal risks and uncertainties that the Company faces are described.

The Board of managing directors:

Mordechay Zisser
Executive Director and Chairman

Ran Shtarkman
Executive Director and CEO

Shimon Yitzchaki
Non-executive Director

Edward Paap
Non-executive Director

Marius Willem van Eibergen Santhagens
Non-executive Director

Marco Habib Wichers
Non-executive Director

April 28, 2011

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Consolidated statement of financial position

	Note	December 31, 2010 €'000	December 31, 2009 €'000
ASSETS			
Cash and cash equivalents	5	137,801	122,596
Restricted bank deposits	6	29,954	39,202
Short-term deposits		–	2,589
Available for sale financial assets	7	27,098	15,040
Trade receivables	8	4,064	1,920
Other receivables and prepayments	9	47,828	54,118
Derivatives	16	10,535	1,810
Trading properties	10	807,887	707,287
Total current assets		1,065,167	944,562
Long-term deposits and other investments	11	52,559	51,447
Deferred tax assets	24	282	-
Derivatives	16	42,110	20,151
Property and equipment	12	11,361	14,990
Investment property	13	238,702	13,399
Restricted bank deposits	6	15,751	14,737
Other non-current assets		364	335
Total non-current assets		361,129	115,059
Total assets		1,426,296	1,059,621
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	17	232,902	176,637
Debentures at fair value through profit or loss	22	48,318	7,423
Debentures at amortized cost	23	20,762	–
Trade payables	18	11,260	19,953
Related parties	19	3,758	3,234
Provisions	20	15,597	16,305
Other liabilities	21	19,474	11,465
Total current liabilities		352,071	235,017
Interest bearing loans from banks	17	133,514	7,435
Debentures at fair value through profit or loss	22	211,997	211,940
Debentures at amortized cost	23	97,979	27,792
Other liabilities	21	5,330	291
Deferred tax liabilities	24	956	2,437
Total non-current liabilities		449,776	249,895
Share capital	25	2,967	2,942
Translation reserve	25	8,074	(9,640)
Other reserves	25	31,272	28,088
Share premium	25	261,773	261,773
Retained earnings		296,109	285,836
Total equity attributable to equity holders of the Company		600,195	569,799
Non-controlling interests		24,254	4,910
Total equity		624,449	574,709
Total equity and liabilities		1,426,296	1,059,621

Date of approval of the financial statements: March 22, 2011
The notes on pages 74-135 are an integral part of these consolidated financial statements.

Ran Shlarkman
Director, President and
Chief Executive Officer

Shimon Yitzchaki
Director and Chairman
of the Audit Committee

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Consolidated income statement

	Note	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Revenues	28	37,641	16,045
Impairment losses - trading properties	10	6,710	33,893
Cost of operations	20	20,853	12,970
Gross profit (loss)		10,078	(30,818)
Administrative expenses (*)	30	17,923	19,054
Other income	31	(42,603)	(280)
Other expenses	31	260	39
Results from operating activities		34,498	(49,631)
Finance income	32	49,596	33,423
Finance expenses	32	(70,773)	(51,543)
Net finance expenses		(21,177)	(18,120)
Share in loss of associate	15	(381)	(780)
Profit/(loss) before income tax		12,940	(68,531)
Tax benefit	33	(1,308)	(3,819)
Profit/(loss) for the year		14,248	(64,712)
Profit/(loss) attributable to:			
Owners of the Company		10,273	(64,769)
Non controlling interests		3,975	57
		14,248	(64,712)
Basic earnings/(loss) per share (in EURO)	26	0.03	(0.23)
Diluted earnings/(loss) per share (in EURO)	26	0.03	(0.23)

* Including non-cash expenses due to the share option plan in the amount of EUR 2.5 million (2009: EUR 2.8 million)

The notes on pages 74-135 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income

	For the Year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Profit/(loss) for the year	14,248	(64,712)
Other comprehensive income		
Net change in fair value of available for sale financial assets	(179)	1,722
Foreign currency translation differences for foreign operations	12,221	2,586
Other comprehensive income for the year, net of income tax	12,042	4,308
Total comprehensive income/(loss) for the year	26,290	(60,404)
Total comprehensive income/(loss) attributable to:		
Owners of the Company:	27,808	(60,512)
Non-controlling interests	(1,518)	108
Total comprehensive income/(loss) for the year	26,290	(60,404)

The notes on pages 74-135 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

	Attributable to the equity holders of the Company										
	Share capital €'000	Share premium €'000	Other capital reserves €'000	Translation reserve €'000	Reserve for own shares €'000	Financial assets available for sale reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total €'000
Balance at December 31, 2008	2,924	248,860	22,898	(12,175)	(5,469)	(1,120)	350,605	606,523	3,008	609,531
Own shares acquired	–	–	–	–	(3,523)	–	–	(3,523)	–	(3,523)
Own shares sold	–	12,913	–	–	8,992	–	–	21,905	–	21,905
Effect of acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,794	1,794
Share-based payment	–	–	5,406	–	–	–	–	5,406	–	5,406
Share option exercised	18	–	(18)	–	–	–	–	–	–	–
Comprehensive income for the year										
Loss	–	–	–	–	–	–	(64,769)	(64,769)	57	(64,712)
Foreign currency translation differences	–	–	–	2,535	–	–	–	2,535	51	2,586
Available for sale reserve, net	–	–	–	–	–	1,722	–	1,722	–	1,722
Total comprehensive income for the year	–	–	–	2,535	–	1,722	(64,769)	(60,512)	108	(60,404)
Balance at December 31, 2009	2,942	261,773	28,286	(9,640)	–	602	285,836	569,799	4,910	574,709
Effect of acquisition of subsidiaries	–	–	–	–	–	–	–	–	20,862	20,862
Share-based payment	–	–	2,588	–	–	–	–	2,588	–	2,588
Share option exercised	25	–	(25)	–	–	–	–	–	–	–
Comprehensive income for the year										
Profit	–	–	–	–	–	–	10,273	10,273	3,975	14,248
Foreign currency translation differences	–	–	–	17,714	–	–	–	17,714	(5,493)	12,221
Available for sale reserve, net	–	–	–	–	–	(179)	–	(179)	–	(179)
Total comprehensive income for the year	–	–	–	17,714	–	(179)	10,273	27,808	(1,518)	26,290
Balance at December 31, 2010	2,967	261,773	30,849	8,074	–	423	296,109	600,195	24,254	624,449

The notes on pages 74-135 are an integral part of these consolidated financial statements.

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Consolidated statement of cash flows

	Note	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Cash flows from operating activities			
Profit/(loss) for the year		14,248	(64,712)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment on trading property, property and equipment and other assets	10,12	8,953	35,365
Change in fair value of investment property	13	(4,647)	(429)
Finance expenses, net	32	21,177	18,120
Interest received in cash		8,631	9,471
Interest paid		(28,234)	(5,513)
Share-based payment	27,38	2,540	2,821
Gain from a bargain purchase	37	(42,039)	–
Loss/(gain) on sale of property and equipment		212	(141)
Share in loss of associate		381	780
Loss on sale of trading property		133	–
Income tax expenses (tax benefit)	33	(1,308)	(3,819)
		(19,953)	(8,057)
Decrease/(increase) in trade accounts receivable		390	(1,001)
Decrease in other accounts receivable		9,881	7,188
Change in restricted cash		(9,030)	6,945
Increase in advance payment on accounts of trading properties		(4,035)	(1,567)
Increase in trading properties	10	(62,693)	(108,940)
Purchase of trading property companies (see appendix A)		–	(7,202)
Decrease in trade accounts payable		(6,343)	(1,538)
Increase/(decrease) in other liabilities and provisions		3,904	(4,696)
Proceeds from disposal of trading property, net of cash disposed (see appendix B)		965	–
		(86,914)	(110,811)
Income tax paid		(121)	(74)
Net cash used in operating activities		(87,035)	(118,942)
Purchases of property, equipment and other assets		(466)	(1,222)
Proceeds from sale of property and equipment	12	3,135	303
Capital expenditure on investment properties		(1,168)	–
Acquisition of subsidiaries, net of cash acquired	37	(14,554)	–
Purchase of available for sale financial assets	7	(21,935)	(8,294)
Proceeds from sale of available for sale financial assets	7	10,195	3,808
Long-term deposits, net		(33)	(99)
Net cash used in investing activities		(24,626)	(5,504)
Cash from financing activities			
Proceeds from loans from banks and financial institutions	17	53,274	44,267
Proceeds from loans from partners	21	5,130	–
Proceeds from selling settlement of derivatives	18	9,259	13,114
Proceeds from own shares sold		–	21,905
Treasury shares purchased		–	(3,523)
Proceeds from issuance of long-term debentures	22,23	77,968	27,408
Long-term loans and debentures repaid to banks		(18,694)	(2,478)
Loans repaid to related parties		–	(32)
Net cash provided by financing activities		126,937	100,661
Effect of exchange rate fluctuations on cash held		(71)	355
Increase/(decrease) in cash and cash equivalents during the year		15,205	(23,430)
Cash and cash equivalents at the beginning of the year		122,596	146,026
Cash and cash equivalents at the end of the year		137,801	122,596

The notes on pages 74-135 are an integral part of these consolidated financial statements.

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	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Appendix A – Purchase of trading property companies		
Cash and cash equivalents of subsidiaries acquired	–	1,729
Short-term deposits	–	–
Trade receivables and other receivables	–	4,673
Long-term deposit	–	(1,536)
Property and equipment	–	–
Trading property	–	41,555
Other assets	–	24
Trade payables	–	(82)
Interest bearing loans from banks	–	(32,477)
Related parties	–	–
Minority interest	–	(1,147)
Deferred taxes	–	(139)
Other accounts payable	–	(3,669)
Less – Cash and cash equivalents of subsidiaries acquired	–	(1,729)
Acquisitions of subsidiaries, net of cash held	–	7,202
Appendix B – Disposal of subsidiary		
Other receivables	41	–
Trading properties	1,057	–
Net identifiable assets and liabilities disposed	1,098	–
Cash from sale of subsidiaries	965	–
Less – Cash and cash equivalents of subsidiaries disposed	–	–
	965	–

The notes on pages 74-135 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

Note 1 – Principal activities and ownership

Plaza Centers N.V. ("the Company") was incorporated and is registered in the Netherlands. The Company's registered office is at Keizersgracht 241, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe, India, and, starting 2010, also in the USA, through the acquisition of EDT retail trust ("EDT" or "the Trust") (refer also to note 37).
The consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company's shares are traded on the Official List of the London Stock Exchange ("LSE") and starting October 19, 2007, the Company's shares are also listed in the Warsaw Stock Exchange ("WSE").

The Company's immediate parent company is Elbit Ultrasound B.V. ("EUL"), which holds 62.4% of the Company's shares, as of the end of the reporting period. The ultimate parent company is Elbit Imaging Limited ("EI"), which is indirectly controlled by Mr. Mordechay Zisser. For the list of the Group entities, refer to note 42.

Note 2 – Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The Company income statement has been prepared in accordance with the provisions of section 402, Book 2, of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2011.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of the financial position:

- Investment property are measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- Available for sale financial assets are measured at fair value
- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.

c. Functional and presentation currency

These consolidated financial statements are presented in EURO, which is the Company's functional currency. All financial information presented in EURO has been rounded to the nearest thousand, unless otherwise indicated.

d. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Notes 13, 41, 4 – classification and valuation of investment property
- Note 11 – held to maturity investment
- Note 22, 23 – debentures at fair value through profit or loss
- Note 10 – suspension of borrowing costs capitalization
- Note 41 – assessing control in Business combination

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 10, 41 – key assumptions used in determining the net realizable value of trading properties
- Note 13 – key assumptions used in valuation of investment property
- Note 36 – provisions and contingencies
- Note 27 – measurement of share-based payments
- Note 16 – key assumption used in valuation of financial instruments (Swap)

The accounting policies set out in note 3 below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

e. Changes in accounting policies

(i) Accounting for business combinations

From January 1, 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after January 1, 2010.

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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Notes to the consolidated financial statements
continued

Note 2 – Basis of preparation continued

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions prior to January 1, 2010

For acquisitions prior to January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

(ii) Accounting for acquisitions of non-controlling interests

From January 1, 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognized on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) Accounting for results of non-controlling interests

Starting January 1, 2010, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non controlling interests having a deficit balance.

(iv) Excess of current liabilities over current assets in EDT

The financial statements for EDT as at December 31, 2010 have been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing EDT's going concern status, have concluded that EDT has reasonable grounds to expect to be able to pay its debts as and when they become due and payable. As at 31 December 2010, EDT had a net current asset deficiency of USD 67.6 million (EUR 50.5 million). Regarding the US facility which matures in June 2011 see note 17.

Investment properties in the controlled entities and jointly controlled entities are valued based on a price which would be achieved between willing parties in an arm's length transaction.

If the Group were unable to complete the refinancing of the above facility before maturity the lender may enforce repayment of the amount owing and the Group would become a distressed seller of certain assets. The amounts recoverable from the sale of such investment properties may materially differ to that recorded in the financial statements.

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Note 3 – Summary of significant accounting policies

a. Basis of consolidation

1. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under IFRS 3, when acquiring subsidiaries and operations that do not constitute a business as defined in IFRS 3, the consideration for the acquisition is only allocated between the identifiable assets and liabilities of the acquiree, according to the proportion of their fair value at the acquisition date and without attributing any amount to goodwill or deferred taxes, with the participation of the minority, if any, according to its share in the net fair value of these recognized assets at the acquisition date.

When non-controlling interests in subsidiaries are acquired, the difference between the amount paid and the amount of the acquired share in the non-controlling interest at the acquisition date is attributed to assets and liabilities as aforesaid. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

2. Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the associate. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

The consolidated financial statements include the Group's share of the total recognized income and expense and equity movements of associates after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are reduced until the investment is brought to nil, and then further losses are only recognized if the Group has incurred a legal/constructive obligation to fund such losses.

Any excess of the cost of acquisition over the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition is recognized as goodwill. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. When the cost of acquisition is below the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition), the difference is recognized in the income statement in the period of acquisition.

3. Jointly controlled entities

Joint ventures ("JV") are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. JVs are accounted for using the proportional consolidation method of accounting.

The financial statements of joint ventures are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases. Where necessary, adjustments are made to the financial statements of joint ventures to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

4. Acquisitions from entities under common control

Transactions arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at their fair value at the date of the acquisition. Any excess of the cost of acquisition over the Group's interest in the fair values of the net identifiable assets acquired is recognized as goodwill. When the excess is negative (negative goodwill), it is recognized directly in profit or loss in the period of acquisition.

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Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies continued

5. Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. Since 1 January 2003, the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

The EUR is the functional currency for Group companies (with the exception of Indian companies – in which the functional currency is the Indian Rupee – INR, and the investment in the USA – in which the functional currency is the USD) since it best reflects the business and results of operations of the Group companies. This is based upon the fact that the EUR (and in India and the USA – the INR and USD respectively) is the currency in which management determines its budgets, transactions with tenants, potential buyers and suppliers, and its financing activities and assesses its currency exposures.

3. Net investment in foreign operations.

Differences arising from translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

c. Financial instruments

1. Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Restricted deposits and cash in escrow

Restricted deposits consist of deposits in banks and other financial institutions that the Group has pledged to secure banking facilities and other financial instruments for the Group and cannot be used freely for operations.

Cash in escrow represents cash paid into an escrow account held by a third party as payment for purchases of property by the Group until such purchase transactions are finalized and legal title is passed to the Group.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss includes structured deposit B (refer to note 11) and unsecured non-convertible Debentures series A and partially series B (refer to note 22, 23).

Upon initial recognition a financial asset or a financial liability may be designated by the Company at fair value through profit or loss. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, or eliminates or significantly reduces a measurement or recognition inconsistency. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise of structure deposit A (refer to note 11).

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Receivables are carried at the amounts due to the Group and are generally received within 30 days of becoming due and receivable. The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. A provision for doubtful receivables is raised where there is objective evidence that the Trust will not collect all amounts due. The amount of the provision is the difference between the carrying amounts and estimated future cash flows. Cash flows relating to current receivables are not discounted. The amount of any impairment loss is recognized in the Income Statement in the revenues. When a trade receivable for which a provision has been recognized becomes uncollectable in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the Income Statement in the revenues. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 10), are recognized in other comprehensive income and presented within equity in the fair value reserve. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses, interest and dividends and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on the first-in, first-out method. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies continued

2. Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings, debentures and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method, except for debentures that are classified as fair value through profit or loss.

3. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures; however the Group has not elected to apply hedge accounting to any derivative financial instruments held during the reporting period. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately, the Company shall designate the entire financial instrument at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

d. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect. Costs attributable to listing existing shares are expensed as incurred.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from capital reserve.

e. Trading properties

Properties that are being constructed or developed for future use as trading properties (inventory) are classified as trading properties and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. Lands which are designated for development of trading properties projects are not written down below costs if the completed projects are expected to be sold at or above cost.

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incurred. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

Non-specific borrowing costs are capitalized to such qualifying asset, by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowing of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the period does not exceed the amount of borrowing costs incurred during that period.

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f. Normal operating cycle
The Group is involved in projects, some of which may take up to eight years to complete from the asset acquisition date. The cost of trading property, loans and related derivatives which financed the development projects is presented as current assets and liabilities (refer to note 10).

g. Investment property
Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

The carrying amount of investment properties recorded in the Statement of Financial Position includes components relating to existing lease incentives, and assets relating to fixed increases in operating lease rentals in future periods.

As the fair value method has been adopted for investment properties, the buildings and any component thereof (including plant and equipment) are not depreciated. Refer to note 4 for the key assumptions in respect of valuations of investment property.

h. Property and equipment
Items of property and equipment are stated at cost less accumulated depreciation (see below) and accumulated impairment losses (refer to accounting policy 3(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income or other expenses in the income statement.

Depreciation of items of property and equipment is charged to the income statement over their estimated useful lives, using the straight-line method, on the following rates:

	%
Land – owned	0
Office buildings	2 – 4
Mechanical systems in the buildings	7 – 10
Aircrafts	5
Other*	6 – 33

* Consists mainly of motor vehicles, office furniture and equipment, computers, peripheral equipment, etc.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

i. Impairment
1. Financial assets
A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

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Notes to the consolidated financial statements

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Note 3 – Summary of significant accounting policies continued

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

2. Non-financial assets

The carrying amounts of the Group's assets, other than investment property, trading properties and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of assets is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3. Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss has decreased or may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

J. Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provisions for construction costs in regards to agreements with governmental institutions are recognized at the sign off date, at the Company's best estimate of the expenditure required to settle the Group's obligation.

Warranties

Provision for warranty costs is recognized at the date on which the shopping centers are sold, at the Company's best estimate of the expenditure required to settle the Group's obligation. Such estimates take into consideration warranties given to the Group by subcontractors.

K. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

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i) Rental Income

The Group leases real estate to its customers under long-term leases that are classified as operating leases. Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease origination fees and internal direct lease origination costs are deferred and amortized over the related lease term. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

The leases generally provide for rent escalations throughout the lease term. For these leases, the revenue is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease.

The leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index (CPI). For contingent rentals that are based on a percentage of the lessee's gross sales, the Group recognizes contingent rental revenue when the change in the factor on which the contingent lease payment is based actually occurs. Rental revenues for lease escalations indexed to future increases in the CPI are recognized only after the changes in the index have occurred.

(ii) Revenues from selling of trading properties and investment properties

Revenues from selling of trading properties and investment properties are measured at the fair value of the consideration received or receivable. Revenues are recognized when all the following conditions are met:

a. the Group has transferred to the buyer the significant risks and rewards of ownership;

b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. the amount of revenue can be measured reliably;

d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);

e. the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

f. there are no significant acts that the Group is obliged to complete according to the sale agreement.

Determination whether these criteria have been met for each sale transaction, requires a significant judgment by the Group management. Significant judgment is made in determination whether, at the end of the reporting period, the Group has transferred to the buyer the significant risks and rewards associated to the real estate assets sold.

Such determination is based on an analysis of the terms included in the sale agreement executed with the buyer as well as an analysis of other commercial understandings with the buyer in respect of the real estate sold. Generally, the sale agreement with the buyer is signed during the construction period and the consummation of the transaction is subject to certain conditions precedents which have to be fulfilled prior to delivery. Revenues are, therefore, recognized when all the significant conditions precedent included in the agreement have been fulfilled by the Group and/or waived by the buyer prior to the end of the reporting period.

The delivery of the shopping center to the buyer is generally executed close to the end of construction and to the opening of the shopping center to the public. As a result, the Group has to use estimates in order to determine the costs and expenses required to complete the construction works which, as of the delivery date, has not been completed and/or been paid in full.

Generally, the Group is provided with a bank guarantee from the buyer for the total estimated proceeds in order to secure the payment by the buyer at delivery. Therefore, the Group is not exposed to any significant risks in respect of payment of the proceeds by the buyer.

l. Operational lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease but are immediately capitalized as long as the project is under construction period. Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term.

Direct incremental costs related to obtaining long-term lease agreements with tenants are capitalized when they arise and charged to the statement of income over the weighted average term of the lease period.

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Note 3 – Summary of significant accounting policies continued

m. Finance income and expenses

Finance income comprises interest receivable on funds invested (including available-for-sale financial debt and equity securities), changes in the fair value of financial instruments at fair value through profit or loss, gains on derivative instruments that are recognized in profit or loss, gain on the disposal of available-for-sale financial assets, interest on late payments from receivables and net foreign exchange gains.

Finance expenses which are not capitalized comprise interest expense on borrowings, changes in the fair value of financial instruments at fair value through profit or loss, impairment losses recognized on financial assets, net foreign exchange losses and losses on derivative instruments that are recognized in profit or loss. For capitalization of borrowing costs please refer to note 10.

Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method. For the Company's policy regarding capitalization of borrowing costs refer to note 3(e).

n. Taxation

Income tax expense on the profit or loss for the year comprises current and deferred tax. The tax currently payable is based on taxable profit for the year, and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CODM (refer to note 39) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

p. Employee benefits

1. Bonuses

The Group recognizes a liability and an expense for bonuses, which are based on agreements with employees or according to management decisions based on Group performance goals and on individual employee performance. The Group recognizes a liability where contractually obliged or where past practice has created a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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2. Share-based payment transactions
The fair value of options granted to employees to acquire shares of the Company is recognized as an employee expense or capitalized if directly associated with development of trading property, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees as measured at the date of modification. The fair value of the amount payable to employees in respect of share-based payments, which may be settled in cash, at the option of the holder, is recognized as an expense, with a corresponding increase in liability, over the period in which the employees become unconditionally entitled to payment.

The fair value is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an additional cost in salary and related expenses in the income statement. As of the end of the reporting period share-based payments which may be settled in cash are options granted to only one person and can be cash settled at the option of the holder.

q. Earning per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

r. New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

The Group does not expect the following amendments and interpretations to have any significant impact on the consolidated financial statements:

- Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011) amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances.

- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011) addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR).

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010) clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a "debt for equity swap" are consideration paid in accordance with IAS 39.41.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual period beginning on or after 1 February 2010) requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

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Note 4 – Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment properties in the US

At each reporting date, the fair values of the investment properties are remeasured by EDT Retail Management Limited, which is the responsible entity of EDT by reference to independent valuation reports or through appropriate valuation techniques adopted by the responsible entity.

Fair value is determined assuming a long-term investment period. Specific circumstances of the owner are not taken into account. The factors taken into account in assessing internal valuations may include:

- Assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximize price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalization rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- Discounted cash flow models;
- Available sales evidence; and
- Comparisons to valuation professionals performing valuation assignments across the market.

The approach adopted for valuing the investment property portfolio at 31 December 2010 was consistent with that adopted in previous reporting periods and was as follows:

- If the most recent independent valuation was more than three years old, a new external valuation was obtained; and
- Internal valuations were performed by EDT Retail Management Limited on all other properties primarily using net operating income and a capitalization rate as assessed by using market research reports and the valuations that were undertaken by the external valuers where appropriate. If this internal valuation significantly differed from the current book value of the property, an external valuation was also obtained for this property.

Application of the policy has resulted in 17 investment properties being independently valued at 31 December 2010. All properties have been independently valued within the last 18 months.

The global market for many types of real estate remains affected, albeit to a lessening extent, by the volatility in global financial markets. Initial indications of capital market stabilization have contributed to an increased number of transactions, however, a general weakening of market fundamentals still exists causing the volume of real estate transactions to remain beneath historic levels.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's-length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

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The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty regarding valuations and the assumptions applied to valuation inputs.

The period of time needed to negotiate a sale in this environment may also be significantly prolonged. The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

Available-for-sale financial assets

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

*Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Structured deposit B at fair value through profit or loss (refer to note 11)

The fair value of structured deposit B is based on broker quote. This quote is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at the measurement date. The test is being done by using yield analysis for structured model

Forward transactions

The fair value of forwards transaction is based on bank quotes received. Those quotes are tested by an external, independent valuation company, having appropriate recognized qualifications and recent experience in the field of the financial instruments being valued, which estimated the fair value by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Swap transactions

Fair values of the swaps may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Factors such as bid-offer spread, credit profile collateral requirements and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, and exchange rates

Long-term debentures at fair value through profit or loss

The fair value of long-term debentures is principally determined with reference to an active market price quotation, as the debentures are traded in the Tel Aviv Stock Exchange ("TASE") using the valuation technique. The quoted market prices of debentures series B was 0.679 in oppose to 0.852 using the valuation technique.

Share-based payments transactions

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information and the tendency of volatility to revert to its mean and other factors indicating that expected future volatility might defer from past volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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Note 5 – Cash and cash equivalents

Bank deposits and cash denominated in	Interest rate as of December 31, 2010	December 31, 2010 €000	December 31, 2009 €000
EURO ("EUR")	Mix of fixed and floating interest rates between 0-4.3% – see (1) below	111,789	101,165
Hungarian Forints (HUF)	0%-5.5%	422	2,112
Polish Zlotys (PLN)	0%-3.7%	6,171	8,744
Czech Crowns (CZK)	0%-0.8%	458	2,322
Indian Rupee (INR)	0%-6.5%	3,282	7,105
Latvian Lats (LVL)	Mainly 0.6%	226	541
United States Dollar (USD)	0.25%-0.75%	14,587	2,377
Romanian Lei (RON)	Mainly 0%	285	2,972
Serbian Dinar (RSD)	Mainly 0%	23	253
New Israeli Shekel (NIS)	0%	541	5
In other currencies	0%	17	–
Total		137,801	122,596

1 As at December 31, 2010, cash in banks is deposited for periods between overnight deposits and three months deposits. The Group has deposits in several commercial banks. Fixed deposits bear interest rates varying between 0.2% and 4.3%, while floating deposits bear overnight interest rates, as determined by the EONIA overnight interest benchmark.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 35.

Note 6 – Restricted bank deposits

	Interest rate as of December 31, 2010	December 31, 2010 €000	December 31, 2009 €000
Short-term restricted bank deposits			
In EUR	See[1] and[3] below	23,635	37,456
In USD	0%	1,333	-
In PLN	See[2] below	3,273	1,490
In HUF	MNB-0.5%*	1,713	-
In other currencies	0%	–	256
Total short term		29,954	39,202
Long-term restricted bank deposits			
In EUR	see[4] below	13,469	14,336
In other currencies	0%	2,282	401
Total long term		15,751	14,737

* Hungarian National Bank base rate

As of December 31, 2010, the Group pledged the above restricted bank deposits to secure banking facilities received, to secure acquisition and construction activities to be performed by the Group, or as guarantees for non-qualified hedging instruments.

1 As of December 31, 2010, EUR 10.6 million are restricted in respect of bank facilities agreements signed to finance Projects in Serbia, Poland, Romania, Hungary, Latvia and the Czech Republic. This amount carries an annual interest rate ranging between 0% and 4.3%. An additional amount of EUR 2.9 million is cash in restricted deposit in respect of the swap transactions (see note 16). This amount bears an interest of between 0.2% and 1.2%. Another EUR 1 million are restricted in respect of Interest Rate Swap ("IRS") performed in connection with bank facility agreement in Serbia (refer to note 16).
2 As of December 31, 2010 an amount of PLN 9.2 million (EUR 2.3 million) is cash in a restricted account in respect to the purchase of one of the Company's projects in Poland. This amount bears an interest between 80% of the Warsaw Interbank bid rate (WIBID) and 3.5%. Other restricted cash is in respect of restriction due to bank facilities requirements in a total amount of PLN 4 million (EUR 1 million), which bears interest of 3.3% per annum.
3 As of December 31, 2010 an amount of EUR 11.5 million is restricted in respect of the EUR/NIS cross currency IRS transactions (see note 16). The deposits are carrying fixed interest rates ranging between 0.3%-1.2%. An additional EUR 2 million is restricted in respect of the EUR/PLN cross currency IRS transaction (see note 16).
4 An amount of EUR 9.1 million is restricted in respect of investment in long-term financial instruments (see note 1[illegible]) [illegible] month EUR Libor

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 35.

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Note 7 – Available-for-sale financial assets

Available-for-sale financial assets ("AFS") consist of mainly perpetual securities, notes and corporate bonds securities. AFS have stated fixed or no fixed redemption or maturity date. Information on performance of AFS:

	December 31, 2010 €'000	December 31, 2009 €'000
Interest income from AFS	1,379	586
Gain (loss) from selling AFS	724	(71)
Premium amortization	497	224
	2,600	739

Note 8 – Trade receivables

	December 31, 2010 €'000	December 31, 2009 €'000
Trade receivables[1]	6,247	3,034
Less - Allowance for doubtful debts[2]	(2,183)	(1,114)
	4,064	1,920

1 As of December 31, 2010 includes an amount of EUR 2.4 million relating to US operations.
2 Increase in allowances created during 2010 in the amount of EUR 1.7 million, mainly due to operations in the US (approximately EUR 1 million), Latvia, Czech Republic, and Poland. An allowance of EUR 0.6 million was written off (mainly due to US operations).

Note 9 – Other receivables and prepayments

	December 31, 2010 €'000	December 31, 2009 €'000
Advances for plot purchase[1]	33,090	27,339
Advances to suppliers[2]	3,028	7,882
Prepaid expenses	711	603
VAT receivables[3]	3,323	10,744
Related parties	1,185	513
Loans to partners in jointly controlled entities	3,379	5,013
Accrued interest receivable	2,027	1,560
Others	1,085	464
	47,828	54,118

1 As of December 31, 2010, including mainly advance payments in the amount of EUR 31.8 million for the purchase of plots in India as part of the Joint Venture with EI (refer also to notes 37). Out of this amount, an amount of EUR 4.7 million is guaranteed by EI.
2 As of December 31, 2010 including mainly advance payments to general contractors in India.
3 As of December 31, 2010, VAT receivable is mainly due to projects in Romania (EUR 1 million) and Poland (EUR 1 million).

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Note 10 – Trading properties

	December 31, 2010 €'000	December 31, 2009 €'000
Balance as at 1 January	707,287	575,334
Acquisition and construction costs	74,111	109,591
Capitalized borrowing costs[1]	19,742	12,790
Write-down of trading properties[2]	(6,710)	(33,893)
Addition due to acquisitions of subsidiary	–	41,555
Effect of movements in exchange rates	14,514	1,910
Trading properties disposed	(1,057)	–
Balance at 31 December[3]	807,887	707,287
Completed trading property	146,626	86,694
Trading properties under construction	107,825	260,431
Trading properties under planning and design stage	553,436	360,162
Total	807,887	707,287

1 Suspension of capitalizing borrowing costs – The Group principally ceases capitalization of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete. In certain cases, where the efforts to develop a project are significantly diminished due to lack of external finance, or problems in obtaining permits, the Company suspends the capitalization of borrowing costs to the relevant project.

2 Write-down of trading properties to net realizable value was performed based on external valuation reports. The write downs were recognized in respect of projects in the Czech Republic (EUR 4 million), Latvia (EUR 1 million), Romania (EUR 1.3 million), Hungary (EUR 0.7 million) and Poland (EUR 0.3 million net uplift of value from 2009 impairment). Refer to note 4 for more information about key assumptions.

3 Including cost of large scale projects (Bangalore in India, Casaradio in Romania and Dream Island in Hungary) in a total amount of EUR 225 million (2009 – EUR 193 million). The above mentioned projects are expected to generate an operating cycle closer to eight years (refer to note 3(f)) comparing to other projects the Company holds.

As of December 31, 2010, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centers, residential units, offices or mixed use. Regarding segment reporting, refer to note 39.

Regarding the changes in global markets and their effect on the development of trading properties under construction refer to note 37.

As of December 31, 2010, a total carrying amount of EUR 275 million (December 31, 2009 – EUR 227 million) of the above mentioned trading property is secured against bank loans.

As of 31 December 2010, trading properties include capitalization of share-based payments in the amount of EUR 10.5 million (December 31, 2009 – EUR 9.9 million).

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Below is a summary table for project status:

		December 31, 2010	Share holding		General information		
Project	Location	Purchased/ transaction year	Rate (%)	Nature of rights	Status of registration of land	Permit status	Planned GLA (m²)
Suwalki Plaza	Poland	2006	100	Ownership	Completed	Operational shopping center (starting Q2 2010)	20,000
Zgorzelec Plaza	Poland	2006	100	Ownership	Completed	Operational shopping center (starting Q1 2010)	13,000
Torun Plaza	Poland	2007	100	Ownership	Completed	Building permit valid	40,000
Lodz	Poland	2001	100	Ownership/ Perpetual usufruct	Completed	Planning permit valid	80,000*
Lodz – New	Poland	2009	100	Perpetual usufruct	Completed	Planning permit pending	45,000
Kielce Plaza	Poland	2008	100	Perpetual usufruct	Completed	Planning permit pending	33,000
Leszno Plaza	Poland	2008	100	Perpetual usufruct	Completed	Planning permit pending	16,000
Liberec Plaza	Czech Republic	2006	100	Ownership	Completed	Operational shopping center (starting Q1 2009)	17,000
Roztoky	Czech Republic	2007	100	Ownership	Completed	Planning permit valid	14,000*
Riga Plaza	Latvia	2004	50	Ownership	Completed	Operational shopping center (starting Q1 2009)	49,000
Bangalore	India	2008	23.75	Ownership	In process	Under negotiations	450,000*
Chennai	India	2008	38	Ownership	In process	Under negotiations	860,000*
Koregaon Park	India	2006	100	Ownership	Completed	Building permit valid	111,000*
Kharadi	India	2007	50	Ownership	Completed	Partial building permit valid	205,000*
Trivandrum	India	2007	50	Ownership	Completed	Under negotiations	195,000*
Casa Radio	Romania	2007	75	Leased for 49 years	Completed	Planning permit valid	600,000*
Timisoara Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	43,000
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	Completed	Building permit valid	14,000
Iasi Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	62,000
Slatina Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	17,000
Targu Mures Plaza	Romania	2008	100	Ownership	Completed	Planning permit valid	30,000
Hunedoara Plaza	Romania	2008	100	Ownership	Completed	Planning permit valid	13,000
Constanta Plaza	Romania	2009	100	Ownership	Completed	Building permit valid	18,000
Belgrade Plaza**	Serbia	2007	100	Ownership	Completed	Under negotiations	70,000*
Kragujevac Plaza**	Serbia	2007	100	Construction lease period with subsequent ownership	Completed	Building permit valid	22,000
Sport Star Plaza**	Serbia	2007	100	Land use rights	Completed	Under negotiations	45,000
Shumen Plaza	Bulgaria	2007	100	Ownership	Completed	Planning permit valid	20,000
Sofia Plaza Business Center	Bulgaria	2009	50.1	Ownership	Completed	Planning permit valid	44,000
Dream Island (Budapest)	Hungary	2003	43.5	Land use rights	Completed	Under negotiations	350,000
Arena Plaza Extension	Hungary	2005	100	Land use rights	Completed	Building permit valid	40,000
Uj Udvar	Hungary	2007	35	Ownership	Completed	Building permit pending	16,000
Piraeus Plaza	Greece	2002	100	Ownership	Completed	Building permit valid	26,000

* GBA (m²)

** In respect of commitments to projects in Serbia, refer to note 36.

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Note 11 – Long-term deposits and other investments

	Interest rate as of December 31, 2010	December 31, 2010 €'000	December 31, 2009 €'000
Financial structure A*	0-11.5%	38,000	38,000
Financial structure B**	6.25%-12.5%	14,017	12,952
Long-term loan to associated Company	7%	542	495
		52,559	51,447

* Structure A – The EUR 38 million Principal is capital protected and payable at Maturity. Structure A bears interest of 11.5% per annum payable quarterly to the extent that the margin between the 30 year Euro CMS (Constant Maturity Swap) and the 10 year Euro CMS (measured on a daily basis) is higher than the accrual barrier which was set at 0.05%. For days in which the margin is lower than the barrier no interest is paid. Structure A is presented in the financial statements as held to maturity financial instrument at amortized cost. Although Structure A is callable by the issuer, the Company has the ability and a positive intent to hold Structure A until it is called or until maturity, and the Company would recover substantially all of Structure A carrying amount. The fair value of the structure, determined by management based on the broker quotes, as of December 31, 2010 was EUR 27.7 million.

** Structure B – The EUR 13 million Principal of the structure is capital protected and payable at Maturity. Structure B pays a variable interest linked to the 10-year EUR CMS rate subject to a minimum interest of 6.25% p.a and a maximum interest of 12.50% p.a. The Company's management has designated structure B at fair value through profit or loss since the contract contains a substantive embedded derivative. The value reflects the clean value of the structure (i.e without interest). For determining the fair values of the structured deposits refer to note [illegible]. As of December 31, 2010, the Company recorded a fair value gain of EUR 1.1 million (2009, gain of EUR 3.1 million) in respect to structure B. An amount of EUR 0.7 million is outstanding as interest receivable due to structure B.

Note 12 – Property and equipment

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Airplanes €'000	Total €'000
Cost					
Balance at December 31, 2008	7,057	4,572	1,258	9,099	21,986
Additions	-	320	118	-	438
Disposals	–	(229)	-	-	(229)
Exchange rate effect	–	6	–	75	81
Balance at December 31, 2009	7,057	4,669	1,376	9,174	22,276
Additions	-	490	21	-	511
Disposals	–	(29)	-	(5,226)	(5,255)
Reclassification	–	400	-	–	400
Exchange rate effect	–	62	-	789	851
Balance at December 31, 2010	7,057	5,592	1,397	4,737	18,783
Accumulated depreciation					
Balance at December 31, 2008	2,289	1,873	928	1,103	6,193
Depreciation expenses	92	611	25	459	1,187
Disposals	–	(69)	–	–	(69)
Exchange rate effect	–	-	–	(25)	(25)
Balance at December 31, 2009	2,381	2,415	953	1,537	7,286
Depreciation expenses	182	887	33	819	1,921
Reclassification	-	(187)	-	–	(187)
Disposals	–	(41)	-	(1,652)	(1,693)
Exchange rate effect	–	30	–	65	95
Balance at December 31, 2010	2,563	3,104	986	769	7,422
Carrying amounts					
At December 31, 2010	4,494	2,488	411	3,968	11,361
At December 31, 2009	4,676	2,254	423	7,637	14,990

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Major additions/disposals in the period
In June 2010, Elbit Plaza India Real Estate Holdings Ltd. ("EPI"), the Company's 50% held joint venture company with EI, sold its airplane for a total consideration of EUR 6.7 million. The book value was EUR 7.1 million, and EPI recorded a loss of EUR 0.4 million from the disposal.

Note 13 – Investment property

	December 31, 2010 €'000	December 31, 2009 €'000
Balance at 1 January	13,399	12,970
Capital expenditures on investment properties	1,168	–
Effect of movements in exchange rate	(24,776)	–
Acquisition through business combination (refer to note 37)	256,477	–
Exclusion of MV LLC (refer to note 37)	(12,213)	–
Fair value revaluation	4,647	429
Balance at 31 December	238,702	13,399

The below information relates to investment property acquired in June 2010 acquired through business combination (refer also to note 37), which totaled EUR 225 million as of the date of statement of financial position:

(i) Valuation basis
EDT obtains independent valuations in accordance with the policy set out in note 4. The directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. At the end of the reporting period, the key assumptions used in determining fair value were in the following ranges for the Group's portfolio of properties:

	Independent valuation range	Directors valuation range
Discount rate	6.50%–10.50%	n/a
Terminal yield	6.75%–9.50%	n/a
Capitalization yield	6.50%–8.75%	7.56%–16.65%
Expected vacancy rate	1.00%–9.00%	0.00%–10.00%
Rental growth rate	0%–3%	0%

Sensitivity analysis
Capitalization rates used in the independent and directors' valuations involve judgment using the most recent information available from the investment property market. The impact on the profit for the Company, by having a higher and lower capitalization rate is shown in the table below.

	Profit (loss) 31 December 2010 €'000
Capitalization rate – increase 50bps	(7,299)
Capitalization rate – decrease 50bps	19,904

(ii) Non-current assets pledged as security
All investment properties held in the US are pledged as security to loans provided from financial institutions, which totaled EUR 144 million, as of December 31, 2010.

(iii) Contractual obligations
There are no contractual obligations related to investment properties at the end of the period.

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Note 13 – Investment property continued

(iv) Leasing arrangements

Investment properties are normally leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties (Company part) are as follows:

	December 31, 2010 €'000	December 31, 2009 €'000
Minimum lease payments under non-cancellable operating lease of investment properties not recognized in the financial statements are receivable as follows:		
Within one year	17,066	N/A
More than one year up to five years	48,154	N/A
More than five years	22,026	N/A
Balance at December 31	87,246	N/A

Apart of the above mentioned investment property assets in the US, the Company has one logistic building in Prague that is leased to third parties. Generally, leases contain an initial period of one to ten years.

Subsequent renewals are negotiated with the lessees. The vast majority of the contracts for the Prague logistic building are denominated in, or linked, to the EUR. As of the Company's policy for determining the fair value of the investment property refer to note 4.

The yield used for fair value valuation was 7.3% and 7.5% for 2010 and 2009, respectively.

Note 14 – Proportionate consolidation

The following amounts are included in the Group's financial statements as a result of proportionate consolidation of companies:

	2010* €'000	2009 €'000
Current assets	271,937	230,170
Non current assets	228,132	4,529
Current liabilities	100,464	71,761
Non current liabilities	131,618	119
Non-controlling interest	24,254	4,910

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Revenues and other income	63,283	5,173
Expenses	(23,027)	(19,285)
Profit/(loss) after tax	40,256	(14,112)

* From the third quarter of 2010 the US real estate operation is proportionally consolidated (refer to note 45). Regarding list of Group entities refer to note 42.

Note 15 – Equity accounted associates

The Company hold 25% ownership in Malibu invest s.r.l ("Malibu"). Malibu is engaged in the development of residential project in Bucharest, Romania. In addition, the Company has a 24.5% indirect holding in Dream Island Entertainment Ltd. ("DIE"), which holds a casino license to operate a first-class casino in Budapest.

As both Malibu and DIE have negative equity as of the end of the reporting period, the carrying value of the investments is nil as of December 31, 2010.

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Note 16 – Derivatives

Forward transactions
In the course of 2009 through 2010 the Company entered into, and later on in 2010 settled, two Forward transactions ("Forward A" and "Forward B"). In line with it's risk management policies. Both Forwards were in respect of Series A bonds (refer to note 22), and in Forward B also in respect of Series B (refer to note 23).

In 2010, the Company received a total consideration of NIS 44.1 million (approximately EUR 9.3 million), following the settlement of both Forwards.

Cross currency interest rate swap
As of the end of the reporting period the Group maintains, consistent with its risk management policies, an interest rate swap with par value of NIS 799 million with Israeli financial institutions. The Company will pay interest in a range between six month Euribor + 3.52% and 3.66% and receive 5.4% interest linked to the Israeli CPI with the same amortization schedule as the series B debentures.

At each payment date of the annual instalments of the debentures the Company will receive the principal amount in NIS and will pay the principal amount in EUR (subject to the amortization schedule).

In January 2009 the Company settled its Cross Currency transaction in respect of its series A debentures ("swap transaction"), for a total proceeds of EUR 13.1 million. In addition, the Company released a long-term restricted deposit in the amount of EUR 5.3 million, which served as a security for the swap transaction.

The swaps are measured at fair value at the end of each reporting period with changes in the fair value are charged to the profit or loss. The aggregate fair value of the swaps, relating to series B debentures, based on a valuation technique was EUR 52.7 million.

The swaps are presented as short-term and long-term derivatives as of the end of the reporting period, depending on the maturity of the cross currency interest rate swap.

The fair value of the swaps is determined using valuations techniques which require management to make judgment and assumptions regarding the following variables in respect of mainly the interest rate yield curves of the adjusted NIS and Euro.

In respect of PLN 60 million par value bonds issued (refer to notes 23, 36), the Company entered into a EUR-PLN cross-currency interest rate swap in order to hedge the expected payments in PLN (principal and interest) and to correlate them with the EUR.

The Company will pay a fixed interest of 6.98% and will receive an interest of six months WIBOR + 4.5% with the same amortization schedule as the Polish bonds.

As at the date of these financial statements, the Company has pledged a security deposit in the amount of EUR 16.3 million (refer to note 6(1) and 6(3) above). The above mentioned hedges are non-qualified hedges for accounting purposes.

Interest rate swap
In respect of Suwalki project loan, the Company hedges its exposure to cash flow due to floating interest rate. As a result, in June 2010, the Company entered into swap transaction in which it will pay fixed interest rate of 2.02% and receives Euribor three months on a quarterly basis starting on June 30, 2011 and ending on June 30, 2014.

The principle amount is EUR 22 million. The Company established a bail mortgage up to EUR 4 million encumbering the real estate project.

In March 2011, the company entered into additional swap transaction in connection with the above mentioned loan, in which it will pay fixed interest rate of 2.97% and receives Euribor three months on a quarterly basis starting on June 30, 2011 and ending on June 30, 2014. The principle amount is EUR 3.1 million.

In respect of Kragujevac project loan, the Company hedges its exposure to cash flow due to floating interest rate. As a result, in October 2010, the Company entered into swap transaction in which it will pay fixed interest rate of 1.85% and receives three months Euribor on a quarterly basis starting on January 1, 2012 and ending on December 31, 2014.

The principle amount is EUR 32.9 million. The Company has pledges a security deposit in amount of EUR 1 million. In respect of foreign currency hedge using call options refer to note 40.

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Note 17 – Interest bearing loans from banks

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 35. All interest bearing loans from banks are of balances of secured bank loans. Terms and conditions of outstanding loans were as follows:

	December 31, 2010 €000	December 31, 2009 €000
Non-current loans		
Investment property secured bank loans	130,601	4,555
Other secured bank loans	2,913	2,880
	133,514	7,435
Current loans (including current maturities of long-term loans)		
Trading property secured bank loans	170,546	132,758
Investment property secured bank loans	17,904	469
Other secured bank loans	44,452	43,410
	232,902	176,637

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	Nominal interest rate	Currency	Year of maturity	December 31, 2010 Carrying amounts €'000	December 31, 2009 Carrying amounts €'000
Trading property secured bank loan[1]	3M EURIBOR+2.5%	EUR	2014	34,590	36,080
Trading property secured bank loan[1]	3M EURIBOR+3.5%	EUR	2014	24,069	37,724
Trading property secured bank loan[1]	3M EURIBOR+3%	EUR	2010	21,037	21,355
Trading property secured bank loan	3M EURIBOR+3%	EUR	2012	1,971	–
Trading property secured bank loan	3M EURIBOR+2.5%	EUR	2012	3,772	3,546
Trading property secured bank loan[1,2]	3M EURIBOR+1.85%	EUR	2016	29,665	7,310
Trading property secured bank loan[1]	3M EURIBOR+2.75%	EUR	2016	20,691	8,503
Trading property secured bank loan[3]	3M EURIBOR+5.5%	EUR	2027	3,930	–
Trading property secured bank loan	3M EURIBOR+2.25%	EUR	2011	8,182	8,182
Trading property secured bank loan	INR linked – 11.75%-12.25%	INR	2011	16,589	5,055
Trading property secured bank loan	3M EURIBOR+4.5%	EUR	2011	4,100	3,633
Trading property secured bank loan	3M EURIBOR+4.75%	EUR	2011	1,200	700
Trading property secured bank loan	3M EURIBOR+2.5%	EUR	2011	750	750
				170,548	132,758
Other secured bank loans	3M EURIBOR+0.5%	EUR	2011	8,047	7,017
Other secured bank loans[3]	3M EURIBOR+0.4%	EUR	2011	26,225	26,225
Other secured bank loans[3]	12M EURIBOR+0.4%	EUR	2011	10,000	10,000
Other secured bank loans	3M USD LIBOR+1.65%	USD	2014	3,093	3,048
				47,365	46,290
Investment property secured bank loan	4.91%	USD	2012	13,232	–
Investment property secured bank loan	5.01%	USD	2017	22,504	–
Investment property secured bank loan	5.1%	USD	2012	5,245	–
Investment property secured bank loan[4]	4.18%	USD	2011	17,282	–
Investment property secured bank loan	3M LIBOR+3.25%	USD	2013	28,274	–
Investment property secured bank loan	6%	USD	2013	11,655	–
Investment property secured bank loan	6.4%	USD	2015	44,224	–
Investment property secured bank loan	5.5%	USD	2013	1,261	–
Investment property secured bank loan	6.25%	USD	2013	247	–
Investment property secured bank loan	3M EURIBOR+1.75%	EUR	2016	4,581	5,024
				148,505	5,024
Total interest bearing liabilities				366,416	184,072

1 Refer to note 35 (d) for details on breach of certain covenants regarding these loans.
2 IRS on bank loans – refer to note 16
3 Secured bank loans taken in respect of structured deposits (refer to note 11). These loans were extended for a period of between three months and one year in February 2011. The Company is required to secure certain amount of cash upon request from the issuing bank as collateral for the credit facilities granted by the issuing bank to finance part of these structures. The amount of the collateral is determined based on the fair value of the structures calculated by the issuing bank. As of the end of the reporting period the Company had secured total amount of EUR 9.1 million in respect to both structures (refer to note 6).
4 As of the date of statement of financial position, EDT has a number of assets which are collateralized against the following facility which mature within 12 months: A USD 103.9 million (EUR 78 million) facility which is non-recourse to EDT is separately secured on 13 properties which have a book value of USD 181.1 million (EUR 135.4 million). The loan to value ratio is 57% and EDT has executed a non-binding letter of intent to complete a new financing for at least comparable proceeds prior to the loan maturity.

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Note 18 – Trade payables

	Currency	December 31, 2010 €'000	December 31, 2009 €'000
Construction related	Mainly in INR, PLN	10,812	19,210
Other trade payables		448	743
		11,260	19,953

Note 19 – Related parties

	Currency	December 31, 2010 €'000	December 31, 2009 €'000
El Group – ultimate parent company – recharged	EUR, USD	1,803	1,135
Other related parties*	EUR	404	1,338
Former vice chairman of El (refer to note 36)	INR	1,164	625
EUL (parent company)	EUR, USD	387	136
		3,758	3,234

* Liability to Control Centers group, a group of companies which provides project consulting and supervision services and controlled by the ultimate parent company's controlling shareholder.

For payments (including share-based payments) to related parties refer to note 38. Transactions with related parties are priced at an arm's-length basis.

Note 20 – Provisions

	Provision in respect of liability to governmental institution* €'000	Provision in respect of liability due to selling of trading and investment property €'000	Total €'000
Current provisions			
Balance at January 1, 2010	15,834	471	16,305
Provision used during the period	(237)	(471)	(708)
Balance at December 31, 2010	**15,597**	**–**	**15,597**

* The Group's provision relates to liability with the Romanian government. The provision is expected to be settled by 2013.

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Note 21 – Other liabilities

Short term	Currency	December 31, 2010 €'000	December 31, 2009 €'000
Obligation in respect of plot purchase	Mainly EUR	1,699	1,946
Advance payment received[1]	EUR	6,716	2,133
Accrued expenses and commissions	EUR	815	258
Accrued bank interest	EUR	991	295
Government institutions and fees[2]	HUF, PLN, CZK	2,916	366
Salaries and related expenses	EUR, HUF, PLN, CZK, USD	539	487
Loan from partners in jointly controlled company and subsidiaries[3]	EUR	5,279	4,861
Other	HUF, PLN, CZK	520	1,119
Total		19,474	11,465

1 2010 increase is mainly due to advances from tenants in India.
2 2010 increase is mainly due to US real estate taxes liability.
3 As of December 31, 2010 includes loans from partners in Bulgaria, and Romania.

As of December 31, 2010 other long-term liabilities include a DDR originated EUR 5.1 million (the Company share) mezzanine loan to a subsidiary of EDT, secured by equity interests in six prime shopping center assets owned by EDT. The seven-year mezzanine loan has a fixed interest rate of 10% and aggregate loan to value ratio is approximately 75%.

Note 22 – Long-term debentures at fair value through profit or loss

The Company is presenting its series A debentures (raised in July 2007) and series B debentures (raised in February and May 2008) at fair value through profit or loss. Both debentures are linked to the increase in the Israeli Consumer Price Index. Accrued interest on both debentures is paid every six months, Series A and Series B debentures raised from 2009 onwards are presented at amortized cost (refer to note 23). Below is a summary of information on the debentures presented at fair value through profit or loss:

	Series A debentures December 31, 2010 €'000	Series B debentures December 31 2010 €'000	December 31, 2010 €'000	December 31, 2009 €'000
Fair value (EUR)	65,538	50,382	194,777	159,981
Par value (NIS)	266,994	305,136	797,957	797,957
Adjusted par value (NIS)	303,760	136	880,381	860,744
Adjusted par value (EUR)	64,113	56,074	185,817	158,176

Both debentures series are rated (effective 2011) ilA/negative by S&P Maalot Ltd, on a local scale and A2/negative MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service ("Midroog"). Furthermore, Midroog has ratified the same rating for the additional NIS 300 million series A and B notes issued in January 2011 (see note 23 below). Debentures series A bears an annual interest rate of 4.5% with eight annual equal principal instalments between December 2010 and 2017. Debentures series B bears an annual interest rate of 5.4% with five annual equal principal instalments between July 2011 and 2015.

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Note 23 – Long-term debentures at amortized cost

In the course of 2009 through 2010, following the public offering in Israel of unsecured non-convertible series B debentures of the Company (the "series B debentures"), pursuant to the Company's prospectus dated February 3, 2008 ("prospectus"), it was agreed with Israeli investors to issue an additional principal amount of NIS 453 million (approximately EUR 84.6 million) of series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 482 million (approximately EUR 90 million).

In January 2011, following the public offering in Israel of unsecured non convertible series A and B debentures, pursuant to the Company's prospectus, it was agreed with Israeli investors to issue an additional principal amount of approximately NIS 88 million (approximately EUR 19 million) in principal amount of series A debentures for an aggregate consideration of approximately NIS 99 million (approximately EUR 21 million), and an additional principal amount of approximately NIS 179 million (approximately EUR 39 million) in principal amount of series B debentures for an aggregate consideration of approximately NIS 201 million (approximately EUR 44 million) by way of a private placement. The purpose of the issuance is purported to refinance debt principal. For credit rating refer to note 22. The terms of all Additional Debentures are identical to the terms of the series A and B debentures issued under the Company's prospectus dated July 2007 and February 2008, respectively (refer to note 22).

Bonds issuance in Poland

On November 16, 2010, the Company completed the first tranche of a bond offering to Polish institutional investors (for the bond issuance program refer to note 37). The Company raised a total of PLN 60 million (approximately EUR 15.2 million). The unsecured bearer bonds governed by Polish law (the "Bonds") have a three-year maturity and will bear interest rate of six months Polish Wibor plus a margin of 4.5%. Interest will be paid to holders every six months and principal after three years. For debt covenants refer to note 36 (M).

Note 24 – Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

Liabilities/(assets)	December 31, 2009 €'000	Acquired in purchase of subsidiary €'000	Recognized in profit or loss €'000	December 31, 2010 €'000
Investment property	732	10	47	789
Property and equipment and other assets	478	–	(174)	304
Deferred tax asset – US transaction	-	(512)	230	(282)
Debentures and structures at fair value through profit or loss	(3,113)	-	3,113	–
Derivatives	6,260	-	(6,260)	-
Impaired receivables and others, net	53	-	(53)	-
Tax value of losses carry-forwards recognized, net	(1,073)	-	1,836	(137)
Deferred tax liability, net	2,437	(502)	(1,261)	674

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

	December 31, 2009 €'000	December 31, 2010 €'000
Tax base higher than book value	2,185	–
Tax losses	50,346	6,341
	52,531	6,341

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from. Main increase is due to Operation in Central Eastern Europe and India, as well as extensive tax losses incurred in parent Company level.

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As of December 31, 2010 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	After 2015 €'000
53,378	790	1,168	4,894	6,953	2,532	37,041

Tax losses are mainly generated from operations in Hungary, Romania, Serbia, Latvia and the Netherlands. Tax settlements may be subjected to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

Note 25 – Equity

	December 31, 2010 Number of shares	December 31, 2009 Number of shares
Ordinary shares of par value EUR 0.01 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
At the beginning of the year	294,195,700	292,431,381
Exercise of share options[1]	2,526,429	1,764,319
At the end of the year	296,722,129	294,195,700

1 In the course of 2009, 2,070,976 vested options were exercised into 1,764,319 shares of EUR 0.01. In the course of 2010, 3,954,541 vested options were exercised into 2,526,429 shares of EUR 0.01.

Capital reserve due to share option plan

Capital reserve is in respect of Employee Share Option Plan ("ESOP") in the total amount of EUR 31,029 as of December 31, 2010 (2009: EUR 28,467). Regarding the amendment of ESOP and its effect on the capital reserve refer to note 27.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in India and in the US.

Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The distribution of dividend is based upon the statutory report's distributable results and retained earnings of the Company itself.

Subject to mandatory provisions of Dutch laws, the dividend policy will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover.

Treasury shares

The buyback program announced in October 2008 was fully utilized within three months and the 14,500,000 purchased shares were held in treasury.

On October 9, 2009 the Company placed the 14,500,000 ordinary shares mentioned above with a number of Polish Institutional investors. The shares were sold at a price of 6.5 Polish Zlotys ("PLN") per share (circa 141 pence), compared to the Warsaw Stock Exchange closing price on October 9, 2009 of 6.6 PLN per share (circa 143 pence).

The Company received a total gross consideration of circa GBP 20.5 million (EUR 21.9 million) on disposal, representing a gross economic (not accounting) gain of circa GBP 12.8 million (circa EUR 13.8 million). For accounting purposes the excess of amount paid over the value of treasury shares was recorded as share premium.

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Note 26 – Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of EUR 10,273 thousand (2009: loss of EUR 64,712 thousand) and a weighted average number of ordinary shares outstanding of 296,454 thousand (2009: 281,357 thousand).

Weighted average number of ordinary shares

In thousands of shares with a EUR 0.01 par value	December 31, 2010	December 31, 2009
Issued ordinary shares at 1 January	294,196	283,222
Effect of own shares sold	–	3,019
Effect of own shares held	–	(5,191)
Share-based payment – exercise of options	2,258	307
Weighted average number of ordinary shares at 31 December	296,454	281,357

In 2009, diluted earnings per share are not presented as their assumed conversion would have an anti-dilutive effect i.e increase in earnings per share. The calculation of diluted earnings per share for comparative figures is calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares with a EUR 0.01 par value	December 31, 2010	December 31, 2009
Weighted average number of ordinary shares (basic)	296,454	281,357
Effect of share options on issue	15,287	–
Weighted average number of ordinary shares (diluted) at 31 December	311,741	281,357

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Note 27 – Employee share option plan

On October 26, 2006 the Company's Board of Directors approved the grant of up to 33,834,586 non-negotiable options by the Company's ordinary shares to the Company's Board members, employees in the Company and other persons who provide services to the Company including employees of the Group ("Offerees"). The options were granted to the Offerees for no consideration.

Exercise of the options was subject to the following mechanism:

On exercise date the Company shall allot, in respect of each option so exercised, shares equal to the difference between (A) the opening price of the Company's shares on the LSE on the exercise date, provided that if the opening price exceeds 180% of the Exercise Price the opening price shall be set at 180% of the Exercise Price; less (B) the Exercise Price of the Options; and such difference (A minus B) will be divided by the opening price of the Company's Shares in the LSE on the exercise date. The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

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Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options
Option grant to key management at October 27, 2006	15,165,754	see[2] below	7 years
Option grant to employees at October 27, 2006	2,596,996	see[2] below	7 years
Total granted in 2006	17,762,250	see[2] below	7 years
Total granted in 2007[1]	1,726,701	see[2] below	7 years
Total granted in 2008[1]	1,423,890	see[2] below	7 years
Total granted in 2009[1]	1,168,336	Three years of service	7 years
Total granted in 2010[1]	2,789,000	Three years of service	7 years
Total share options granted	24,870,177		

1 2007 – 209,000 share options granted to key management, 2008 – 626,667 share options granted to key management, 2009 – 73,334 share options granted to key management, 2010 – 1,603,000 share options granted to key management.

2 Vesting conditions – refer to modification of employee share option paragraph below.

	Weighted average exercise price 2010 GBP	Number of options 2010	Weighted average exercise price 2009 GBP	Number of options 2009
Outstanding at the beginning of the year	0.53	26,255,482	0.52	30,115,208
Forfeited during the period – back to pool	0.52	(200,716)	0.50	(2,223,750)
Exercised during the year	0.52	(3,954,541)	0.52	(2,970,976)
Granted during the year	1.23	2,789,000	0.80	1,335,000
Outstanding at the end of the year	0.61	24,889,225	0.532	26,255,482
Exercisable at the end of the year		15,279,330		12,800,446

3 The options outstanding at 31 December 2010 have an exercise price in the range of GBP 0.52 to GBP 1.61 (app. EUR 0.59 - EUR 1.85) and a weighted average remaining contractual life of four years. The weighted average share price at the date of exercise for share options exercised in 2010 was GBP 1.41 (2009: GBP 1.32).

Modification of employee share option plan

On November 25, 2008 the Company's general shareholders meeting and the Board of Directors approved to amend the exercise price of all options granted more than one year prior to October 25, 2008 ("Record Date") to the average closing price of the shares on the London Stock Exchange during the 30-day period ending on 25 November 2008 (i.e., GBP 0.52 per option). In addition, the amendment plan determined that all Options that were not vested on the Record Date shall vest over a new 3 (three) years period commencing on the Record Date, in such way that each year following that date 1/3 (one third) of such Options shall be vested. Furthermore, the Option Term was extended in additional 2 (two) years to a total period of 7 (seven) years, which starts at the date of grant by the Company's Board of Directors. The above mentioned 180% limit on the potential benefit from each Option was changed to a cap of 324 pence per Option. The number of options which were modified under the amendment was 28,182,589. The incremental fair value granted (i.e. the increase in fair value of the share options measured immediately before and after the modifications) as a result of the above mentioned modifications was EUR 6.4 million which will be recognized over the vesting period or immediately for vested options. The immediate effect of the modification on the profit or loss statement was an expense of EUR 1.8 million. Following the modification of the employee share option plan, the contractual life of the options (seven years) is used for future grants and the assumed suboptimal exercise multiple is three for management and 2.5 for Employees due to the cap of 324 pence.

Following the modification of the option plan, the maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 21,201,017. The estimated fair value of the services received is measured based on a binomial lattice model using the following assumptions:

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Note 27 – Employee share option plan continued

	Key management personnel 2010 EUR	Key management personnel 2009 EUR	Employees 2010 EUR	Employees 2009 EUR
Fair value of share options and assumptions				
Fair value at measurement date (in EUR)*	859,861	26,609	652,132	516,691
Weighted average exercise price	1.14	0.56	1.35	0.99
Expected volatility	46.3%-57.93%	55.9%	40.3%-57.93%	49.01-61.11%
Weighted average share price	0.92	0.62	1.01	1.18
Suboptimal exercise multiple	2	3	1.5	2.39-2.5
Expected dividends	–	–		–
Risk-free interest rate (based on the yield rates of the non indexed linked UK treasury bonds)	0.55%-4.37%	1.67%-3.89%	0.65%-5.65%	0.65%-4.57%

During 2010 the total employee costs for the share options granted (including the modifications) was EUR 2,173 (2009 – EUR 5,402).

On January 22, 2010 ("grant date") the Company signed an option agreement with a service provider in connection with his function as Co Chief Executive Officer of EI. The grantee will perform certain services to the issuer in the field of real estate development in the United States. The options were granted to the grantee for no consideration and are vested in three equal years starting grant date. The number of option granted is 1,000,000 and the exercise price is GBP 1.3075. The fair value at grant date was GBP 0.65 and share price GBP 1.3575. The share options exercise mechanism is the same as the employee share option scheme including a cap of GBP 3.24.

Since Plaza has been a publicly traded company since October 2006, there is not enough information concerning Plaza share price. Therefore, in order to derive the expected stock price volatility, analysis was performed based on the data of Plaza, and of three other companies operating in the similar segment, which have similar market capital and are traded at the Warsaw Stock Exchange. In an attempt to estimate the expected volatility, first calculation of the short-term standard deviation (standard deviation of company's share during one year as of the options' grant date) has been done. In the next stage, calculation of the long-term standard deviation (standard deviation for the period starting one year prior to the grant date for the remaining period of the plan) has been done, where the weight of the standard deviation for the Company was ranging between 35% – 50% and the weight of the average of standard deviations of comparative companies was 50% – 65% (2009: 55.9% – 61.11%). The working assumption is that the standard deviation of the underlying asset yield converges in the long term with the multi-year average.2010.

Cash settled share-based payment transaction with the Vice Chairman of EI,

On October 27, 2006, the Company entered into an agreement with the former Executive Vice-Chairman of EI ("VC") who had responsibility for the Company's operations in India, under which the VC will be entitled to receive options ("the Options") to acquire up to 5% of the holding company through which the Company will carry on its operations in India. The options are fully vested as of December 31, 2010. The vested options may be exercised at any time, at a price equal to the Company's net equity investment made in the projects as at the Option exercise date plus interest at the rate of USD LIBOR plus 2% per annum from the date of the investment until the Options exercise date ("Exercise price").

VC has cash-in right to require the Company to purchase shares held by him following the exercise of the Options, at a price to be determined by an independent valuator. As of December 31, 2010, the liability recorded in these financial statements in respect of this agreement, is EUR 1.1 million. VC ceased to be considered as a related party effective June 30, 2010.

On January 17, 2008 EI's shareholders approved another agreement with the VC according to which EI has undertaken to allot the VC 5% of the aggregate issued and outstanding share capital in the Company's jointly controlled subsidiary with EI (refer to note 37); Elbit Plaza India Real Estate Holdings Limited ("EPI").

The allotment has been performed and as of the end of the reporting period, VC holds 5% of the shares of EPI, while each of the Company and EI hold 47.5% of the shares of EPI. The VC shares in EPI shall not be entitled to receive any distributions (including, but not limited to, payment of dividends, interest, other expenses and principal repayments of shareholder loans, management fees or other payments made to the VC and any loans provided by the EPI to the VC) from EPI until the Group's investments (principal and interest calculated in accordance with a mechanism provided for in the agreement) in EPI have been repaid in full. The agreement includes, inter alia, "tag along" and "drag along" rights.

Note 28 – Revenues

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Revenue from selling trading properties[1]	924	–
Rental income from tenants[2]	20,576	6,433
Management fees	2,861	1,413
Operation of entertainment centers[3]	7,442	7,273
Adjustment to fair value of investment property	4,647	429
Other	1,191	497
Total	37,641	16,045

1 Revenue from selling trading properties in 2010 is due to selling a plot in the Czech Republic.
2 Rental income relates either to revenues from investment properties the Company holds (which totaled in 2010 EUR 13.4 million, including revenues of EUR 12.4 million from US operations, and in 2009 circa EUR 1 million) or from the trading properties the Company holds. As of the end of the reporting period, and apart of the above mentioned US operations, the main rental income is derived from projects in Latvia, Poland and in the Czech Republic, which were completed and operating in the course of 2009 through 2010.
3 Revenue from operation of entertainment centers is attributed to special subsidiary of the Company trading as 'Fantasy Park' which provides gaming and entertainment services in active shopping centers. As of December 31, 2010, these subsidiaries operate in 12 shopping centers.

Note 29 – Cost of operations

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Direct expenses:		
Cost of sold trading properties	1,057	362
Salaries and related expenses	1,899	1,853
Initiation costs	812	62
Doubtful debts	120	869
Municipality taxes	531	65
Property taxes	907	748
Property operations and maintenance	13,589	6,586
	18,915	10,545
Other operating expenses	1,623	2,135
	20,538	12,680
Depreciation and amortization	315	290
	20,853	12,970

2010 – Includes PCNV share (21.65%) in cost of operating of 48 shopping centers in the US, totaling EUR 5.4 million, as well as cost of operating four shopping centers, and in addition also Fantasy Park operations in 14 shopping centers. 2009 – Includes mainly cost of operating two shopping centers, as well as Fantasy Park operations in 11 shopping centers.

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Note 30 – Administrative expenses

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Selling and marketing expenses		
Advertising and marketing	1,665	1,616
Salaries and relating expenses	941	758
Others	36	27
	2,642	2,401
General and administrative expenses		
Salaries and related expenses[1]	7,661	7,543
Depreciation and amortization	1,086	1,007
Management fees	–	–
Professional services	3,721	4,478
Travelling and accommodation	968	1,233
Offices and office rent	1,077	1,461
Others	768	931
	15,281	16,653
Total	17,923	19,054

General and administrative

1 Including non cash expenses due to the share option plan in the amount of EUR 3.5 million (2009: EUR 2.8 million) refer to note 21 for more details on share based payments.

Note 31 – Other income and other expenses

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
a. Other income		
Gain from selling property and equipment	-	167
Gain from bargain purchase*	42,039	-
Non-claimed payable	360	-
Other income	204	113
Total other income	42,603	280
b. Other expenses		
Loss from selling property and equipment	(212)	(26)
Impairment of property and equipment		
Other expenses	(48)	(13)
Total other expenses	(260)	(39)
Total	42,343	241

* Gain from bargain purchase – refer to note 37.

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Note 32 – Net finance expenses

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Recognized in profit or loss		
Interest income on bank deposits and available for sale financial assets	4,300	4,578
Interest income on structured deposits	5,162	4,709
Interest from loans to related parties	136	624
Changes in fair value of derivatives	37,308	17,341
Changes in fair value of structured deposit	1,065	3,088
Foreign exchange gains on deposits, bank loans	456	1,921
Other interest income	1,169	1,162
Finance income	49,596	33,423
Interest expense on bank loans and debentures	(27,540)	(16,269)
Interest expenses on loan on structures	(462)	(834)
Interest on loans from related parties	–	(306)
Changes in debentures measured at fair value through profit or loss*	(50,112)	(44,220)
Foreign exchange losses on debentures at amortized cost	(10,366)	(383)
Foreign exchange losses – related parties	–	(215)
Foreign exchange losses	(742)	(207)
Other finance expenses	(1,293)	(1,899)
	(90,515)	(64,333)
Less- borrowing costs capitalized to trading properties under development	19,742	12,790
Finance costs	(70,773)	(51,543)
Net finance expenses	(21,177)	(18,120)

* The change in fair value includes a total of EUR 10.6 million (2009: EUR 65.6 million) attributable to the credit risk of the Company.

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Recognized in equity		
Net change in fair value of available-for-sale financial asset	(179)	1,722
Foreign currency translation differences for foreign operations	17,714	2,535
	17,535	4,257

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Note 33 – Tax benefit

	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Recognized in equity		
Current tax*	(143)	74
Deferred tax	(1,261)	(3,893)
Prior year's taxes	96	-
Total	(1,308)	(3,819)

* Mainly due to withholding tax refund in respect of US operations which was repaid to US entities in the beginning of 2011 in the amount of EUR 0.2 million (Company part)

Deferred tax expense (tax benefit)

	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Origination and reversal of temporary differences	381	(3,893)
Recognition of previously unrecognized tax losses	(1,642)	-
	(1,261)	(3,893)

Reconciliation of effective tax rate:

	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Dutch statutory income tax rate	25%	25.5%
Profit/(loss) before income taxes	12,940	(68,531)
Tax at the Dutch statutory income tax rate	3,235	(17,475)
Recognition of previously unrecognized tax losses	(1,642)	-
Effect of tax rates in foreign jurisdictions	9,197	3,236
Deferred taxes not provided for losses and other temporary differences, net	8,428	6,916
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange rate differences)	(4,557)	(713)
Non-deductible expenses (Non taxable income)*	(15,873)	4,217
Prior years taxes	(96)	-
Tax benefit	(1,308)	(3,819)

* Non taxable profit is attributable mainly to gain from bargain purchase in the US (refer to note 37).

The main tax laws imposed on the Group companies in their countries of residence:

The Netherlands

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25.5% (25% commencing the year 2011). The first EUR 200,000 of profits are taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years. As part of the measures to combat the consequences of the economic crisis, taxpayers can elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009, 2010 and 2011. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009, 2010 and/or 2011 will be limited to a maximum of six years (instead of nine years); and (ii) the maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to EUR 10 million per year. The amount of loss that can be carried back to the year directly preceding the taxable year for which the election is made will remain unrestricted.

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b. Under the participation exemption rules, income (including dividends and capital gains) derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, is exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy at least one of the following tests:

- Motive Test, the investee company is not held as passive investment;

- Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);

- Asset Test , the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

c. Dividend distributions from a Netherlands company to qualifying Israeli corporate shareholders holding at least 25% of the shares of such Netherlands company is subject to withholding tax at a rate of 5% provided certain compliance related formalities have been satisfied.

India

The corporate income tax applicable to the income of Indian subsidiaries is 33.2175%. Minimum alternate tax (MAT) of 16.995% is applicable to the book profits (i.e. profits shown in the financial statements). The final tax payable is higher of the MAT liability or corporate tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate tax is available (MAT credit). MAT Credit will be credited, if the company has taxable profits in the following ten years. Capital gains on sale of fixed assets (on which tax depreciation has not been claimed) and real estate assets are taxed at the rate of 22.145% provided that they were held for more than 36 months immediately preceding the date of the transfer or 33.2175% if they were held for less than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.61%. There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the shareholder. Business losses can be offset against taxable income for a period of eight years from the incurrence year's end. There is no limit for carry forward of unabsorbed depreciation.

Cyprus

The taxation of companies incorporated in Cyprus is based on tax residence and all companies are taxed at the rate of 10%. Dividend income and profits from the sale of shares and other titles of companies are tax exempt. There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. A special levy at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special levy is payable for the account of the shareholders.

USA and Australia

Under current Australian income tax legislation, EDT (which is holding 2 Real Estate Investment Trust ("REIT I" and "REIT 2") incorporated in the US) is not liable to pay income tax provided its taxable income (including assessable realized capital gains) is fully distributed to unitholders, by way of cash or reinvestment. US REIT I and US REIT II have elected to be taxed as Real Estate Investment Trusts (REITs) under US federal taxation law, and on this basis, will generally not be subject to US income taxes on that portion of the US REITs' taxable income or capital gains which are distributable to the US REITs shareholders, provided that the US REITs comply with the requirements of the US Internal Revenue Code of 1986 and maintain their REIT status.

The US REITs may ultimately realize a capital gain or loss on disposal which may attract a US income tax liability if the proceeds from disposal are not reinvested in a qualifying asset. If the capital gain is realized, it may give rise to a foreign tax credit which would be available to unitholders. A deferred tax liability is recognized based on the temporary difference between the carrying amount of the assets in the Statement of Financial Position and their associated tax cost bases.

A current tax liability is recognized in the financial statements for realized gains on disposals of US investments, except where the proceeds of such disposals are reinvested in a qualifying asset. This special levy is payable for the account of the shareholders. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the trust and contribute to the tax deferred component of distributions.

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Note 34 – Operating leases

The Company is a lessee of a number of plots of land and paid a total rent of EUR 0.1 million in the year ended December 31, 2010 (EUR 0.1 million for year ended December 31, 2009) under operating leases in Poland. The leases typically run for a period of 99 years. The leases in Poland which are held under perpetual usufruct are governed by the law of management over real estate. Lease payments regarding perpetual use of land can be changed according to a new valuation of the plot. None of the leases includes contingent rentals. Non-cancellable operating lease rentals are payable as follows:

	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Less than one year	28	126
Between one and five years	146	446
More than five years	532	895
	706	1,467

Note 35 – Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Company, and confirms that it is responsible to take appropriate actions to address any weaknesses identified.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from receivables and other financial institutions.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral in the form of a bank guarantee or deposit equal to three months of rent from tenants of shopping centers.

Cash and deposits, structured deposits and available for sale financial assets.

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The Group limits its exposure to credit risk in respect to cash and deposits, including structured deposits and available for sale financial assets by investing mostly in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company's Board of Directors and Audit Committee instructed the management to maintain during all times in the Company's reserves a net cash balance of at least EUR 40 million.

c. Market risk

Currency and Inflation risk

Currency risk is the risk that the Group will incur significant fluctuations in its profit or loss as a result of utilizing currencies other than the functional currency of the respective Group company.

The Group is exposed to currency risk mainly on borrowings (debentures issued in Israel and in Poland) that are denominated in a currency other than the functional currency of the respective Group companies. The currencies in which these transactions primarily are denominated are the NIS or PLN. As those currencies are subject to fluctuations, the Company is holding small amount of financial instruments denominated in these currencies, and hedging them, where appropriate. Regarding currency and inflation risk hedging of the debentures refer also to note 16.

Interest Rate Risk

The Group's interest rate risk arises mainly from short- and long-term borrowing (as well as debentures). Borrowings issued at variable interest rate expose the Group to variability in cash flows (mainly borrowings in USD). Borrowings issued at fixed interest rate expose the Group to changes in fair value. Except for the debentures, the Group does not currently engage in hedging or use of other financial arrangement to minimize the exposure to these risks. Regarding interest rate risk hedging of the debentures and bank facilities, refer to note 16.

d. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- compliance with regulatory and other legal requirements
- requirements for the periodic assessment of operational risks faced, and procedures to address the risks identified
- IT controls and manuals
- training and professional development
- Risk mitigation, including insurance where this is effective

Capital management

The Company's Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's Board of Directors also monitors the level of dividends to ordinary shareholders.

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Note 35 – Financial instruments continued

The Company's Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. No purchase is made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be effected by a purchase in the market. It should not be confused with any share dealing facilities that may be offered to shareholders by the Company from time to time.

At present employees hold 0% of ordinary shares, but with future potential of about 6.5% assuming that all outstanding employee share options vest and are exercised at maximum price of 324 pence.

The Company's Board of Directors was authorized by the general meeting of the shareholders to allot equity securities (including rights to acquire equity securities) in the Company up to an aggregate nominal value of approximately EUR 978 thousands, being approximately 33% of the Company's issued ordinary share capital as at 25 May 2010. Such authorization shall expire on the conclusion of the Annual General Meeting which will be held in May 2011. There were no changes in the Group's approach to capital management during the year.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Cash and cash equivalents	5	137,801	122,596
Restricted bank deposits	6	29,954	39,202
Derivative and short-term deposits	16	10,535	4,399
Available for sale debt securities	7	27,098	15,040
Trade receivables, net	8	4,064	1,920
Other receivables and prepayments	9	10,525	18,384
Related parties	19	1,185	513
Non-current derivatives	16	42,110	20,151
Long-term deposits and other investments	11	52,559	51,447
Restricted bank deposits	6	15,751	14,737
		331,582	288,389

The maximum exposure to credit risk for the above mentioned table at the reporting date by type of debtor was as follows:

	For the year ended December 31, 2010 €000	For the year ended December 31, 2009 €000
Banks and financial institutions	317,293	268,637
Tenants	4,064	1,920
Governmental institutions	3,323	10,744
Related parties and other	6,902	7,088
	331,582	288,389

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Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements;

December 31, 2010	Carrying amount €000	Contractual cash flows €000	6 months or less €000	6-12 months €000	1-2 years €000	2-5 years €000	More than 5 years €000
Non-derivative financial liabilities							
Secured bank loans	366,416	(418,946)	(35,285)	(89,318)	(85,442)	(128,601)	(80,300)
Unsecured debentures issued	379,056	(424,342)	(68,047)	(17,418)	(81,907)	(237,416)	(19,554)
Trade and other payables	51,661	(54,781)	(257)	(31,065)	(580)	(17,293)	(5,586)
Related parties	3,758	(3,758)	-	(3,758)	-	-	-
	800,891	(901,827)	(103,589)	(141,559)	(167,929)	(383,310)	(105,440)

December 31, 2009	Carrying amount €000	Contractual cash flows €000	6 months or less €000	6-12 months €000	1-2 years €000	2-5 years €000	More than 5 years €000
Non-derivative financial liabilities							
Secured bank loans	184,072	(217,103)	(41,364)	(5,138)	(18,282)	(91,366)	(60,953)
Unsecured debentures issued	247,155	(277,399)	(5,741)	(13,539)	(52,462)	(144,878)	(60,779)
Trade and other payables	48,014	(48,014)	(31,905)	-	(16,109)	-	-
Related parties	3,234	(3,234)	–	(3,234)	-	-	-
	482,475	(545,750)	(79,010)	(21,911)	(86,853)	(236,244)	(121,732)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

December 31, 2010	NIS €000	USD €000	HUF €000	PLN €000	CZK €000	RON €000	INR €000	LVL €000	RSD €000	Other €000
Current assets	11,093	18,836	3,144	11,768	1,110	1,649	3,767	447	266	-
Non-current assets	184,243	1,707	259	14,931	316	–	–	–	-	–
Total	195,336	20,543	3,403	26,699	1,426	1,649	3,767	447	266	–

December 31, 2009	NIS €000	USD €000	HUF €000	PLN €000	CZK €000	RON €000	INR €000	LVL €000	RSD €000	Other €000
Current assets	27,792	2,562	3,324	14,501	3,179	9,070	2,536	1,123	625	27
Non-current assets	211,940									
Total	239,732	2,562	3,324	14,501	3,179	9,070	2,536	1,123	625	27

December 31, 2010	NIS €000	USD €000	HUF €000	PLN €000	CZK €000	RON €000	INR €000	LVL €000	RSD €000	Other €000
Current liabilities	69,469	23,546	801	4,113	1,407	16,492	20,713	681	619	360
Non-current liabilities	295,045	129,401	-	14,931	–	–	–	–	–	–
Total	364,514	152,947	801	19,044	1,407	16,492	20,713	681	619	360
Net exposure	(169,178)	(132,404)	2,602	7,655	19	(14,843)	(16,946)	(234)	(353)	(360)

December 31, 2009	NIS €000	USD €000	HUF €000	PLN €000	CZK €000	RON €000	INR €000	LVL €000	RSD €000	Other €000
Current liabilities	–	168	1,522	10,586	6,229	1,235	7,367	366	216	3,578
Non-current liabilities	239,732	2,880	-	-	–				-	–
Total	239,732	3,048	1,522	10,586	6,229	1,235	7,367	366	216	3,578
Net exposure	-	(486)	1,802	3,915	(3,050)	7,835	(4,831)	757	409	(3,551)

Notes to the consolidated financial statements

continued

Note 35 – Financial instruments continued

The following significant exchange rates applied during the year:

EUR	Average rate 2010 €'000	Average rate 2009 €'000	Reporting date spot rate 2010 €'000	Reporting date spot rate 2009 €'000
RSD 10	0.097	0.107	0.095	0.105
USD 1	0.754	0.718	0.748	0.694
PLN 1	0.250	0.231	0.253	0.243
HUF 100	0.362	0.357	0.359	0.369
RON 1	0.237	0.236	0.233	0.237
CZK 10	0.393	0.378	0.399	0.378
INR 10	0.165	0.148	0.167	0.149
NIS 1	0.202	0.183	0.211	0.184

Sensitivity analysis

The following table demonstrates the pre-tax impact of devaluation of various currencies against the EUR in the below quoted rates with all other variables held constant (the impact on the Group's equity is the same):

	Increase in currency rate	Effect on pre-tax profit/(loss) For the year ended December 31, 2010 €'000	Effect on pre-tax profit/(loss) For the year ended December 31, 2009 €'000
EUR vs. HUF	16%	(416)	(288)
EUR vs. USD[1]	13%	17,213	63
EUR vs. RSD	8%	28	(61)
EUR vs. PLN	18%	(1,378)	(705)
EUR vs. INR[1]	12%	2,034	580
EUR vs. CZK	11%	(2)	335
EUR vs. LVL	2%	5	(15)
EUR vs. RON	7%	1,039	(548)
EUR vs. NIS	13%	21,993	–

1 Effect on equity

A similar weakening of the Euro against all currencies at December 31 would have had the equal but adverse effect on the pre-tax profit (loss) and equity to the amount shown above provided that all other variables remain constant.

Derivatives and debentures

Sensitivity analysis – changes in exchange rates EUR-NIS

	Fair value change 10% €'000	Fair value 4.7379 €'000	Fair value change -10% €'000
Derivative B	(15,586)	52,676	15,586
Debentures A	6,554	(65,538)	(6,554)
Debentures B	30,516	(305,162)	(30,516)
Total net	21,484	318,024	(21,484)

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Interest rate risk

Profile

As of the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2010 €'000	2009 €'000
Fixed rate instruments		
Financial assets	210,604	210,939
Financial liabilities	(177,667)	(5,055)
	32,937	205,884
Variable rate instruments		
Financial assets	52,559	36,482
Financial liabilities	(567,805)	(429,406)
	(515,246)	(392,924)

Cash flow sensitivity analysis for variable rate instruments

A change of 30 basis points in EURIBOR interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

Variable interest rate effect (excluding debentures and structure A)

	Profit or Loss	
	30 bp increase €'000	30 bp decrease €'000
December 31, 2010	(566)	566
December 31, 2009	(226)	226

Fair value sensitivity analysis for structure B

The Group accounts for one structure at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The change in interest rates at the reporting date would result in the following affect on the structure value:

Sensitivity analysis – changes in interest on structure

	Fair value change increase 5 bp €'000	Fair value €'000	Fair value change decrease 5 bp €'000
Structure B (refer to note 11)	13,975	14,017	14,059

Derivatives and debentures

Sensitivity analysis – Changes in Israeli CPI

	Fair value charge 3% €'000	Fair value 107.0 €'000	Fair value change -3% €'000
Derivative B	6,256	52,676	(6,256)
Debenture A	(1,966)	(65,538)	1,966
Debenture B	(9,156)	(305,162)	9,156
Total net	(4,866)	318,024	4,866

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Note 35 – Financial instruments continued

Sensitivity analysis – changes in interest on Debentures

	Fair value change – increase 100 bp €'000	Fair value €'000	Fair value change – decrease 100 bp €'000
Derivative B	(5,106)	52,676	5,106
Debenture A	2,372	(65,538)	(2,372)
Debenture B	7,125	(305,162)	(7,125)
Total net	4,391	318,024	(4,391)

Fair values

Fair values versus carrying amounts

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of borrowings approximates the carrying amount (with the exception of debentures issued in Israel, which have a quoting active market), as the impact of discounting is not significant.

In respect of the debentures, the total fair value as of December 31, 2010 is EUR 110.5 million (in comparison of amortized cost of EUR 103.8 million). As of December 31, 2009, the fair value was EUR 28.7 million (in comparison of amortized cost of EUR 27.8 million).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

December 31, 2010	Total €'000	Level 3 €'000	Level 2 €'000	Level 1 €'000
Available for sale financial assets	27,098	–	–	27,098
Structured deposit B (refer to note 11)	14,017	14,017	–	–
Derivative financial assets	52,645	–	52,645	–
	93,760	14,017	52,645	27,098
Option plan to former VC of Elbit (refer to note 36)	(1,164)	(1,164)	–	–
Debentures at fair value through profit or loss	(260,315)	–	–	(260,315)
	(167,719)	12,853	52,645	(233,217)

Both level 3 financial instruments were outstanding at the beginning and at the end of the year. The total effect included in profit or loss for the year ended December 31, 2010 is as follows:

- Structured deposit B – 1,065 TEUR as part of finance income (refer to note 32)
- Option plan to Vice Chairman of Elbit – 463 TEUR

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Note 36 – Contingent liabilities and commitments

a. Contingent liabilities and commitments to related parties:
The Company and/or its subsidiaries are bound by the following agreements, with Control Centers Ltd. ("Control Centers"), a company controlled by the ultimate shareholder of EI and/or companies controlled thereby.

1. On October 27, 2006, the Company entered into an agreement with Control Centers under which Control Centers will provide coordination, planning, and execution and supervision services in respect of the Group's projects (the "Agreement"). Such Agreement is substantially the same as a similar agreement concluded between EI and Control Centers, which was approved by the shareholders of EI on 31 May 2006 under the applicable provisions of Israeli law.

   The Company will receive from Control Centers (either directly or through its subsidiaries or affiliates, other than the Company and its subsidiaries) coordination, planning, execution and supervision services (the "Services") over Real Estate Projects of the Group and/or its affiliates in consideration for a fee equal to 5% of the actual execution costs of each project, plus value added tax. The agreement is in effect until May 31, 2011.

   At December 31, 2010 the financial statements include a liability for engineering supervision services supplied by related parties in Control Centers Group in amount of EUR 0.4 million which relates to 11 projects under development in Serbia, Poland, Czech Republic and Romania (for the total charges in 2010 and 2009 refer to note 38).

2. On October 27, 2006 the Company signed an agreement with Jet Link Ltd (a company owned by the ultimate shareholder of the Company and which owns an airplane) under which the Group and/or its affiliates may use the airplane for their operational activities up to 275 flight hours per year. The Company will pay Jet Link Ltd. in accordance with its price list, reduced by a 5% discount. The agreement is in effect for a five-year term

3. On October 27, 2006 the Company and the Chairman of its Board of Directors entered into a service agreement, pursuant to which the Chairman will be entitled to a monthly salary of USD 25 thousand (EUR 17 thousand) which includes pension, retirement and similar benefits for his services as the Company's Chairman.

4. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from January 1, 2006 the Company will pay commissions to EI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EI in favour of the Company up to 0.5% of the amount or value of the guarantee, per annum. As of the end of the reporting period the Group has no outstanding guarantees from EI and no consideration was paid in this respect.

5. On October 13, 2006, EI entered into an agreement (the "Agreement") with the Company, under which EI is obliged to offer to the Company potential real estate development sites sourced by it in India. Under the agreement, EI is obliged to offer the Company the exclusive right to develop all of the shopping center projects which EI acquires during the 15-year term of the Agreement. The Agreement was terminated upon the signing of the Joint venture in India (refer to note 37), but both EI and the Company agreed that upon the termination of the Joint Venture agreement they will re-execute the Agreement.

6. On November 25, 2007 the Company entered into an indemnity agreement with all of the Company's directors – the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.

b. Contingent liabilities and commitments to others

1. Tesco
   The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") - sold in June 2006 - in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million. The entire amount of EUR 6.9 million was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement. The Company's management believes that it is not probable that this commitment will result in any material amount being paid by the Company.

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Notes to the consolidated financial statements

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Note 36 – Contingent liabilities and commitments continued

2. General commitments and warranties in respect of trading property and investment property disposals.

   In the framework of the transactions for the sale of the Group's real estate assets, the Group has undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of completeness of title on the assets and/or the shares sold (i.e that the assets and/or the shares sold are owned by the Group and are clean from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction; and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter and others). Such indemnifications are limited in time (generally three years from signing a closing agreement) and are generally capped to 25% to 50% of the purchase price.

   The tax authorities have challenged the applied tax treatment in two of the entities previously sold. Currently the issue is being re-examined by the first instance of the authorities.

   The Group's management estimates, based, inter alia, on a professional opinion and past experience that no significant costs will be borne thereby, in respect of these indemnifications.

3. Aggregate amount of the Group's commitments in respect of construction services totaled, as of December 31, 2010, approximately EUR 177 million.

4. In relation with the investment property segment: DDR or the US REITs may exercise its pre-emptive right to acquire the properties held by the jointly controlled entities held by EDT and DDR (as for December 31, 2010: 7 assets) at fair market value if the Responsible Entity is removed, or there is a change in control of DDR or the US REITs or other defined events occur.

5. The Company is retaining the 100% holding in all its projects in Serbia after it was decided to discontinue the negotiations with a Serbian developer. The Company paid, as of the end of the reporting period, an amount of EUR 1,3 million as part of a settlement agreement signed with the Serbian developer with an obligation to pay the developer every time there is major progress in the projects.

c. Contingent liabilities due to legal proceedings

On April 5, 2006 the Company and EI were sued by a third party requesting the court to order the Company and EI to pay the plaintiff an amount of NIS 10.8 million (approximately EUR 2 million) as an intermediary fee for certain sales of shopping centers in Poland and the Czech Republic.

The Company's management believes based, among others, on legal advice, that it is not probable that this litigation will cause any outflow of resources to settle it, and therefore no provision was recorded.

The Company is involved from in other litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, based on legal advice, that it is not probable that these litigations will cause any outflow of resources to settle them, and therefore no provision was recorded

d. Securities, guarantees and liens under bank finance agreements

1. Certain companies within the Group which are engaged in the purchase, construction or operation of shopping centers ("Project Companies") have secured their respective credit facilities (EUR 514 million) awarded by financing banks (for projects in the US, Hungary, Latvia, Czech Republic, India, Serbia and Bulgaria), by providing the first or second ranking (fixed or floating) charges on property owned thereby, including right in and to real estate property as well as the financed projects, on rights pertaining to certain contracts (including lease, operation and management agreements), on rights arising from insurance policies, and the like. Shares of Project Companies were also pledged in favour of the financing banks. The Company guarantees fulfilment of one of its subsidiaries obligations under loan agreements in an aggregate amount of EUR 37 million. Shareholders loans as well as any other rights and/or interests of shareholders in and to the Project Companies were subordinated to the respective credit facilities. Payment is permitted to the shareholders (including the distribution of dividends but excluding management fees) subject to fulfilling certain preconditions.

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Certain loan agreements include an undertaking to fulfil certain financial and operational covenants throughout the duration of the credit, namely: complying with "a minimum debt services cover ratio", "loan outstanding amount" to secured assets value ratio; complying with certain restrictions on interest rates; maintaining certain cash balances for current operations; maintaining equity to project cost ratio and net profit to current bank's debt; occupancy percentage and others.

All of the companies are in compliance with the entire loan covenants with the exception of covenants in respect of four of the secured loans granted. The Company is in negotiation with the financing banks in respect of settling the bank requirements and agreeing on new covenants and/or waivers. In addition, one financial facility has matured on December 31, 2010, and the Company is currently negotiating with the financing bank the details of the prolongation of the facility.

The Project Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank: (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents; (ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business; (iii) certain changes to the scope of the project; (iv) the assumption of certain liabilities by the Project Company in favor of third parties; (v) receipt of loans by the Project Company and/or the provision thereby of a guarantee to third parties; and the like.

2. Commitment in respect of derivative transaction

Within the framework of cross currency interest rate swap transactions and regular swaps (refer to note 16), executed between the Company and Israeli and Polish banks (the "Banks"), the Company agreed to provide the Banks with a cash collateral deposit which will be calculated in accordance with a specific mechanism provided in each swap transaction agreement. Accordingly, as of the end of the reporting period, the Company has pledged, a security deposit in the amount of EUR 17.3 million in respect of these swaps transactions. In respect of the Suwalki IRS the project company also established a bail mortgage up to EUR 4 million encumbering the real estate project. In respect of commitments connected to call options, refer to note 40.

3. Commitment in respect of structured deposits

In order to secure credit lines provided to the Company for the purpose of investing in financial structures (refer to note 16), the Company has provided the issuing banks a pledge on the structures issued. In addition the Company also has to comply with certain covenants stipulated in the loan agreement (mainly loan to value covenants). Failing to comply with the said covenants shall oblige the Company to provide an additional cash collateral. As of the end of the reporting period the Company has secured cash collateral of EUR 9.1 million.

4. Commitment in respect of bonds raised in Poland

Under the offering memorandum for the issuance of Polish bonds, certain circumstances shall be deemed events of default giving the bondholders the right to demand early redemption, which includes among others the following covenants:

a) Breach of the Cash Position as a result of the payment of dividend or the buy-back programme – if at any time during a period of 90 days from the payment of dividend, or the acquisition of its own shares, the Cash Position falls below EUR 50 million;

b) Breach of financial ratios – the Net Capitalization Ratio exceeds 70%; Net Capitalization Ratio is the Net Debt divided by the Equity plus the Net Debt, as calculated by the Group's auditor; "Net Debt" mean the Group's total debt under: loans and borrowings, lease agreements, bonds, other debt securities and other interest bearing or discounted financial instruments in issue, less related hedge derivatives, cash and cash equivalents, short- and long-term interest bearing deposits with banks or other financial institutions, available-for-sale marketable securities and restricted cash, calculated based on the Consolidated Financial Statements.

c) Failure to repay material debt – the Company fails to repay any matured and undisputable debt in the amount of at least EUR 100 million within 30 days of its maturity.

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Note 37 – Significant acquisitions and events

Framework agreement for a joint venture in the United States

On February 9, 2010 the Company entered through Elbit Plaza USA, L.P. ("Elbit Plaza USA"), a new Real Estate Investment Partnership with Elbit, into a framework and co-investment agreement with Eastgate Property LLC ("Eastgate") to take advantage of real estate opportunities in the United States, primarily in the retail sector. Under the terms of the new strategic joint venture, Elbit Plaza USA and Eastgate have jointly committed to invest a total of USD 200 million in equal shares in one or more dedicated US real estate investment platforms, which will focus on investments in the US commercial real estate sector (collectively, the "Fund"). The Fund will seek to identify potential investments and make both direct purchases and enter into joint ventures with local business partners over a two year acquisition period. Once assets have been acquired, Elbit and The Company will undertake asset management initiatives to maximize income and capital value growth from the properties.

Pursuant to the framework and co-investment agreement with Eastgate, EPN GP LLC ("EPN") was jointly established as a Real Estate Investment Venture for the purpose of investing in the US real estate market, primarily in the retail sector. For the transaction in the USA refer to Investment in US Real Estate market section below.

In June 2010 Elbit Plaza USA and Eastgate have raised from Menora Mivtachim Insurance Ltd. ("Menora"), a leading pension insurance entity in Israel, and certain of Menora's affiliates, USD 31 million (EUR 25 million) of capital commitments to be invested in EPN. Following this commitment, the Company indirect interests in EPN were reduced from 25% to 21.65%.

Investment in US real estate market

During the period from April through June 2010 the Company entered, through its jointly controlled entity, EPN, into a series of agreements (which are described below) for the purpose of acquiring the controlling interests in Macquarie DDR Trust ("EDT" or the "Trust"). EDT is an Australian publicly traded trust (ASX:EDT.AX), which holds and manages as of December 31, 2010 two US REIT portfolios of 48 retail properties. The properties have approximately 10.9 million ft² of lettable area of mainly community shopping centers across 20 states in the United States. Pursuant to these agreements, on June 18, 2010 EPN acquired 47.8% of the unitholdings in the trust. In addition, EPN acquired a 50% interest in the entity which is the owner of the Responsible Entity of the Trust (the "US Manager") for approximately USD 3 million. The Responsible Entity is the company who looks after the day-to-day management of EDT, including its investments, strategy management and financing. Developers Diversified Realty Corporation, an Ohio corporation specializing in real estate investments and assets management ("DDR"), will remain as a 50% co-owner of the US Manager and continue to act as property manager of the Trust's assets. Pursuant to the agreements EPN has the right to appoint six board members out of 11 (55%) of the Responsible Entity's board of directors while according to Responsible Entity constitution few decision required at least seven affirmative votes including the unanimous vote of all Non-Independent Directors. The Company's management is in the opinion, based on its best judgment, that those decisions do not affect the Company's ability to control the Responsible Entity.

Consequently, together with its 47.8% holding in the Trust and due to the fact that the Responsible Entity can be appointed or dismissed only by major vote of EDT general meeting which EPN is the largest unit holder while the rest of the unit holders are in very large distribution the Company management is of the opinion that EPN has de facto control over EDT, that is the power to govern the financial and operating policies of EDT. Accordingly, EPN presents its investment in EDT on a fully consolidation basis. Given the joint control agreement between the Company and EI in Elbit Plaza USA, and between Elbit Plaza USA and Eastgate, the Company presents its investment in EPN, and therefore indirectly in EDT, on a proportional consolidation basis based on 21.65%.

In the framework of the transaction:

(i) EPN acquired a unit holding representing 15% of the Trust's units, pre-placement, through a 9.5 million Australian Dollar ("AUD") (EUR 6.6 million) private placement (the "Placement");

(ii) EPN acquired from Macquarie Group Limited ("Macquarie") its 2.6% principal unit holding in the Trust for AUD 1.7 million (EUR 1.2 million);

(iii) Subsequently, EPN participated in and sub-underwrite a proposed recapitalization of EDT to raise approximately AUD 200 million (EUR 139 million) ("Recapitalization"). The Recapitalization was undertaken by way of a pro rata entitlement offer ("Entitlement Offer"). Following the completion of the Entitlement Offer EPN became a 47.8% holder of the Trust's units, and by that becoming the largest unit holder of the Trust;

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The net proceeds of the Placement and Entitlement Offer were used for the repayment of the amounts outstanding under EDT's unsecured debt and derivative liabilities.

Following the completion of the above transactions, EPN is fully consolidating the financial statements of the Trust with non-controlling interest of 52.2%, as of June 18 2010.

The June 30, 2010 effective date was modified to June 18, 2010 to adequately reflect the business combination performed.

The following presents the fair value of asset acquired and liabilities assumed (all items are thousands of EUR and reflects 100% of the acquired assets and liabilities):

Item	Fair value 30.06.10	Fair value 31.12.10
Cash and cash equivalents	25,224	25,224
Restricted cash	4,065	4,065
Trade and other receivables	30,588	26,029
Investment properties	1,153,104	1,184,651
Deferred tax assets*	4,993	2,605
Other assets	1,473	1,515
Trade payables	(3,169)	(3,256)
Interest bearing loans*	(831,649)	(847,261)
Other accounts payable	(18,349)	(18,844)
Total net asset	366,280*	375,628

* Changes from the June report is due to the updated Purchase Price Allocation reported, which was concluded in the second half of 2010.

** The carrying amount of all assets and liabilities of EDT are identical to its fair value, with the exception of interest bearing loans, for which the carrying amount totaled EUR 840 million. Deferred tax asset in the amount of EUR 2.5 million was provided in respect of difference.

The total purchase price, in thousands of EUR, as well as fair value of the non-controlling interest was as follows:

Total amount paid by EPN*:	94,343
Fair value of non-controlling interest **:	89,477
Total	183,820

* The total part of the amount paid by the Company was EUR 19.8 million, and after deduction of cash acquired of EUR 5.4 million (Company part) the net cash consideration totaled EUR 14.4 million. The change in total amount paid by EPN as recorded on June 30, 2010 figure (95,608 TEUR) is due to foreign currency translation of the USD proceeds to June 18, 2010 rates.

** The Company chose to measure non-controlling interest at fair value. The non-controlling interest was evaluated at AUD 0.053 per unit (according to stock exchange quote as of June 18, 2010), totaling USD 109 million (circa EUR 89 million). The change comparing to June 2010 report (AUD 0.055 per unit) is to reflect adequately the business combination date.

As a result of the above, EPN recorded a gain from a bargain purchase of USD 240 million (EUR 192 million), and the Company recorded 21.65% out of this amount, totaling approximately EUR 42 million as other income in the Company consolidated income statement.

Planned liquidation of certain assets in EDT

The Trust's investment in the MV LLC joint venture entity was equity accounted to nil. The Trust has no obligation to provide further funding of this portfolio. As a result, the Group no longer recognized further losses from this portfolio from that date as part of the equity accounted profit or loss from jointly controlled entities and the portfolio no longer contributed to the Group's Net Tangible Assets (NTA). Due to the likelihood of not being able to retrieve any equity value from this portfolio and significant additional capital being required, the Trust, DDR and the loan servicer jointly requested that a court appoint a third party receiver to manage and liquidate the remaining assets within the portfolio. On August 24, 2010 a third party receiver was appointed over the remaining assets within the MV LLC portfolio. As a result the Trust no longer has joint control over MV LLC and in accordance with its accounting policies accounted for its interest in MV LLC at December 31, 2010 as an investment held at the lower of cost and net realizable value which was nil at that date.

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Note 37 – Significant acquisitions and events continued

Restructuring of partnership agreement in India

On March 13, 2008, Elbit Plaza India Real Estate Holdings Ltd. ("EPI"), a 50%/50% joint venture company with EI entered into an amended and reinstated share subscription and framework agreement ("Framework Agreement"), with a third party (the "Partner"), and a wholly owned Indian subsidiary of EPI ("SPV"), to acquire, through the SPV, up to 440 acres of land in Bangalore, India (the "Project Land"). As of December 31, 2010, the SPV has secured rights over approximately 54 acres and the total aggregate consideration paid was approximately INR 2,843 million (EUR 48 million), presented in the statement of financial position as of December 31, 2010 as trading property.

In addition the SPV has paid to the Seller advances of approximately INR 2,536 million (EUR 42 million) on account of the future acquisitions by the SPV of a further 51.6 acres ("Refundable Advance"). Such amount is presented in the statement of financial position as of December 31, 2010 and 2009 as other receivables and prepayments. The Company share in this advance is 50%.

On July 22, 2010, due to changes in the market conditions and due to new arrangements between the parties, EPI, the SPV and the Seller entered into new framework agreement which established the new commercial understandings pertaining, inter alia, to the joint development of the Project and its magnitude and financing, the commercial relationships and working methods between the parties and the distribution mechanism of the revenues from the Project. In accordance with the new framework agreement, the following commercial terms have been agreed between the parties:

- EPI will remain the holder of 100% of the shareholdings and the voting rights in the SPV.
- The scope of the new Project will be decreased to approximately 165 acres instead of 440 acres.
- The Seller undertakes to complete the acquisitions of the additional land in order to obtain the rights over the said 165 acres.
- The SPV and/or EPI will not be required to pay any additional amounts in respect of such acquisitions or with respect to the Project.

The Project will be executed jointly by the Seller and the SPV. The Seller (or any of its affiliates) will also serve as the general contractor of the Project, as well as the marketing manager of the Project. Under the new framework agreement the Seller is committed to a maximum construction costs, minimum sale prices and a detailed timeline and budget with respect to the development of the Project.

The profits from the Project (including the sale by the Seller or any transaction with respect to the original lands which do not form part of the said 165 acres) will be distributed in a manner by which the Group's share will be approximately 70% until such time that EPI's investment in the amount of INR 5,780 million (approximately EUR 97 million) ("EPI's Investment") plus an Internal Return Rate ("IRR") of 20% per annum calculated from September 30, 2009 is paid to the SPV (on behalf of EPI) (the "Discharge Date").

Following the Discharge Date, EPI will not be entitled to receive any additional profits from the Project and it will transfer to the Seller the entire shareholdings in the SPV for no consideration. In addition, the Seller has a call option, subject to applicable law and regulations, to acquire the entire shareholdings of the SPV, at any time, in consideration for EPI's Investment plus an IRR of 20% per annum calculated on the relevant date.

The terms of the new framework agreement will enter into full force and effect upon execution of all of the Ancillary Agreements (as defined therein), following such event the terms of the original Framework Agreement will be suspended and may be revived upon occurrence of certain events as specified in the new framework agreement.

As of December 31, 2010 and 2009, the Joint Venture Company's operations are proportionately (25%) consolidated with those of the Company, since significant decisions in respect of the Project Land require the consent of both EPI and the JV partner.

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Additional transaction in the US

In December, 2010, indirect subsidiary of the company EPN Investment Management, LLC ("EPN"), has signed a Real Estate Purchase and Sale Agreement (the "Agreement"), to purchase from certain affiliates of Charter Hall Retail REIT seven retail shopping centers located in Georgia, Oregon and Florida in the U.S., with a total Gross Lettable Area (GLA) of approximately 650,000 square feet (approximately 60,000 square meters) and a current occupancy rate of approximately 91.0% (the "Properties"). The purchase price of the Properties is USD 75 million (EUR 56 million), out of which an amount of USD 22.7 million (EUR 17 million) shall be paid by way of assumption of property-level debt (the "Assumed Debt").

The Properties have Net Operating Income (NOI) of approximately US$7.0 million, which reflects an annual yield of approximately 9.2%.

The closing of the transaction is contingent upon, *inter alia*, the receipt of the approval of the applicable lenders to the assignment and assumption of the Assumed Debt, applicable ground lessors' consent to the sale of three Properties which are subject to ground leases, and all other documentation required for closing.

Bonds issuance program in Poland

On July 28, 2010 the Board of the Company approved a bond issuance program for the issuance of up to 3,000 unsecured bearer bonds, governed by Polish law, to the maximum amount of PLN 300 million (approximately EUR 75 million) (the "Bonds"), in several tranches. The tranches have been approved for issuance between July 28, 2010 and the end of 2016 (the "Bonds Issuance Programme") as part of a long-term strategic financing plan. For the raise of the bonds refer to note 23.

Changes in global markets

The Company continues to monitor closely market conditions in the countries in which it operates. Although there has been a slight easing in debt market conditions, the repercussions of the global recession are still very strong and the Company's management estimates, that it will continue to have an impact on current and potential tenants for some time. The Company's management believes that it is able to mitigate the global recession consequences by ensuring maintaining its strong, lasting relationships with its high-quality tenant base, across its geographically diverse portfolio of western style, well located centers.

During 2010 the Company completed the construction of two developments in Suwalki and Zgorzelec, and continues to make progress with the construction of four further projects (Torun in Poland, Kragujevac in Serbia and Koregaon Park and Kharadi in Pune, India). The remainder of the Company's development pipeline projects is either in the design phase or waiting permit. Commencement of these projects will depend, amongst other things, on the availability of external financing.

Appointment of the Company's Chief Executive Officer

On December 29, 2009, the Company announced that Mr. Ran Shtarkman, its President and Chief Executive Officer, had been appointed Joint Chief Executive Officer of EI effective January 1, 2010. In this role, he continues to work full time as the CEO of the Company, based at the Company's offices, but also assumed certain responsibilities for EI, with particular emphasis on overseeing its real estate interests in India.

Hedging and settlement of hedging transactions performed in the course of 2010

For the above mentioned hedging and settlement refer to note 16.

Issuance of debt securities in Israel

For the issuance of debt refer to note 23.

Purchase of additional stake in Dream Island project, Budapest

In March 2009, the Company, through its 50% jointly controlled subsidiary ("Ercorner") has acquired an additional 27% stake in Alom Sziget Kft. ("Alom Sziget") for a total consideration of EUR 21.4 million .The consideration Ercorner paid consisted of a cash payment of EUR 12 million and the assumption of EUR 9.4 million of debt, representing 27% of the project's net debt liability. Following the transaction, Ercorner holds 87% of the equity and voting rights in Alom Sziget.

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Note 38 – Related party transactions

[Related party transactions]
Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below and in note 36.

The Company has six directors. The annual remuneration of the directors in 2010 amounted to EUR 1.1 million (2009: EUR 0.8 million), and the annual share-based compensation expenses amounted to EUR 0.8 million (2009: EUR 2.5 million). In the course of 2010, 2.5 million options were granted to related parties personnel. There are no other benefits granted to directors. For the nomination of the Company's CEO as a Joint CEO in EI refer to note 37. Information about related party balances as of December 31, 2010 and 2009 is disclosed in note 19.

Trading transactions
During the year, group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31, 2010 €'000	For the year ended December 31, 2009 €'000
Income		
Interest on balances with EI	136	624
Costs and expenses		
Charges – EI and EUL	919	175
Chairman of board[1]	244	214
Former executive Vice Chairman of EI[2]	710	(500)
Finance on shareholders loan from EUL	–	521
Aviation services – Jet Link[3]	496	414
Project management provision and charges – Control Centers group[3]	5,039	19,071

1 The Chairman of the Board of Directors of the Company, who is also the controlling shareholder of the ultimate parent company is receiving an annual salary of USD 300 thousand.
2 Including option plan expenses of EUR 0.5 million. For the option Plan for the former Executive Vice Chairman of EI refer to note 27
3 Jet Link Ltd. and Control Centers (refer to note 36 a(II)) are companies owned by the ultimate shareholder of the Company.

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Note 39 – Operating segment

The Group comprises the following main geographical segments: CEE, India and the US (Starting June 30, 2010). In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulted from either the selling or operating of assets geographically located in the relevant segment.

Year ended December 31, 2010	Central Eastern Europe	India	US	Total
Revenues	20,824	–	16,817	37,641
Operating profit/(loss) by segment	(8,579)	(3,669)	11,329	(919)
Share in losses of associates, net				(381)
Less – unallocated general and administrative expenses				(6,926)
Financial expenses, net				(21,177)
Other income, net				42,343
Profit before income taxes				12,940
Tax benefit				1,308
Profit for the year				14,248
Purchase cost of segment (tangible and intangible) assets	63,674	16,420		80,094
Depreciation and amortization of segment assets (appreciation of investment property)	7,940	760	(4,394)	4,306
December 31, 2010				
Total segment assets	675,207	196,978	236,292	1,108,477
Investment on the equity basis	-	-		–
Unallocated assets				317,819
				1,426,296
Segment liabilities	43,240	3,777	4,644	51,661
Unallocated liabilities				750,186
				801,847

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Note 39 – Operating segment continued

Year ended December 31, 2009	Central Eastern Europe	India	Total
Revenues	16,045	–	16,045
Operating loss by segment	(39,954)	(2,012)	(41,966)
Share in losses of associates, net			(780)
Less – unallocated general and administrative expenses			(7,906)
Financial expenses, net			(18,120)
Other income, net			241
Loss before income taxes			(68,531)
Income taxes			3,819
Profit for the year			(64,712)
Purchase cost of segment (tangible and Intangible) assets	91,248	18,718	109,966
Depreciation and amortization of segment assets	34,927	381	35,308
December 31, 2009			
Total segment assets	629,297	151,648	780,945
Investment on the equity basis	–	–	–
Unallocated assets			278,676
			1,059,621
Segment liabilities	41,858	6,156	48,014
Unallocated liabilities			436,898
			484,912

Note 40 – Events after the reporting period

Off-market takeover bid for EDT

In March 2011, the Company announced that EPN has made an off-market takeover bid to acquire all of the outstanding units of EDT.

EPN's unconditional offer is to buy all outstanding units of EDT that EPN's affiliate does not already own (approximately 52%), for AUD 0.078 cash per EDT unit. The total consideration, which will be paid by EPN, assuming full take up of EDT units, is approximately USD 190 million (EUR 142 million).

EPN is required to send its offers to EDT unit holders within two months after the date of the announcement. EPN has not yet determined the date on which its offers will be sent.

Foreign currency hedge using call options

In January 2011, the Company decided to use calls options strategy (through major Israeli banks) in order to hedge its foreign currency risk (EUR-NIS) inherent in its long-term debentures Series A and series B issued in NIS which are not hedged by other derivative instruments (e.g. cross currency IRS, forwards).

As of the financial statements approval, the Company wrote EUR 150 million call options with strike prices (EUR/NIS exchange rate) between 4.74 and 5 and expiration date of March 31, 2011 and EUR 25 million call option with strike price of 5 expiring on June 30, 2011. Premium received totaled EUR 3.4 million. The Company has secured deposit in amount of EUR 10.4 million in respect of the above mentioned call options. The Company will monitor and adjust the hedging strategy, if needed by ongoing basis.

The hedge is not qualified for special hedge accounting. The premium received on sale of the options is treated as finance income.

Cross-currency IRS transaction in Poland

Refer to note 16.

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Note 41 – Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

a. Impairment of Trading Properties analysis

Trading Properties are measured at the lower of cost and net realizable value. In situations where excess Trading Property balances are identified, estimates of net realizable values for the excess amounts are made.

Management is responsible for determining the net realizable value of the Group's Trading Properties. In determining net realizable value of the vast majority of Trading Properties, management utilizes the services of an independent third party recognized as a specialist in valuation of properties. The independent valuation service utilizes market prices of same or similar properties whenever such prices are available. Where necessary, the independent third party valuation service uses models employing techniques such as discounted cash flow analyses. The assumptions used in these models typically include assumptions for rental levels, residential units sale prices, cost to complete the project, developers profit on costs, financing costs and capitalization yields, utilizing observable market data, where available. On an annual basis, the Company reviews the valuation methodologies utilized by the independent third-party valuation service for each property. At December 31, 2010, the majority of the properties were valued by the independent third-party valuation service. Management made adjustments to the valued received to reflect the net realizable value by neutralizing the developers profit on costs from the valuations.

Determining net realizable value is inherently subjective as it requires estimates of future events, many of which are difficult to predict. Actual results could be significantly different than our estimates and could have a material effect on our financial results. This evaluation becomes increasingly difficult as it relates to estimates and assumptions for projects in the preliminary stage of development in addition to current economic uncertainty and the lack of transactions in the real estate market in the CEE and India for same or similar properties.

Trading Properties accumulated write-downs from cost as of December 31, 2010, amounted to EUR 40.6 million or 5% of gross Trading Properties balance.

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Note 41 – Critical accounting judgments and key sources of estimation uncertainty continued

Significant estimates

Significant estimated (on the basis of weighted averages) used in the valuations as of December 31, 2010 are presented below:

	Retail		Offices	
	2010	2009	2010	2009
Estimated rental value per m² per month (in EUR)*				
Romania	10-24	10-22	12-19	12.5
Czech Republic	10-15	13-15	13	13
Serbia	16-36	16-36	17	17
Latvia	15.8	17.4	N/A	N/A
Poland	12-18	14-18	11.75	11.75
Greece	30	30	N/A	N/A
Hungary	10-22	10-24	11.5	11.5
Bulgaria	16.5-21	12-22	11.67	12
Average risk adjusted yield used in capitalization				
Romania	7.00%-9.70%	7.00%-9.70%	7.00%-9.65%	9.65%
Czech Republic	7.25%-8,00%	7.50%-8.25%	7,50%	7.50%
Serbia	9,25%-10.50%	9.25%-10.50%	9.25%	9.25%
Latvia	8.75%	9.25%	N/A	N/A
Poland	7.75%-8.25%	7.75%-8.50%	7.75%	7.25%
Greece	7.75%	7.25%	N/A	N/A
Hungary	8.00%-9.00%	8.75%-9.00%	8.50%	8.75%
Bulgaria	9.00%-9.75%	8.50%-9.25%	8.5%	8.5%
Estimated rental value per m² per month (in USD)*				
India	17-29	15-26	9-18	15.4
Average risk adjusted yield used in capitalizing the net				
India	9%-13%	10%-12%	11%-12%	12%

* Rental value per m² spread due to various geographic locations in the countries (e.g provincial area comparing capital cities)

b. Potential penalties, guarantees issued

Penalties are part of the ongoing construction activities, and result from obligations the Group takes on towards third parties, such as banks and municipalities. The Company's management is required to provide estimations about risks evolving from potential guarantees given by the Company or penalties that the Company might have to pay.

c. Expired building permits

The process of construction is long, and subject to authorization from local authorities. It may occur that building permits will expire and will cause the Company additional preparations and costs, and can cause construction to be delayed or abandoned.

d. Valuation of share-based payments arrangements

The Company measures the fair value of share-based payments using a valuation technique. The valuation is relying on assumptions and estimations of key parameters such as volatility, which are changing, as market conditions change. The risk is that the estimated costs related to share-based payments might not be correct eventually.

e. Classification of investment property

The Company is classifying its assets purchased as part of business combination in the US as investment property, as it estimates it benefits from up lift of prices in the US and it will be able to dispose of these assets within four to five years with significant gain, and without any need for significant capital expenditure spent. Shopping centers which were constructed by the Company in Eastern Europe and are open to the public (four shopping centers as of December 31, 2010) are classified as trading property, as the Company holds them temporarily, and is making continuous efforts to prepare the assets to be ready for sale and dispose of them. The Company is regarding the rental income from the shopping centers as incidental to the selling price of the shopping centers.

f. Effective control over EDT

According to the Company management judgment, the rights specified in EDT responsible entity constitution mention in note 37 do not give EDT's minority rights to participate in operating and financial decisions of EDT and its ordinary course of business, and

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therefore fail to impair the Company's power to control financial and operating policies of the EDT. In addition, the Company management come to the conclusion that despite EPN shares in EDT is 47.8% there is a "de facto control" in EDT because it has the only significant units in EPN and the rest of the other units are widely scattered.

Note 42 – List of Group entities

During the period starting January 1, 2009, the Company has owned the following companies (all subsidiaries were 100% owned by the Group at the end of each reporting period presented unless otherwise indicated):

Hungary	Activity	Remarks
Directly wholly owned		
'Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	Holder of land usage rights	Arena extension project
HOM Ingatlanfejlesztési és Vezetési Kft.	Management company	
Plaza House Ingatlanfejlesztési Kft.	Office building	David House
Tatabánya Plaza Ingatlanfejlesztési Kft.	Inactive	
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Indirectly owned (or jointly owned)		
Ercorner Gazdagsagi Szolgaltato Kft.	Holding company	Jointly controlled (50% /50%) with commercial bank. Holding company of Álom Sziget 2004 Kft.
Alom Sziget 2004 Ingatlanfejlesztő Kft.	Mixed-used project	Held 87% by Ercorner Kft.
DI Gaming Holding Ltd.	Holding company	Held 87% by Ercorner Kft.
Plasi Invest 2007 Ingatlanforgalmazo kft.	Holding company	Held 70% by Plaza Centers N.V.
SBI Hungary Ingatlanforgalmazo es Epito kft.	Shopping center	Jointly controlled (50% /50%) by Plasi Investment Kft. and SBI Real Estate Development B.V.
Alom Sziget Entertainment Zrt.	Holding company	Held 49.99% by DI Gaming Holding Ltd.
Alom sziget Hungary Kaszinojatek Kft.	Holding company	Held 100% by Alom Sziget Entertainment Zrt.
Pro-One Ingatlanfejlesztő Kft.	Holding company	Held 50% by Alom sziget 2004 Ingatlanfejlesztő Kft.
Water Front City Kft.	Plot of land	Held 100% by Pro-One Ingatlanfejlesztő Kft.
Buszesz IMMO Zrt.	Plot of land	Held 100% by Pro-One Ingatlanfejlesztő Kft.
Fantasy Park Magyarorszag Kft.	Inactive	Held 100% by Mulan B.V.

Poland	Activity	Remarks
Directly wholly owned (or jointly owned)		
Bielsko-Biala Plaza Sp.z.o.o	Inactive	
Bytom Plaza Sp.z.o.o	Inactive	
Bydgoszcz Plaza Sp.z.o.o	Inactive	
Rzeszów Plaza Sp.z.o.o.	Inactive	
Chorzow Plaza Sp.z.o.o	Inactive	
Zgorzelec Plaza Sp.z.o.o	Active shopping center	Zgorzelec project
Gdansk Centrum Plaza Sp.z.o.o	Inactive	
Gliwice Plaza Sp.z.o.o	Inactive	
Gorzów Wielkopolski Plaza Sp.z.o.o	Inactive	
Grudziadz Plaza Sp.zo.o	Inactive	
Jelenia Gora Plaza Sp.z.o.o	Inactive	
Katowice Plaza Sp.z.o.o	Inactive	
Suwalki Plaza Sp.z.o.o	Active shopping center	Suwalki project
EDMC Sp.z.o.o	Management company	
Legnica Plaza Sp.z.o.o	Inactive	
Lodz Centrum Plaza Sp.z.o.o	Own plot of land	Lodz residential project
Plaza Centers (Poland) Sp.z.o.o	Management company	
Kielce Plaza Sp. z.o.o	Shopping center project	Kielce project
Olsztyn Plaza Sp.z.o.o	Own plot of land	Bialystok
Opole Plaza Sp.z.o.o	Inactive	
Plock Plaza Sp.z.o.o	Own plot of land	Radom project
Radom Plaza Sp.z.o.o	Inactive	

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Note 42 – List of Group entities continued

Poland (continued)	Activity	Remarks
Szczecin Plaza Sp.z.o.o	Inactive	
Tarnow Plaza Sp.z.o.o	Inactive	
Torun Plaza Sp.z.o.o	Shopping center project	Torun project
Tychy Plaza Sp.z.o.o	Inactive	
Wloclawek Plaza Sp.z.o.o	Mixed use project	Lodz shopping center project
Zabrze Plaza Sp.z.o.o	Inactive	
Leszno Plaza Sp.z.o.o	Own plot of land	Leszno project
Indirectly owned (or joint controlled)		
Fantasy Park Investments Sp.z.o.o	Inactive	Wholly owned by Fantasy park Enterprises B.V.
EDP Sp.z.o.o	Inactive	Jointly controlled (50% / 50%) with Classic Or B.V.
Lublin Or Sp.z.o.o	Stage B – Lublin	Held 50% together with Israeli based partner
Fantasy Park Sp.z.o.o	Entertainment	Wholly owned by Mulan B.V.
Hokus Pokus Rozrywka Sp.z.o.o	Inactive	Held 50% by P.L.A.Z.A B.V. and 50% Held by Plaza Centers N.V.

Czech Republic	Activity	Remarks
Directly owned		
Praha Plaza S.R.O	Logistic center	
Plaza Centers Czech Republic S.R.O	Management company	
P4 Plaza S.R.O	Active shopping center	Liberec project
Plaza Housing S.R.O	Plot of land owned	Roztoky Project
Indirectly owned		
Fantasy Park Czech Republic S.R.O	Entertainment	Wholly owned by Mulan B.V.

Greece	Activity	Remarks
Helios Plaza S.A	Shopping center project	Pireas Plaza project

Latvia	Activity	Remarks
Fantasy Park Riga SIA	Entertainment	Held 100% by Mulan B.V.
Diksna SIA	Active shopping center	Jointly controlled with an American based partner. Riga Plaza Project

The Ukraine	Activity	Remarks
Plaza Centers Ukraine Limited	Management company	Held 100% by PC Ukraine Holdings Ltd.

Cyprus – Ukraine	Activity	Remarks
PC Ukraine Holdings Limited	Holding company	
Nourolet Enterprises Limited	Inactive	Held by PC Ukraine Holdings Limited
Tanoli Enterprises Limited	Inactive	Held by PC Ukraine Holdings Limited

Russia	Activity	Remarks
Indirectly owned		
Plaza Centers Management O.O.O	Management company	100% Held by Obuda B.V.
Plaza Centers Project 1 O.O.O	Inactive	100% Held by Obuda B.V.
Plaza Centers Project 2 O.O.O	Inactive	100% Held by Obuda B.V.

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Cyprus - Russia	Activity	Remarks
Indirectly owned (or joint controlled)		
Plaza & Shagirl Ltd.	Inactive	50% Held by Plaza Centers N.V.

Bulgaria	Activity	Remarks
Indirectly owned		
ON International E.O.O.D	Office project	Sofia Project – held 100% by Plaza On Holdings B.V
Directly owned		
Shumen Plaza E.O.O.D	Shopping center project	Shumen Plaza Project
Plaza Centers Development E.O.O.D	Inactive	
Plaza Centers Management Bulgaria E.O.O.D	Management company	

Romania	Activity	Remarks
Directly owned		
S.C. CENTRAL PLAZA S.R.L	Inactive	
S.C. GREEN PLAZA S.R.L.	Shopping center project	Iasi Project
S.C. ELITE PLAZA S.R.L	Shopping center project	Timisuara Project
S.C. PLAZA CENTERS MANAGEMENT ROMANIA S.R.L	Management company	
S.C. NORTH GATE PLAZA S.R.L	Shopping center project	Miercurea Ciuc Project
S.C. SOUTH GATE PLAZA S.R.L	Shopping center project	Slatina Project
S.C. WEST GATE PLAZA S.R.L	Inactive	
S.C. EASTERN GATE PLAZA S.R.L	Inactive	
S.C. NORTH WEST PLAZA S.R.L	Shopping center project	Hunedoara Project
S.C. NORTH EASTERN PLAZA S.R.L	Shopping center project	Constanza project
S.C. SOUTH WEST PLAZA S.R.L	Inactive	
S.C. SOUTH EASTERN PLAZA S.R.L	Inactive	
S.C. WHITE PLAZA S.R.L	Inactive	
S.C. GOLDEN PLAZA S.R.L	Inactive	
S.C. BLUE PLAZA S.R.L	Inactive	
S.C. PALAZZO DUCALE S.R.L	Office building and Company's Romanian headquarters	
S.C. MOUNTAIN GATE S.R.L	Shopping center project	Targu Mures project
Indirectly owned (or joint controlled)		
S.C. DAMBOVITA CENTER S.R.L	Shopping center project	Casa Radio Project,75% held by Dambovita Centers Holdings B.V.
Bas Development S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Spring Invest S.R.L	Office project	Held 50% by Plaza Bas B.V.
Sunny Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Colorado Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Malibu Invest S.R.L	Residential project	Held 25% by Plaza Bas B.V.
Adams Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Primavera Tower S.R.L	Office project	Held 50% by Plaza Bas B.V.
Fantasy Park Romania S.R.L	Inactive	Held 100% by Mulan B.V.

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Note 42 – List of Group entities continued

Serbia	Activity	Remarks
Directly owned		
Plaza Centers Management D.O.O	Management company	
Indirectly owned		
Orchid Group D.O.O	Shopping center project	100% Held by Plaza Centers (Ventures) B.V. Belgrade Plaza Project
Leisure Group D.O.O	Shopping center project	Sport Star Plaza Project – Merged into Sevac D.O.O in November 2009.
Sek D.O.O	Shopping center project	100% Held by Plaza Centers Holding B.V. Kragujevac Project .
Accent D.O.O	Inactive	Held by Plaza Centers Logistics B.V
Telehold D.O.O	Inactive	Held by S.S.S. Project Management B.V
Fantasy Park SRB D.O.O	Inactive	Held 100% by Mulan B.V.

Moldova	Activity	Remarks
I.C.S Plaza Centers Prodev S.R.L	Inactive	

Slovakia	Activity	Remarks
Plaza Centers Slovak Republic S.R.O	Inactive	

The Netherlands	Activity	Remarks
Indirectly owned		
Plaza Centers (Enterprises) B.V.	Finance company	Held 100% by Plaza Dambovita complex B.V.
Directly owned		
Plaza Centers Management B.V.	Inactive	
Plaza Centers (Ventures) B.V.	Holding company – Serbia	Holds 100% of Orchid Group D.O.O
Plaza Centers (Estates) B.V.	Holding company – Serbia	Holds 100% of Leisure Group D.O.O
Plaza Centers Holding B.V.	Holding company – Serbia	Holds 100% of Sek D.O.O
Plaza Centers Foundations B.V.	Inactive	
Plaza Centers Establishment B.V.	Inactive	
S.S.S Project Management B.V.	Inactive	
Plaza Centers Logistics B.V.	Holding company – Serbia	Holds 100% of Accent D.O.O
Obuda B.V.	Holding company – Russia	Holds 100% of all Russian subsidiaries
Plaza-BAS B.V.	Holding company – Romania	Held 51% by Plaza Centers N.V., holds project companies in Romania.
Plaza Dambovita Complex B.V.	Holding company	
Plaza Centers Engagements B.V.	Inactive	Held 100% by Plaza Dambovita Complex B.V.
Plaza Centers Administrations B.V.	Inactive	
Plaza Centers Connection B.V.	Inactive	
Plaza-On Holding B.V.	Holding company – Bulgaria	Held 50.1% by the Company. Holds 100% of ON International E.O.O.D
Plaza Centers Corporation B.V.	Inactive	
Dambovita Center Holdings B.V.	Holding company – Romania	Holds 75% of S.C. Dambovita Center S.R.L
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holding Company of Fantasy Park subsidiaries in CEE and India
P.L.A.Z.A. B.V.	Holding company – Poland	Held 100% by Mulan B.V. Holds 50% of Hokus Pokus Rozrywka Sp.z.o.o

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The Dutch Antilles	Activity	Remarks
Dreamland N.V.	Inactive	

Cyprus – India	Activity	Remarks
Directly owned		
Elbit Plaza India Real Estate Holdings Limited	Holding company	Held 47.5% by Plaza Centers N.V.
PC India Holdings Public Company limited	Holding company	Held 100% by Plaza Centers N.V.
Indirectly owned		
Spiralco Holdings Limited	Holding company	Holds 50% of P – one Infrastructure Private Limited. Held 100% by PC India Ltd.
Permindo Limited	Holding company	Holds 100% of Anuttam Developers Private Ltd. Held 100% by PC India Ltd.
Dezimark limited	Inactive	Held 100% by PC India Ltd.
Xifius limited	Inactive	Holds 99.9% of Ximanco Developers India Private Limited. Held 100% by PC India Ltd.
Stenzo Limited	Inactive	Holds 99.9% of Cymsten Developers India Private Limited. Held 100% by PC India Ltd.
Mercero Limited	Inactive	Holds 99.9% of Meranco Developers India Private Limited. Held 100% by PC India Ltd.
Ruvenclo Limited	Inactive	Holds 99.9% of Ruvenco India Developers Private Limited. Held 100% by PC India Ltd.
Rosesmart Limited	Inactive	Holds 99.9% of Rosesenco India Developers Private Limited. Held 100% by PC India Ltd.
Sortera Limited	Inactive	Holds 99.9% of Sorcym Developers India Private Limited. Held 100% by PC India Ltd.
Rebeldora Limited	Holding company	Holds 99.9% of Rebelenco India Developers Private Limited. Held 100% by PC India Ltd.
Polyvendo Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Elbit India Architectural Services Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Rafolmendo Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Demiracos Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited

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Notes to the consolidated financial statements

continued

Note 42 – List of Group entities continued

India	Activity	Remarks
Indirectly owned through PC India Holdings Public Company Limited		
Hom India Infrastructure Private Limited	Management company	Held 100% by PC India Holdings
P – one Infrastructure Private Limited	Real estate	Held 50% by Spiralco Ltd. – Kharadi and Trivandrum Projects
Anuttam developers private Ltd.	Holding company of 23 subsidiaries, all held in connection with the Company's project in Pune India	Held 99.9% by Permindo (Koregaon Park Project)
Atrushya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Ajanu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Agmesh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Animish developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Anahat developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apratirath developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Athang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Asankhya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apramad developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Abhyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amartya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Atmavan developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amrutansh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Achal developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Akhula developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Antarmukh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Aprameya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amraprabhu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Ajakshya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaja developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Anantshree developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Indirectly owned through Elbit Plaza India Real Estate Holdings Limited		
Cymsten Developers India Private Limited	Inactive	Held 99.90% by Stenzo Ltd
Sorcym Developers India Private Limited	Inactive	Held 99.90% by Sortera Ltd
Meranco Developers India Private Limited	Inactive	Held 99.90% by Mercero Ltd
Rebelenco India Private Limited	Inactive	Held 99.90% by Rebeldora Ltd
Ruvenco India Developers Private Limited	Inactive	Held 99.90% by Ruvenclo Ltd
Rosesenco India Developers Private Limited	Inactive	Held 99.90% by Rosesmart Ltd
Elbit Plaza India management services private Limited	Bangalore offices	Held 100% by Polyvendo Limited
Elbit India Architecture and Design Private Limited		Held 100% by Elbit India Architectural Services Limited
Aayas Trade Services Private Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited Bangalore Project
Kadvanthra Builders Private Limited	Holding company	Held 80% by Elbit India Real Estate Holdings Limited Chennai project
Rafalenco India Developers Private Limited	Inactive	Held 100% by Rafalmendo Limited
Elbit India Builders&Developers Private Limited	Inactive	Held 100% by Demlracos Limited
Fantasy Park India Entertainment Limited	Inactive	Held 50.5% by Mulan B.V. Held 0.1% by P.L.A.Z.A B.V.

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United States	Activity	Remarks
Directly owned (or jointly owned)		
Elbit Plaza USA LP	Holding company	Held 50% by the Company
Indirectly owned (or jointly owned)		
EPN GP LLC	Holding company	Held 43.3% by Elbit Plaza USA LP, Holds 50% of EDT Retail Trust Management LLC and 47.8% of EDT Retail Trust
EPN Investment Management LLC	Holding company	Held 50% by Elbit Plaza USA LP
EPN Fund GP LC	Holding company	Held 50% by Elbit Plaza USA LP
EPN Real Estate Fund LP	Holding company	Held 0.2% by EPN Fund GP LC, Holds 13.4% of EPN GP LLC
EDT Retail Trust Management LLC	Holding company	Held 50% by EPN GP LLC, Holds 100% of EDT Australian Services Ltd, EDT Retail Management Ltd and EDT US Services LLC
EDT Australian Services Ltd	Holding company	Held 100% by EDT Retail Trust Management LLC
EDT Retail Management Ltd	Holding company	Held 100% by EDT Retail Trust Management LLC
EDT US Services LLC	Holding company	Held 100% by EDT Retail Trust Management LLC
EDT Retail Trust	Holding company	Held 48% by EPN GP LLC
US REIT I	Holding company	Held 99.98% by EDT Retail Trust
US REIT II	Holding company	Held 99.90% by EDT Retail Trust
US LLC	Holding company	Held 100% by US REIT I
MV LLC	Holding company	Held 50% by US REIT II
PS LLC	Holding company	Held 90.3% by US REIT II

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Note 22 – Remuneration

2010	Salary and fees €'000	Share incentive plan[1] €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Chairman and executive directors				
Non-performance related remuneration				
MrMordechayZisser	244	153	397	–
Mr Ran Shtarkman	481	397	878	100
Total	725	550	1,275	100
Non-executive directors				
Non-performance related remuneration				
Mr Shimon Yitzchaki	–	234	234	–
Mr Marius van ElbergenSanthagens	50	–	50	–
Mr Edward Paap	50	–	50	–
Mr Marco Wichers	50	–	50	–
Total	150	234	384	–
Total – all directors	875	784	1,659	100

(1) Accounting non-cash expenses recorded in the Company's income statement in connection with the share option plan.

SERVICE ARRANGEMENTS

The executive directors have rolling service contracts with the Company, which may be terminated on 12 months' and three month notice in the cases of the Chairman and the CEO/President respectively.

The non-executive directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

BONUSES

The Company has a performance-linked bonus policy for senior executives and employees, under which up to 3% of net annual profits are set aside for allocation by the directors to employees on an evaluation of their individual contributions to the Company's performance.
In addition, the Board can award ad hoc bonuses to project managers, area managers and other employees on the successful completion and/or opening of each project. The directors also have the authority to award discretionary bonuses to outstanding employees which are not linked to the Company's financial results.

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Note 22 – Remuneration (cont.)

SHARE OPTIONS

The Company adopted its Share Option Scheme on October 26, 2006. At the same time, 26,108,602 non-negotiable options over Ordinary Shares were granted, the terms and conditions of which (except for the exercise price) are regulated by the Share Option Scheme. Regarding the modification of Share Option Scheme refer to note 27 of the consolidated report. For the exercise and forfeiture of options refer to the table below.

	Number of options	Number vested as at December 31, 2010	Exercise price of options £
MrMordechayZisser	3,907,896	3,039,474	0.52
Mr Ran Shtarkman	10,150,376	6,475,287	0.52
Mr Shimon Yitzchaki	2,116,541	868,420	0.52-1.14
Mr Marius van ElbergenSanthagens	–	–	N/A
Mr Edward Paap	–	–	N/A
Mr Marco Wichers	–	–	N/A

	Number of options as at December 31, 2010
Total pool	33,834,586
Granted	38,951,174
Exercised	(7,360,699)
Forfeited	(5,720,298)
Left for future grant	603,710

Amsterdam, April 28, 2011
The Board of Directors

MordechayZisser **Ran ShtarkmanShimon Yitzchaki**

Marius Willem van ElbergenSanthagens **Marco HabibWichersEdward Paap**

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OTHER INFORMATION

PROVISION IN THE ARTICLES OF ASSOCIATION CONCERNING THE APPROPRIATION OF PROFITS
In accordance with the Company's Articles of Association the result for the year is at the disposal of the Annual General Meeting of shareholders.

APPROPRIATION OF RESULT
It is proposed that the 2010profitof €10,3 million will be added to the other reserves. The annual accounts have been prepared on the assumption that this profit appropriation will be adopted by the Annual General Meeting of shareholders.

REMUNERATION POLICY
Plaza Centers' remuneration policy is designed to attract, motivate and retain the high-caliber individuals who will enable the Company to serve the best interests of shareholders over the long term, through delivering a high level of corporate performance. Remuneration packages are aimed at balancing both short-term and long-term rewards, as well as performance and non-performance related pay.

The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

The Remuneration Committee believes that any director's total remuneration should aim to recognize his or her worth on the open market and to this end pays base salaries in line with the market median supplemented by a performance-related element with the capacity toprovide more than 50% of total potential remuneration.

SUBSEQUENT EVENTS
We refer to the notes to the consolidated financial statements on page 126

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COMPANY BALANCE SHEET
As at December 31, 2010
After appropriation of result

	Notes	€ thousands	2010 € thousands	€ thousands	2009 € thousands
ASSETS					
Non-current assets					
Tangible fixed assets	1		3,969		4,205
Other non-current assets					
Participations	2	787,993		647,054	
Charges associates	3	11,872		9,934	
Otherassets	4	124,619		96,233	
			924,484		753,221
Total non-currentassets			928,453		757,426
CURRENT ASSETS					
Other receivables and prepayments	5		45,625		24,364
Short-term deposits and cash at bank	6		115,225		114,806
Total current assets			160,850		139,170
Total			1,089,303		896,596

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EQUITY AND LIABILITIES
For the year ended December 31, 2010

		2010		2009	
	Notes	€ thousands	€ thousands	€ thousands	€ thousands
SHAREHOLDERS' EQUITY					
Issued share capital	7	**2,967**		2,942	
Share premium	8	**261,773**		261,773	
Foreign currency translation reserve	9	**8,074**		(9,640)	
Revaluation reserve	10	**55,587**		23,034	
Other capital reserves	11	**31,272**		28,888	
Retained earnings	12	**240,522**		262,802	
			600,195		569,799
PROVISIONS					
Provisions associates	13	**58,323**		27,463	
LIABILITIES					
Long-term liabilities	14	**312,888**		244,213	
			371,211		271,676
CURRENT LIABILITIES					
Other liabilities and accruals	15		**117,897**		55,121
Total			**1,089,303**		896,596

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COMPANY PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2010

	Notes	2010 € thousands	2010 € thousands	2009 € thousands	2009 € thousands
Other operating income	16	468		(3)	
Gross operating result			**468**		(3)
General expenses	17	6,929		7,903	
Total operating costs			6,929		7,903
Operating result			(6,461)		(7,906)
Financial income and expenses	18		(12,369)		(16,828)
RESULT FROM ORDINARY ACTIVITIES					
Before taxation			(18,830)		(24,734)
Results associates	19		27,502		(43,990)
Income taxes	20		1,601		3,955
Result after taxation			10,273		(64,769)

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NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended December 31, 2010

GENERAL
ACTIVITIES AND OWNERSHIP
Plaza Centers N.V. (the "Company") is a company domiciled in the The Netherlands. The Company is a subsidiary of Elbit Ultrasound B.V. which holds 62.4% of the Company's shares, as of balance sheet date. The ultimate shareholder of the Company is Elbit Imaging Limitedwhich is indirectly controlled by Mr.MordechayZisser, a director of the Company. The Company is listed on the main stock exchange market ("LSE") in London, United Kingdom commencing October 27, 2006and starting October 19, 2007, the Company's shares are also listed in the Warsaw Stock Exchange ("WSE"). The Company owns subsidiary companies in Central and Eastern Europe, India and in the US which purchase, develop, hold and sale real estate assets.

ACCOUNTING POLICIES IN RESPECT OF THE VALUATION OF ASSETS AND LIABILITIES
The Company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands, applying the accounting principles of the consolidated financial statements as set out in Article 362, Sub 8 of Part 9, Book 2, of the Netherlands Civil Code.The valuation of assets and liabilities and the calculation of the net result conform with the accounting principles applied in the consolidated annual accounts, except for participations which are valued at net asset value rather than at cost. This means that Plaza Centers N.V.'s shareholders' equity and net result are the same as in the consolidated accounts.

The Company financial statements are denominated in thousands of euros.

The company income statement has been prepared in accordance with the provisions of Section 402, Book 2, of the Netherlands Civil Code.

We refer to the notes of the consolidated financial statements, unless indicated otherwise.

FINANCIAL NON-CURRENT ASSETS
The participating interest in which the Company is able to exert a significant influence on policy are included at the amount of the Group's share in the net asset value of the interests concerned. The net asset value is calculated according to the same policies as have been applied to these annual accounts. The other participating interests are stated at cost.

Provisions have been formed for negative net asset values of the interests concerned.

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Note 1 – Tangible fixed assets

NON-CURRENT ASSETS
Movements in tangible fixed assets are broken down as follows:

	Other fixed assets €thousands
Balance as at January 1, 2010	
Actual cost airplanes	4,737
Accumulated depreciation	(532)
Actual net cost airplanes	4,205
Depreciation airplane 2010	(236)
Balance as at December 31, 2010	
Actual cost airplane	4,737
Accumulated depreciation	(768)
Book value	3,969
Depreciation rate	5%

The depreciation rate is based on the estimated economic useful lives of the tangible fixed assets concerned. The depreciation applicable for 2010 was 5%.

Note 2 – Participations

Movements in participations are broken down as follows:

	2010 €thousands	2009 € thousands
Balance as at January 1	647,054	599,347
New investments	43,063	76,068
Finance capitalized to investments	8,477	4,489
Reclassified	15,529	(281)
Translation reserve effect	17,714	956
Investment disposed	1,178	(9)
Result for the year	54,978	(33,516)
Balance as at December 31	787,993	647,054

For the detailed breakdown of participation, please refer to note 21 below.

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Included under this heading are the following participating interests:

Name	Registered office	Share in issued capital as percentage
Kerepesi 6 Irodaépület Ingatlanfejlesztő Kft.	Budapest, Hungary	100%
HOM IngatlanfejlesztésiésVezetésiKft. ("HOM")	Budapest, Hungary	100%
Plaza House Ingatlanfejlesztési Kft.	Budapest, Hungary	100%
TatabányaPlaza Ingatlanfejlesztési Kft.	Budapest, Hungary	100%
Szombathely 2002 IngatlanhasznosítóésVagyonkezelőKft.	Budapest, Hungary	100%
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Budapest, Hungary	100%
Ercorner Kft.	Budapest, Hungary	50%
Plasi Invest 2007 Ingatlanforgalmazo kft	Budapest, Hungary	70%
EDP Sp.zo.o	Warsaw, Poland	50%
Bytom Plaza Sp.z.o.o	Warsaw, Poland	100%
Bydgoszcz Plaza Sp.zo.o	Warsaw, Poland	100%
Zgorzelec Plaza Sp.z.o.o.	Warsaw, Poland	100%
Gdansk Centrum Plaza Sp.zo.o	Warsaw, Poland	100%
Lublin Or Sp.zo.o	Warsaw, Poland	50%
Gliwice Plaza Sp.z.o.o.	Warsaw, Poland	100%
Gorzów Wielkopolski Plaza Sp.z.o.o.	Warsaw, Poland	100%
Jelenia Gora Plaza Sp.zo.o	Warsaw, Poland	100%
Katowice Plaza Sp.zo.o	Warsaw, Poland	100%
Suwalki Plaza Sp.zo.o	Warsaw, Poland	100%
Koszalin Plaza Sp.zo.o	Warsaw, Poland	100%
Legnica Plaza Sp.zo.o	Warsaw, Poland	100%
Lodz Centrum Plaza Sp.zo.o	Warsaw, Poland	100%
Plaza Centers (Poland) Sp.z.o.o.	Warsaw, Poland	100%
Kielce Plaza Sp. z.o.o.	Warsaw, Poland	100%
Olsztyn Plaza Sp.zo.o	Warsaw, Poland	100%
Opole Plaza Sp.zo.o	Warsaw, Poland	100%
PlockPlazaSp.zo.o	Warsaw, Poland	100%
Radom Plaza Sp.zo.o	Warsaw, Poland	100%
Hokus Pokus Rozrywka Sp. zo. o.	Warsaw, Poland	50%
Byalistok Plaza Sp.zo.o	Warsaw, Poland	100%
Gdinya Plaza Sp.zo.o	Warsaw, Poland	100%
Torun Plaza Sp.zo.o	Warsaw, Poland	100%
Tychy Plaza Sp.zo.o	Warsaw, Poland	100%
Wloclawek Plaza Sp.zo.o	Warsaw, Poland	100%
Zabrze Plaza Sp.zo.o	Warsaw, Poland	100%
Leszno Plaza Sp.zo.o	Warsaw, Poland	100%

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Name	Registered office	Share in issued capital as percentage
Praha Plaza S.R.O.	Prague, Czech Republic	100%
B1 Plaza S.R.O.	Prague, Czech Republic	100%
Plaza CentersCzech Republic S.R.O.	Prague, Czech Republic	100%
P4 Plaza S.R.O.	Prague, Czech Republic	100%
NG Plaza S.R.O	Prague, Czech Republic	100%
BYTY SN Plaza S.R.O	Prague, Czech Republic	100%
Hradec Plaza S.R.O	Prague, Czech Republic	100%
Plaza Housing S.R.O	Prague, Czech Republic	100%
Plaza Station S.R.O	Prague, Czech Republic	100%
S.C. CENTRAL PLAZA SRL	Bucharest, Romania	100%
S.C. GREEN PLAZA S.R.L.	Bucharest, Romania	100%
S.C. ELITE PLAZA SRL.	Bucharest, Romania	100%
S.C. PLAZA CENTERS MANAGEMENT ROMANIA SRL	Bucharest, Romania	100%
S.C. NORTH GATE PLAZA SRL	Bucharest, Romania	100%
S.C. SOUTH GATE PLAZA SRL	Bucharest, Romania	100%
S.C. WEST GATE PLAZA SRL	Bucharest, Romania	100%
S.C. EASTERN GATE PLAZA SRL	Bucharest, Romania	100%
S.C. NORTH WEST PLAZA SRL	Bucharest, Romania	100%
S.C. NORTH EASTERN PLAZA SRL	Bucharest, Romania	100%
S.C.SOUTHWESTPLAZA SRL	Bucharest, Romania	100%
S.C. SOUTH EASTERN PLAZA SRL	Bucharest, Romania	100%
S.C. WHITE PLAZA SRL	Bucharest, Romania	100%
S.C. GOLDEN PLAZA SRL	Bucharest, Romania	100%
S.C. BLUE PLAZA SRL	Bucharest, Romania	100%
S.C. RED PLAZA SRL	Bucharest, Romania	100%
S.C. PALAZZO DUCALE SRL	Bucharest, Romania	100%
S.C.MOUNTAIN GATE SRL	Bucharest, Romania	100%
Plaza &Snegiri Ltd.	Nicosia, Cyprus	50%
ShumenPlaza E.O.O.D	Sofia, Bulgaria	100%
Plaza Centers Development E.O.OD	Sofia, Bulgaria	100%
Plaza Centers Management Bulgaria E.O.OD	Sofia, Bulgaria	100%
Elbit Plaza India Real Estate Holding Limited	Nicosia, Cyprus	47,5%
PC India Holdings Public Company limited	Nicosia, Cyprus	100%
Helios Plaza S.A.	Athens, Greece	100%
Elbit Plaza USA L.P	Delaware, USA	50%
SIA Diksna	Riga, Latvia	50%
PC Ukraine Holdings Limited	Nicosia, Cyprus	100%

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Name	Registered office	Share in issued capital as percentage
Plaza Centers Management B.V.	Amsterdam, the Netherlands	100%
Plaza Centers (Ventures) B.V.	Amsterdam, the Netherlands	100%
Plaza Centers (Estates) B.V	Amsterdam, the Netherlands	100%
Plaza Centers Holding B.V	Amsterdam, the Netherlands	100%
Plaza Centers Foundations B.V	Amsterdam, the Netherlands	100%
Plaza Centers Establishment B.V	Amsterdam, the Netherlands	100%
S.S.S Project Management B.V	Amsterdam, the Netherlands	100%
Plaza Centers Logistics B.V	Amsterdam, the Netherlands	100%
Obuda B.V.	Amsterdam, the Netherlands	100%
Plaza-BAS B.V.	Amsterdam, the Netherlands	51%
Plaza Dambovita Complex B.V.	Amsterdam, the Netherlands	100%
Plaza Centers Engagements B.V	Amsterdam, the Netherlands	100%
Plaza Centers Administrations B.V	Amsterdam, the Netherlands	100%
Plaza Centers Connection B.V	Amsterdam, the Netherlands	100%
Plaza-On Holding B.V	Amsterdam, the Netherlands	100%
Plaza Centers Corporation B.V	Amsterdam, the Netherlands	100%
DambovitaCenter Holdings B.V.	Amsterdam, the Netherlands	100%
Mulan B.V. (FantasyPark Enterprises B.V.)	Amsterdam, the Netherlands	100%
Dreamland N.V	Amsterdam, the Netherlands	100%
Linkage D.O.O	Belgrade, Serbia	100%
Plaza Centers Management D.O.O	Belgrade, Serbia	100%
I.C.S Plaza CentersProdev SRL	Chishinau, Moldova	100%
PlazaCentersSlovakRepublics.r.o	Bratislava, Slovakia	100%

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Breakdown per participation is as follows:

	2010 € thousands	2009 € thousands
Plaza House IngatlanfejlesztésiKft.	263	365
Kerepesi 5 IrodaépületIngatlanfejlesztŒ Kft.	621	520
ErcornerKft.	9,985	10,041
Szeged 2002 IngatlanhasznosítóésVagyonkezelŒKft.	5	7
Plaza Dambovita Complex (FinCo)	508,645	566,623
Elbit Plaza India real estate holdings Ltd.125,972	-	
Elbit Plaza USA L.P 45,374	-	
Plaza Bas B.V.	-	(6,563)
Shumen Ltd.	3,840	3,866
Helios Plaza S.A.	11,177	10,802
PC India holdings Ltd.	60,367	53,152
Plaza housing s.r.o	3,235	3,080
Plaza station s.r.o	-	(133)
Hradec Plaza s.r.o	8	8
NG Plaza s.r.o	8	8
BYTY SN s.r.o	8	8
North Eastern Plaza s.r.l	129	223
Mountain gate s.r.l	5,793	6,490
North West Plaza s.r.l	-	(3,838)
South Eastern Plaza s.r.l	1	1
South West Plaza s.r.l	1	1
SC White Plaza s.r.l	1	1
SC Golden Plaza s.r.l	1	1
SC Blue Plaza s.r.l	1	1
PC Ukraine holdings Ltd	(470)	(341)
Wloclawek Plaza Sp.zo.o	49	(37)
Bydzgodsz Plaza Sp.zo.o	13	13
Byalistok Plaza Sp.zo.o	14	14
Koszalyn Plaza Sp.zo.o	13	13
Gdansk Centrum Plaza Sp.zo.o	12	12
Plaza Centers estates B.V.	-	(1,883)
Plaza Centers holdings B.V.	238	(115)
North gate s.r.l	1,060	1,157
Green Plaza s.r.l	2,110	-
South gate s.r.l	(505)	(482)
Palazzo du Calle s.r.l	562	688
Plock Plaza Sp. Zo.o	14	14
Jelenia Gora Plaza Sp. Zo.o	14	14
Gorzow wielkopolski Plaza Sp. Zo.o	14	14
Legnica Plaza Sp. Zo.o	14	14
Prodev s.r.l	10	10
PCM d.o.o	70	360
P4 Plaza S.R.O.	-	2,218
B1 Plaza S.R.O.	-	(962)
Praha Plaza S.R.O.	5,658	4,981
PCM B.V.	15	15
Plaza Centers engagements B.V	18	18
Plaza Centers foundations B.V	18	18
Plaza Centers establishments B.V	18	18
Plaza Centers corporations B.V	18	18
Plaza On Holdings B.V	-	(908)
Plaza Centers administrations B.V	18	18
SSS Project management B.V	18	18
Plaza Centers connections B.V	18	18
SIA Diksna	439	(6,711)
Elite residence esplanada S.R.L.	3,088	3,156
Total	787,993	647,054

Refer also to note 24 below for a detailed breakdown.

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Note 3 – Charges to associates

Name	2010 € thousands	2009 € thousands
Green Plaza S.R.L.	132	119
Dambovita S.R.L	445	367
Elite Plaza S.R.L	68	58
North gate Plaza S.R.L	116	110
South gate Plaza S.R.L	55	48
North west Plaza S.R.L	38	33
Mountain gate S.R.L	43	38
Dambovita Centers Holding B.V	90	90
ErcornerKft.	1,174	585
Helios Plaza S.A.	3,928	3,696
Elbit Plaza India real estate holdings Ltd.	594	-
Suwalki Plaza Sp.zo.o	375	196
Zgorzelec Plaza Sp.zo.o.	267	149
Olsztyn Plaza Sp.zo.o	118	128
Plaza Centers (Poland) Sp.zo.o.	1,934	1,868
Plaza Housing S.R.O.	6	6
B1 Plaza S.R.O	21	21
P4 Plaza S.R.O.	325	240
SIA Diksna	29	79
PC India Holdings Ltd.	2,095	2,095
Other	19	18
Total	11,872	9,934

Note 4 – Other assets

	2010 €thousands	2009 € thousands
Uncharged costs – Romania	3,779	3,687
Uncharged costs – Greece	2,461	2,461
Uncharged costs – Serbia	1,722	1,381
Uncharged costs – India	2,715	1,396
Uncharged costs – other projects	3,479	1,869
Long term investments - structures	52,017	50,952
Security deposit for SWAP and long term structures	16,336	14,336
Derivative	42,110	20,151
Total	124,619	96,233

CURRENT ASSETS

Note 5 – Other receivables and prepayments

	2010 €thousands	2010 € thousands	2009 € thousands	2009 € thousands
CDPM Poland Sp.z.o.o	402		400	
Andrassy 25 Kft	53		53	
CCB N.V	825		825	
Jet Link Ltd.	15		13	
Astrid Plaza N.V	6		6	
Total related parties		1,301		1,297
Derivative		10,635		1,810
Interest receivable from banks		1,950		1,657
Investment in bonds		27,098		15,040
Advance payment in respect of property purchase		4,741		4,660
Total		45,625		24,364

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Note 6 – Short-term deposits and cash at bank

Name	2010 € thousands	2009 € thousands
InvestKredit bank AG	9,489	15,779
Lloids TSB	-	8,030
FIBI UK	13,865	6,062
Dexia Bank	-	6,004
Investec Bank Ltd.	13,110	-
ING Bank	3,018	3,003
MKB Bank	14,080	25,460
BAWAG	27	26
ABN-AMRO	20,454	25,247
OTP Bank	10,210	-
ERSTE Bank	10,073	-
FHB Bank	5,090	-
Merrill Lynch	9,123	9,453
Swedbank(Latvia)	11	10
UBS Bank	101	-
Union bank Ltd. (Israel)	113	26
Bank Leumi Ltd. (Israel)	2,070	4,281
Bank Hapoalim Ltd.	4,401	11,435
Total	115,225	114,806

SHAREHOLDERS' EQUITY

Note 7 – Issued share capital

	2010 €thousands	2009 € thousands
The issued share capital can be specified as follows:		
Balance as at January 1	2,942	2,924
Exercise – share-based plan	25	18
Balance as at December 31	2,967	2,942

a. The number of shares authorized as of December 31, 2008 was 1 billion with a EUR 0.01 par value.

b. In the course of the 2 years ended December 31, 2010,the following share capital increases occurred:
1. In the course of 2010, 3,954,541 vested options were exercised into 2,526,429 shares of EUR 0.01.
2. In the course of 2009, 2,970,976 vested options were exercised into 1,764,319 shares of EUR 0.01.

Note 8 – Share premium

	2010 €thousands	2009 € thousands
Balance as at January 1	261,773	248,860
Additions (due to placement of treasury shares)	-	12,913
Balance as at December 31	261,773	261,773

Note 9 – Foreign currency translation reserve

	2010 €thousands	2009 € thousands
The table below presents the movements in the translation reserve:		
Balance as at January 1	(9,640)	(12,175)
Movement	17,714	2,535
Balance as at December 31	8,074	(9,640)

The movement concern the translation reserve resulted from the operation in India and in the US. The reserve is considered a legal reserve which is not distributable (if more than nil).

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Note 10 – Revaluation reserve

	2010 €thousands	2009 € thousands
Balance as at January 1	23,034	20,827
Profit in the period	32,466	1,686
Movement	88	521
Balance as at December 31	55,587	23,034

As of December 31, 2010 and 2009, the Company had a direct holding in one investment property (Prague 3 logistic center) which was fair valued at €13.6 million and €13.4 million respectively. The book value recorded in December 31, 2010 and 2009 was €9.5 million and €9.4 million respectively.

As at December 31, 2010 the company recorded an accumulated unrealized fair value gain on derivatives amounting to €52million. This unrealized gain has been added to the capital reserves.

The reserve is considered a legal reserve which is not distributable (if more than nil).

Note 11 – Other capital reserves

	2010 €thousands	2009 € thousands
The table below presents the movements in other capital reserve:		
Balance as at January 1	28,888	21,778
Movement due to available for sale securities	(179)	1,722
Movement due to share option plan	2,563	5,388
Balance as at December 31	31,272	28,888

The movement concern share-based payment as a result of the Employee Share Option Plan which was adopted by the Company on October 26, 2006. On the same date, 26,108,602 non-negotiable options ("Options") over Ordinary Shares have been granted, the terms and conditions of which (except for the exercise price) will be regulated by the Share Option Scheme. No Options vested at that date. Options will vest annually in three equal parts. One-third of Options granted to an Eligible Grantee (see below) will vest one year after the date of grant, another third of granted Options will vest two years after the date of grant and the last third will vest three years after the date of grant. Options expire, unless otherwise determined by the Board, on the fifth anniversary of the date of grant. The total amount of options in the Share Option Plan is 33,834,586 options. For grants, exercise and forfeiture of options in 2010, refer to other information below.

Capital reserve in respect of available for sale securities relates to debt and equity securities purchased by the company as an investment in the second half of 2008 and in the course of 2009 through 2010.

Note 12 – Retained earnings

	2010 €thousands	2009 € thousands
The table below presents the movements in the retained earnings:		
Balance as at January 1	262,802	329,778
Profit in the period	(22,192)	(66,455)
Transfer from (to) revaluation reserve	(88)	(521)
Balance as at December 31	240,522	262,802

The movement is reflecting the 2010 and 2009 results, as well as the movements in revaluation reserve due to investment properties. The Company is not intended to declare at this stage dividend due to 2010.

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NON-CURRENT LIABILITIES

Note 13 – Provisions to associates

Name	December 31, 2010 € thousands	December 31, 2009 € thousands
Tatabánya Plaza IngatlanfejlesztésiKft.	367	353
HOM IngatlanfejlesztésiésVezetésiKft	1,890	1,815
Szombathely 2002 IngatlanhasznosítóésVagyonkezelŒKft.	221	220
Katowice Plaza Sp.zo.o	2,289	2,247
Lodz Centrum Plaza Sp.z.o.o	2,988	2,780
Torun Plaza Sp.zo.o	343	1,135
Suwa⌈]ki Plaza Sp.zo.o	(211)	44
Zgorzelec Plaza Sp.z.o.o.	1,564	467
Radom Plaza Sp.zo.o	515	494
Olsztyn Plaza Sp.zo.o	535	461
Kielce Plaza Sp.z.o.o	840	965
Zielona Gora Plaza Sp.z.o.o	1,020	1,691
Bytom Plaza Sp.z.o.o	25	21
Plaza Centers (Poland) Sp.z.o.o.	722	820
Hokus Pokus Rozrywka Sp.z.o.o.	1,685	1,548
Praha Plaza S.R.O.	(5)	(5)
Plaza Centers S.R.O.	(79)	1,464
P4 Plaza S.R.O.	4,750	-
Plasi Invest Kft.	2,861	1,924
PCM S.R.L	1,440	962
Plaza Centers ventures B.V	378	810
Plaza Centers estates B.V	1,866	-
Dombovita Center Holding B.V	14,615	(1,360)
Plaza BAS B.V	8,358	-
Elbit Plaza India real estate holdings B.V	-	7,228
PCM E.O.O.D	(173)	(60)
Dreamland N.V.	1,792	1,398
Amanati Ltd.	867	867
Green Plaza S.R.L.	-	(1,920)
North West Plaza S.R.L.	3,866	-
EDP Sp.z.o.o	449	326
Plaza ON Holding B.V	1,674	-
Obuda B.V.	871	758
Total	58,323	27,463

Note 14 – Long term liabilities

Name	December 31, 2010 € thousands	December 31, 2009 € thousands
Long-term debentures at fair value	211,998	211,940
Long-term debentures at amortized cost	97,978	27,792
Long term loans – GeFa	2,912	2,880
Deferred tax liability	-	1,601
Total	312,888	244,213

For more details on the debentures refer to note 22and 23 of the consolidation financial statements.

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CURRENT LIABILITIES

Note 15 – Other liabilities and accruals

	December 31, 2010 €thousands	December 31, 2010 € thousands	December 31, 2009 € thousands	December 31, 2009 € thousands
CDPM Hungary Kft.	241		241	
C/A Elbit Imaging Ltd.	1,393		2,869	
C/A Elbit Ultrasound B.V.	387		136	
C/A ElbitPlaza India real estate holdings Ltd.	703		(41)	
Other small charges participations	646		166	
Total related parties		3,370		3,371
Bank loan FIBI		8,046		7,017
Interest to pay – banks and investors		344		242
Bank loan – Merrill Lynch		36,225		36,225
Current portion of debenturesand long term loans		69,261		7,591
Suppliers		261		171
Creditor due to selling of investment property		-		471
Accruals and other creditors		390		33
Total		117,897		55,121

PROFIT AND LOSS

Note 16 – Other operating income

	December 31, 2010 €thousands	December 31, 2010 € thousands	December 31, 2009 € thousands	December 31, 2009 € thousands
Gain from selling subsidiaries				
Bes Tes transaction	-		(212)	
Plzen transaction	-		(150)	
Opava transaction	(197)		-	
Total from selling of subsidiaries		(197)		(362)
Release of old debtor to P&L		(102)		-
Release of old debtor to P&L		462		-
Gain from selling airplane		-		168
Profit from subsidiaries – Management fees on invoices		14		30
Profit from subsidiaries – late payment interest		291		161
Total		468		(3)

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Note 17 – General expenses

	2010 €thousands	2009 € thousands
Salary and salary related expenses	4,122	5,152
Travelling expenses	369	503
Audit, legal and consultancy expenses	2,098	1,912
Other expenses	340	336
Total	6,929	7,903

Note 18 – Financial income and expenses

	2010 €thousands	2010 € thousands	2009 € thousands	2009 € thousands
Interest expenses from loans participations	-		(68)	
Total interest from related parties		-		(68)
Interest income from bank deposits		1,743		2,736
Derivative		37,307		17,341
Costs of raising bonds		(133)		(87)
Foreign exchange difference		(42,691)		246
Change in fair value of bonds		(17,729)		(44,603)
Income from structures and AFS financial instruments		7,469		5,641
Change in fair value of small structure		1,065		3,088
Preference shares accrued dividend		539		-
Gain from loan redemption in respect of US transaction		821		-
Interest expenses on bank loans - structures, Available for Sale financial instruments		(710)		(1,043)
Other bank expenses and charges		(50)		(79)
Total		(12,369)		(16,828)

Note 19 – Results participations

	2010 €thousands	2009 € thousands
Tatabánya Plaza IngatlanfejlesztésiKft.	(14)	(2)
HOM IngatlanfejlesztésiésVezetésiKft	(76)	94
Plaza House IngatlanfejlesztésiKft.	(102)	(4)
Szeged 2002 IngatlanhasznositóésVagyonkezeloKft.	(2)	-
Szombathely 2002 IngatlanhasznositóésVagyonkezeloKft.	(1)	-
Elbit Plaza US L.P	44,921	-
Helios Plaza S.A.	(655)	(903)
Katowice Plaza Sp.z.o.o.	(30)	(130)
Lodz Centrum Plaza Sp.z.o.o.	(242)	(490)
Torun Plaza Sp.z.o.o.	(305)	(309)
Suwalki Plaza Sp.z.o.o.	96	(59)
Zgorzelec Plaza Sp.z.o.o.	(1,147)	(133)
Radom Plaza Sp.z.o.o.	(41)	(19)
Olsztyn Plaza Sp.z.o.o.	(74)	(27)
Kielce PlazaSp.z.o.o.	(27)	(168)
Leszno Plaza Sp.z.o.o	668	(1,169)
Bytom Plaza Sp.z.o.o.	(4)	-
Wloclawek Plaza Sp.z.o.o.	(290)	(25)
Plaza Centers (Poland) Sp.z.o.o.	(55)	(87)
Hokus Pokus Rozrywka Sp.z.o.o.	(137)	(11)
Praha Plaza S.R.O.	677	(510)
Plaza Centers S.R.O.	(272)	(376)
B1 Plaza S.R.O.	(216)	(1,138)

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P4 Plaza S.R.O.	(6,968)	(12,998)
Plaza housing S.R.O.	(1)	(1)
Plaza station S.R.O.	-	(141)
ErcornerKft.	(462)	(859)
Dreamland N.V.	(394)	(958)
PCM E.O.O.D	113	60
SIA Diksna	(2,100)	(10,625)
Green Plaza S.R.L.	(1,156)	(71)
Mountain gate S.R.L.	(697)	(3,674)
Plaza On Holdings B.V	(766)	(917)
North Eastern Plaza S.R.L	(94)	(75)
North West Plaza S.R.L	(28)	(3,915)
PlaslInvestKft.	(1,114)	(1,743)
Kerepesi 5 Kft.	101	(66)
Shumen Ltd.	(26)	(55)
Obuda B.V.	(113)	(212)
PC India Holdings Ltd.	(1,768)	(712)
Plaza Centers venture B.V.	(1,213)	(1,416)
Plaza Centers estates B.V.	(859)	(1,101)
EDP Sp.z.o.o.	(123)	(131)
Plaza Dambovita Complex (FinCo)	36,102	9,506
Plaza Bas B.V.	(2,805)	(3,193)
PCM d.o.o	(280)	(136)
PC Ukraine holdings Ltd.	(129)	(196)
Dombovita Center Holding B.V.	(21,338)	(1,190)
Plaza Centers holdings B.V	(351)	(560)
Elbit Plaza India real estate holdings Ltd.	(7,900)	(1,436)
PCM s.r.l.	(478)	(492)
Elite residence esplanada S.R.L.	(68)	(94)
North gate s.r.l.	(97)	(206)
South gate s.r.l.	(23)	(792)
Palazzo du Calle s.r.l.	(126)	(126)
	27,502	(43,990)

Note 20 – Income taxes

	2010 €thousands	2009 € thousands
Deferred tax asset – structure B devaluation	12	788
Deferred tax asset – debentures devaluation	3,965	(9,378)
Deferred tax asset – Derivative	(7,112)	1,929
Deferred tax asset – Losses carry forward	1,534	2,706
Total	(1,601)	(3,955)

The applicable tax rate is 25%.The Company is currently not subjected to corporate tax payments as it is enjoying participation exemption.
The tax loss carry-forward for the Company's one tax unit is approximately €18 million as of December 31, 2010.
The last filing of corporate tax return relates to the fiscal year 2008.

AUDIT FEES
The total audit fees charged by the statutory auditor amount to EUR 48,800 (2009: 38,000).
These relate only to the audit of the statutory financial statements.

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Note 21 – Participation breakdown

	Plaza House IngatlanfejlesztésiKft.	B1 Plaza s.r.o	Mountain gate s.r.l	Elbit Plaza India real estate holdings Ltd.	Kerepesi 6 IrodaépületingatlanfejlesztőKft.
Balance as at 1 January 2010	365	(962)	6,490	-	520
Investment during the year				126,915	
result for the year	(102)	(216)	(697)	(7,900)	101
Reclassification		1,178		(7,228)	
Selling of investment					
Translation reserve fund				11,163	
Finance capitalized			-	3,032	-
Balance as at 31 December 2010	263	-	5,793	126,972	621

	ErcornerKft.	Szeged 2002 IngatlanhasznosítóésVagyonkezelőKft.	Plaza Dambovita Complex (FinCo)	Plaza Bas B.V	Shumen
Balance as at 1 January 2010	10,041	7	566,623	(5,553)	3,866
Investment during the year			(94,080)		
result for the year	(462)	(2)	36,102	(2,805)	(26)
Reclassification				8,358	
Translation reserve fund					
Finance capitalized	406				
Balance as at 31 December 2010	9,985	5	508,645	-	3,840

	Helios Plaza S.A.	PC India holdings Ltd.	Plaza housing s.r.o	Plaza station s.r.o	Hradec Plaza s.r.o
Balance as at 1 January 2010	10,802	53,152	3,080	(133)	8
Investment during the year		978			
result for the year	(655)	(1,768)	(1)		
Reclassification				133	
Translation reserve fund		6,108			
Finance capitalized	1,030	1,897	156		
Balance as at 31 December 2010	11,177	60,367	3,235	0	8

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Note 21 – Participation breakdown (cont.)

	NG Plaza s.r.o	BYTY SN s.r.o	P4 Plaza S.R.O.	Praha Plaza S.R.O	PCM d.o.o
Balance as at 1 January 2010	8	8	2,218	4,981	360
Investment during the year					
result for the year			(6,968)	677	(290)
Reclassification			4,750		
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	8	8	-	5,658	70

	Prodev s.r.l	North Eastern Plaza s.r.l	North West Plaza s.r.l	South Eastern Plaza s.r.l	South West Plaza s.r.l
Balance as at 1 January 2010	10	223	(3,838)	1	1
Investment during the year					
result for the year		(94)	(28)		
Reclassification			3,866		
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	10	129	-	1	1

	SC White Plaza s.r.l	SC Golden Plaza s.r.l	SC Blue Plaza s.r.l	PC Ukraine holdings Ltd	Wloclawek Plaza Sp.z.o.o
Balance as at 1 January 2010	1	1	1	(341)	(37)
Investment during the year					
result for the year				(129)	(290)
Selling of investment					
Translation reserve fund					
Finance capitalized					376
Balance as at 31 December 2010	1	1	1	(470)	49

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Note 21 – Participation breakdown (cont.)

	Bydzgodsz Plaza Sp.z.o.o	Byalistok Plaza Sp.z.o.o	Koszalyn Plaza Sp.z.o.o	Gdansk Centrum Plaza Sp.z.o.o	Gdinya Plaza Sp.z.o.o
Balance as at 1 January 2010	13	14	13	12	-
Investment during the year					
result for the year					
Selling of investment					
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	13	14	13	12	-

	Plock Plaza Sp.z.o.o	Jelenia Gora Plaza Sp.z.o.o	Legnica Plaza Sp.z.o.o	Gorzow wielkopolski Plaza Sp.z.o.o	PCM B.V
Balance as at 1 January 2010	14	14	14	14	15
Investment during the year					
result for the year					
Selling of investment					
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	14	14	14	14	15

	SSS project management B.V	Plaza Centers estates B.V	Plaza Centers holdings B.V	Green Plaza s.r.l	Plaza Centers engagements B.V
Balance as at 1 January 2010	18	(1,883)	(115)	-	18
Investment during the year					
result for the year		(859)	(351)		
Reclassification		1,866		2,110	
Translation reserve fund					
Finance capitalized		876	704		
Balance as at 31 December 2010	18	-	238	2,110	18

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Note 21 – Participation breakdown (cont.)

	Plaza Centers foundations B.V	Plaza Centers establishments B.V	Plaza Centers corporations B.V	Plaza On Holdings B.V	Plaza Centers administrations B.V
Balance as at 1 January 2010	18	18	18	(908)	18
Investment during the year					
result for the year				(766)	
Reclassification				1,674	
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	18	18	18	-	18

	Plaza Centers connections B.V	Elite residence esplanada S.R.L.	North gate s.r.l	South gate s.r.l	Palazzo du Calle s.r.l
Balance as at 1 January 2009	18	3,156	1,157	(482)	688
Investment during the year					
result for the year		(68)	(97)	(23)	(126)
Selling of investment					
Translation reserve fund					
Finance capitalized					
Balance as at 31 December 2010	18	3,088	1,060	(482)	562

	SIA Diksna	Elbit Plaza USA L.P	Total
Balance as at 1 January 2009	(6,711)	-	647,054
Investment during the year	9,250		43,063
result for the year	(2,100)	44,921	54,978
Reclassification			15,529
Selling of investment			1,178
Translation reserve fund		453	17,714
Finance capitalized			8,477
Balance as at 31 December 2010	439	45,374	787,993

Number of employees as of December 31, 2010 and 2009: 0

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INDEPENDENT AUDITOR'S REPORT

To: the shareholders of Plaza Centers N.V.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2010 of Plaza Centers N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Directors' report, in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evalu-

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With its registered office in Rotterdam (KvK Rotterdam nr. 24402415).

ating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Plaza Centers N.V. as at 31 December 2010, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

OPINION WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS

In our opinion, the company financial statements give a true and fair view of the financial position of Plaza Centers N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 28 April 2011

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

drs. R.C.H.M. Horsmans RA RV

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