THE CAESAREA EDMOND BENJAMIN DE ROTHSCHILD FOUNDATION AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

THE CAESAREA EDMOND BENJAMIN DE ROTHSCHILD FOUNDATION AND ITS SUBSIDIARIES

Financial Statements as at December 31, 2016

Contents

KPMG

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Auditors' report to the shareholders of
The Caesarea Edmond Benjamin de Rothschild Foundation
and its Subsidiaries

We have audited the accompanying balance sheets of The Caesarea Edmond Benjamin de Rothschild Foundation (the Foundation) as at December 31, 2016 and 2015, and the consolidated balance sheets of the Foundation and its subsidiaries as at such dates, and the related statements of activities, changes in net assets and cash flows - of the Foundation and consolidated - for each of the years ended on such dates. These financial statements are the responsibility of the Foundation's Council of Governors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Foundation's Council of Governors and Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a fair basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation and the consolidated financial position of the Foundation and its subsidiaries as at December 31, 2016 and 2015, and the results of the activities, changes in the net assets, and the cash flows - of the Foundation and consolidated - for each of the years ended on such dates in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

Without qualifying our above opinion, we call attention to that mentioned in Note 20A(3) regarding income tax assessments for the years 2004-2012 that were issued to the Foundation.

Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, March 28, 2017

THE CAESAREA EDMOND BENJAMIN de ROTHSCHILD FOUNDATION AND ITS SUBSIDIARIES

Balance sheets as at December 31,

Reported Amounts

		The Foundation			Consolidated		
				Convenience translation (Note 2C)			Convenience translation (Note 2C)
		2016	2015	2016	2016	2015	2016
	Note	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Assets							
Current assets							
Cash and cash equivalents	3	**101,098**	73,187	**26,293**	**136,778**	102,131	**35,572**
Bank deposits (including current maturities of long-term deposits)		**29,422**	-	**7,652**	**34,967**	5,460	**9,095**
Quoted securities	4	**769,702**	790,931	**200,182**	**769,702**	790,931	**200,182**
Accounts receivables	5	**11,138**	8,339	**2,897**	**42,886**	35,907	**11,154**
Inventory		-	-	-	**61**	70	**16**
Current maturities of capital notes	9	**7,085**	* 5,865	**1,843**	-	-	-
Other investments	8	**18,619**	-	**4,842**	**18,619**	-	**4,842**
		937,064	878,322	**243,709**	**1,003,013**	934,499	**260,861**
Investments and long term receivables							
Long-term deposits with banks	6	-	27,814	-	-	27,814	-
Deferred expenses	7	-	-	-	**1,608**	1,949	**418**
Deferred taxes	20E, 20F	-	-	-	**547**	723	**142**
Development costs and plots for sale	15	**85,994**	* 73,602	**22,365**	**85,994**	* 73,602	**22,365**
Severance benefits, net	17	-	-	-	**207**	270	**54**
Other Investments	8	**79,451**	101,461	**20,664**	**79,451**	101,461	**20,664**
		165,445	202,877	**43,029**	**167,807**	205,819	**43,643**
Investments in subsidiaries	9	**353,948**	*318,318	**92,054**	-	-	-
Investment property, net	10	**22,147**	* 21,825	**5,760**	**417,915**	* 326,706	**108,691**
Fixed assets, net	11	**29,527**	28,976	**7,679**	**134,868**	133,795	**35,075**
		1,508,131	1,450,318	**392,231**	**1,723,603**	1,600,819	**448,270**

*Reclassified

Approval of the financial statements: March 28, 2017

Director CEO

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

Balance sheets as at December 31,

Reported Amounts

		The Foundation			Consolidated		
				Convenience translation (Note 2C)			Convenience translation (Note 2C)
		2016	2015	2016	2016	2015	2016
	Note	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Liabilities and capital							
Current liabilities							
Credit from banks	13	-	-	-	**30,211**	51,500	**7,857**
Current maturities of liabilities for donations to surrounding communities	12,18C3	**13,357**	13,430	**3,474**	**13,357**	13,430	**3,474**
Current maturities of liability for annexation of cluster 12	18C5	**147**	-	**38**	**147**	-	**38**
Provision for additional costs to be incurred in the development of clusters and industrial zone		**21,455**	21,068	**5,580**	**21,455**	21,068	**5,580**
Other payables	14	**2,690**	4,033	**700**	**82,356**	51,883	**21,419**
		37,649	38,531	**9,792**	**147,526**	137,881	**38,368**
Long-term liabilities							
Loans from banks	16	-	-	-	**105,658**	51,246	**27,479**
Severance pay, net	17	**63**	95	**16**	-	-	-
Liability for annexation of cluster 12	18C5	-	968	-	-	968	-
		63	1,063	16	**105,658**	52,214	**27,479**
Commitments and contingent liabilities	18						
Commitments for donations	12,18C3, 19C	**155,419**	141,039	**40,420**	**155,419**	141,039	**40,420**
Net assets							
Share capital	19A	**18**	18	**5**	**18**	18	**5**
Capital surplus	19B	**12,315**	12,315	**3,203**	**12,315**	12,315	**3,203**
Net assets designated by the Foundation for the ambassadors program	19C	**7,447**	9,230	**1,937**	**7,447**	9,230	**1,937**
Net assets designated by the Foundation for municipal activity	19C	**954**	618	**248**	**954**	618	**248**
General reserve	19D	**1,294,266**	1,247,504	**336,610**	**1,294,266**	1,247,504	**336,610**
		1,315,000	1,269,685	**342,003**	**1,315,000**	1,269,685	**342,003**
		1,508,131	1,450,318	**392,231**	**1,723,603**	1,600,819	**448,270**

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

THE CAESAREA EDMOND BENJAMIN de ROTHSCHILD FOUNDATION AND ITS SUBSIDIARIES

Statements of activities for the year ended December 31,

Reported Amounts

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Income						
Financing, net (Note 21)	**11,079**	* 12,586	**2,881**	**8,371**	* 10,245	**2,177**
Sales of plots and leases (a)	**93,643**	117,060	**24,354**	**87,901**	111,922	**22,859**
Rentals and leases	**22,236**	21,785	**5,783**	**58,015**	54,881	**15,089**
Golf Club	**10,491**	10,743	**2,729**	**10,491**	10,743	**2,729**
Municipal services and water supply	**87,291**	83,108	**22,702**	**87,287**	83,079	**22,702**
	224,740	245,282	**58,449**	**252,065**	270,870	**65,556**
Expenses						
Development expenses (b)	**23,584**	23,052	**6,134**	**23,584**	23,052	**6,134**
Rental and leases	**13,196**	12,907	**3,432**	**22,198**	* 21,143	**5,773**
Golf Club	**11,592**	11,741	**3,015**	**11,592**	11,741	**3,015**
Municipal and water supply	**51,085**	49,825	**13,286**	**51,085**	49,825	**13,286**
Marketing expenses	**2,277**	2,199	**592**	**3,787**	3,707	**985**
Administrative and general expenses	**17,872**	* 13,749	**4,648**	**22,178**	* 17,540	**5,768**
Other expenses (Note 22)	**17,013**	6,982	**4,425**	**17,013**	6,982	**4,425**
Donation expenses and cost of activities regarding donations (see Note 19C7)	**53,459**	* 18,491	**13,903**	**53,459**	* 18,491	**13,903**
	190,078	138,946	**49,435**	**204,896**	152,481	**53,289**
Excess of income over expenses	**34,662**	106,336	**9,014**	**47,169**	118,389	**12,267**
Taxes on income (Note 20D)	-	-	-	**1,854**	1,957	**482**
Foundation's share in net results of a subsidiary	**10,653**	10,096	**2,771**	-	-	-
Net income over expenses for the year	**45,315**	116,432	**11,785**	**45,315**	116,432	**11,785**
(a) Comprise of:						
Sales - Clusters	**78,046**	59,532	**20,298**	**78,046**	59,532	**20,298**
Sales – industrial zone	**5,759**	48,055	**1,498**	**5,759**	48,055	**1,498**
Leases – industrial zone	**9,838**	9,473	**2,558**	**4,096**	4,335	**1,063**
	93,643	117,060	**24,354**	**87,901**	111,922	**22,859**
(b) Comprise of:						
Clusters	**20,890**	19,979	**5,433**	**20,890**	19,979	**5,433**
Industrial zone	**2,694**	3,073	**701**	**2,694**	3,073	**701**
	23,584	23,052	**6,134**	**23,584**	23,052	**6,134**

* Reclassified.

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

THE CAESAREA EDMOND BENJAMIN de ROTHSCHILD FOUNDATION AND ITS SUBSIDIARIES

Statements of changes in net assets for the year ended December 31,

Reported Amounts

	Share capital	Capital surplus	Unrestricted net assets: Net assets designated by the Foundation for municipal activity (*)	Net assets designated by the Foundation for the ambassadors program (**)	General reserve	Net income from activities	Total
	NIS thousands						
Balance as at January 1, 2015	18	12,315	516	8,967	1,131,437	-	1,153,253
Changes during 2015:							
Net income over expenses	-	-	-	-	-	116,432	116,432
Amounts designated by the Foundation for the ambassadors program (see Note 19C6)	-	-	-	9,500	(9,500)	-	-
Net assets designated by the Foundation for municipal activity (see Note 19C8)	-	-	102	-	(102)	-	-
Amounts expensed during the year (see Note 19C6)	-	-	-	(9,237)	9,237	-	-
Transfer to general reserve (see Note 19D)	-	-	-	-	116,432	(116,432)	-
Balance as at December 31, 2015	18	12,315	618	9,230	1,247,504	-	1,269,685
Changes during 2016:							
Net income over expenses	-	-	-	-	-	**45,315**	**45,315**
Amounts designated by the Foundation for the ambassadors program (see Note 19C6)	-	-	-	**4,765**	**(4,765)**	-	-
Net assets designated by the Foundation for municipal activity (see Note 19C8)	-	-	**336**	-	**(336)**	-	-
Amounts expensed during the year (see Note 19C6)	-	-	-	**(6,548)**	**6,548**	-	-
Transfer to general reserve (see Note 19D)	-	-	-	-	**45,315**	**(45,315)**	-
Balance as at December 31, 2016	**18**	**12,315**	**954**	**7,447**	**1,294,266**	**-**	**1,315,000**
	Convenience translation (Note 2C)						
	U.S$ thousands						
Balance as at January 1, 2016	5	3,203	161	2,401	324,448	-	330,218
Changes during 2016:							
Net income over expenses	-	-	-	-	-	**11,785**	**11,785**
Amounts designated by the Foundation for the ambassadors program (see Note 19C6)	-	-	-	**1,239**	**(1,239)**	-	-
Net assets designated by the Foundation for municipal Activity (see Note 19C8)	-	-	**87**	-	**(87)**	-	-
Amounts expensed during the year (see Note 19C6)	-	-	-	**(1,703)**	**1,703**	-	-
Transfer to general reserve (see Note 19D)	-	-	-	-	**11,785**	**(11,785)**	-
Balance as at December 31, 2016	**5**	**3,203**	**248**	**1,937**	**336,610**	**-**	**342,003**

(*) See Note 19C (8).
(**) See Note 19C (6).

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

Statements of cash flows for the year ended December 31,

Reported Amounts

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
CASH FLOWS FOR OPERATING ACTIVITIES						
Net income over expenses	**45,315**	116,432	**11,785**	**45,315**	116,432	**11,785**
Adjustments required to reflect the cash flows from operating activities (a)	**(58,273)**	(108,224)	**(15,155)**	**63,039**	36,664	**16,396**
Net cash provided by (used in) operating activities	**(12,958)**	8,208	**(3,370)**	**108,354**	153,096	**28,181**
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase and investments in investment property and fixed assets (b)	**(3,841)**	(19,272)	**(999)**	**(88,786)**	*(72,735)	**(23,091)**
Proceeds from sale of fixed assets	**-**	-	**-**	**-**	50	**-**
Other investments, net	**617**	(81,334)	**160**	**617**	(81,334)	**160**
Investment in capital notes of subsidiary	**(31,000)**	-	**(8,062)**	**-**	-	**-**
Repayment of capital note by subsidiary	**5,865**	-	**1,525**	**-**	-	**-**
Quoted securities, net	**16,821**	(104,187)	**4,375**	**16,821**	(104,187)	**4,375**
Increase in short-term deposit	**-**	-	**-**	**(85)**	(803)	**(22)**
Amounts transferred by wholly-owned subsidiary, net	**88,002**	120,150	**22,887**	**-**	-	**-**
Net cash provided by (used in) investing activities	**76,464**	(84,643)	**19,886**	**(71,433)**	(259,009)	**(18,578)**
CASH FLOWS FOR FINANCING ACTIVITIES:						
Short-term bank credit	**-**	-	**-**	**(29,509)**	14,014	**(7,675)**
Donations paid (*)	**(35,595)**	(36,394)	**(9,257)**	**(35,595)**	(36,394)	**(9,257)**
Repayment of loans to banks	**-**	-	**-**	**(17,270)**	(11,479)	**(4,492)**
Loans received from banks	**-**	-	**-**	**80,100**	25,000	**20,832**
Net cash used in financing activities	**(35,595)**	(36,394)	**(9,257)**	**(2,274)**	(8,859)	**(592)**
Increase (Decrease) in cash and cash equivalents	**27,911**	(112,829)	**7,259**	**34,647**	(114,772)	**9,011**
Cash and cash equivalents at the beginning of the year	**73,187**	186,016	**19,034**	**102,131**	216,903	**26,561**
Cash and cash equivalents at the end of the year	**101,098**	73,187	**26,293**	**136,778**	102,131	**35,572**

(*) Not including payments for operating expenses of the Ambassadors program and other expenses related to the donation activity (wages and public activity) in 2016 and 2015 in the amount of NIS 7,702 thousands and NIS 5,260 thousands, respectively.

* Reclassified.

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

Statements of cash flows for the year ended December 31,

Reported Amounts

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
(a) Adjustments required to reflect the cash flows from operating activities:						
Revenue and cost not involving cash flows:						
Depreciation and amortization	**1,752**	177	**456**	**20,582**	18,347	**5,353**
Excess of credits and receipts over charges from Company's activity	**(89,064)**	(126,405)	**(23,164)**	**-**	-	**-**
Changes of value of the investment in venture capital funds, net	**(363)**	(4,816)	**(94)**	**(363)**	(4,816)	**(94)**
Net loss from hedge funds	**3,137**	-	**817**	**3,137**	-	**817**
Interest and linkage differences of long-term deposits	**(1,608)**	(1,361)	**(418)**	**(1,608)**	(1,361)	**(418)**
Linkage differences of long-term loan from banks	**-**	-	**-**	**(198)**	(237)	**(51)**
Provision for additional costs to be incurred in the development of clusters and industrial zone	**387**	648	**101**	**387**	648	**101**
Severance pay, net	**(32)**	80	**(8)**	**63**	426	**16**
Changes in deferred taxes	**-**	-	**-**	**169**	85	**44**
Loss from quoted securities	**4,408**	9,425	**1,146**	**4,408**	9,425	**1,146**
Foundation's share in net results of a subsidiary	**(10,653)**	(10,096)	**(2,771)**	**-**	-	**-**
Capital loss from sales of fixed assets	**-**	62	**-**	**-**	57	**-**
Commitments for donations and other changes, net	**49,902**	17,774	**12,978**	**49,902**	17,774	**12,978**
	(42,134)	(114,512)	**(10,957)**	**76,479**	40,348	**19,892**
Changes in operating asset and liability items:						
Increase in accounts receivable	**(2,799)**	(2,111)	**(728)**	**(6,972)**	(17,322)	**(1,813)**
Changes in development costs and plots for sale and inventory	**(12,392)**	9,124	**(3,223)**	**(12,383)**	9,352	**(3,221)**
Decrease in liability for annexation of cluster 12	**(821)**	(569)	**(214)**	**(821)**	(569)	**(214)**
Increase (decrease) in other payables (b)	**(127)**	(156)	**(33)**	**6,736**	* 4,855	**1,752**
	(16,139)	6,288	**(4,198)**	**(13,440)**	(3,684)	**(3,496)**
	(58,273)	(108,224)	**(15,155)**	**63,039**	36,664	**16,396**

(b) Transaction not involving cash flows:

As at December 31, 2016, the Foundation has invested in fixed assets an amount of NIS 832 thousand on supplier credit (In 2015 - NIS 2,048 thousand). In the consolidated statements the Foundation and its subsidiaries have invested in fixed assets and investment property an amount of NIS 41,393 thousand on supplier credit (In 2015 – NIS 17,656 thousand).

* Reclassified.

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

Note 1 - General

A. Reporting Entity

(1) On May 4, 1989, an agreement was signed between Baron Edmond de Rothschild and the State of Israel (through the Minister of Finance) which describes the principles of the Foundation's activities. As provided in the relevant decision, the Foundation's funds will be used as follows:

(1) For the development of Caesarea;

(2) Amounts not needed for the development of Caesarea will be invested in accordance with the Foundation's investment policy from time to time;

(3) The Foundation will make donations at a rate of 67% of its yield on financial investments or 2,000,000 dollars, the highest;

(4) All other income of the Foundation (including from the sale of land) will be added to its equity.

(2) The Foundation, through the Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd. (the "Company"), develops and holds the holdings of lands and interests in lands in Caesarea and performs activities regarding such land or interests in land, in accordance with the policy of the Foundation.

In accordance with the Foundation's objectives and in accordance with the agreement entered into between the Foundation and the State of Israel (see Note 19C), the Foundation donates funds, mainly toward advancement of higher education and some cultural activities in Israel.

(3) Under an agreement dated May 11, 1965, made between the Foundation and the Company, the Company acts as the agent of the Foundation, so that all of its expenses and proceeds are for, and on account of, the Foundation.

Furthermore, all the assets presented in the balance sheet of the Company (mainly fixed assets that were purchased according to the instructions of the Foundation) are held (as agreed with the Foundation) in trust in favor of the Foundation and on its behalf. Similarly, all the liabilities are actually liabilities of the Foundation.

B. Definitions

In these financial statements:

(1) The Foundation - the Caesarea Edmond Benjamin de Rothschild Foundation.

(2) The Company - the Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd.

(3) The Assets Company - The Caesarea Edmond Benjamin de Rothschild Assets Corporation (2001) Ltd.

(4) Subsidiaries - companies whose financial statements are fully consolidated with those of the Foundation (see Appendix).

(5) CPI – The Consumer Price Index as published by the Central Bureau of Statistics.

Note 2 - Reporting Principles and Accounting Policies

A. Functional and presentation currency

These financial statements are presented in NIS, which is the Foundation's functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The NIS is the currency that represents the principal economic environment in which the Foundation operates.

B. Basis of measurement

(1) The financial statements have been prepared on the historical cost basis. The value of non-monetary assets and equity items that were measured on the historical cost basis was adjusted to changes in the CPI until December 31, 2003, since until that date the Israeli economy was considered hyperinflationary.

(2) Data of the Foundation in nominal historical values for tax purposes are presented in Note 23.

C. Convenience translation

The financial statements in reported amounts as at December 31, 2016 and for the year then ended have been translated into U.S. dollars ("dollars") using the representative exchange rate prevailing on that date ($1 = NIS 3.845). The translation was made solely for the convenience of the reader. The dollar amounts presented in these financial statements should not be construed as representing amounts receivable or payable in dollars or convertible into dollars, unless otherwise indicated in these statements.

D. Use of estimates and judgments

The preparation of financial statements in conformity with accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, contingent assets and contingent liabilities disclosed in the financial statements and the reported income and expenses during the reporting period. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Foundation prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

E. Principles of consolidation

(1) The Foundation presents consolidated financial statements of the Foundation and its subsidiaries. Since, as stated in Note 1C(3), all the Company's expenses and proceeds are for, and on behalf of the Foundation, the Company does not present a statement of activities and all its proceeds and expenses are included in the Foundation's statements of activities.

(2) The list of the subsidiary companies, which their financial statements are consolidated, and the percentage of holding which entitles voting rights as well as holding which entitles rights in the equity is presented in the Appendix to the financial statements.

(3) Principal balances and transactions between the consolidated companies were eliminated.

F. Cash and cash equivalents

Cash and cash equivalents include short-term bank deposits with an original maturity not exceeding three months.

Note 2 - Reporting Principles and Accounting Policies (cont'd)

G. Investments in Securities and Other Investments

(1) Quoted Securities

Quoted securities representing current investments are presented at market price on the balance sheet date. Changes in the value of securities are fully charged to the Statement of Activities.
Quoted securities representing permanent investments are presented at cost (in respect of bonds – with the addition of accrued interest), less a provision for Impairment in value which is not of a temporary nature.

(2) Unquoted Securities

Unquoted securities, including investment in venture capital funds and hedge funds are presented at cost, which, in managements' estimation, does not exceed realizable value.

(3) Impairment in value of investments

From time to time the Foundation examines whether there has been an impairment in value which is not of a temporary nature in its permanent investments, which mainly consist of investments in venture capital funds and hedge funds. This examination is carried out when indications exist which may point to the possibility that the value of permanent investments has been impaired, including a decrease in stock exchange prices, the business of the investee, the sector in which the investee operates and other parameters. The provisions for adjustment in value of these investments, which, in management's opinion are based on an examination of all relevant aspects, allocation of the appropriate importance to them and which are not of a temporary nature, are charged to the statement of operations.

H. Investment in subsidiaries

In the Foundation's accounts, the wholly owned subsidiaries are accounted for by the equity method.

I. Sale of plots

Income from sale of plots is measured at the fair value of the consideration received or receivable. The income is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

J. Provision for doubtful debts

The financial statements include specific provisions for doubtful debts, which, in Management's opinion, adequately reflect the loss included in those debts the collection of which is doubtful. Management's determination of the adequacy of the provision is based, inter alia, on an evaluation of the risk, by considering the available information on the financial position of the debtors, the volume of their business and an evaluation of the security received from them. Doubtful debts, which according to Foundation's opinion, are unlikely to be collected are written-off the Foundation's books, based on a Management resolution.
The financial statements also include a general provision for doubtful debts, which constitutes 5% of the total balance of receivables for which the provision was calculated.

K. Inventory

Inventory is stated at the lower of cost or market value. Cost is determined on the basis of "first-in, first-out" method.

L. Fixed assets

(1) The fixed assets are stated at cost. Property donated to the Foundation on its inception or close thereto was recorded at symbolic value.

Note 2 - Reporting Principles and Accounting Policies (cont'd)

L. Fixed assets (cont'd)

(2) The real (net of inflation) financing expenses in respect of loans and credit taken to finance the construction or acquisition of fixed assets as well as other costs associated with the acquisition or construction of the fixed assets are capitalized to the cost of these assets, in accordance with Accounting Standard No. 3 – "Capitalization of Credit Costs".

(3) Improvements and enhancements are added to the cost of the assets whereas maintenance and repairs are charged to expense as incurred.

(4) Depreciation is calculated by the straight line method on the basis of the estimated useful lives of the assets.
The annual depreciation rates are as follows:

	%
Structure and Infrastructure	2-4
Store, youth center equipment and improvements to office premises	4-10
Computers, Office equipment and furniture	6-33
Other equipment	20
Tractors	20
Motor vehicles	15

Leasehold improvements are amortized over the shorter of the lease period (including the optional extension period) or the estimated useful life, as lower.

(5) Up to and including 2001 the Company's and the Foundation's investments in fixed assets were recorded as part of their current expenses instead of as fixed assets. Since the Company's management is of the opinion that it is impractical to remeasure all the investments made in previous years, the financial statements were not restated.

(6) Grants which are being received to finance the purchase of assets (including contributions which are being collected from the Hof HaCarmel Regional Council) are stated as a deduction from the relevant asset.

(7) See Note 11.B regarding fixed assets originating from a donation to the Foundation on the date it was founded and which are presented at token value.

M. Historical assets

In accordance with Section 21(b)(1) of Accounting Standard 5, the Foundation has chosen to present its investments in historical assets as an expense and not as a fixed asset. As part of this, costs incurred in respect of reconstruction as well as necessary costs for preservation of historic assets , mainly situated in the old city sector in Caesarea Harbor have been reflected in the Foundation's books as part of other expenses.

N. Investment property

(1) The Foundation implements Accounting Standard No. 16, "Investment Property" (hereinafter – the Standard). The Standard provides rules for the recognition, measurement and disposal of investment property and the disclosure required in respect thereto. The Standard provides, inter alia, that investment property shall be initially measured at cost with the addition of transaction costs. The Standard also provides that in subsequent periods, the entity is required to choose between measuring its investment property at cost net of accumulated depreciation and impairment losses, and measuring it at fair value, with the adjustment in fair value being recorded to earnings
Investment property is property (land or building - or part of a building - or both) held (by an entity as the owner or under a finance lease) either to earn rental income or for capital appreciation or for both, but not for:

a. Use in the production or supply of goods or services or for administrative purposes; or
b. Sale in the ordinary course of business.

Note 2 - Reporting Principles and Accounting Policies (cont'd)

N. Investment property (cont'd)

The Foundation has chosen to implement the cost model. Therefore, the investment property items are presented at their historical value less accumulated depreciation and any impairment losses. Investment property is depreciated on a straight-line basis at the rate of 2%-4%.

(2) According to accepted practice regarding land, the Foundation does not record depreciation on the land.

(3) The Foundation has presented data in respect of the fair value of real estate for investment operated by the assets company. On the other hand, in respect of real estate for investment operated by the company no data has been presented in respect of fair value as the Company has many real estate for investment assets the valuation of which is not practical. Company management is of the opinion that the economic value of the real estate for investment is in excess of that presented in the books.

O. Deferred expenses

The deferred expenses are stated at cost and are amortized by the straight-line method with refer to the economic benefits from the projects.

P. Deferred taxes

The Assets Company creates deferred taxes in respect of temporary differences. Temporary differences are differences between the value of assets and liabilities for tax purposes and for financial reporting purposes. Deferred tax balances (asset or liability) are calculated according to the tax rates expected to be in force when the deferred tax liability is utilized, or when the deferred tax asset is realized, on the basis of tax rates and tax laws the legislation of which has been completed or essentially completed as at balance sheet date.

Q. Fair value of financial instruments

The fair value of financial instruments traded on active markets is based on quotations as at balance sheet date. The fair value of financial instruments that are not traded on an active market is based on market prices of similar financial instruments, and in their absence on various other valuation methods.

R. Foreign currency and linkage

Assets and liabilities in foreign currency or linked thereto are stated on the basis of the representative exchange rates published by Bank of Israel as at balance sheet date.

Assets and liabilities that are linked to the Consumer Price Index (CPI) are stated on the basis of the contractual linkage terms of each balance.

Below are details of the CPI and the exchange rates:

	December 31 2016	December 31 2015	Rate of change 2016	Rate of change 2015
CPI in points *	**122.84**	123.08	**(0.2%)**	(1%)
Exchange rate of US dollar	**3.845**	3.902	**(1.46%)**	0.33%

* Average basis 2002 = 100.

Note 2 - Reporting Principles and Accounting Policies (cont'd)

S. Impairment in value of assets

The Foundation applies Accounting Standard No. 15 - Impairment in Value of Assets (hereinafter – the standard). The standard provides procedures which an entity must apply in order to ensure that its assets in the consolidated balance sheet (to which the standard applies), are not presented at an amount which is in excess of their recoverable value, which is the higher of the net selling price and the use value (the present value of the estimated future cash flows expected to be derived from use and disposal of the asset).

The standard applies to all the assets in the consolidated balance sheet, except inventory of buildings for sale, tax assets and monetary assets (excluding monetary assets which are investments in investee companies that are not subsidiaries). In addition, the standard provides rules for presentation and disclosure with respect to assets whose value has declined. When the value of an asset in the consolidated balance sheet is higher than its recoverable value, the Foundation recognizes a loss from the impairment in value in the amount of the difference between the book value of the asset and its recoverable value. The loss thus recognized will be cancelled only in the event of changes occurring in the estimates that were used to determine the recoverable value of the asset since the date on which the most recent loss from the decline in value was recognized.

Note 3 - Cash and cash equivalents

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
In Israeli currency	**90,136**	65,205	**23,442**	**123,511**	89,978	**32,122**
In foreign currency *	**10,962**	7,982	**2,851**	**11,198**	8,376	**2,912**
Bank deposits designated for the restoration Fund**	-	-	-	**2,069**	3,777	**538**
	101,098	73,187	**26,293**	**136,778**	102,131	**35,572**

* Most of the balance is linked to the US Dollar.

** Short term bank deposits designated for the restoration of water and sewage infrastructures in Caesarea (see Note 18C4).

Note 4 - Quoted securities

	The Foundation and Consolidated		
			Convenience translation (Note 2C)
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Bonds:			
Linked to the CPI	**231,347**	250,570	**60,168**
Linked to foreign currencies *	**65,184**	58,456	**16,953**
Unlinked	**304,882**	270,764	**79,293**
	601,413	579,790	**156,414**
Shares	**93,139**	136,341	**24,223**
Multi assets fund **	**75,150**	74,800	**19,545**
	769,702	790,931	**200,182**

* Most of the balance is linked to the US Dollar.

** The liquid investment in Bank De Rothschild is invested in a number of channels, including shares, bonds etc.

Note 5 - Accounts receivables

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Trade receivables	-	-	-	**29,860**	27,096	**7,767**
Government institutions (see Note 20A4)	**11,022**	8,246	**2,867**	**12,121**	8,361	**3,152**
Deferred taxes	-	-	-	**48**	41	**13**
Other	**116**	93	**30**	**1,462**	1,184	**379**
	11,138	8,339	**2,897**	**43,491**	36,682	**11,311**
Less – Provision for doubtful debts	-	-	-	**(605)**	(775)	**(157)**
	11,138	8,339	**2,897**	**42,886**	35,907	**11,154**

Note 6 - Long-term deposits with banks

	The Foundation		
			Convenience translation (Note 2C)
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Deposit- linked to CPI*	**29,422**	27,814	**7,652**
Less- current maturities	**(29,422)**	-	**(7,652)**
	-	27,814	-

* The deposit is linked to CPI and bears annual rate of 6%.

Note 7 - Deferred expenses

	Consolidated				
			Net balances as at December 31,		Convenience translation (Note 2C)
	Cost	Accumulated amortization	2016	2015	December 31, 2016
	NIS thousands				U.S.$ thousands
Mekorot project (1)	**3,277**	**(1,669)**	**1,608**	1,938	**418**
Release from a burden (2)	**1,985**	**(1,985)**	-	11	-
	5,262	**(3,654)**	**1,608**	1,949	**418**

(1) Expenses related to joint project with "Mekorot" and other municipal authorities in the Caesarea area. The purpose of the project is to raise the quantity of water to Caesarea for future years and assure a constant distribution of water for Caesarea with regards to future development. The aforementioned expenses are amortized at the rate of 10% per year.

(2) Expenses for release from a burden - In 2003, the Company reached an understanding with two owners of lease rights in two restaurants in the old city. According to this understanding the lessees were vacated from the property and were compensated. The lessees were vacated so that the area could be developed as part of the Caesarea Harbor project. The Company evaluates that the compensation it made will generate against it future revenues that are higher than the amount it paid for the vacating of the premises. The aforementioned expenses are amortized at the rate of 10% per year.

Note 8 - Other Investments

A. Composed as follows:

	The Foundation and Consolidated		
			Convenience translation (Note 2C)
	As at December 31, 2016		December 31
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Venture capital funds (1)	**8,486**	11,905	**2,207**
Hedge funds (2)	**70,082**	88,916	**18,227**
Social bond (3)	**883**	640	**230**
	79,451	101,461	**20,664**

(1) Venture Capital Funds:

[redacted] 1

Note 8 - Investments in venture capital funds (cont'd)

(2) Hedge funds:

[redacted] 2

** In the opinion of the Foundation's management the fair value of the funds as at December 31, 2016 is NIS 89.9 million (US$ 23.4 million).

(3) Social bonds:

During 2015 the Foundation entered into a commitment with a third party according to which it would make a loan of approximately NIS 3.9 million in favor of a higher education project. The loan is repayable to the Foundation on the basis of the performance of the social project, should there be any, where, should the basic objectives be achieved, the amount of approximately NIS 4.7 million would be repaid to the Foundation (should the objectives of the social project not be achieved the amounts of the loan would not be repaid to the Foundation and should the objectives be partially achieved then a relative proportion of the loan will be repaid). The Foundation measured the fair value of the loan using an external independent valuer, in whose estimate the Foundation should receive repayment of NIS 2.8 million on account of the loan. Accordingly the Foundation recognized the difference in the amount of approximately NIS 1.1 million as a donation.

As at December 31, 2016 the Foundation had transferred NIS 1,160 thousand on account of the loan, the fair value of which was estimated at NIS 830 thousand.

B. The Foundation's policy is to record the said investments at cost. If impairment that identified is not of a temporary nature, the Foundation writes down the value of the investment to its fair value.

Note 9 - Investments in subsidiaries

	The Foundation		
			Convenience translation (Note 2C)
	December 31,		December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
A. The Company			
Share in equity	**1,236**	1,236	**321**
Company account - net	**115,697**	114,635	**30,091**
	116,933	115,871	**30,412**
B. The Assets Company			
Cost (1)	**2,746**	2,746	**714**
Capital notes (2)	**197,820**	172,685	**51,449**
Share in accumulated profit (3)	**43,534**	32,881	**11,322**
	244,100	208,312	**63,485**
	361,033	324,183	**93,897**
Less- current maturities capital notes	**(7,085)**	(5,865)	**(1,843)**
	353,948	318,318	**92,054**

(1) The Foundation holds 100% percent of the Assets Company shares. The Assets Company was incorporated on February 18, 2001 by the Foundation for the purpose of engaging in the building and rental of real estate income-generating assets in the industrial park of Caesarea.

(2) All the notes are unlinked and non-interest bearing. The Assets Company is entitled to effect early repayment of the notes at the end of five years from the date of issue. According to a resolution passed by the Board of Governors of the Foundation in February 2005, the Assets Company may issue additional capital notes to the Foundation for up to 30% of the construction costs of any potential transactions, provided that the investment does not exceed 4% of the total investment portfolio of the Foundation.

In its meeting on March 5, 2009 the Foundation's Board of Governors changed the capital structure of the Assets Company so that the Assets Company can issue capital notes of up to 70% of the above mentioned construction costs. All other conditions were cancelled.

Presented hereunder are the repayment dates of the aforesaid capital notes:

		Convenience translation (Note 2C)
	NIS thousands	U.S.$ thousands
2017	**7,085**	**1,843**
2018	**12,720**	**3,308**
2019	**59,310**	**15,426**
2020	**25,205**	**6,556**
2021 and thereafter	**93,500**	**24,316**
	197,820	**51,449**

(3) Depreciation expenses in respect of part of the investment property presented on the books of Assets Company are in respect of buildings been built on land leased to the Assets Company by the Foundation (by means of the Company). These buildings have been depreciated by the Assets Company at the rate of 4% in accordance with the lease period (25 years). Since the estimated life of those buildings is 50 years, the Foundation has recorded on its books (under the Foundation share in net result of subsidiary) depreciation expenses only at a rate of 2%. The accumulated effect of the above change amounted to NIS 28,103 thousand as at December 31, 2016.

Note 10 - Investment property

A. Consolidated

1. Presented hereunder are the current year changes in investment property:

	Rental buildings	Land rights	Buildings under construction	Total	Convenience translation (Note 2C)
	NIS thousands				U.S.$ thousands
Cost					
Balance as at January 1, 2016	328,174	32,498	29,029	389,701	101,353
Purchases	1,931	322	97,114	99,367	25,843
Buildings that their construction ended	22,889	-	(22,889)	-	-
Disposals	-	-	(427)	(427)	(111)
Balance as at December 31, 2016	352,994	32,820	102,827	488,641	127,085
Accumulated depreciation and impairment					
Balance as at January 1, 2016	62,994	-	1	62,995	16,384
Depreciation and impairment	7,731	-	427	8,158	2,121
Disposals	-	-	(427)	(427)	(111)
Balance as at December 31, 2016	70,725	-	1	70,726	18,394
Depreciated cost as at December 31, 2016	282,269	32,820	102,826	417,915	108,691
Depreciated cost as at December 31, 2015	265,180	32,498	29,028	326,706	84,969

2. Presented hereunder are fair value data regarding investment property

	As at December 31, 2016		As at December 31, 2015	
	Depreciated cost	Fair value *	Depreciated cost	Fair value *
	NIS thousands		NIS thousands	
Office buildings	146,708	272,920	149,142	255,617
Storage buildings	96,393	164,998	98,113	154,952
Restaurants, halls and other buildings	42,891	71,928	20,693	28,970
Total	285,992	509,846	267,948	439,539
Buildings under construction and land rights in respect thereof **	111,370	111,370	37,262	37,262
Others **	20,553		21,496	
	417,915		326,706	

* The fair value of investment property is determined on the basis of valuations that were prepared by external independent appraisers having appropriate professional skills regarding the location and category of said investment property. The fair value is determined on the basis of one of two methods: on the basis of the discounted cash flows expected from the properties or on the basis of the fair value of similar properties that take into account the best obtainable value alternative. The discount rates that were used by the appraisers as at December 31,2016 were between 7% and 9.25% per year, according to the type and designation of the asset, its location and the quality of the lessees.

** The balance includes approximately 15 real estate assets recorded in the Company's books (restaurants, galleries, sports center and others). In addition the Foundation has land rights which were donated as mentioned in Note 10B and recorded at symbolic value. The Group did not measure the fair value of these assets as at the balance sheet date. In the opinion of the Foundation's management the fair value of these assets significantly exceeds their book value.

Note 10 - Investment property (cont'd)

B. The Foundation

	Caesarea Land (1)	Land and building (Caesarea center)(2)	Industrial park Land (3)	Total	Convenience translation (Note 2C)
	NIS thousands				U.S.$ thousands
Cost					
Balance as at January 1, 2016	-	12,492	17,495	29,987	7,799
Additions	-	-	322	322	84
Balance as at December 31, 2016	-	**12,492**	**17,817**	**30,309**	**7,883**
Accumulated depreciation					
Balance as at January 1, 2016 and December 31, 2016	-	8,162	-	8,162	2,123
Depreciated balance as at December 31, 2016	-	**4,330**	**17,817**	**22,147**	**5,760**
Depreciated balance as at December 31, 2015	-	4,330	17,495	21,825	5,676

(1) The land held by the Foundation was donated by Palestine Jewish Colonization Association P.I.C.A. (founded by Edmond de Rothschild). The area of the donated land, including area disposed of, comprises 1,159 dunams of freehold land (registered in the Foundation's name in the Land Registry) and 29,132 dunams of leasehold land, of which 27,097 dunams are registered in the Foundation's name in the Land Registry, while 2,035 dunams are not so registered. The aforesaid lands are recorded on the books of the Foundation at symbolic value. See also paragraph A2 above regarding the failure to assess the fair value of the aforesaid lands.

(2) In 1990, the Foundation acquired property in Caesarea, the cost of which is presented above. Costs of refurbishment and improvement to the asset are included in the Company's books.

(3) The balance includes development costs that were capitalized to lands in the industrial zone on which the Assets Company constructed rental buildings. See also Note 18.C.8.

Note 11 - Fixed Assets

A. Consolidated

Composition of assets, grouped by major classifications, and changes therein in 2016, is as follows:

	Balance at beginning of the year	Changes during the year Additions	Changes during the year Disposals	Balance at the end of the year	Convenience translation (Note 2C) At the end of the year
	NIS thousands				U.S.$ thousands
Cost:					
General assets:					
Structure and Infrastructure	108,747	7,393	-	116,140	30,205
Leasehold improvements	6,357	-	-	6,357	1,653
Computers, office equipment and furniture	19,646	1,036	-	20,682	5,379
Other equipment	6,561	2,136	-	8,697	2,262
Motor vehicles and tractors	424	-	-	424	110
	141,735	10,565	-	152,300	39,609
Caesarea Harbor:					
Structure and Infrastructure	29,607	1,757	-	31,364	8,157
Other equipment	18,111	3	-	18,114	4,711
	47,718	1,760	-	49,478	12,868
Golf Club:					
Structure and Infrastructure	40,974	816	-	41,790	10,869
Equipment and tractors	8,041	15	-	8,056	2,095
"Pro-shop" store equipment	462	-	-	462	120
	49,477	831	-	50,308	13,084
Community Center:					
Furniture and equipment	689	-	-	689	179
Base stock	318	-	-	318	82
	1,007	-	-	1,007	261
	239,937	13,156	-	253,093	65,822
Accumulated depreciation:					
General assets	44,747	7,483	-	52,230	13,584
Caesarea Harbor	39,391	2,209	-	41,600	10,819
Golf Club	21,394	2,373	-	23,767	6,181
Community Center	610	18	-	628	163
	106,142	12,083	-	118,225	30,747
Depreciated cost	133,795	1,073	-	134,868	35,075

Note 11 - Fixed Assets (cont'd)

B. The Foundation:

(1) On March 23, 1967, the Foundation entered into an agreement with Caesarea Golf Course Company, Ltd. (hereafter - the Golf Company), under the terms of which, with effect from March 31, 1967, the Golf Company transferred the leasehold rights of the land and buildings in Caesarca Golf Course to the Foundation, without consideration.

Composition of the Foundation's fixed assets:

	Balance at beginning of the year	Changes during the year Additions	Changes during the year Disposals	Balance at the end of the year	Convenience translation (Note 2C) At the end of the year
	NIS thousands				U.S.$ thousands
Cost					
General properties:					
Leasehold improvement *	28,235	1,813	-	30,048	7,815
Computers, office furniture and office equipment	1,320	258	-	1,578	410
	29,555	2,071	-	31,626	8,225
Golf Club:					
Structure and Infrastructure	122	232	-	354	92
	29,677	2,303	-	31,980	8,317
Accumulated depreciation					
General properties	701	1,752	-	2,453	638
Depreciated balance	28,976	551	-	29,527	7,679

* In respect of an asset leased to the Foundation by the Assets Company.

Note 12 - Liabilities for Donations to Surrounding Communities

As mentioned in Note 18C3, the Knesset removed from its agenda the bill regarding the municipal merger of Caesarea Industrial area and Or Akiva, and according to an arrangement between the parties (hereunder – "Caesarea arrangement"), the Company will continue to provide services and manage the Caesarea industrial park and to collect in return service fees and management fees until at least 2022 and the Foundation will donate an amount of $ 3.5 million each year for promoting educational projects in the surrounding communities. Accordingly, a liability in the amount of $ 3.5 million was recognized in 2009 in respect of each of the years from 2009 through 2022. The liability was discounted at the rate of 4%.

Furthermore, in the framework of the "Caesarea arrangement", a liability was recognized in the amount of NIS 17.1 million with respect to construction of a swimming pool in Or Akiva. The money's transfer is contingent on the fulfillment of performance milestones which as at the reporting date have not yet been fulfilled. Therefore the liability in respect thereto is presented as long-term based on the Foundation's assessment of when the liability will be settled.

Note 12 - Liabilities for Donations to Surrounding Communities (cont'd)

A. Composition of liabilities for donations to surrounding communities:

	The Foundation and Consolidated		Convenience translation (Note 2C)
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Liability for donations to surrounding communities *	**75,042**	83,830	**19,517**
Liability for donations regarding swimming pool	**17,100**	16,771	**4,447**
	92,142	100,601	**23,964**
Less - Current maturities	**(13,357)**	(13,430)	**(3,474)**
	78,785	87,171	**20,490**

* The liability is linked to US Dollar.

B. The changes in liability for donations to surrounding communities in 2016 are as follows:

	The Foundation and Consolidated	Convenience translation (Note 2C)
	NIS thousands	U.S.$ thousands
Balance as at December 31, 2015	100,601	26,164
Donations paid in 2016	**(12,101)**	(3,147)
Financing and exchange differences expenses, net	**3,642**	947
Balance as at December 31, 2016	**92,142**	**23,964**

Note 13 – Credit from banks

	Consolidated		Convenience translation (Note 2C)
	December 31		December 31
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Current credit	**9,505**	39,014	**2,472**
Current maturities of long-term loans	**20,706**	12,486	**5,385**
	30,211	51,500	**7,857**

Note 14 - Other payables

	The Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Suppliers and contractors *	**362**	814	94	**5,898**	6,900	**1,534**
Liabilities to employees and other regarding to salary and wage	**257**	359	67	**4,741**	4,506	**1,233**
Accrued expenses *	**2,056**	2,823	535	**65,342**	35,197	**16,993**
Advances income	**-**	-	-	**2,821**	2,729	**734**
Government institutions	**-**	-	-	**2,422**	1,646	**630**
Other	**15**	37	4	**1,132**	905	**295**
	2,690	4,033	700	**82,356**	51,883	**21,419**
* Including in respect of purchase of fixed assets and investment property	**832**	2,048	216	**41,393**	17,656	**10,765**

Note 15 - Development costs and plots for sale

	The Foundation and Consolidated		
			Convenience translation (Note 2C)
	December 31,		December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Development costs:*			
Inventory of plots for sale in cluster 12	**28,412**	34,182	**7,389**
Inventory of plots for sale in cluster 13	**5,468**	7,522	**1,422**
Inventory of plots for sale in project Or Yam (see also Note 18c7)	**20,627**	-	**5,365**
Total - clusters	**54,507**	41,704	**14,176**
Inventory of plots in industrial zone	**31,487**	** 31,898	**8,189**
	85,994	73,602	**22,365**

* Under an agreement dated May 11, 1965, between the Foundation and the Company, the latter undertook to act as agent of the Foundation for the purpose of development of Caesarea lands, so that all expenses incurred and to be incurred by the Company for such purpose and all proceeds from sales of land shall be for and on account of the Foundation. See also Note 10B regarding Caesarea Land.

** Reclassified.

Note 16 - Loans from Banks

A. Composition:

	Interest rate as at December 31, 2016	Consolidated		Convenience translation (Note 2C)
		December 31,		December 31,
	2016	2016	2015	2016
	%	NIS thousands		U.S.$ thousands
Linked to CPI *	**2.3-5.81**	**126,364**	63,732	**32,864**
Less - current maturities		**(20,706)**	(12,486)	**(5,385)**
Total		**105,658**	51,246	**27,479**

* See Note 18C(2) regarding securities regarding the loans.

B. As at December 31, 2016, the repayment schedule of the above mentioned loans is as follows:

	December 31, 2016	Convenience translation (Note 2C) December 31, 2016
	NIS thousands	U.S.$ thousands
2017	**20,706**	**5,385**
2018	**18,544**	**4,823**
2019	**17,508**	**4,553**
2020	**15,080**	**3,922**
2021 and thereafter	**54,526**	**14,181**
	126,364	**32,864**

Note 17 - Severance pay, net

The severance pay liability to employees is covered mostly by purchase of insurance policies. The amounts so funded are not reflected in the balance sheets since they are not under the control and management of the Foundation and its subsidiaries.

The amount of liability for severance pay presented in the financial statements reflects that part of the liability not covered by the insurance policies mentioned above, in accordance with labor agreements in force and based on salary components which, in management's opinion, create entitlement to severance pay. This liability is covered mostly by deposits in the name of the Company with the Central Severance Pay Fund managed by [redacted] 3

The Companies may only make withdrawals from the severance pay funds for the purpose of paying severance pay.

The balances funded and accrued are as follows:

	Foundation			Consolidated		
			Convenience translation (Note 2C)			Convenience translation (Note 2C)
	December 31,		December 31,	December 31,		December 31,
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Amount funded	**-**	-	**-**	**2,088**	2,072	**543**
Liability for severance pay	**(63)**	(95)	**(16)**	**(1,881)**	(1,802)	**(489)**
	(63)	(95)	**(16)**	**207**	270	**54**

Note 18 - Commitments and Contingent Liabilities

A. Expropriations

1. In 2000, the Hof HaCarmel Local Committee for Planning and Construction published notices under the Lands Ordinance (Expropriation for Public Purposes), 1943 and under the Planning and Building Law-1965, of expropriations of certain properties in Caesarea which were designated for public purposes.
2. The Company and the Foundation have objected in writing to the expropriations reserving their rights to file claims for compensation. [redacted] 4
3. The Company and the Foundation are acting to cause cancellation of the expropriation process, and to advance a new outline plan in the residential area, which will change the areas of land designated for public uses. [redacted] 5

B. Claims

1. In the framework of plan C/322 A with respect to the areas of the industrial park, about two decades ago areas that were designated for industry and crafts in the north west of the park were removed in favor of planning and constructing the "Nahalei Menashe water reservoir" project. In the opinion of the Company and the Foundation, in exchange for the lands that were removed as aforesaid, areas of a similar size were added to the park (in the framework of aforesaid plan C/322 A) in the southern park and north of the built area of the park, such that the designation of these lands was changed from agricultural to industrial and crafts and public areas (hereinafter – "the areas that were added"). When the Company requested to receive building permits on the lots included in the aforesaid areas that were added and their designation was changed from agricultural to industrial, the Company was required to pay a betterment levy on the change in designation, contrary to the policy of the District Planning and Building Committee (hereinafter – "the committee") for many years by which the Company was not required to pay a betterment levy at all in this respect. As a result of this requirement the Company and the committee held talks on the specific issue of the lands' exchange and on the issue of the betterment levy in the park in general. In the framework of these talks, understandings were reached with the committee in 2013, with the agreement of the then Deputy Attorney General, by which the betterment levy following approval of plan C/322 A would be decided by an appraiser (hereinafter – " the qualified appraiser") in respect of all the area included in it as one (including also lots that were already built on and no betterment levy was required in the past and which according to the Company's position it cannot be required to pay a betterment levy on those lands, and in addition the Foundation will not be required to pay interest in respect thereto).
   In the framework of these talks it was agreed that the decision of the qualified appraiser would not obligate the parties and they would be permitted to stop the process at any time. In such a case, each party will be permitted to act according to its own discretion, and to exercise its rights and arguments in the appropriate proceedings. [redacted] 6

Note 18 - Commitments and Contingent Liabilities (cont'd)

B. Claims (cont'd)

2. In April 2011 the Haifa District Planning and Building Committee announced that the Foundation has a debt in the amount of NIS 7.3 million with respect to a betterment tax assessment which had been issued in the past in respect of the rezoning of a lot from industrial land to commercial land. Managements of the Company and the Foundation, on the basis of the opinion of their professional advisers, [redacted] 7

3. In April 2012, the Foundation received a letter from the Israel Lands Administration (hereinafter: "the Administration") that requires it to transfer various documents and data regarding lands of the Administration that were leased out to the Foundation and were subleased by the Foundation with respect to the period from January 1, 1991 to December 31, 2011. In the aforesaid letter, the Administration calls attention to the lease agreement from November 27, 1962 between the Administration and PICA (the Palestine Jewish Colonization Association), which the Foundation stepped into its shoes. According to the agreement, as from May 1973 and at the end of every 10-year period from that date, the State will be permitted to demand that the lease fees for the areas subleased by PICA until that date be determined against at the mutual agreement of both parties, and in the absence of an agreement, be determined by an arbitrator, providing that the lease fees do not exceed two percent of the value of the relevant land at that time. In November 2016 the Foundation provided to the administartion data and documents that were requested from it. [redacted] 8

4. See Note 20.A.3 regarding the Income Tax Authority's arguments concerning the Foundation's tax status.

5. A number of claims and demands for damages have been filed against the Company, which as at the date of the financial statements amount to NIS 8.7 million. The claims are being handled by the insurance companies in the framework of the Company's insurance policies. [redacted] 9

C. Others

1. The Company has provided bank guarantees in the amount of NIS 4,362 thousand, mainly to the Haifa District Planning and Building Committee (hereinafter – "the committee") in connection with the issue of the betterment levies demanded by the committee (see Note 18.B.(1) and 18.B.(2)).

2. As security for loans that were granted to the Assets Company by a banking institution (see Note 16), the Assets Company registered specific liens on its rights, including contractual rights on the land it owns.

Note 18 - Commitments and Contingent Liabilities (cont'd)

C. Others (cont'd)

3. On October 17, 2007 the Knesset passed in a preliminary reading a private bill regarding a municipal consolidation of Caesarea and Or Akiva. Following the passing of the aforesaid bill in a preliminary reading, the bill was passed on to a preliminary discussion of the Knesset's internal affairs and environmental protection committee (hereinafter – the committee), which was supposed to discuss the bill and prepare it for a first reading in the Knesset.

   Following the discussions of the committee and its decision, an amended bill was issued (Caesarea Industrial Zone (Jurisdiction and Management) – 2008), by which as from January 24, 2022 the jurisdiction of the Or Akiva municipality would be expanded so as to include also the areas of the Caesarea industrial zone, a joint administration would be established that will include five local authorities for the purpose of managing the industrial zone and the Minister of Internal Affairs will be authorized to provide instructions regarding distribution of the income and expenses relating to the Caesarea industrial zone between those municipalities. Following the discussions of the committee and its recommendation, the parties held negotiations for the purpose of reaching an arrangement that would make it unnecessary to proceed with the bill. On February 8, 2010 the chairman of the committee notified the Knesset plenum that an arrangement had been reached and accordingly the Knesset accepted the committee's recommendation and removed the aforesaid bill from its agenda. The highlights of the arrangement are as follows:

   a. The Company will continue, according to the format and arrangements existing to date, to provide services and manage the Caesarea industrial park and to collect in return service fees and management fees, and out of these amounts the Foundation will donate until 2022 and subject to the said arrangement, a total amount of $ 3.5 million per year for the advancement of educational projects in the surrounding communities and will also donate the construction of a municipal swimming pool in the city of Or Akiva, on the basis of an outline and conditions to be agreed between the Company and the Or Akiva municipality.

   b. The various municipalities will appoint a coordinator who will manage and examine any projects proposed and transferred to him by the various municipalities, and he will convey the projects to the Foundation for approval according to its procedures for financing. The fee of the coordinator will be $ 90 thousand and will be paid by the Foundation out of the aforementioned annual amount of $ 3.5 million.

   c. To the extent any bill is presented, either by the Government or a private bill, that changes the municipal boundaries of Caesarea, or a change is made in any other way in the municipal boundaries of Caesarea without the consent of the Foundation and the Company, the Foundation and the Company will be permitted to immediately discontinue providing the aforementioned annual amount.

4. As part of the General Amendment to the Water Rules (Local Authority Water Rates) (Amendment), 2009 (hereinafter: "the Amendment"), which entered into effect on January 1, 2010, at the end of each quarter the Company must transfer a sum per each cubic meter of water supplied, including water supplied for its own consumption. The money is designated for rehabilitation, renovation and development of water or sewage systems. According to the provisions of the amendment, the money is to be transferred to a separate bank account that will be used solely for such purposes.
   The balance presented in the financial statements as at December 31, 2016 (see Note 3) reflects transfers that were made to a separate bank account as aforesaid, for the supply of water net of the investments actually made in the water infrastructure up to and including 2015. Amounts regarding the year 2016 will be transferred in the year 2017.

Note 18 - Commitments and Contingent Liabilities (cont'd)

C. Others (cont'd)

5. In November 2012, the Hof HaCarmel Regional Council (hereinafter – "the Council") and the Company reached an agreement in connection with the annexation of Neighborhood 12 (the "neighborhood") to the Council, concurrently with annexation arrangements of other residential neighborhoods in Caesarea, and the application of the Caesarea Agreement to the area of the neighborhood, the Gold Coast neighborhood and the areas south of Highway 651.
   Under the agreement, the Council will annex the neighborhoods as part of its municipal area and will provide the future residents of the neighborhoods with educational services, planning committee services and permits. On the other hand, the Company will act to carry out public projects in the cluster, port and throughout Caesarea in the total amount of NIS 20 million.

   In the aforesaid agreement the Company undertook that if and when it concludes its activity in Caesarea, the council having jurisdiction over Caesarea will be transferred the buildings and infrastructures indicated in that agreement at no cost, including the balance of the restoration fund attributed to cluster 12 alone (see also Note 18.C.4).

   As at the balance sheet date, the Company has executed projects in the total amount of NIS 20 million. The costs of the aforesaid projects are recognized on the Foundation's books as part of the construction cost of cluster 12.

6. On December 29, 2015 an agreement was signed between [redacted] 10
   (hereinafter – "the Amuta") and the Foundation, according to which, as from January 1, 2016 the activity of the Rothschild Ambassadors Organization (hereinafter – "the Organization") would be transferred to the Amuta. The Amuta operates and manages a program active in promotion and development of the social and geographic periphery and will take under its aegis the operation and management of the Organization's activity under the supervision and instruction of the Foundation. The Foundation has undertaken to support the activity of the Amuta over the next five years in the sum of [redacted] per year. Nevertheless, the placement of the annual donation by the Foundation to the Amuta will require the annual approval of the Foundation and in any event the Foundation has absolute discretion whether to continue the placement of the donation. [redacted]

7. On December 15, 2016 a memorandum of understanding (hereinafter "the memo") was signed with respect to a development agreement between the Or Akiva municipality (hereinafter "the municipality") and the Company to develop land of the Foundation in the area of the municipality. According to the memo, the Company will perform development work for the municipality and the municipality will offset from the consideration due to the Company for the said development work the full amount of the development fees and levies the municipality is permitted to charge on the Company's lands. If the development work exceeds the amount of the development fees and levies an additional amount will be offset of up to 50% of the betterment levy the municipality is entitled to receive.
   The municipality will be entitled to advance payments on account of the betterment levy that is not offset, and a first advance payment in the amount of NIS 15 million has been paid as at balance sheet date. The rest of the advance payments will be arranged in the framework of the full development agreement.
   It was also determined that the full development agreement would be signed by May 30, 2017 and that if it is not signed by that date, the memo will be annulled and the amount paid as an advance payment will be a credit balance for the Company that will be offset from betterment levies required from the Company in the future.

Note 18 - Commitments and Contingent Liabilities (cont'd)

C. Others (cont'd)

8. Until the end of 2016 the Company on behalf of the Foundation and the Assets Company signed 18 separate sublease agreements with respect to lots of land in the industrial and business park of Caesarea that are owned by the Foundation. The agreements are in effect for 14 years and 11 months with two options for extension of 5 years each. At the end of the lease period the lands will be returned to the Foundation, including any buildings that are built on them. According to appendices to these agreements, the lease payments will be paid to the Company by the Assets Company as from the date of receiving a form.
   Until the date of the financial statements the Assets Company has built buildings on 14 of the aforesaid lots which it leases out to several lessees with which lease agreements had been signed in advance. Four other lots are in various stages of construction.

Note 19 - Capital

A. Share capital

The authorized, issued and fully paid share capital as at December 31, 2016 and 2015 is composed of 2 founders' shares of NIS 0.10 par value.

B. Capital surplus

Represents amount of NIS 7,382 thousand (U.S.$ 1,920 thousand) and shares in the Company (NIS 4,933 thousand; U.S.$ 1,283 thousand - at par, which is equal to cost to donor), donated to the Foundation by the Government of Israel and Baron Edmond de Rothschild, in equal proportions.

C. Use of funds

1. The financial statements include a liability in respect of donations that have been approved by the Council of Governors but not yet paid due to the balance sheet date.
2. In accordance with the agreements between the Foundation and the State, the Foundation is required to donate every year an amount that is equal to the higher of two thirds of the yield on its investment portfolio or US$ 2 million.
3. Since the annual yield on the investment portfolio is not known in advance, the board of governors of the Foundation passed the following resolution in April 2003:
   To implement a rolling three year measurement of the yield on the investment portfolio, premeasured at the beginning of each year, based on the two prior years actual performance, together with an updated estimate of yield for the coming year and further, in order not to infringe the terms of the Foundation's agreement with the government, that during the second half of each year, the current years' actual yield be revaluated and if 67% of such yield reflects more than the amount set at the first meeting in such year the Foundation may approve additional projects.
4. From 1999 through and including 2016 the Foundation approved donations totaling US$ 149.3 million whereas according to the aforementioned arrangement with the State it was to have approved donations in the amount of US$ 105.8 million. Management of the Foundation believes that it is impractical to measure the donations commitments prior to 1999.

Note 19 – Capital (cont'd)

C. Use of funds (cont'd)

5. Commitments for donations in the financial statements:

	The Foundation and Consolidated		
			Convenience translation (Note 2C)
	Year ended December 31,		Year ended December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Commitments for donations (see section 6 hereunder)	76,634	53,868	19,930
Liabilities for donations to surrounding communities (see Note 12)	92,142	100,601	23,964
	168,776	154,469	43,894
Less - current maturities of liabilities for donations to surrounding communities	(13,357)	(13,430)	(3,474)
	155,419	141,039	40,420

6. The changes in the donations liability item in 2016 are as follows:

	NIS thousand	Convenience translation (Note 2C) U.S$ thousand
Balance of liability as at December 31, 2015	53,868	14,010
Donations approved in 2016, net *	45,757	11,900
Donations paid in 2016 **	(23,494)	(6,110)
Financing expenses, net	503	130
Balance of liability as at December 31, 2016	76,634	19,930

* In 2015 the Foundation signed an agreement with Amutat Kav Hazinuk (hereinafter – "the Amuta") according to which the activity of the Rothschild Ambassadors Organization would be transferred to the Amuta. See 7 following. See also Note 18C6.

** Not including payments for operating expenses of the Ambassadors program and other expenses related to the donation activity (wages and public activity) in 2016 and 2015 in the amount of NIS 7,702 thousands and NIS 5,260 thousands, respectively.

7. Composition of donations in the statement of activities as follows *:

	The Foundation and Consolidated		
			Convenience translation (Note 2C)
	Year ended December 31,		Year ended December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Donations approved	45,757	13,231	11,900
Expenses related to donations activity	7,702	5,260	2,003
	53,459	18,491	13,903

* See Note 12 and section 6 above.

8. As from 2014, management of the Foundation has decided to designate the surpluses of the municipal activity performed through the Company in the residential area of Caesarea. The amounts designated as aforesaid will be used by the Foundation in the forthcoming years to finance that activity should it incur a deficit.

Note 19 – Capital (cont'd)

D. According to a resolution passed by the annual general meeting of the Foundation held on February 18, 1996, the balance of net revenue from activities over cost is to be transferred to the general reserve.

Note 20 - Taxation

A. Taxation of the Foundation

1. The Foundation reports its activities to the Income Tax Authorities in accordance with Section 9(2) of the Income Tax Ordinance.
2. In 1989, the Foundation and the Company reached an agreement with the State of Israel (through the Income Tax Commissioner). Under this agreement the Foundation is exempt from income tax and capital gains land appreciation tax on profits derived from sale of rights to land transferred thereto from P.J.C.A. (The Palastine Jewish Colonization Association, founded by the Baron Edmond de Rothschild).

   The above exemption applies under the agreement to the Company as well, which acts as an agent for the Foundation, as long as it transfers the excess of credits and receipts over charges from sale of the land to the Foundation.
   The said agreement reflects previous undertaking of the government of the State of Israel towards the Foundation as well as prior agreements regarding the full exemption from tax granted to the Foundation with respect to profits derived from sale of its land.
3. The Foundation was issued income tax assessments with respect to the years 2004 through 2012 in the amount of NIS 233 million (including interest and linkage differences until the date of receiving the assessments, so that linkage differences and interest will be added to the aforesaid amount from the date of receiving the assessments). In those tax assessments the Income Tax Authority contends, inter alia, that the Foundation's income from the sale of land and the Foundation's financing income, as well as the other income of the Foundation excluding its income from providing services to residents, should be classified as business income and are therefore subject to income tax, and that the Foundation and the Company are not entitled to an exemption from tax under the abovementioned agreement that was signed in 1989 between the Government of Israel and the Foundation (and also according to other prior agreements), since the aforementioned exemption was not enacted into law.
   The Foundation filed appeals on the assessments for the 2004-2012 tax year but these were denied.
   The foundation and the Tax authorities are conducting negotiations in an attempt to resolve the dispute out of court. As at the date of signing the financial statements the parties have not yet reached an agreement.
   The Foundation's Management is of the opinion that it is exempt from tax on income derived from the sale of land, inter alia, pursuant to the commitments of the Israeli government and that it is exempt from tax on financing income and on its other income based on Section 9(2) of the Income Tax Ordinance.

   [redacted] 11

Note 20 - Taxation (cont'd)

A. Taxation of the Foundation (cont'd)

4. Since the beginning of 2011, the tax authorities began issuing the Foundation betterment tax assessments in relation to the sales of land reported to them, since according to their position these sales are subject to income tax. Thus, according to their position, in order to receive an exemption from betterment tax on sales of land, the Foundation must provide a confirmation from the Assessing Officer stating that income tax has been paid on these sales. The position of the Foundation is that sales of land by it are exempt from income tax and betterment tax, and this issue, inter alia, is the subject of the appeal described in Note 20.A.3. In any case, due to the position of the tax authorities (disputed by the Foundation as aforesaid) and so that the Foundation may receive from the tax authorities betterment tax confirmations on the sale of land (necessary in order to transfer the lands at the Land Registrar's Office) in relation to the current sales of land as mentioned, even prior to a judicial decision being made on the appeal, an arrangement was reached with the tax authorities by which the Foundation shall post a bond at an amount equal to 3% of the consideration received by it from selling the land rights (which shall serve as an advance payment on account of the tax if the appeal determines that the Foundation is in fact obligated to pay the aforementioned tax).
   As at December 31, 2016, the total amount transferred to the Income Tax Authority amounted to NIS 10,462 thousand, which was recorded by the Foundation as a receivable asset.

B. Taxation of the Company

The exemption as above will apply under the agreement also to the Company, which is an acting agent for the Foundation, as long as it transfers it's excess of credits and receipts over charges from sale of the land to the Foundation.

C. Taxation of the Assets Company

The Assets Company has taxable income from its building rental business.
The Assets Company has tax assessments considered final up to and including the year ended 2012.

D. Taxes on income included in the statements of activities

	Consolidated		Convenience translation (Note 2C)
	Year ended December 31,		Year ended December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Current taxes	1,685	1,910	438
Deferred taxes	169	85	44
Taxes in respect of previous years	-	(38)	-
	1,854	1,957	482

Note 20 - Taxation (cont'd)

E. Deferred taxes

	Consolidated			
	Investments Property and fixed assets	Other, net	Total	Convenience translation (Note 2C)
	NIS thousands			U.S.$ thousands
Balance as at January 1, 2015	798	51	849	221
Changes in 2015	(98)	13	(85)	(22)
Balance as at January 1, 2016	700	64	764	199
Changes in 2016	**(177)**	**8**	**(169)**	**(44)**
Balance as at December 31, 2016	**523**	**72**	**595**	**155**

F. The deferred taxes are presented in the balance sheet as follows:

	Consolidated		Convenience translation (Note 2C)
	Year ended December 31,		Year ended December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Current assets	**48**	41	**13**
Long-term assets	**547**	723	**142**
	595	764	**155**

Note 21 - Financing , net

	The Foundation			Consolidated		
	Year ended December 31,		Convenience translation (Note 2C) Year ended December 31,	Year ended December 31,		Convenience Translation (Note 2C) Year ended December 31,
	2016	2015	2016	2016	2015	2016
	NIS thousands		U.S.$ thousands	NIS thousands		U.S.$ thousands
Financing income						
Interest and linkage differences from deposits and cash and cash equivalents	1,251	262	325	1,251	265	325
Interest from bonds and dividends	22,863	* 23,101	5,946	22,863	* 23,101	5,946
Related to other investments ,net	-	4,349	-	-	4,349	-
	24,114	27,712	6,271	24,114	27,715	6,271
Financing expenses						
Related to liabilities to surrounding communities, net	3,642	3,675	947	3,642	3,675	947
Related to other donations	500	868	130	500	868	130
Interest to banks	-	-	-	2,662	2,339	692
Loss on securities	5,314	* 10,583	1,382	5,314	* 10,583	1,382
Related to other investments, net	3,579	-	931	3,579	-	931
Other	-	-	-	46	5	12
	13,035	15,126	3,390	15,743	17,470	4,094
	11,079	12,586	2,881	8,371	10,245	2,177

*Reclassified

Note 22 - Other Expenses

	The Foundation and Consolidated		
	Year ended December 31,		Convenience translation (Note 2C) Year ended December 31,
	2016	2015	2016
	NIS thousands		U.S.$ thousands
Projects in Caesarea Harbor *	17,051	6,257	4,435
Previous years expenses (income)	(38)	713	(10)
Other	-	12	-
	17,013	6,982	4,425

* Costs connected with the erection, preservation and reconstruction of historic sites. See also Note 2M. The expenses that were recorded in the reporting period mainly relate to the vaults harbor project and the wall promenade. The Foundation expects that in the coming years it will have additional similar expenses.

Note 23 - Nominal Historical Data for Tax Purposes

A. Balance sheets:

	The Foundation	
	December 31,	
	2016	2015
	NIS thousands	
Assets		
Current assets		
Cash and cash equivalents	**101,098**	73,187
Current maturities of long-term deposits with banks	**29,422**	-
Quoted securities	**769,702**	790,931
Accounts receivable	**11,138**	8,339
Current maturities of capital notes	**7,085**	5,865
Other investments	**18,619**	-
	937,064	878,322
Investments and long term receivables		
Long-term deposits with banks	-	27,814
Development costs and plots for sale	**75,566**	63,025
Other investments	**79,451**	101,461
	155,017	192,300
Investments in subsidiaries	**352,934**	317,134
Investment property, net	**20,089**	19,768
Fixed assets, net	**29,527**	28,976
	1,494,631	1,436,500
Liabilities and capital		
Current liabilities		
Current maturities of liabilities for donations to surrounding communities	**13,357**	13,430
Current maturities of liability for annexation of cluster 12	**147**	-
Provision for additional costs to be incurred in the development of clusters and industrial zone	**21,455**	21,068
Other payables	**2,690**	4,033
	37,649	38,531
Long-term liabilities		
Severance pay, net	**63**	95
Liability for annexation of cluster 12	-	968
Commitments for donations	**155,419**	141,039
Net assets		
Share capital	*	*
Capital surplus	*	*
Net assets designated by the Foundation for the ambassadors program	**7,447**	9,230
Net assets designated by the Foundation for municipal activity	**954**	618
General reserve	**1,293,099**	1,246,019
	1,301,500	1,255,867
	1,494,631	1,436,500

* Less than NIS 1 thousand.

Note 23 - Nominal Historical Data for Tax Purposes (cont'd)

B. Statements of activities:

	The Foundation	
	December 31,	
	2016	2015
	NIS thousands	
Income		
Financing, net	11,079	* 12,586
Sales of plots and leases (a)	93,643	117,060
Rentals and leases	22,236	21,785
Golf Club	10,491	10,743
Municipal services and water supply	87,291	83,108
	224,740	245,282
Expenses		
Development expenses (b)	23,435	22,506
Rental and leases	13,196	12,907
Golf Club	11,592	11,741
Municipal services and water supply	51,085	49,825
Marketing expenses	2,277	2,199
Administrative and general expenses	17,872	* 13,749
Other	17,013	6,982
Donation expenses and cost of activities regarding donations	53,459	18,491
	189,929	138,400
Excess of income over expenses	34,811	106,882
Foundations' share in net results of a subsidiary	10,822	10,181
Net income over expenses for the year	45,633	117,063
(a) Comprise as follows:		
Sales - Clusters	78,046	59,532
Sales - Industrial zone	5,759	48,055
Leases - Industrial zone	9,838	9,473
	93,643	117,060
(b) Comprise as follows:		
Clusters	20,761	19,877
Industrial zone	2,674	2,629
	23,435	22,506

*Reclassified

Note 23 - Nominal Historical Data for Tax Purposes (cont'd)

C. Changes in net assets:

			Unrestricted net assets				
	Share capital	Capital surplus	Net assets designated by the Foundation for municipal activity	Net assets designated by the Foundation for the ambassadors program	General reserve	Net income from activities	Total
	NIS thousands						
Balance as at January 1, 2015	* -	* -	516	8,967	1,129,321	-	1,138,804
Changes during 2015:							
Net income over expenses	-	-	-	-	-	117,063	117,063
Amounts designated by the Foundation for the ambassadors program	-	-	-	9,500	(9,500)	-	-
Amounts designated by the Foundation for the municipal activity	-	-	102	-	(102)	-	-
Amounts expensed during the year	-	-	-	(9,237)	9,237	-	-
Transfer to general reserve	-	-	-	-	117,063	(117,063)	-
Balance as at December 31, 2015	* -	* -	618	9,230	1,246,019	-	1,255,867
Changes during 2016:							
Net income over expenses	-	-	-	-	-	45,633	45,633
Amounts designated by the Foundation for the ambassadors program	-	-	-	4,765	(4,765)	-	-
Amounts designated by the Foundation for the municipal activity	-	-	336	-	(336)	-	-
Amounts expensed during the year	-	-	-	(6,548)	6,548	-	-
Transfer to general reserve	-	-	-	-	45,633	(45,633)	-
Balance as at December 31, 2016	* -	* -	954	7,447	1,293,099	-	1,301,500

* Less than NIS 1 thousand.

Note 24 - Subsequent Events

In January 2017 the Company entered into a development agreement in the amount of NIS 36 million with respect to 45 dunams of land in the industrial park. Proximate to the date of signing the agreement the buyer paid an advance payment of NIS 10.8 million. The rest of the consideration will be transferred when the planning and building authorities approve the building plan. Execution of the transaction is subject to meeting a number of preconditions as indicated in the agreement.

Name of Subsidiary	Percentage in equity %	Percentage of voting rights %
The Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd.	100	100
The Caesarea Edmond Benjamin de Rothschild Assets Corporation (2001) Ltd.	100	100