

**TECHNION – ISRAEL
INSTITUTE OF TECHNOLOGY**

**FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2016**

Financial Statements as of September 30, 2016

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Auditors' Report for the Technion Council and for the Board of Governors of the Technion - Israel Institute of Technology

We have audited the accompanying balance sheets of the Technion – Israel Institute of Technology (hereinafter – "the Technion") as of September 30, 2016 and 2015 and the consolidated balance sheets as of September 30, 2016 and 2015, statements of activities, statements of changes in net assets and statements of cash flows of the Technion and consolidated for each of the years ended on such dates. These financial statements are the responsibility of the Technion's Council and its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditors' Mode of Performance) 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 Technion's Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As mentioned in Note 2B, the financial statements were prepared in accordance with principles prescribed by the Planning and Budgeting Committee of the Council for Higher Education, as were approved by the Council for Higher Education on November 4, 2009 (hereinafter – "the PBC principles").

In our opinion and on the basis of our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Technion and the consolidated as of September 30, 2016 and 2015 and the statements of activities, statements of changes in net assets and statements of cash flows of the Technion and consolidated for each of the years ended on such dates, in accordance with the PBC principles.

Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, March 28, 2017

Balance Sheets as of September 30


	Note	Consolidated		Technion	
		2016	2015	2016	2015
		NIS thousands		NIS thousands	
Assets					
Current assets:					
Cash and cash equivalents		339,139	599,593	228,423	495,945
Related companies and institutions	4	1,131	879	3,988	50,816
Accounts receivable	5	103,116	102,554	32,003	28,989
Inventory		4,490	4,492	787	753
		447,876	707,518	265,201	576,503
Long-term investments:					
Investments in investee companies	6	29,653	25,985	36,046	1
Consolidate – Long term receivables	4A	-	-	31,416	-
Investments in securities and deposits	7	6,133,729	5,652,873	6,062,997	5,649,075
		6,163,382	5,678,858	6,130,459	5,649,076
Fixed assets, net	8	1,019	1,033	1,019	1,033
Total assets		6,612,277	6,387,409	6,396,679	6,226,612

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

Balance Sheets as of September 30

Balance Sheets as of September 30					
		Consolidated		Technion	
		2016	2015	2016	2015
Note		NIS thousands		NIS thousands	
Liabilities					
Current liabilities:					
		63,507	75,080	31,561	38,035
	9	168,909	*172,921	113,132	117,139
		527	848	-	-
		92,357	87,621	-	-
	3	28,441	11,101	28,441	11,101
		43,252	39,700	38,576	36,879
		396,993	387,271	211,710	203,154
Long-term liabilities					
	10B	265,665	270,692	235,931	238,581
	6	-	-	-	56,294
	11	169,273	188,011	169,273	188,011
		49,391	49,930	48,810	49,067
		484,329	508,633	454,014	531,953
Contingent liabilities					
	12				
		881,322	895,904	665,724	735,107
Net assets					
Unrestricted net assets					
		-	-	-	-
		4,287,164	4,086,968	4,287,164	4,086,968
		1,019	1,033	1,019	1,033
		(265,665)	(270,692)	(265,665)	(270,692)
	13A	4,022,518	3,817,309	4,022,518	3,817,309
Restricted net assets					
	13B	1,127,923	* 1,087,939	1,127,923	* 1,087,939
	13B	580,514	* 586,257	580,514	* 586,257
		1,708,437	1,674,196	1,708,437	1,674,196
		5,730,955	5,491,505	5,730,955	5,491,505
		6,612,277	6,387,409	6,396,679	6,226,612

* Reclassified.



Prof. Peretz Lavie
President and Council Member



Matanyahu Englman
Executive V.P.
and Director General



Dganit Shindelman
Deputy Director General
of Finance

Date of approval of the financial statements: March 28, 2017

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

Statement of Activities for the Year Ended September 30

		Consolidated		Technion	
		2016	2015	2016	2015
Note		NIS thousands		NIS thousands	
Income from activities:					
Allocations from the Planning and Budgeting Committee	14	979,574	965,391	979,574	965,391
Income from research		356,211	325,615	-	-
Donations through Technion societies	15	79,708	64,685	79,708	64,685
Income from students	16	221,828	219,769	179,792	182,824
Royalties and patents		33,566	58,387	-	-
Amounts released from restricted net assets to activities		267,639	282,776	267,639	282,776
Other income (see Note 7A)		126,390	61,584	39,806	39,085
		2,064,916	1,978,207	1,546,519	1,534,761
Cost of activities:					
Teaching and research and auxiliary services	17	1,286,361	1,240,644	936,152	920,588
Costs pertaining to students	18	133,898	134,908	133,898	134,908
Pensions, severance pay, paid vacation and redemption of sick pay	10,19	297,012	287,582	266,365	254,939
Construction and maintenance		232,072	224,669	232,072	224,669
Other direct expenses		59,140	* 53,237	38,373	* 37,495
		2,008,483	1,941,040	1,606,860	1,572,599
Net income (expenses) from activities before general and administrative					
General and administrative expenses	20	56,433	37,167	(60,341)	(37,838)
Raising donations and public relations		63,235	* 66,986	41,524	* 40,669
		17,525	17,113	17,525	17,113
Net expenses from activities before financing					
		(24,327)	(46,932)	(119,390)	(95,620)
Financing income, net	21	209,239	* 6,683	207,503	* 10,042
Net income (expenses) after financing					
Share of net ordinary income (expenses) of equity accounted entities		184,912	(40,249)	88,113	(85,578)
		(4,460)	(4,863)	92,339	40,466
Net income (expenses) from activities					
		180,452	(45,112)	180,452	(45,112)
Income in respect of prior years	11	11,104	4,657	11,104	4,657
Net income (expenses) for the year					
		191,556	(40,455)	191,556	(40,455)

* Reclassified.

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

Statements of Changes in Net Assets for the Year Ended September 30, 2016

	Unrestricted net assets					Restricted net assets				
	For use in activities		Used for fixed assets	In respect of reserves for employee retirement benefits	Total unrestricted	Temporarily restricted	Temporarily restricted research and chairs	Permanently restricted	Total restricted	Total
	Not designated by the Technion	Designated activities of the Technion								
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as at October 1, 2014	-	4,077,226	1,047	(262,873)	3,815,400	* 818,859	194,994	* 564,054	1,577,907	5,393,307
Net expenses for the year	(40,455)	-	-	-	(40,455)	-	-	-	-	(40,455)
Amounts designated by the Technion, net	14,935	(14,935)	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	269,139	31,091	11,232	311,462	311,462
Allocations	-	-	-	-	-	11,254	409	-	11,663	11,663
Other	-	-	-	-	-	13,001	3,269	12	16,282	16,282
Finance, including foreign exchange differences	-	-	-	-	-	* 48,794	19,409	* 13,833	82,036	82,036
Interfund transfer	-	24,677	-	-	24,677	* (33,650)	11,847	* (2,874)	(24,677)	-
Amounts matched and released	17,701	-	-	-	17,701	(17,701)	-	-	(17,701)	-
Depreciation	-	-	(14)	-	(14)	-	-	-	-	(14)
Satisfaction of program restrictions	-	-	-	-	-	(226,852)	(55,924)	-	(282,776)	(282,776)
Expenses in respect of adjustment of reserves for employee retirement benefits	7,819	-	-	(7,819)	-	-	-	-	-	-
Balance as at September 30, 2015	-	4,086,968	1,033	(270,692)	3,817,309	* 882,844	205,095	* 586,257	1,674,196	5,491,505

* Reclassified.

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

Statements of Changes in Net Assets for the Year Ended September 30, 2015

	Unrestricted net assets					Restricted net assets				
	For use in activities		Used for fixed assets	In respect of reserves for employee retirement benefits	Total unrestricted	Temporarily restricted	Temporarily restricted research and chairs	Permanently restricted	Total restricted	Total
	Not designated by the Technion	Designated activities of the Technion								
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as at October 1, 2015	-	4,086,968	1,033	(270,692)	3,817,309	* 882,844	205,095	* 586,257	1,674,196	5,491,505
Net income for the year	191,556	-	-	-	191,556	-	-	-	-	191,556
Amounts designated by the Technion, net	(198,559)	198,559	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	244,266	48,951	18,641	311,858	311,858
Allocations	-	-	-	-	-	2,882	394	-	3,276	3,276
Other	-	-	-	-	-	12,453	1,443	-	13,896	13,896
Finance, including foreign exchange differences	-	-	-	-	-	9,281	1,457	(24,221)	(13,483)	(13,483)
Interfund transfer	-	1,637	-	-	1,637	5,876	(7,350)	(163)	(1,637)	-
Amounts matched and released	12,030	-	-	-	12,030	(12,030)	-	-	(12,030)	-
Depreciation	-	-	(14)	-	(14)	-	-	-	-	(14)
Satisfaction of program restrictions	-	-	-	-	-	(222,321)	(45,318)	-	(267,639)	(267,639)
Expenses in respect of adjustment of reserves for employee retirement benefits	(5,027)	-	-	5,027	-	-	-	-	-	-
Balance as at September 30, 2016	-	4,287,164	1,019	(265,665)	4,022,518	923,251	204,672	580,514	1,708,437	5,730,955

* Reclassified.

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

Statement of Cash Flows for the Year Ended September 30

	Consolidated		Technion	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Cash flows from operating activities:				
Net income (deficit) for the year	191,556	(40,455)	191,556	(40,455)
Adjustments required to reflect cash flows from operating activities (Appendix A)	(556,210)	(258,088)	(564,079)	(295,408)
Net cash used in operating activities	(364,654)	(298,543)	(372,523)	(335,863)
Cash flows from investing activities:				
Sales of (investments in) securities, net	(220,464)	156,701	(224,029)	156,701
Proceeds from sale of fixed assets	-	4,710	-	4,710
Investments in associates	(6,062)	(10,629)	-	-
Proceeds from sale of investment in investee	719	733	-	-
Collection of loans from associates	1,444	1,913	-	-
Net cash from (used in) investing activities	(224,363)	153,428	(224,029)	161,411
Cash flows from financing activities:				
Repayment of finance lease liability	(467)	(554)	-	-
Donations included in temporarily restricted net assets	244,266	269,139	244,266	269,139
Donations included in temporarily restricted net assets - research	48,951	31,091	48,951	31,091
Allocations and other included in restricted net assets	17,172	27,945	17,172	27,945
Donations included in permanently restricted net assets	18,641	11,232	18,641	11,232
Net cash from financing activities	328,563	338,853	329,030	339,407
Increase (decrease) in cash and cash equivalents	(260,454)	193,738	(267,522)	164,955
Cash and cash equivalents as of beginning of year	599,593	405,855	495,945	330,990
Cash and cash equivalents as of end of year	339,139	599,593	228,423	495,945

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

Statement of Cash Flows for the Year Ended September 30

	Consolidated		Technion	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Appendix A - Adjustments required to reflect cash flows from operating activities				
Expenses (income) not involving cash flows				
Equity losses (profits), net	4,460	* 4,863	(92,339)	(40,466)
Capital gain on sale of investment	(719)	(733)	-	-
Adjustment of provision for impairment of associates	159	490	-	-
Increase in value of securities and deposits	(210,505)	*(13,771)	(207,503)	(10,291)
Profit from Novocure transaction	(64,472)	-	-	-
Capital gain from decline in holding rate	(8,430)	* (3,145)	-	-
Income from amounts released from restricted net assets	(267,639)	(282,776)	(267,639)	(282,776)
Changes in asset and liability items				
Decrease (increase) in accounts receivable, related companies and long-term receivables	(4,195)	11,714	7,154	10,650
Decrease (increase) in inventory	2	246	(34)	(106)
Increase (decrease) in liabilities for employee severance benefits	(1,881)	2,311	496	1,737
Increase (decrease) in suppliers and accounts payable	8,313	(19,577)	7,147	(16,446)
Increase (decrease) in other long-term liabilities	(11,303)	42,290	(11,361)	42,290
	(556,210)	(258,088)	(564,079)	(295,408)

* Reclassified.

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

Notes to the Financial Statements as of September 30, 2016

Note 1 - General

The Technion – Israel Institute of Technology (hereinafter – “the Technion”) is an institution of higher education according to the Council for Higher Education Law, 1958.

The Technion is registered for VAT purposes as a non-profit organization and for income tax purposes as a public institution whose public objective is education and science. The Technion has a wholly owned subsidiary, Technion Research and Development Foundation Ltd. (hereinafter: “TRDF”), which the Technion consolidates in its consolidated financial statements. The TRDF engages in:

1. Carrying out research, scientific tests and experiments, commercializing patents, and so forth.
2. Managing laboratories for business purposes.
3. Providing courses and lectures in the framework of the external studies unit.

Note 2 - Significant Accounting Policies

A. Definitions

In these financial statements –

- 1) Technion - The Technion – Israel Institute of Technology
- 2) Related companies and institutions – Companies or bodies in which the Technion has management rights or bodies associated with the Technion in accordance with Opinion 29.
- 3) Dollar – The US dollar.
- 4) TRDF - Technion Research and Development Foundation Ltd.
- 5) P&BC - The Planning and Budgeting Committee of the Council for Higher Education.
- 6) Subsidiary – TRDF, the financial statements of which are consolidated with the financial statements of the Technion.
- 7) Associates – Companies that the TRDF’s investment in which is stated, directly or indirectly, on the equity basis in the financial statements.
- 8) Investee companies – Subsidiaries or associates.
- 9) Financial statements – Balance sheet, statement of activities, statement of changes in net assets, statement of cash flows and the notes to the financial statements.
- 10) Unrestricted net assets – The portion of the Technion’s net assets that donors have not restricted, either permanently or temporarily.
- 11) Restricted net assets – The portion of the Technion’s net assets deriving from donations that were received or other inflow of assets, the use of which was restricted by donors or financers.
- 12) Temporary restriction – Conditions of donors that expire upon the occurrence of a certain event or the passing of time, or that can be fulfilled or removed by taking certain actions according to such conditions.
- 13) Permanent restriction – Conditions of donors that do not expire with the passing of time, and cannot be fulfilled or removed by taking certain actions according to such conditions. This kind of restriction permits using only the income from the donation.
- 14) Assets that their proceeds are restricted – Donations and other unilateral transfers that were received for the acquisition of fixed or other assets, and also assets that were received as a gift, that the donor has stipulated that the proceeds from the realization of such assets, if realized, will be used for a certain purpose.

Notes to the Financial Statements as of September 30, 2016

Note 2 - Significant Accounting Policies (cont'd)**B. P&BC principles**

These financial statements have been prepared according to guidelines regarding the accounting and financial reporting principles of higher education institutions in Israel that were approved by the plenum of the Planning and Budgeting Committee on November 4, 2009 (hereinafter – the P&BC instructions). The guidelines are based on the principles provided in the combined version of Opinion No. 69 of the Institute of Certified Public Accountants in Israel and Accounting Standard No. 5 of the Israel Accounting Standards Board for non-profit organizations, with exclusions regarding certain matters.

These guidelines apply to financial statements of higher education institutions in Israel as from October 1, 2009. Presented hereunder are certain accounting principles included in the P&BC's guidelines that were applied by the Technion and do not necessarily comply with accepted accounting principles:

1. Fixed assets

All the buildings, real estate, equipment and furniture owned by the Technion and used for teaching, research, administrative purposes and student service, are included in the financial statements as a current expense at their time of acquisition.

Real estate not used for the aforementioned purposes is presented according to an appraiser's assessment from the date the P&BC instructions came into effect. Depreciation is calculated on a straight-line basis from that date. See Note 8B.

2. Reserve for employee retirement benefits

a. According to the P&BC instructions, the provision for paid vacation is presented under long-term liabilities.

b. Budgetary pension – The actuarial obligation for budgetary pension is not recorded as a liability, but is presented in the notes to the financial statements until a comprehensive arrangement is reached with the government for financing the actuarial obligation for budgetary pension of higher education institutions.

C. The effect of changes in the general purchasing power of the Israeli currency

The financial statements have been prepared on the basis of the historical cost convention, irrespective of changes in the purchasing power of the Israeli currency.

D. Use of estimates

The preparation of financial statements in conformity with accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from such estimates.

E. Inventory

Inventory is presented at the lower of cost or market value.

Inventory includes spare parts, maintenance tools and materials that are in warehouses and have not yet been issued to the faculties. The inventory does not include inventory of materials located at the faculties which is presented as an expense. The inventory is presented based on quantities shown in inventory records (based on perpetual stocktaking) and on cost computed using the weighted moving average method.

Notes to the Financial Statements as of September 30, 2016

Note 2 - Significant Accounting Policies (cont'd)

F. Investments in securities and deposits

Investments in securities are stated as follows:

- a. Shares, marketable options and bonds - according to market value.
- b. Non-marketable securities - according to their accrued value. The Technion examines from time to time, in accordance with signs indicating a new recoverable amount of its investments, and records impairment according to their fair value.

G. Adjustment in value of restricted donations and allocations

In addition to linkage differences, the balance of restricted donations and allocations is awarded interest at a rate determined by management for each type of linkage, with this interest rate being determined according to the return on long-term investments.

H. Investments in subsidiaries and other companies

The Technion – The investment in the subsidiary - TRDF is presented on the equity basis. Investments in other subsidiaries, that are not significant, are presented at cost.

The Technion examines from time to time the value of its investments as required and records impairment on the basis of their fair value.

Consolidated – Investments of the subsidiary in associated companies are presented on the equity basis, other than investments that are not significant, which are presented at cost.

See Note 6A(4) and 6A(5) regarding 50% investments in foreign subsidiaries.

I. Consolidated financial statements

The consolidated financial statements include the financial statements of the Technion's subsidiary, TRDF, which is a subsidiary with significant activity. The activity of other subsidiaries, which is not significant, was not included in the consolidated financial statements.

J. Sabbatical rights

The liability for sabbatical leave payments to the academic staff is a conditional liability, not a vested right of the employee, since it is cancelled upon the employee's retirement or death. The expenses relating to this leave are therefore not accrued, but recognized in the period of the actual expenses.

K. Recognition of revenue

1. Revenues from all kinds of transfers (such as allocations from government bodies or bodies related to them in the framework of budgets for the same period as the financial statements of the Technion), that were budgeted but not yet received, are recognized as income if all the following provisions are fulfilled:
 - a. The existing information, as at the date of issuing the financial statements, shows that there is an irrevocable commitment of the donor, which refers to the period of the report.
 - b. The realization of the commitment is not dependent on the occurrence of any certain future event.
2. Pledges for donations not yet received will be recognized as income only if they were actually received by the Technion or a trustee of the Technion, until the date of preparing the financial statements. In extraordinary cases in which the pledges for donations not yet received can be legally enforced and realized, they will be recognized, as mentioned above, at the time of receiving the pledges.
3. Tuition – according to the year of study.
4. Rent – recognized on the cash basis.
5. Revenues from research are recognized on a "completed project" basis, upon completing the research.

Notes to the Financial Statements as of September 30, 2016

Note 2 - Significant Accounting Policies (cont'd)**L. Linked balances**

- Balances denominated in foreign currency or linked thereto are stated according to the representative rate of exchange as at balance sheet date.
Balances linked to the Consumer Price Index (CPI) are stated in accordance with their contractual linkage terms.
- The following are details of the US dollar exchange rate, the CPI (known index) and the changes therein:

	September 30, 2016	September 30, 2015	% change from October 1, 2015 to September 30, 2016
CPI – in points*	118.58	119.06	(0.4)
Exchange rate of US dollar (in NIS)	3.758	3.923	(4.21)

* On the 2006 average basis.

M. Budget

The original budget for the 2015 academic year is according to the budget that was approved by the Technion Council in its meeting from September 8, 2015. The budget is considered “accompanying information” and is not audited by the auditors.

N. Cash and cash equivalents

Cash and short-term deposits in banks, wherein the period from the date of deposit until the date of maturity is not more than three months.

O. Effect of new accounting standards in the period prior to their application

In December 2011 the Israel Accounting Standards Board issued Accounting Standard 9, *Financial Statements of Higher Education Institutions* (hereinafter: “the standard”). The standard provides that the financial statements of higher education institutions are to be prepared according to Opinion 69, Accounting Principles and Financial Reporting of Non-Profit Organizations and Accounting Standard 5, Amendments and Clarifications to Opinion 69, Accounting Principles and Financial Reporting of Non-Profit Organizations.

The standard is to be applied on a retrospective basis and it is effective for annual periods beginning on or after October 1, 2016. Early application is permitted subject to providing disclosure of the fact. The Technion is not planning to adopt the standard earlier.

In the opinion of the Technion the aforesaid standard will have a material effect on the financial statements because of two principal changes:

- Employee retirement benefits – The pension is presently recorded in the financial statements as an expense upon its payment to the retiree, and the Technion does not record a liability in the financial statements in respect of its actuarial obligation, rather only provides disclosure in a note. According to the standard, the Technion will be required to record a liability in respect of the actuarial obligation and to record the adjustment of the actuarial obligation as a current expense. Accordingly, on the date of transition a liability will be recognized for the payment of a budgetary pension to employees by means of a retrospective amendment against unrestricted net assets. As from that date the adjustment of the liability shall be recorded in the statement of activities.
- Fixed assets used in teaching, research, administration and service to students – In accordance with the new standard the cost of acquisition of fixed assets that is presently recognized as an expense in the statement of activities shall be recorded as a fixed asset in the balance sheet, and shall be depreciated annually. The standard provides 3 alternatives for the date of transition: prospective application from the date of transition (on the date of transition the fixed asset balances shall be recorded at zero), recording the fixed assets at cost on the date of transition, or recording the fixed assets at fair value on the date of transition.

Notes to the Financial Statements as of September 30, 2016

Note 2 - Significant Accounting Policies (cont'd)**O. Effect of new accounting standards in the period prior to their application (cont'd)**

The Technion is examining the effects of the standard's application on the financial statements, and has not yet chosen the alternative for recording the fixed assets as aforesaid. Subject to the aforesaid, the Technion assesses that if the standard had been applied in these financial statements, and the fixed assets had been recorded at depreciated cost, the effect on the statement of financial position and on the statement of activities and the statement of changes in net assets, would have been as follows:

	Net assets as at September 30, 2016	Statement of activities and statement of changes in net assets	Net assets as at September 30, 2015
	NIS billions	NIS billions	NIS billions
Employee retirement benefits	(7.48)	0.23	(7.25)
Fixed assets	1.54	0.02	1.56
Total net effect	(5.94)	0.25	(5.69)

If the fixed assets are presented at fair value, the balance shall be considerably higher than the depreciated cost presented above. See Note 10 for further information regarding the Technion's liability in respect of employee benefits.

Furthermore, in the framework of discussions with the Ministry of Finance there is a request of all the universities to turn the P&BC's annual participation in the budgetary pension into an official long-term liability on its part, so that it will be possible to record an asset in its respect.

Note 3 - Planning and Budgeting Committee

	Consolidated and Technion	
	September 30, 2016	September 30, 2015
	NIS thousands	NIS thousands
Credit balance at beginning of year	(11,101)	(26,132)
Current year allocations (see Note 14)	990,439	987,508
Less payments received during the year and amounts transferred directly to a third party, net	(1,007,779)	(972,477)
Credit balance at end of year	(28,441)	(11,101)

Notes to the Financial Statements as of September 30, 2016

Note 4 - Related Companies and Institutions

	Consolidated		Technion	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Technion Research and Development Foundation Ltd. (see A hereunder)	-	-	2,857	49,937
Madatech The National Museum of Science Technology and Space	404	-	404	-
Israel Institute for Marine Engineering Research Ltd.	30	170	30	170
Technion Sport Center Ltd.	421	515	421	515
The Samuel Neaman Institute for Advanced Studies in Science and Technology Ltd.	122	98	122	98
Lady Davis foundation	154	96	154	96
	1,131	879	3,988	50,816

- A. In an agreement between the Technion Research and Development Foundation (TRDF) and the Technion from 2016, the TRDF committed to pay its debt to the Technion in six annual payments as from September 1, 2016. Accordingly, an amount of NIS 31,416 thousand is presented in long-term receivables

Note 5 - Accounts Receivable

	Consolidated		Technion	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Students – for loans	13,637	14,029	13,637	14,029
Technion societies	6,118	1,184	6,118	1,184
Receivables and accrued income in respect of research	70,297	72,436	-	-
Public and government institutions	2,990	3,054	2,990	2,494
Employees	241	208	82	132
Prepaid expenses	8,155	8,621	7,805	8,385
Other receivables	1,678	3,022	1,371	2,765
	103,116	102,554	32,003	28,989

Note 6 - Investments in Subsidiary and Investee Companies

	Consolidated		Technion	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Investment in subsidiary: (see A.1 hereunder)				
Cost	-	-	80,098	80,098
Capital notes	-	-	76,481	76,481
Accumulated losses	-	-	(120,534)	(212,873)
Investment in subsidiary (liability to cover deficit of subsidiary – presented under long-term liability)	-	-	36,045	(56,294)
Investments in investee companies: (see A.3 hereunder)				
Investments in investee companies	29,653	25,985	1	1

Notes to the Financial Statements as of September 30, 2016

Note 6 - Investments in Subsidiary and Investee Companies (cont'd)**A. Details of the Technion's investments:**

1. Technion Research and Development Foundation Ltd. (hereinafter: "TRDF") – The Technion holds 100% of the share capital and voting rights in TRDF. This investment is presented on the equity basis.
2. TRDF's income from royalties and patents amounted to NIS 33,566 thousand in the year ended September 30, 2016 (NIS 58,387 thousand last year).
3. The Technion has associated entities such as: Israel Institute for Marine Engineering Research Ltd., Technion Sport Center Ltd., The Samuel Neaman Institute for Advanced Studies in Science and Technology Ltd. and others. The activity of these companies is insignificant compared to the Technion's activity and the investment is presented at a token value of NIS 1 thousand.
4. Joan and Irvin Jacobs Technion – Cornell Institute Inc. - JTCI
The Technion and the University of Cornell (hereinafter "Cornell") won a tender of New York City for the foundation of a technological institute and innovation center on Roosevelt Island in New York, and in February 2013 signed an agreement for the incorporation of a non-profit American entity, held by the parties in equal parts (50:50) (hereinafter "Jacobs"). Jacobs was recognized as a non-profit organization by the American tax authorities and by the State of New York. According to the agreement for constructing the campus (which will house Jacobs), the financial responsibility and risk arising from construction of the campus in general and its operation will belong solely to Cornell. In December 2015 an agreement was signed between Jacobs and Cornell, which arranges the administrative and operating services Jacobs will receive from Cornell and the payment for such services. The document emphasizes the principle that Jacobs shall operate such that its five-year budget is balanced. As part of its commitment to raise donations for Jacobs, Cornell undertook to subsidize Jacobs's rent payments as from 2017, the date of moving to the permanent location on Roosevelt Island, until June 2021. The Technion does not proportionately consolidate the financial statements of Jacobs since it is a foreign institution that cannot distribute profits. Presented hereunder are summary financial data of Jacobs as at June 30, 2016 and 2015 (in thousands of dollars):

	Unrestricted \$ thousands	Temporarily restricted \$ thousands	Permanently restricted \$ thousands	Total for the year ended June 30	
				2016 \$ thousands	2015 \$ thousands
Income	4,752	1,350	2,803	8,905	16,862
Release from restriction	3,231	(3,231)	-	-	-
Expenses	7,412	-	-	7,412	6,768
Changes in assets, net	571	(1,881)	2,803	1,493	10,094
	Total for the year ended June 30				
	2016 \$ thousands	2015 \$ thousands			
Total assets	20,183	18,444			
Net assets:					
Unrestricted	7,370	6,800			
Temporarily restricted	3,206	5,087			
Permanently restricted	9,265	6,461			
Total net assets	19,841	18,348			

Notes to the Financial Statements as of September 30, 2016

Note 6 - Investments in Subsidiary and Investee Companies (cont'd)**A. Details of the Technion's investments: (cont'd)**5. Agreement with Shantou University for foundation of technological institute (Guangdong Technion Israel Institute of Technology – GTIIT)

In September 2013 a memorandum of understandings was signed between the Technion and Shantou University for the foundation of a joint technological institute, which will be an academic branch of the Technion in Shantou, granting degrees of the Technion and being academically supervised by the Technion (hereinafter: "GTIIT").

In November 2013, a "framework agreement" was signed between Shantou University, the Technion and the Shantou Municipality, by which the municipality will provide a lot of land for the construction of GTIIT, and the Chinese government will provide grants to GTIIT in the amount of \$ 150 million for the purpose of its construction and the beginning of its operation.

This agreement was replaced by an agreement signed in August 2016. by four parties, the Technion, the Shantou University, the Shantou Municipality and GTIIT. It defines the investment and adaptation needs for construction of the "north campus" (estimated investment - more than \$ 100 million), investments in equipment and other operating expenses (more than \$ 100 million in the first five years) and plans for continuing expansion of the construction to the "south campus" (estimated investment of \$ 360 million). According to the agreement, the detailed planning of the "south campus" will only start with the approval of the Technion and according to the academic needs of GTIIT. The agreement also clarified that Shantou Municipality will allot the lands on both campuses for no consideration to the Shantou University for the educational, research and other related activities of GTIIT;.. When the activity ends – the lands and buildings will be transferred to the ownership of the Shantou University. The Technion will have no dismantling responsibility and will not be required to provide money, loans or guarantees.

A joint management committee was established for GTIIT in which there are 4 representatives of the Technion and 4 representatives from China.

In November 2015 the project was presented at the meeting of the P&BC and the Council for Higher Education, and approval was received for the Technion's activity in China, subject to conditions the Technion had to meet. The Technion has fulfilled the conditions.

In December 2015 a cornerstone ceremony was held with the participation of high level persons from Israel and China and the construction of the campus began. Construction of the campus is expected to be completed in July 2017.

In December 2016 the Chinese education ministry recognized GTIIT as a higher education institution in China and began enrolling students for the opening of the first academic year in September 2017.

The Technion focuses its activity mainly on recruiting the academic staff and some of the administrative and technical staff for the new campus. The target date for completing recruitment is August 2017. The members of the academic staff will receive academic appointments from the Technion, based on Technion procedures, but GTIIT will employ them, not Technion. The P&BC and the Council for Higher Education were updated by the Technion on all the aforementioned actions.

The budget of the activity for the period from September 2015 to December 2016 amounted to US\$ 2.2 million and was fully covered by Chinese government sources.

As at the date of the financial statements the activity is immaterial.

Notes to the Financial Statements as of September 30, 2016

Note 6 - Investments in Subsidiary and Investee Companies (cont'd)**B. Details of TRDF holdings in directly held associated companies:**

<u>Name of company</u>	<u>Held by TRDF</u>		<u>Held by investee companies</u>	
	<u>Voting</u>	<u>Profits</u>	<u>Voting</u>	<u>Profits</u>
1. Dimotech Ltd.	100%	100%	-	-
2. Amit - Alfred Mann Institute at the Technion Ltd.	100%	100%	-	-
3. Sealantis Ltd.	15%	15%	20%	20%
4. Sanoculis Ltd.	5%	5%	6%	6%
5. Accellta Ltd.	26%	26%	22%	22%
6. Welltodo Ltd.	17%	17%	-	-
7. Sandboxmodel – SBM Ltd.	25%	25%	-	-
8. Technological Incubator founded by TRDF	17%	17%	-	-
9. Agileye Technologies Ltd.	17%	17%	-	-
10. Codota Dot Com Ltd.	15%	15%	-	-
11. Ellox Pharmaceuticals Ltd.	4%	4%	-	-
12. Slender Medical Ltd.	10%	10%	-	-
13. Metabomed Ltd.	2%	2%	-	-
14. Israeli Technology Transfer Organization Ltd. (ITT)	8%	8%	-	-
15. Adicet Bio Israel Ltd (shares that in 2016 replaced the shares of Applied Immune Technologies Ltd.)	2%	2%	-	-
16. Pneomedicare Ltd.	9%	9%	-	-
17. Genegraft Ltd.	7%	7%	-	-
18. Integrated Nano-Technologies LLC (INT)	6%	6%	-	-
19. Alberta Nano - Monitoring Systems Ltd.	4%	4%	-	-
20. Todos Technologies Ltd.	3%	3%	-	-
21. Regentis Biomaterials Ltd.	2%	2%	-	-
22. Cortica Ltd.	1%	1%	-	-
23. Liquidcomp - Bit Ltd.	3%	3%	-	-
24. Avraham Pharmaceuticals Ltd.	2%	2%	-	-
25. PML – Particles Monitoring Technologies Ltd.	2%	2%	-	-
26. Tehuti Networks Ltd.	-	-	0.11%	0.11%
27. D.C.Sirica Co.	2%	2%	-	-
28. Nano Spun Technologies Ltd.	1%	1%	-	-
29. Nutrinia Ltd.	5%	5%	-	-
30. The Technion Enterperneurial Incubator Companies Ltd.	1%	1%	99%	99%
31. Medic Vision -Imaging Solutions Ltd.	1%	1%	-	-
32. Cellaris Ltd.	1%	1%	-	-
33. Elminda Ltd.	1%	1%	-	-
34. Jetcu PCB Ltd.	1%	1%	-	-
35. Viaqua Therapeutics Ltd.	10%	10%	-	-
36. Nanovation G.S. Ltd.	8%	8%	-	-
37. Deep Learning Robotics Ltd.	5%	5%	-	-
38. Digiflex Ltd.	1%	1%	-	-
39. Environmental Systems Ltd.	-	-	50%	50%
40. Correlsense Ltd.	-	-	0.07%	0.07%
41. M.R.S. Medical Sleep Centers Ltd.	-	-	59%	59%
42. Spine 21 Ltd.	1%	1%	-	-
43. Ultraspect Ltd.	-	-	14%	14%
44. Skyrad Ltd.	-	-	17%	17%
45. ARTsy360 Ltd.	12%	12%	-	-
46. Eximo Medical Ltd.	1%	1%	6%	6%

Notes to the Financial Statements as of September 30, 2016

Note 6 - Investment in Subsidiary and Investee Companies (cont'd)**B. Details of the TRDF holdings in investee companies: (cont'd)**

<u>Name of company</u>	<u>Held by TRDF</u>		<u>Held by investee companies</u>	
	<u>Voting</u>	<u>Profits</u>	<u>Voting</u>	<u>Profits</u>
47. Perflow Medical Ltd.	-	-	4%	4%
48. Cologuard Ltd.	-	-	5%	5%
49. MEmic	-	-	3%	3%
50. Renalsense	-	-	2%	2%
51. Inplant Technologies Ltd.	35%	35%	-	-
52. BEE (Best Emulsifying Equipment) International Ltd.	-	-	15%	15%
53. Carticure Ltd.	2%	2%	-	-
54. Delta	4%	4%	-	-
55. Cole Capital	17%	17%	-	-
56. Liberdi Ltd.	5%	5%	-	-
57. Microbot Medical Ltd.	12%	12%	-	-
58. Newrocket Ltd.	21%	21%	-	-
59. Olfaguard Ltd.	6%	6%	-	-
60. Safe4use Ltd.	-	-	17%	17%
61. The Whollysee Ltd.	5%	5%	-	-
62. Nanit Israel Ltd. – Audisense Inc.	1%	1%	-	-
63. Verifyoo Ltd.	3%	3%	-	-
64. Vigor Ltd.	4%	4%	-	-
65. Xact Robotics Ltd.	12%	12%	-	-
66. Bristack Biomedical Ltd. (b)	-	-	-	-
67. Seitan Reeson	33%	33%	-	-
68. Prolor Biotech (b)	-	-	-	-
69. Technion Investment Opportunities Fund, Limited Partnership (c)	-	-	-	-

- (a) There are additional investments in inactive companies that are not include in the table above.
- (b) The TRDF does not have precise information regarding its share in the investee. In any case, the holding rate is immaterial.
- (c) According to an agreement between the Technion and TRDF (hereinafter – the agreement), a limited partnership was founded on August 15, 2011 that began operating in 2012 for an indefinite period of time. According to the agreement, TRDF serves as the general partner of the partnership whereas the Technion is the partnership's limited partner. The partnership was founded for the purpose of investing in hi-tech companies by means of money the Technion will transfer to it whereas TRDF will be responsible for its management. The Technion undertook to invest US\$ 10 million on the dates specified in the agreement and will not be responsible for amounts charged to the partnership beyond the amounts of its investment.
As at the date of the financial statements the partnership has invested an amount of NIS 23 million in 13 technology companies.
The Technion's investment is presented in the financial statements within the item of investments in securities and deposits.

Notes to the Financial Statements as of September 30, 2016

Note 7 - Investments in Securities and Deposits

	Consolidated		Technion	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Deposits				
Linked to the CPI	2,278,807	2,129,606	2,278,807	2,129,606
Denominated in foreign currency or linked thereto	34,096	50,357	34,096	50,357
Unlinked	189,641	390,506	189,641	390,506
	2,502,544	2,570,469	2,502,544	2,570,469
Marketable securities				
Bonds	1,919,537	1,638,623	1,919,537	1,638,623
Shares and options	1,605,469	1,519,472	1,566,998	1,515,674
	3,525,006	3,158,095	3,486,535	3,154,297
Non-marketable securities				
Non-marketable options (a)	32,261	-	-	-
Corporate bonds	174,007	265,612	174,007	265,612
State of Israel Bonds	9	10	9	10
Non-marketable capital funds	99,736	82,575	99,736	82,575
	306,013	348,197	273,752	348,197
	6,333,563	6,076,761	6,262,831	6,072,963
Less cash and cash equivalents (included in cash and cash equivalents)	199,834	423,888	199,834	423,888
	6,133,729	5,652,873	6,062,997	5,649,075

- a. Non-marketable options of Novocure Ltd. The options were exercised in marketable shares subsequent to the date of the financial statements. In 2015 TRDF signed a compromise agreement with Novocure in which it was agreed that Novocure would compensate TRDF for the knowhow that was transferred to Novocure by a professor emeritus of the Technion. According to the agreement, Novocure paid TRDF an amount equal to US\$ 1 million in 2015 and an additional amount of US\$ 1 million was paid to TRDF in 2016. It was also decided that Novocure would pay TRDF an additional amount of US\$ 5.5 million upon occurrence of the earlier of a merger, acquisition or sale of most of the assets of a group company of Novocure, and the quarter in which the total sales turnover of Novocure since its incorporation exceeds \$ 250 million. In addition to the aforesaid TRDF received non-marketable shares and share options of Novocure (hereinafter – the securities). In 2015 TRDF recognized revenue in the amount of US\$ 2 million from the cash that was received but did not recognize revenue from the securities it received, since in the absence of quoted data from an active market on the securities that were received, the revenue could not be measured reliably. In 2016 TRDF recognized a gain on the compromise agreement following the public issuance of shares of Novocure on an American stock exchange that took place in October 2015, after which a quoted market value exists for the securities and options.

Notes to the Financial Statements as of September 30, 2016

Note 8 - Fixed Assets, Net**A. Fixed assets not used for teaching and research activity:**

	Consolidated and Technion	
	September 30, 2016	September 30, 2015
	Land and buildings NIS thousands	Land and buildings NIS thousands
Revaluation		
Balance as at the beginning of the year	1,117	1,117
Disposals in the year	-	-
Balance as at September 30	1,117	1,117
Accumulated depreciation		
Balance as at the beginning of the year	84	70
Depreciation for the year	14	14
Balance as at September 30	98	84
Depreciated balance as at September 30	1,019	1,033

B. Fixed assets that were revalued on the initial date of applying the P&BC instruction:

	Balance of revaluation September 30, 2015 and 2016 NIS thousands
Convention center and offices - 1 King David Boulevard	675
Orchard – Hadera, block 7728, plot 51	200
Orchard – Lev Hasharon – block 7754, half of plot 60	150
North of Sede Warburg – block 7676 part of plots 40, 41, 43, 50, 39, 38, 37, 36, 35, 34, 31, 29, 27, 25, 13, 8	92
	1,117

C. Fixed assets used for education and research activities that were not revalued:

- (a) The buildings at the Technion Campus and the medical science building were built on land leased from the Israel Lands Authority (ILA). The lease contract has not yet been signed and the lease has not yet been registered with the Land Registry Office. There is no dispute regarding the Technion's lease rights with respect to the land. Negotiations are currently being held between the Technion and the Israel Lands Authority regarding the terms of the lease. The Technion pays current lease payments in respect of these properties. With regard to the part of the campus, designated for student dormitories (undergraduate), ILA drafted a lease agreement but Technion did not sign it, since there were discrepancies with the agreement and in any case, the dormitories are a part the campus, to which the Technion has lease rights. Nevertheless, on February 3, 2016 the transaction was reported to the tax authority by ILA and on September 8, 2016 the Technion received an assessment for purchase tax. On October 2016 an objection was submitted in which cancellation of the tax was requested.
- (b) The land on which the Kasel Dormitories were built was allotted to the Technion by the Haifa municipality for the purpose of constructing dormitories. The dormitories are in the possession of the Technion. According to an understanding from 2006 between the Haifa municipality and the Technion, the parties will handle the transfer of the municipality's rights in the property to the Technion. The Technion and the municipality have applied to ILA to execute this arrangement. In April 2016 the city council approved the allotment process, and at the beginning of 2017 a sublease agreement was signed between the Haifa municipality and the Technion.

Notes to the Financial Statements as of September 30, 2016

Note 8 - Fixed Assets, Net (cont'd)**C. Fixed assets used for education and research activities that were not revalued: (cont'd)**

- (c) The historic campus at Hadar HaCarmel – The land on which the building in the Hadar neighborhood in Haifa was built was purchased in 1908 by a German donor who designated it for the construction of a higher education institution for technological studies and in 1927 transferred it to Keren Kayemet Le'Israel at a token price. The building was constructed in 1912. A lease agreement has not been prepared with the Technion and the lease has not yet been registered with the Land Registry Office. The land is in the process of arrangement. Keren Kayemet Le'Israel and Keren Hayesod are in disagreement regarding the rights of Keren Hayesod in the land. The Technion's ownership claim was denied and the claim of Keren Kayemet Le'Israel against Keren Hayesod was accepted. Keren Hayesod filed an appeal and the Technion filed a counter appeal.
- (d) Chorev residential apartment buildings – Land of an area of 4.8 dunams in Haifa (block 10797 plots 2-5) that was purchased by the Technion in 1951 as an open public area. The land was registered in the name of the municipality, and the Technion was allowed to construct on it a number of huts for the residence of faculty members. In January 2006 a demand was received from the Haifa municipality to vacate the area and remove the structures. The demand was refused by the Technion. In 2008 the Technion decided to propose to the Haifa municipality to restore its responsibility and ownership of the area, provided the rights of the tenants would be preserved.
- In 2014 an agreement was signed between the Haifa municipality and the Technion by which until such time as all the temporary structures on the site are vacated, the Technion will continue to have sole responsibility for the entire site and all that is built on it. Soon after vacating the last of the huts, the Technion will complete the destruction of all the huts at its own expense, and will hand over the entire cleared site to the municipality. In the opinion of management, the cost of the destruction and removal is immaterial.
- (e) Leasehold until 2023 of a plot located near the School of Medicine (block 11696 plot 9).
- (f) A residential apartment on 6 Ruth Hachohen Street in Haifa (block 11200 plots 64 (1/2) and 310 (1/2)).
- (g) Office on 22 Helsinki Street in Tel-Aviv (block 6108 plot 89/1).
- (h) Rappaport building and adjacent lot – The site of the Rappaport building was allotted to the Technion, which on it built the Rappaport Faculty of Medicine that serves only the Technion and the Rappaport Institute. As at September 30, 2016, the land is still not registered in the name of the Technion.
- On November 17, 2016 the Technion and ILA signed a lease contract until March 20, 2025 with an option for its extension by another lease period. On December 1, 2016 the lease agreement was reported to the tax authority. The agreement between the Technion and the Rappaport Foundation includes an obligation to transfer to the Rappaport Foundation (CIC) rights in 7 floors of the Rappaport building when this becomes possible.

Note 9 - Accounts Payable

	Consolidated		Technion	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Employees and institutions for salaries	115,142	112,671	95,075	93,906
Advances from customers	219	2,253	-	-
Stipends to students - September	10,126	9,567	10,126	9,567
Accrued expenses	32,890	35,431	3,680	9,310
Public and government institutions	1,624	1,525	968	1,499
Others	8,908	*11,474	3,283	2,857
	168,909	172,921	113,132	117,139

* Reclassified.

Notes to the Financial Statements as of September 30, 2016

Note 10 - Reserve for Employee Retirement Benefits**A. Actuarial obligation for budgetary pension (not presented in the balance sheet):**

	2016		2015	
	Consolidated	Technion	Consolidated	Technion
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance of actuarial obligation as at the beginning of the year	8,160,699	7,487,439	8,213,002	7,533,982
Current year payments	(299,533)	(266,636)	(288,958)	(256,411)
Adjustment of actuarial obligation	79,094	31,687	236,655	209,868
Balance of actuarial obligation as at the end of the year	7,940,260	7,252,490	8,160,699	7,487,439

B. Reserves for employee benefits:

	Consolidated		
	Balance of reserves as at Oct. 1, 2015	Current year payments and adjustment of reserves, net	Balance of reserves as at Sep. 30, 2016
	NIS thousands	NIS thousands	NIS thousands
Reserve for severance pay	37,117	51	37,168
Reserve for paid vacation	45,627	(999)	44,628
Reserve for redemption of sick pay	105,347	(1,573)	103,774
Rights in international scientific cooperation fund	82,601	(2,506)	80,095
	270,692	(5,027)	265,665
	Technion		
	Balance of reserves as at Oct. 1, 2015	Current year payments and adjustment of reserves, net	Balance of reserves as at Sep. 30, 2016
	NIS thousands	NIS thousands	NIS thousands
Reserve for severance pay	27,938	551	28,489
Reserve for paid vacation	34,929	212	35,141
Reserve for redemption of sick pay	100,922	(1,034)	99,888
Rights in international scientific cooperation fund	74,792	(2,379)	72,413
	238,581	(2,650)	235,931
	Balance of obligation not presented in the balance sheet	Balance of reserves presented in the balance sheet	Total balance of reserves
	NIS thousands	NIS thousands	NIS thousands
Total for Technion as at September 30, 2016	7,252,490	235,931	7,488,421
Total for Technion as at September 30, 2015	7,487,439	238,581	7,726,020
Total for consolidated as at September 30, 2016	7,940,260	265,665	8,205,925
Total for consolidated as at September 30, 2015	8,160,699	270,692	8,431,391

Notes to the Financial Statements as of September 30, 2016

Note 10 - Reserve for Employee Retirement Benefits (cont'd)**C. Collective agreements and understandings:****Administrative staff**

On April 18, 2016 a collective salary agreement was signed for the years 2013-2017 in which it was agreed, inter alia, on salary increases at a cumulative rate of 7.5%, which will be paid in 5 steps. It is noted that half of the aforesaid increase will be paid as a percentage increase and half will be paid in the same amount for all the employees at the same grade.

On August 8, 2016 an additional collective agreement was signed for the public service, which updates the rate of the increase (from 7.5% to 7.75%) and changes the payment date.

The agreement also includes the payment of a one-time bonus in the amount of NIS 2,000.

Academic staff

On December 4, 2016 a collective salary agreement was signed for the years 2013-2019 in which it was agreed, inter alia, on salary increases at a cumulative rate of 9%, which will be paid in 8 steps. It is noted that 10% (0.9% of the increase) will be paid as a percentage increase and the rest (8.1%) will be paid in the same amount for all the academic staff.

In a special chapter, the agreement arranges linkage of the budgetary pension to the Consumer Price Index instead of linkage to the salary of an active staff member.

The agreement also includes retroactive deposits as from January 1, 2016 at the rate of 0.5% for the academic staff that have an accrual pension and the payment of a one-time bonus in the amount of NIS 1,000.

The effects of the implementation of the aforesaid agreements are included in the financial statements including in the actuarial obligation as at September 30, 2016.

Note 11 - Payable to American Society for Technion

The American Technion Society (hereinafter – the Society) notified the Technion that donations amounting to \$ 63,000 thousand, which had been transferred to the Technion in the 13 years before September 30, 2008 and derived mainly from revenues that were received according to its reports from the company of Bernard Madoff, are incorrect, and therefore the Technion should reduce its revenues. The amounts that were actually transferred to the Technion were recorded as advances on account of future revenues of the Technion from the Society.

According to an agreement from January 2011 between the Society and the Technion, the aforesaid balance will be repaid in 30 years (on September 30, 2040), less amounts that will be deducted from it over the years.

The balance will bear annual interest of 4% as from October 1, 2010, which the Technion will record to the credit of the Society each year. At the end of the period the parties will decide whether to extend the payment of the balance for an additional period.

During 2016 the Society transferred to the Technion an amount of \$ 2,882 thousand, which equals NIS 11,104 thousand (last year - \$ 1,201 thousand, NIS 4,657 thousand), in respect of amounts that were received from the trustee responsible for the assets of Bernard Madoff. This amount was recorded in the Technion's statement of activities as revenues in respect of prior years. As at September 30, 2016 the balance of this liability is \$ 45,043 thousand, which equals NIS 169,273 thousand (last year - \$ 47,925 thousand, which equals NIS 188,011 thousand).

Notes to the Financial Statements as of September 30, 2016

Note 12 - Commitments and Contingent Liabilities**A. Contingent claims**

- (1) Several claims in the total amount of NIS 8.4 million are pending against the Technion of which some derive from employer-employee relations and some are civil. In the opinion of the Technion's legal counsel the chances of success of the claims against the Technion are less than 50%. No provision was included for these claims.
- (2) a. A claim was submitted by over 300 claimants against 30 defendants including the Technion, in the matter of the "Versailles Disaster". Motions have been filed together with the claim to add additional claimants as well as to consolidate it with additional claims made by additional victims of this disaster, by providers of health services and by the National Insurance Institute. A claim for property damage has also been consolidated with the claim. As stated, the substance matter of the claim relates to bodily harm, therefore, and because of reasons related to the manner of filing it, it is not quantified at this stage in monetary terms. Notwithstanding, it is obvious that this is a claim involving tens of millions of NIS. Despite the time that has passed since the filing of the claims, due to its complexity and the number of claimants and defendants, the exposure of the Technion in this respect cannot be assessed. It should be noted that the insurers of the Technion have recognized their insurance liability with respect to the "Versailles Disaster" claims. The insurance coverage amounts to at least \$ 10 million and probably amounts to \$ 20 million. It should also be noted that in addition to the said claims, additional claims had been filed against the Technion with respect to property damage relating to other buildings constructed according to the "Pal-Kal" method, and which the insurers recognized a part of them. One of these claims, which was filed against the Technion as a fourth party, is estimated at NIS 4.5 million.
In 2015 the Technion and the insurance company reached an agreement by which the insurance company paid the Technion the full amount of the insurance coverage according to the third party policy in the amount of \$ 10 million and an additional amount in respect of legal expenses.
In doing so the insurance company redeemed the policy (third party) and was released from its obligation and responsibility towards the Technion with respect to that policy. According to the agreement between the Technion and the insurance company, the amounts the insurance company paid the Technion including the income from it will remain in the possession of the Technion even if ultimately the Technion is found liable for lower amounts. The Technion designated the amount as coverage for possible exposure from these claims.
In the opinion of the Technion's legal counsel, the probability that because of this proceeding the Technion will be exposed to a liability in amounts that are higher than the insurance coverage is less than 50% and therefore no provision was recorded beyond the insurance coverage. It is noted that the agreement with the insurance company clarifies that the agreement reached regarding receipt of the full amount of the first policy does not constitute any agreement regarding the insurance obligation of the insurance company according to the additional policies, and insofar as the Technion is found liable in a peremptory ruling for an amount higher than the amount received according to the first policy, it will become necessary to decide as to the difference.
- b. The Technion's Council and the high compromises committee of the Ministry of Finance approved an arrangement by which the Technion would transfer to the State an amount of NIS 40,060 thousand from the money it received as mentioned in paragraph a above. For that amount the State will provide the Technion full indemnity, unlimited in amount, in respect of any amount the Technion will be required to pay, if at all, in respect of any of the claims currently being held against the Technion as aforesaid.
The agreement was signed by the Technion and is presently in the stage of being signed by the State's competent authorities.
On its part, the Technion has undertaken to continue holding the legal proceedings at its own expense.
The result of the aforesaid arrangement is that subject to the process of signing the agreement being completed and subject to the Technion transferring the aforesaid amount to the State, the State has an obligation to indemnify the Technion for any amount it is required to pay in any of the aforesaid claims. Effectively, as a result of the arrangement the Technion will no longer be exposed to the possibility of being required to pay any amounts from its own resources in any of the aforesaid proceedings other than its own legal expenses.

Notes to the Financial Statements as of September 30, 2016

Note 12 - Commitments and Contingent Liabilities (cont'd)**A. Contingent claims (cont'd)**

The aforesaid indemnity arrangement includes also a commitment of the State to indemnify the Technion also for future claims, up to an amount of NIS 15 million. As at the date of signing the financial statements, there is no knowledge of any more expected claims other than that mentioned in paragraph c hereunder.

- c. As a result of disagreements that arose between the insurance company and one of the joint insurers, the insurance company requested from the Technion to return to it an amount equal to 35% of the amounts it had paid to the Technion voluntarily and according to agreement as described above. The insurance company explained its request to return the money in the refusal of one of the joint insurers to return its share to it – 35%, of the amounts it paid the Technion as alleged by it.

After the Technion rejected the request of the insurance company, the insurance company filed a claim in the amount of NIS 13.7 million with the Haifa District Court in November 2016.

In the opinion of its legal advisors the chances that the Technion will be required to pay the insurance company the amounts specified in the claim are very low to remote. Moreover, according to the arrangement between the State and the Technion concerning the State's indemnity of the Technion for Pal-Kal claims, as described above, it was agreed that the claim of the insurance company would be added to the future claims for which the State has committed to indemnify the Technion up to an amount of NIS 15 million.

- (3) On October 11, 2005 the Israel Lands Administration sent a demand for the payment of NIS 6.2 million for usage fees in respect of the alleged "commercial uses" of buildings in the Technion complex for a retroactive period of 7 years. This demand was made following the report of the State Controller on the matter. The legal advisors of the Technion believe that that major part of the demand is based on incorrect facts and legal misinterpretations of the Israel Lands Administration. The position of the advisors was presented also before the State Control Committee of the Knesset. The advisors contend that using assets to encourage start-up companies and for granting scholarships to students and for the welfare of students (such as: a bank branch, cafeterias, sports center, etc.) are part of the accepted objectives and activities of a modern, developing and technological higher education institution. In addition, if and insofar as any additional payment is required, there is a material dispute regarding the manner of calculating the amounts, and in the opinion of the advisors the amount requested by the Administration is a very initial opening position for negotiations. The matter is in dispute and is in the course of being discussed with the Israel Lands Administration. In the opinion of the legal advisors, the negotiations with the Administration will take a long time and its principal objective, from the viewpoint of the Administration, is to arrange the relations from that point on. No provision was included in the books for this claim.
- (4) On May 30, 2002, a claim was filed against the Israeli Institute for Marine Engineering Research Ltd. (hereinafter – "the Institute") and against TRDF by the Eilat Coast Development Company Ltd. (hereinafter – "the Plaintiff"), in the amount of NIS 25 million. The Plaintiff is claiming damages it alleges to have sustained as a result of advice it received from TRDF and the Technion in respect to the planning and construction of the eastern laguna of Eilat's North Coast. On May 15, 2016 the Court ruled that the Technion and TRDF would pay the plaintiff compensation in the amount of NIS 1.5 million plus court expenses. In June 2016 mutual appeals were filed with the Supreme Court on the ruling.
- (5) In February 2016 a claim in the amount of NIS 39 million was filed against the Technion and TRDF by members of a family that had invested in a subsidiary of TRDF and by the subsidiary itself. The plaintiffs allege that they had invested an amount of \$ 4.5 million in the company on the basis of the results of false experiments (as alleged by them) of the researchers and that without those fraudulent acts (as alleged by them) they would not have invested in the subsidiary of TRDF. In addition, they are requesting to be returned an anonymous donation (by means of a will) in the amount of \$ 4 million that had been donated by a family member of the plaintiffs, which according to them had been donated following his impression with the project's success and his belief in the people of the Technion. Therefore, the plaintiffs allege that the donation was granted as a result of deception and false presentations.

Notes to the Financial Statements as of September 30, 2016

Note 12 - Commitments and Contingent Liabilities (cont'd)**A. Contingent claims (cont'd)**

In the opinion of the Technion's legal counsel, the probability of success of the claim to return the donation is remote although in the mediation proceedings currently being held it was proposed to use the as yet unused money of the donation for a settlement. With respect to returning the money of the investment, and based on the assessment of its legal advisors, TRDF recognized a provision in 2016 that in its opinion, as at the date of the financial statements, constitutes the maximum exposure in respect of the aforesaid claim.

A request was sent to the insurance company to recognize insurance coverage for the events specified in the claim, and the insurance company has recognized insurance coverage for part of the claim.

- (6) In December 2015 the trustee for the liquidation assets of Bernard Madoff filed a claim against the Technion, TRDF and another 28 defendants in Israel. The claim against the Technion and TRDF amounts to \$ 4 million, jointly and severally. In the claim the trustee alleges that the money the Technion received as a donation from an organization that was connected to Madoff, is money that was fraudulently taken from Bernard Madoff, and therefore should be returned to the company, on grounds of unjust enrichment. In the opinion of the Technion's legal counsel the chances of success of the claim are less than 50%. No provision was included in the books for this claim.
- (7) A claim in the amount of NIS 3 million was filed in 2016 by a company in liquidation against TRDF and one of its officers. The plaintiff alleges that TRDF and its officer thwarted possibilities it had to enter technological incubators and/or possibilities of receiving investments, and therefore it was caused damages and monetary losses. A defense statement was filed in respect of the claim in which the plaintiff's allegations were denied and the claim was transferred to mediation. In February 2017 a mediation agreement was signed, which was granted force of judgment, by which the plaintiff transferred patent rights to TRDF and TRDF paid an amount of NIS 340 thousand.
- (8) A number of claims in the total amount of NIS 9.5 million are pending against the TRDF. The insurance company has recognized its insurance obligation in respect of two claims in the estimated amount of NIS 9.3 million. In the opinion of the management of TRDF, which is based on the assessment of its legal counsel, TRDF will not incur significant expenses in respect of these claims in excess of the provision that is included in its financial statements.
- (9) Claims are currently in course against the Technion, in which the Technion is represented by its insurers that have recognized their insurance obligation toward it with respect to the events alleged in the claims. Due to the existence of insurance coverage for these claims, the Technion is not exposed to any direct monetary risk.

B. Commitments in respect of orders

As at September 30, 2016, the Technion has commitments to suppliers and contractors in the amount of NIS 148,172 thousand in respect of orders that were placed or contracts that were signed but not yet supplied or executed (last year - NIS 171,397 thousand).

Note 13A - Unrestricted Net Assets

	Consolidated and Technion	
	September 30, 2016	September 30, 2015
	NIS thousands	NIS thousands
Funds designated for employee pensions and retirement benefits	2,484,481	2,490,028
Funds offset for employee benefits	(265,665)	(270,692)
Funds designated for research	289,405	284,373
Funds designated for development	84,739	90,930
Closed budgets	210,215	205,868
Funds for other specified objectives	1,218,324	1,015,769
Used for fixed assets	1,019	1,033
	4,022,518	3,817,309

Notes to the Financial Statements as of September 30, 2016

Note 13B - Restricted Net Assets

	Consolidated and Technion									
	Restricted net assets									
	Temporarily restricted					Permanently restricted				
	Scholarships	Research and chairs	Projects and maintenance	Other	Total	Scholarships	Research and chairs	Maintenance	Other	Total
			NIS thousands					NIS thousands		
Balance as at October 1, 2014	87,656	194,994	*569,627	161,576	*1,013,853	286,454	206,640	*45,217	25,743	*564,054
Donations	25,986	31,091	94,455	148,698	300,230	6,200	4,983	-	49	11,232
Allocations	207	409	10,801	246	11,663	-	-	-	-	-
Other	1,182	3,269	1,470	10,349	16,270	12	-	-	-	12
Finance, including foreign exchange differences	12,817	19,409	*23,870	12,107	*68,203	5,173	5,902	*1,477	1,281	*13,833
Interfund transfer	(7,194)	11,847	*39,441	(65,897)	*(21,803)	(1,368)	(2,177)	*(28)	699	*(2,874)
Amounts matched and released	-	-	(17,701)	-	(17,701)	-	-	-	-	-
Satisfaction of program restrictions	(31,936)	(55,924)	(153,862)	(41,054)	(282,776)	-	-	-	-	-
Balance as at September 30, 2015	88,718	205,095	*568,101	226,025	*1,087,939	296,471	215,348	*46,666	27,772	*586,257
Donations	19,906	48,951	122,914	101,446	293,217	7,363	11,277	-	1	18,641
Allocations	206	394	2,416	260	3,276	-	-	-	-	-
Other	1,304	1,443	3,790	7,359	13,896	-	-	-	-	-
Finance, including foreign exchange differences	7,530	1,457	8,818	(7,067)	10,738	(11,568)	(9,741)	(1,821)	(1,091)	(24,221)
Interfund transfer	219	(7,350)	24,164	(18,507)	(1,474)	(2,730)	194	2,842	(469)	(163)
Amounts matched and released	-	-	(12,030)	-	(12,030)	-	-	-	-	-
Satisfaction of program restrictions	(27,851)	(45,318)	(165,202)	(29,268)	(267,639)	-	-	-	-	-
Balance as at September 30, 2016	90,032	204,672	552,971	280,248	1,127,923	289,536	217,078	47,687	26,213	580,514

* Reclassified.

Notes to the Financial Statements as of September 30, 2016

Note 14 - Allocations from the Planning and Budgeting Committee

	Consolidated and Technion	
	For the year ended September 30,	
	2016	2015
	NIS thousands	NIS thousands
Ordinary allocation	778,409	775,707
Allon Scholarships	2,705	2,365
Postdoctoral students	316	310
“Matching” allocations	19,835	19,835
Pre-academic courses	4,970	4,405
MAOF scholarships	1,438	-
Postdoctoral students from China and India	1,419	1,474
Hammer Scholarships	-	41
AIS - Absorption of Immigrant Scientists	3,488	4,115
Learning deficiencies	202	212
Scholarships for minority doctoral students	496	548
Expansion of accessibility to minorities in general	1,988	1,902
Lev Zion scholarships	226	170
Nanotechnology	1,720	1,720
Recovery and efficiency program	147,339	134,336
Involvement of students in the community	596	500
Addition of medical students	616	1,288
Upgrading teaching and research infrastructure in universities	7,886	11,673
Industrial innovation	229	131
Expansion of accessibility for the orthodox population	2,559	2,809
Accessibility for persons with disabilities	-	398
Summer courses for students from China and India	1,265	990
Enrichment classes	130	270
Support for fire safety partitioning areas	500	1,600
Undergraduate dormitory village project	-	7,290
Addition of engineering students in universities	9,143	6,192
Arranging clinical training in the medical schools	-	1,502
Postdoctoral Arab students	306	386
MA research scholarships for Arab students	393	368
Outstanding students from China for academic studies	2,002	1,556
VAT payments to databases	-	3,415
Hesegim for Hi-Tech	263	-
	990,439	987,508
Less transfers to:		
Matching allocations to ATS funds and “Lady Davis” fund	8,416	7,961
Transfer to nanotechnology project	1,720	1,720
Industrial innovation	229	131
Support for fire safety partitioning areas	500	1,600
Undergraduate dormitory village project	-	7,290
VAT payments to databases	-	3,415
	10,865	22,117
	979,574	965,391

Notes to the Financial Statements as of September 30, 2016

Note 15 - Donations

Consolidated and Technion				
For the year ended September 30, 2016				
In statement of activities	In temporarily restricted net assets	In permanently restricted net assets	Transfers to related institutions	Total
NIS thousands				
Technion Society – Israel	3,009	16,109	1,880	22,323
Technion Society – USA -ATS	58,796	130,140	6,661	210,836
Technion Society – Canada	7,018	14,835	1,122	22,977
Technion Society – England	38	551	27	623
Technion Society – South America	-	-	19	19
Technion Society – Germany	5	771	-	780
Technion Society – Switzerland	483	804	8,780	10,067
Technion Society – France	2,041	5,693	-	7,761
Technion Society – South Africa	-	139	-	139
Technion Society – Hong-Kong	195	-	-	195
Technion Society – Australia	958	116	-	1,074
Technion Society – Greece	-	462	-	462
Technion Society – China	-	62,296	-	62,296
Technion Society – Japan	-	59	-	59
Bequests and other	7,165	61,242	152	68,805
	79,708	293,217	18,641	408,416
Revenues in respect of prior years				
- USA - ATS (see Note 11)	11,104	-	-	11,104
	90,812	293,217	18,641	419,520
Consolidated and Technion				
For the year ended September 30, 2015				
In statement of activities	In temporarily restricted net assets	In permanently restricted net assets	Transfers to related institutions	Total
NIS thousands				
Technion Society – Israel	2,154	22,077	10	25,226
Technion Society – USA -ATS	39,619	176,487	4,403	236,626
Technion Society – Canada	6,060	17,800	1,354	25,236
Technion Society – England	593	607	326	1,526
Technion Society – South America	-	12	-	12
Technion Society – Mexico	-	288	-	288
Technion Society – Germany	-	799	-	814
Technion Society – Switzerland	1,221	4,049	21	5,291
Technion Society – France	2,825	3,870	3,963	10,658
Technion Society – South Africa	-	127	-	127
Technion Society – Holland	-	3	-	3
Technion Society – Australia	-	130	-	130
Technion Society – Italy	70	-	-	80
Technion Society – China	-	58,855	-	58,855
Bequests and other	12,143	19,836	1,155	34,405
	64,685	304,940	11,232	399,277
Revenues in respect of prior years				
- USA - ATS (see Note 11)	4,657	-	-	4,657
	69,342	304,940	11,232	403,934
Less cash donation from sale of fixed assets (Israel Technion Society)	-	(4,710)	-	(4,710)
	69,342	300,230	11,232	399,224

Notes to the Financial Statements as of September 30, 2016

Note 16 - Income from Students

A.

	Consolidated		Technion	
	For the year ended		For the year ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Ordinary tuition – see B	103,374	103,454	103,374	103,454
Registration fees	2,859	2,827	2,859	2,827
Dormitories	32,039	32,559	32,039	32,559
Pre-academic studies	4,063	5,195	4,063	5,195
Summer semester	2,796	3,444	2,796	3,444
Security fee	3,303	3,319	3,303	3,319
Income from tuition, special programs and various courses	71,499	67,180	29,463	30,235
Other	1,895	1,791	1,895	1,791
	221,828	219,769	179,792	182,824

B. The Technion and consolidated:

	For the year ended September 30, 2016			For the year ended September 30, 2015		
	First academic degree	Second and third academic degrees	Total	First academic degree	Second and third academic degrees	Total
	NIS thousands			NIS thousands		
Gross ordinary tuition	91,738	25,714	117,452	91,557	25,091	116,648
Less:						
Scholarships granted	-	12,357	12,357	-	11,871	11,871
Tuition exemptions	852	869	1,721	724	599	1,323
	852	13,226	14,078	724	12,470	13,194
Income from ordinary tuition	90,886	12,488	103,374	90,833	12,621	103,454

Notes to the Financial Statements as of September 30, 2016

Note 17 - Teaching and Research and Auxiliary Services

	Consolidated	Technion		
	For the year ended	For the year ended September 30, 2016		
	September 30, 2016	Salaries and related expenses	Current expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Current budget	778,785	636,263	142,522	778,785
Research budgets	447,486	7,744	124,068	131,812
Other budgets	60,090	-	25,555	25,555
	1,286,361	644,007	292,145	936,152

	Consolidated	Technion		
	For the year ended	For the year ended September 30, 2015		
	September 30, 2015	Salaries and related expenses	Current expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Current budget	* 769,074	633,730	* 135,344	769,074
Research budgets	* 406,053	6,998	* 112,829	119,827
Other budgets	* 65,517	-	* 31,687	31,687
	1,240,644	640,728	279,860	920,588

* Reclassified.

Note 18 - Costs Pertaining to Students

	Consolidated and Technion			Consolidated and Technion		
	For the year ended September 30, 2016			For the year ended September 30, 2015		
	Salaries and related expenses	Current expenses	Total	Salaries and related expenses	Current expenses	Total
	NIS thousands			NIS thousands		
Scholarships	-	89,402	89,402	-	89,663	89,663
Grants and awards	-	7,680	7,680	-	7,625	7,625
Student dormitories	6,042	14,393	20,435	6,209	15,209	21,418
Dean of students office	5,143	779	5,922	4,774	828	5,602
Other	663	9,796	10,459	633	9,967	10,600
	11,848	122,050	133,898	11,616	123,292	134,908

Notes to the Financial Statements as of September 30, 2016

Note 19 - Budgetary Pension

- (a) The Technion and the TRDF pay a budgetary pension to members of the academic and administrative staff that have tenure when they retire, in accordance with the pension agreement that was signed on November 26, 1965.

In the year ended September 30, 2016 the Technion paid an amount of NIS 266,636 thousand and an amount of NIS 299,533 thousand on a consolidated basis in respect of pension payments (previous year NIS 256,411 thousand and NIS 288,958 thousand, respectively).

- (b) According to an actuarial report as at September 30, 2016 that was prepared by an external actuary, which assumed an increase in salary payments of 2% per year in real terms and a real cost of capital based on an interest vector of government debentures as of September 2016 that was published by the company Shaarei Ribit, the Technion's liability for budgetary pension amounts to NIS 7.252 billion and to NIS 7.940 billion on a consolidated basis. This report is based on actuarial assumptions, that was issued by the Ministry of Finance for pension funds in January 2013. See also Note 10. See paragraph d hereunder for information on plan assets.

- (c) The spread of the expected pension payments in nominal value, according to the aforementioned actuarial report:

<u>Period</u>	<u>Consolidated</u> <u>NIS millions</u>	<u>Technion</u> <u>NIS millions</u>
2017-2026	3,291	2,970
2027-2036	3,050	2,806
2037-2046	2,049	1,915
2047-2056	938	891
2057-2066	252	243
2067 and thereafter	32	31

- (d) According to the Arrangements Law, as from January 1, 2004, 1% of the determining salary is deducted from the salary of employees entitled to a budgetary pension, and as from January 1, 2005 – 2% of the determining salary. These amounts are managed in a separate account of the employer with "Central Provident Fund for Participating in Budgetary Pension". This accumulation should somewhat ease the burden of the actuarial obligation. According to regulations that were prepared by the Ministry of Finance, when an employee retires the fund will transfer a monthly payment to the employer's account in the amount of the monthly annuity until no more money is left in the employer's accounts with the provident fund with respect to that employee. As at September 30, 2016 the balance of the Technion's account with the provident fund is NIS 48.6 million (last year – about NIS 45.5 million).

Notes to the Financial Statements as of September 30, 2016

Note 20 - General and Administrative Expenses

	Consolidated	Technion		
	For the year ended	For the year ended September 30, 2016		
	September 30, 2016	Salaries and	Current	Total
	Total	related expenses	expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Administration and finance	55,121	31,610	5,747	37,357
Professional services and other expenses	8,114	-	4,167	4,167
	63,235	31,610	9,914	41,524

	Consolidated	Technion		
	For the year ended	For the year ended September 30, 2015		
	September 30, 2015	Salaries and	Current	Total
	Total	related expenses	expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Administration and finance	53,056	30,138	6,228	36,366
Professional services and other expenses	* 13,930	* -	* 4,303	* 4,303
	66,986	30,138	10,531	40,669

* Reclassified.

Note 21 - Financing Income, Net

	Consolidated		Technion	
	For the year ended		For the year ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	NIS thousands		NIS thousands	
Income from securities and other financing income	197,812	90,791	195,431	93,456
Management fees and bank interest	(2,056)	* (2,072)	(1,411)	* (1,378)
	195,756	88,719	194,020	92,078
Income (expenses) for adjustment of restricted funds	13,483	(82,036)	13,483	(82,036)
	209,239	6,683	207,503	10,042

* Reclassified.

Notes to the Financial Statements as of September 30, 2016

Note 22 - Taxes on Income**The Technion**

- A. The Technion is an institution of higher education according to the Council for Higher Education Law, 1958 and it is registered for VAT purposes as a non-profit organization.
- B. The Technion has the status of a “public institution” as defined in Section 9(2) of the Income Tax Ordinance (New Version) – 1961 (hereinafter the ordinance), and is exempt from income tax. The Technion is also a recognized public institution for the purpose of donations according to Section 46 of the Ordinance. The Technion has filed income tax returns up to and including the 2015 tax year. The tax returns up to and including the 2012 tax year are considered final.
- C. The Technion has final tax withholding assessments for income tax up to and including the 2014 tax year and national insurance assessments up to and including the 2010 tax year.
- D. Like all the other higher education institutions, the Technion was approved a special tax year by law that matches the dates of the financial statements. This means that the tax year begins on October 1 and ends on September 30 of the following year.

Technion Research and Development Foundation Ltd.

- A. The TRDF has tax losses for carry forward to future years which as at September 30, 2016 amount to NIS 72 million. Since there is no certainty that TRDF will be able to produce profits for tax purposes in the forthcoming years, it did not include in its financial statements a tax benefit in respect of the carried forward losses and other temporary differences. For the same reason TRDF recorded an impairment provision in the amount of NIS 683 million that was paid as advances on account of disallowed expenses (this amount is in addition to NIS 10.9 million in nominal values that recorded until the beginning of the year as impairment provisions. TRDF will be able to utilize the advances in the future, at their real value, only if it has taxable income).
In respect of non-marketable options that were received by TRDF (see Note 7A), a gain will be recognized for tax purposes when they are exercised in October 2016 (estimated at NIS 32 million).
- B. TRDF has tax assessments that are considered final up to and including the year ended September 30, 2012.
- C. As from 2011 the tax year of TRDF begins on October 1 and ends on September 30.

Notes to the Financial Statements as of September 30, 2016

Note 23 - Comparison to the Budget (Unaudited)

	Technion			
	2016		2015	
	Approved budget (Unaudited)	Financial performance	Approved budget (Unaudited)	Financial performance
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<u>Income from activities:</u>				
Allocations from the Planning and Budgeting Committee	981,390	979,574	967,631	965,391
Donations	68,400	71,093	63,000	46,797
Income from students	121,000	122,429	121,000	122,662
Other unilateral transfers from funds	165,000	159,078	158,000	181,843
Other income	63,000	65,799	63,000	74,474
	<u>1,398,790</u>	<u>1,397,973</u>	<u>1,372,631</u>	<u>1,391,167</u>
<u>Cost of activities:</u>				
Teaching and research and auxiliary services	856,579	855,652	831,117	870,421
Costs pertaining to students	138,393	133,055	135,556	129,930
Retirement and pensions	279,563	284,969	270,997	277,554
Other direct expenses	96,806	93,213	94,374	87,420
	<u>1,371,341</u>	<u>1,366,889</u>	<u>1,332,044</u>	<u>1,365,325</u>
Net income from activities	27,449	31,084	40,587	25,842
General and administrative expenses	41,036	42,177	57,757	44,382
Raising donations and public relations	17,344	17,525	17,114	17,113
Net deficit for the year before financing	<u>(30,931)</u>	<u>(28,618)</u>	<u>(34,284)</u>	<u>(35,653)</u>
<u>Reconciliation to the statement of activities:</u>				
Financing income, net		207,503		10,291
Technion's share of profits of investees		92,339		40,466
Net income in respect of prior years		11,104		4,657
Other adjustments, net		<u>(90,772)</u>		<u>(60,216)</u>
Net income (deficit) for the year in the statement of activities		<u>191,556</u>		<u>(40,455)</u>