

**TECHNION – ISRAEL
INSTITUTE OF TECHNOLOGY**

**FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2015**

Financial Statements as of September 30, 2015

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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, 2015 and 2014 and the consolidated balance sheets as of September 30, 2015 and 2014, 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 (Manner of Auditor's Performance) 1973. Such 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 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, 2015 and 2014 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
Certified Public Accountants (Isr.)

Haifa, March 29, 2016

Balance Sheets as of September 30

	Note	Consolidated		Technion	
		2015	2014	2015	2014
		NIS thousands		NIS thousands	
Assets					
Current assets:					
Cash and cash equivalents		599,593	405,855	495,945	330,990
Related companies and institutions	4	879	1,109	50,816	47,036
Accounts receivable	5	102,554	122,983	28,989	49,474
Inventory		4,492	4,738	753	647
		707,518	534,685	576,503	428,147
Long-term investments:					
Investments in associated companies	6	25,985	25,595	1	1
Investments in securities and deposits	7	5,652,873	5,698,308	5,649,075	5,694,320
		5,678,858	5,723,903	5,649,076	5,694,321
Fixed assets, net	8	1,033	1,047	1,033	1,047
Total assets		6,387,409	6,259,635	6,226,612	6,123,515

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


Balance Sheets as of September 30

	Note	Consolidated		Technion	
		2015	2014	2015	2014
		NIS thousands		NIS thousands	
Liabilities					
Current liabilities:					
Credit from banks and others		467	543	-	-
Suppliers and service providers		75,080	65,279	38,035	35,887
Accounts payable	9	172,454	164,387	117,139	116,792
Related companies and institutions		848	1,163	-	-
Research in progress, net		87,621	103,225	-	-
Planning and Budgeting Committee	3	11,101	26,132	11,101	26,132
Deferred income (mainly tuition)		39,700	45,066	36,879	39,660
		<u>387,271</u>	<u>405,795</u>	<u>203,154</u>	<u>218,471</u>
Long-term liabilities					
Provisions for employee retirement benefits	10B	270,692	262,873	238,581	231,336
Provision for losses of subsidiaries and associates	6	-	12,957	56,294	96,760
Payable to the American Society for Technion	11	188,011	181,521	188,011	181,521
Other liabilities		49,930	3,182	49,067	2,120
		<u>508,633</u>	<u>460,533</u>	<u>531,953</u>	<u>511,737</u>
Contingent liabilities					
	12				
Total liabilities		<u>895,904</u>	<u>866,328</u>	<u>735,107</u>	<u>730,208</u>
Net assets					
Unrestricted net assets					
For use in activities not designated by the Technion		-	-	-	-
For use in designated activities of the Technion		4,086,968	4,077,226	4,086,968	4,077,226
Used for fixed assets		1,033	1,047	1,033	1,047
In respect of reserves for employee retirement benefits		(270,692)	(262,873)	(270,692)	(262,873)
	13A	<u>3,817,309</u>	<u>3,815,400</u>	<u>3,817,309</u>	<u>3,815,400</u>
Restricted net assets					
Temporarily restricted	13B	1,038,058	963,176	1,038,058	963,176
Permanently restricted	13B	636,138	614,731	636,138	614,731
		<u>1,674,196</u>	<u>1,577,907</u>	<u>1,674,196</u>	<u>1,577,907</u>
Total net assets		<u>5,491,505</u>	<u>5,393,307</u>	<u>5,491,505</u>	<u>5,393,307</u>
Total liabilities and net assets		<u>6,387,409</u>	<u>6,259,635</u>	<u>6,226,612</u>	<u>6,123,515</u>



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 29, 2016

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

Statement of Activities for the Year Ended September 30

	Note	Consolidated		Technion	
		2015	2014	2015	2014
		NIS thousands		NIS thousands	
Income from activities:					
Allocations from the Planning and Budgeting Committee	14	965,391	949,864	965,391	949,864
Income from research		325,615	338,063	-	-
Donations through Technion societies	15	64,685	72,410	64,685	72,410
Income from students	16	219,769	203,884	182,824	172,946
Royalties and patents		58,387	53,196	-	-
Amounts released from restricted net assets to activities		282,776	174,340	282,776	174,340
Other income		61,584	51,965	39,085	32,713
		1,978,207	1,843,722	1,534,761	1,402,273
Cost of activities:					
Teaching and research and auxiliary services	17	1,240,644	1,211,973	920,588	883,014
Costs pertaining to students	18	134,908	128,599	134,908	128,599
Pensions, severance pay, paid vacation and redemption of sick pay	10,19	287,582	277,414	254,939	245,036
Construction and maintenance		224,669	159,271	224,669	159,271
Other direct expenses		50,056	57,366	34,314	35,411
		1,937,859	1,834,623	1,569,418	1,451,331
Net income (expenses) from activities before general and administrative					
General and administrative expenses	20	40,348	9,099	(34,657)	(49,058)
Raising donations and public relations		70,416	67,798	44,099	42,550
		17,113	16,968	17,113	16,968
Net expenses from activities before financing					
		(47,181)	(75,667)	(95,869)	(108,576)
Financing income, net	21	6,932	380,315	10,291	383,664
Net income (expenses) after financing					
Share of net ordinary income (expenses) of equity accounted entities		(40,249)	304,648	(85,578)	275,088
		(4,863)	(10,248)	40,466	19,312
Net income (expenses) from activities					
		(45,112)	294,400	(45,112)	294,400
Income in respect of prior years	11	4,657	3,539	4,657	3,539
Net income (expenses) for the year					
		(40,455)	297,939	(40,455)	297,939

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			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	Used for fixed assets							
Balance as at October 1, 2013	-	3,846,417	1,061	(256,223)	3,591,255	568,545	184,770	599,593	1,352,908	4,944,163
Net income for the year	297,939	-	-	-	297,939	-	-	-	-	297,939
Amounts designated by the Technion, net	(319,370)	319,370	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	210,518	23,637	5,068	239,223	239,223
Allocations	-	-	-	-	-	5,858	415	-	6,273	6,273
Other	-	-	-	-	-	14,184	2,300	13	16,497	16,497
Finance	-	-	-	-	-	32,139	16,951	14,476	63,566	63,566
Interfund transfer	-	(88,561)	-	-	(88,561)	83,199	9,781	(4,419)	88,561	-
Amounts matched/released	14,781	-	-	-	14,781	(14,781)	-	-	(14,781)	-
Depreciation	-	-	(14)	-	(14)	-	-	-	-	(14)
Satisfaction of program restrictions	-	-	-	-	-	(131,480)	(42,860)	-	(174,340)	(174,340)
Expenses in respect of adjustment of reserves for employee retirement benefits	6,650	-	-	(6,650)	-	-	-	-	-	-
Balance as at September 30, 2014	-	4,077,226	1,047	(262,873)	3,815,400	768,182	194,994	614,731	1,577,907	5,393,307

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			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	Used for fixed assets							
Balance as at October 1, 2014	-	4,077,226	1,047	(262,873)	3,815,400	768,182	194,994	614,731	1,577,907	5,393,307
Net income (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	-	-	-	-	-	45,918	19,409	16,709	82,036	82,036
Interfund transfer	-	24,677	-	-	24,677	(29,978)	11,847	(6,546)	(24,677)	-
Amounts matched/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	832,963	205,095	636,138	1,674,196	5,491,505

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

Statement of Cash Flows for the Year Ended September 30

	Consolidated		Technion	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Cash flows from operating activities:				
Net income (deficit) for the year	(40,455)	297,939	(40,455)	297,939
Adjustments required to reflect cash flows from operating activities (Appendix A)	(258,088)	(542,543)	(295,408)	(564,758)
Net cash used in operating activities	(298,543)	(244,604)	(335,863)	(266,819)
Cash flows from investing activities:				
Sales of (investments in) securities, net	156,701	(47,837)	156,701	(47,494)
Proceeds from sale of fixed assets (Appendix B)	4,710	9,179	4,710	9,179
Investments in associates	(10,629)	(11,521)	-	-
Proceeds from sale of investment in investee	733	388	-	-
Collection (grant) of loans to associates	1,913	207	-	-
Net cash from (used in) investing activities	153,428	(49,584)	161,411	(38,315)
Cash flows from financing activities:				
Repayment of short-term credit, net	(554)	(436)	-	-
Donations included in temporarily restricted net assets	269,139	210,518	269,139	210,518
Donations included in temporarily restricted net assets - research	31,091	23,637	31,091	23,637
Allocations and other included in restricted net assets	27,945	22,770	27,945	22,770
Donations included in permanently restricted net assets	11,232	5,068	11,232	5,068
Net cash from financing activities	338,853	261,557	339,407	261,993
Increase (decrease) in cash and cash equivalents	193,738	(32,631)	164,955	(43,141)
Cash and cash equivalents as of beginning of year	405,855	438,486	330,990	374,131
Cash and cash equivalents as of end of year	599,593	405,855	495,945	330,990

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

Statement of Cash Flows for the Year Ended September 30

	Consolidated		Technion	
	2015	2014	2015	2014
	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	(5,121)	8,735	(40,466)	(19,312)
Gain on sale of revalued assets	-	(1,889)	-	(1,889)
Capital gain on sale of investment	(733)	(643)	-	-
Adjustment of provision for impairment of associates	490	89	-	-
Increase in value of long-term investments	(6,932)	(380,315)	(10,291)	(383,664)
Income from amounts released from restricted net assets	(282,776)	(174,340)	(282,776)	(174,340)
Changes in asset and liability items				
Decrease (increase) in accounts receivable (Appendix B)	11,714	(21,262)	10,650	(11,482)
Decrease (increase) in inventory	246	99	(106)	27
Increase in liabilities for employee severance benefits	2,311	3,954	1,737	3,221
Increase in suppliers and accounts payable (Appendix B)	(19,577)	28,451	(16,446)	28,100
Increase (decrease) in other long-term liabilities (Appendix B)	42,290	(5,422)	42,290	(5,419)
	<u>(258,088)</u>	<u>(542,543)</u>	<u>(295,408)</u>	<u>(564,758)</u>
Appendix B - Non- cash transactions				
Finance lease of motor vehicles	279	1,165	-	-
Receivables from sale of fixed assets	-	4,710	-	4,710

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

Notes to the Financial Statements as of September 30, 2015

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.
- 3) CPI – The Consumer Price Index as published by the Central Bureau of Statistics.
- 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) Financial statements – Balance sheet, statement of activities, statement of changes in net assets, statement of cash flows and the notes to the financial statements.
- 9) Unrestricted net assets – The portion of the Technion’s net assets that donors have not restricted, either permanently or temporarily.
- 10) 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 financiers.
- 11) 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.
- 12) 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.
- 13) 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, 2015

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 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, 2015

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) 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, 2015**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:

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>% change from October 1, 2014 to September 30, 2015</u>
CPI – in points*	119.06	119.66	(0.5)
Exchange rate of US dollar (in NIS)	3.923	3.695	6.17

* 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 9, 2014. 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. Initial application of accounting standards

In September 2013 the Israel Accounting Standards Board issued Accounting Standard 35, *Accounting Policies, Changes in Accounting Estimates and Errors*. The standard provides criteria for choosing and changing accounting policies, as well as the accounting treatment and disclosures of changes in accounting policies, changes in accounting estimates and corrections of errors.

This standard is based on IAS 8 and, inter alia, supersedes Israeli Accounting Standard 6 regarding disclosure of the effect of new accounting standards in the period prior to their application and Israeli Opinion 26, regarding standards of the International Accounting Standards Committee.

The standard is to be applied on a retrospective basis and it is effective for annual periods beginning on or after January 1, 2014. The effect on the financial statements of applying the aforesaid standard is immaterial.

P. 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, 2014. Early application is permitted subject to providing disclosure of the fact. The Technion is not planning to adopt the standard earlier.

Notes to the Financial Statements as of September 30, 2015**Note 2 - Significant Accounting Policies (cont'd)****P. Effect of new accounting standards in the period prior to their application (cont'd)**

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

- a. 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.
- b. 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.

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, 2014 <u>NIS billions</u>	Statement of activities and statement of changes in net assets <u>NIS billions</u>	Net assets as at September 30, 2015 <u>NIS billions</u>
Employee retirement benefits	(7.53)	0.05	(7.48)
Fixed assets	1.28	0.06	1.34
Total net effect	<u>(6.25)</u>	<u>0.11</u>	<u>(6.14)</u>

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.

Notes to the Financial Statements as of September 30, 2015

Note 3 - Planning and Budgeting Committee

	Consolidated and Technion	
	September 30, 2015	September 30, 2014
	NIS thousands	NIS thousands
Credit balance at beginning of year	(26,132)	(3,894)
Current year allocations (see Note 14)	987,508	963,232
Less payments received for participation of the Technion in CERN	(477)	(470)
Less payments received during the year	(972,000)	(985,000)
Credit balance at end of year	(11,101)	(26,132)

Note 4 - Related Companies and Institutions

	Consolidated		Technion	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Technion Research and Development Foundation Ltd.	-	-	49,937	45,927
Madatech The National Museum of Science Technology and Space	-	102	-	102
Israel Institute for Marine Engineering Research Ltd.	170	3	170	3
Technion Sport Center Ltd.	515	234	515	234
The Samuel Neaman Institute for Advanced Studies in Science and Technology Ltd.	98	370	98	370
Lady Davis foundation	96	400	96	400
	879	1,109	50,816	47,036

Note 5 - Accounts Receivable

	Consolidated		Technion	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Students – for loans	14,029	15,770	14,029	15,770
Technion societies	1,184	15,808	1,184	15,808
Receivables in respect of research Public and government institutions	37,858	29,976	-	-
Employees	208	148	132	87
Prepaid expenses	8,621	4,539	8,385	4,095
Sundry - for services rendered	3,022	10,908	2,765	7,966
Receivables in respect of fixed assets	-	4,710	-	4,710
Accrued income (mostly from research and patents)	34,578	39,226	-	40
	102,554	122,983	28,989	49,474

Notes to the Financial Statements as of September 30, 2015

Note 6 - Investments in Associated Companies

	Consolidated		Technion	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Investment in subsidiary:				
Cost	-	-	80,098	80,098
Capital notes	-	-	76,481	76,481
Accumulated losses	-	-	(212,873)	(253,339)
Liability to cover deficit of subsidiary (presented under long-term liability)	-	-	(56,294)	(96,760)
Investments in other companies:				
Investments in associated and other companies	25,985	25,595	1	1
Liability to cover deficit of associated companies (presented under long-term liability)	-	(12,957)	-	-
	25,985	12,638	1	1

A. Details of the Technion's investments:

1. Technion Research and Development Foundation Ltd. – The Technion holds 100% of the share capital and voting rights in Technion Research and Development Foundation Ltd. This investment is presented on the equity basis.
2. TRDF's income from royalties and patents amounted to NIS 58,387 thousand in the year ended September 30, 2015 (NIS 53,196 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 "JTCI"). JTCI was recognized as a non-profit organization by the American tax authorities. According to the agreement for constructing the campus (which will house JTCI), 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 JTCI and Cornell, which arranges the administrative and operating services JTCI will receive from Cornell and the payment for such services. The document emphasizes the principle that JTCI shall operate such that its five-year budget is balanced and accordingly Cornell undertook to subsidize JTCI'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 JTCI since it is a foreign institution that cannot distribute profits. Presented hereunder are summary financial data of JTCI as at June 30, 2015 and 2014 (in thousands of dollars):

	Unrestricted	Temporarily restricted	Permanently restricted	Total for the year ended	
				June 30	
				2015	2014
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Income	6,507	4,806	5,549	16,862	11,279
Expenses	6,768	-	-	6,768	3,025
Changes in assets, net	(261)	4,806	5,549	10,094	8,254

Notes to the Financial Statements as of September 30, 2015

Note 6 - Investments in Associated Companies (cont'd)

A. Details of the Technion's investments: (cont'd)

4. (cont'd)

	Total for the year ended June 30	
	2015	2014
	\$ thousands	\$ thousands
Total assets	18,444	8,304
Net assets:		
Unrestricted	6,800	7,061
Temporarily restricted	5,087	281
Permanently restricted	6,461	912
Total net assets	18,348	8,254

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 ("the Institute"), which will be an academic branch of the Technion in Shantou, granting degrees of the Technion and being academically supervised by the Technion ("the Institute").

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 construction of the Institute, and the Chinese government will provide grants to the Institute in the amount of \$ 150 million for the purpose of its construction and the beginning of its operation. The ongoing operations of the Institute will be financed by tuition, grants, and contributions from the Chinese government and others. The Technion's contribution to the joint venture consists of academic know-how, expertise and experience in teaching, researching and conveying information, including assigning Technion faculty members to teaching at the Institute. The Technion is not required to invest money or to provide loans or guarantees.

In April 2015 the Chinese Ministry of Education approved the Institute as an "Institute in Stages of Preparation", and in October 2015 a request for full recognition was submitted to the Chinese Ministry of Education so as to begin teaching activity, which will be discussed after construction of the campus is completed. 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.

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 has to meet.

This activity is immaterial at this time.

Notes to the Financial Statements as of September 30, 2015

Note 6 - Investments in Associated 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 associated 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.	18%	18%	31%	31%
4. Sanoculis Ltd.	-	-	22%	22%
5. Accellta Ltd.*	26%	26%	33%	33%
6. Smart Wind Ltd.	50%	50%	-	-
7. Welltodo Ltd.	31%	31%	-	-
8. Sandboxmodel – SBM Ltd.	25%	25%	-	-
9. Renewed Water Minerals Ltd.	23%	23%	-	-
10. Technological Incubator founded by TRDF	17%	17%	-	-
11. Technological Incubator founded by TRDF 2	17%	17%	-	-
12. Agileye Technologies Ltd.	17%	17%	-	-
13. Codota Dot Com Ltd.	15%	15%	-	-
14. Redox Pharmaceutical Inc. Environmental Systems Ltd.	14%	14%	-	-
15. SCT - Stem Cell Technolgies Ltd.	13%	13%	-	-
16. Ellox Pharmaceuticals*	13%	13%	-	-
17. Perassist Ltd.	12%	12%	-	-
18. Opcat Inc .	11%	11%	-	-
19. Slender Medical Ltd.	11%	11%	-	-
20. InnoWattech Ltd.	11%	11%	-	-
21. Venousonics Ltd.	10%	10%	-	-
22. ADTS Ltd.	10%	10%	-	-
23. EyeSee Computer Vision Technologies Ltd.	10%	10%	-	-
24. Metabomed Ltd.	10%	10%	-	-
25. Israeli Technology Transfer Organization Ltd. (ITT)	9%	9%	-	-
26. Applied Immune Technologies Ltd. *	8%	8%	-	-
27. Pneomedicare Ltd.	8%	8%	-	-
28. Genegraft Ltd.	8%	8%	5%	5%
29. Endosight Ltd.	8%	8%	-	-
30. Solariphy Ltd.	7%	7%	-	-
31. Integrated Nano-Technologies LLC (INT)	6%	6%	-	-
32. Dr Eger – olive oil products industry Ltd.	5%	5%	-	-
33. Alberta Nano - Monitoring Systems Ltd.	5%	5%	-	-
34. A.B. Todos Imaging 2012 Ltd.	5%	5%	-	-
35. Todos Technologies Ltd.	5%	5%	-	-
36. Regentis Biomaterials Ltd.*	4%	4%	6%	6%
37. Image In Ltd.	4%	4%	44%	44%
38. Dar Engines Ltd.	3%	3%	37%	37%
39. Cortica Ltd.	3%	3%	-	-
40. Liquidcomp - Bit Ltd.	3%	3%	-	-
41. Avraham Pharmaceuticals Ltd. *	3%	3%	-	-
42. PML – Particles Monitoring Technologies Ltd.	2.27%	2.27%	-	-
43. Core-Flow Scientific Solutions	2%	2%	-	-
44. PML – Particles Monitoring Technologies Ltd.	2%	2%	-	-
45. Tehuti Networks Ltd.	2%	2%	7%	7%
46. D.C.Sirica Co.	2%	2%	-	-
47. Nano Spun Technologies Ltd.*	2%	2%	-	-
48. Nutrinia Ltd.	1.95%	1.95%	-	-

Notes to the Financial Statements as of September 30, 2015

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

<u>Name of company</u>	<u>Held by TRDF</u>		<u>Held by associated companies</u>	
	<u>Voting</u>	<u>Profits</u>	<u>Voting</u>	<u>Profits</u>
49. The Technion Enterperneurial Incubator Companies Ltd.	1%	-	99%	-
50. Corindus Inc.*	1%	1%	1%	1%
51. Rewalk Robotics Ltd.	1%	1%	2%	2%
52. Revolver Ltd.	1%	1%	-	-
53. Vayar Vision Ltd.	1%	1%	6%	6%
54. Rcadia Medical Imaging	1%	1%	-	-
55. Medic Vision -Imaging solutions Ltd.	1%	1%	-	-
56. Cellaris Ltd.	1%	1%	-	-
57. Elminda Ltd.	1%	1%	-	-
58. Jetcu PCB Ltd.	1%	1%	-	-
59. Viaqua Therapeutics Ltd.	10%	10%	-	-
60. Nanovation G.S. Ltd.	6%	6%	-	-
61. Deep Learning Robotics Ltd.	5%	5%	-	-
62. Digiflex Ltd.	0.95%	0.95%	-	-
63. Environmental Systems Ltd.	-	-	50%	50%
64. Easycut Ltd.	-	-	27%	27%
65. Carbosheild Ltd.	-	-	8%	8%
66. Cardiosense Ltd.	-	-	23%	23%
67. Vibesec Ltd.	0.46%	0.46%	6.69%	6.69%
68. Correlsense Ltd.	-	-	2%	2%
69. Xurity Ltd.	-	-	8%	8%
70. Technion Investment Opportunities Fund, Limited Partnership (A)	-	-	-	-
71. Novocure Ltd. (B)	1.4%	1.4%	-	-

- (a) 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 13 million in 11 technology companies. The Technion's investment is presented in the financial statements within the item of investments in securities and deposits.
- (b) In 2015, in the framework of a compromise agreement, TRDF received non-marketable shares and share options of Novocure Ltd. TRDF has not yet recognized income in respect of these securities since in the absence of quoted data from an active market on the securities that were received, the income cannot be measured reliably. TRDF expects to recognize a gain on these securities in the year beginning on October 1, 2015, following the public issuance of shares of Novocure on an American stock exchange in October 2015. As at the date of signing the financial statements the value of the shares and options is estimated at NIS 100 million.
- (c) There are additional investments in inactive companies that are not included in the table above.

Notes to the Financial Statements as of September 30, 2015

Note 7 - Investments in Securities and Deposits

	Consolidated		Technion	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Deposits				
Linked to the CPI	2,129,606	1,769,880	2,129,606	1,769,880
Denominated in foreign currency or linked thereto	50,357	27,207	50,357	27,207
Unlinked	390,506	441,653	390,506	441,653
	<u>2,570,469</u>	<u>2,238,740</u>	<u>2,570,469</u>	<u>2,238,740</u>
Marketable securities				
Bonds	1,638,623	1,797,877	1,638,623	1,797,877
Shares and options	1,519,472	1,535,006	1,515,674	1,531,018
	<u>3,158,095</u>	<u>3,332,883</u>	<u>3,154,297</u>	<u>3,328,895</u>
Non-marketable securities				
Corporate bonds	265,612	299,111	265,612	299,111
State of Israel Bonds	10	17,447	10	17,447
Non-marketable capital funds	82,575	71,535	82,575	71,535
	<u>348,197</u>	<u>388,093</u>	<u>348,197</u>	<u>388,093</u>
	<u>6,076,761</u>	<u>5,959,716</u>	<u>6,072,963</u>	<u>5,955,728</u>
Less cash and cash equivalents (included in cash and cash equivalents)	423,888	261,408	423,888	261,408
	<u>5,652,873</u>	<u>5,698,308</u>	<u>5,649,075</u>	<u>5,694,320</u>

Note 8 - Fixed Assets

A. Fixed assets not used for teaching and research activity:

	Consolidated and Technion	
	September 30, 2015	September 30, 2014
	Land and buildings NIS thousands	Land and buildings NIS thousands
Revaluation		
Balance as at the beginning of the year	1,117	13,117
Disposals in the year	-	(12,000)
Balance as at September 30	<u>1,117</u>	<u>1,117</u>
Accumulated depreciation		
Balance as at the beginning of the year	70	56
Depreciation for the year	14	14
Balance as at September 30	<u>84</u>	<u>70</u>
Depreciated balance as at September 30	<u>1,033</u>	<u>1,047</u>

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

	Balance of revaluation September 30, 2014 and 2015 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
	<u>1,117</u>

Notes to the Financial Statements as of September 30, 2015

Note 8 - Fixed Assets (cont'd)**C. Fixed assets 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 Administration. 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 Administration regarding the terms of the lease. The Technion pays current lease payments in respect of these properties.
- (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. The land is registered in the name of the development authority and an agreement was reached between the authority and the municipality regarding its lease for 49 and an additional 49 years at the customary terms of the authority. Concurrently, the municipality allotted the land to the Technion for the purpose of dormitories. The allotment was approved for 5 years and a proceeding is now being held for its extension to 25 years. Subsequent to balance sheet date the allotment was approved by the allotments committee and it is awaiting the approval of the city council.
- (c) 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; The matter is pending a ruling of the Haifa District Court. At the same time, negotiations are being held between the Technion and Israel Lands Administration regarding the aforesaid land.
- (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. 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).

Notes to the Financial Statements as of September 30, 2015

Note 9 - Accounts Payable

	Consolidated		Technion	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Salaries and related expenses - September	104,922	103,419	86,157	84,755
Advances from customers	2,253	3,717	-	-
Stipends to students - September	9,567	8,635	9,567	8,635
Severance pay and redemption of sick pay to employees	7,749	5,579	7,749	5,579
Accrued expenses	35,431	28,717	9,310	8,964
Public and government institutions	1,525	4,540	1,499	4,504
Others	11,007	9,780	2,857	4,355
	172,454	164,387	117,139	116,792

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

	Consolidated	Technion
	NIS thousands	NIS thousands
Balance of actuarial obligation as at October 1, 2014	8,213,002	7,533,982
Current year payments	(288,958)	(256,411)
Adjustment of actuarial obligation	236,655	209,868
Balance of actuarial obligation as at September 30, 2015	8,160,699	7,487,439

B. Reserves for employee benefits:

	Consolidated		
	Balance of reserves as at Oct. 1, 2014	Current year payments and adjustment of reserves, net	Balance of reserves as at Sep. 30, 2015
	NIS thousands	NIS thousands	NIS thousands
Reserve for severance pay	36,383	734	37,117
Reserve for paid vacation	46,850	(1,223)	45,627
Reserve for redemption of sick pay	106,234	(887)	105,347
Rights in international scientific cooperation fund	73,406	9,195	82,601
	262,873	7,819	270,692
	Technion		
	Balance of reserves as at Oct. 1, 2014	Current year payments and adjustment of reserves, net	Balance of reserves as at Sep. 30, 2015
	NIS thousands	NIS thousands	NIS thousands
Reserve for severance pay	27,533	405	27,938
Reserve for paid vacation	35,637	(708)	34,929
Reserve for redemption of sick pay	102,091	(1,169)	100,922
Rights in international scientific cooperation fund	66,075	8,717	74,792
	231,336	7,245	238,581
	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, 2015	7,487,439	238,581	7,726,020
Total for Technion as at September 30, 2014	7,533,982	231,336	7,765,318
Total for consolidated as at September 30, 2015	8,160,699	270,692	8,431,391
Total for consolidated as at September 30, 2014	8,213,002	262,873	8,475,875

Notes to the Financial Statements as of September 30, 2015

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 the year the Society transferred to the Technion an amount of \$ 1,201 thousand, which equals NIS 4,657 thousand (last year - \$ 958 thousand, NIS 3,539 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, 2015 the balance of this liability is \$ 47,925 thousand, which equals NIS 188,011 thousand (last year - \$ 49,126 thousand, which equals NIS 181,521 thousand).

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

- (1) Several claims in the total amount of NIS 9.3 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 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 ten million dollars and probably amounts to twenty million dollars. 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.

Notes to the Financial Statements as of September 30, 2015

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

(2) (cont'd)

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. The insurance company has recently requested from the Technion to return to it \$ 3 million from the amounts it paid to the Technion at its own initiative and according to the agreement, on the grounds that this is requested by one of the joint insurers. In the opinion of legal counsel, the Technion does not have a legal obligation to return the amount.

- (3) Two claims for property damages are being heard by the Jerusalem District Court, having a monetary scope of NIS 43 million. The Technion and the National Building Research Institute, together with many more other parties (about thirty parties including the State of Israel, the Standards Institute, the Jerusalem Municipality) are named as third and fourth parties, by means of third party and fourth party notices that were filed by various defendants in the claim. These claims have no insurance coverage. The claims are still in the initial stages of the proceeding, and therefore it is not inevitable that the legal proceeding will continue for a very long time. At this stage of the proceeding it is not possible to assess the Technion's exposure to risk from these claims. No provision was included in the books for this claim.
- (4) 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.
- (5) 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, with the addition of interest and linkage as from that date. The Plaintiff is claiming damages it alleges to have sustained as a result of advice it received from the Institute in respect to the planning, management and oversight of the construction of the eastern laguna of Eilat's North Coast. In the opinion of the legal advisors of the TRDF, it is not possible to assess the risk to which TRDF and the Institute are exposed. No provision was included for this claim.
- (6) On June 15, 2015 an originating motion was filed with the Haifa District Court by the State of Israel, the Ministry of Agriculture and Rural Development, Agricultural Research Organization (hereinafter: "the volcanic institute") against TRDF and one of its researchers. In the originating motion the volcanic institute alleges that it has rights in a request for an international patent that is owned by TRDF. At the recommendation of the court the parties agreed to begin a mediation proceeding. The date of the mediation and the choice of the mediator have not yet been decided, and the extent of TRDF's exposure cannot be determined as yet. TRDF has not included any provision in its books in respect of the aforesaid.

Notes to the Financial Statements as of September 30, 2015**Note 12 - Commitments and Contingent Liabilities (cont'd)****A. Contingent claims (cont'd)**

- (7) 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 company. 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. In the opinion of the Technion's legal counsel, and in view of the partial information that currently exists, the probability of success of the claim to return the donation and to return the investment is less than 50%. In any event, a request was sent to the insurance company to recognize insurance coverage for the events specified in the claim, to which no official reply has as yet been received. No provision was included in the books for this claim.
- (8) 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.
- (9) A number of claims in the total amount of NIS 9.5 million are pending against the TRDF. One of the claims is in the amount of NIS 9 million and the insurance company has recognized its insurance obligation in respect thereto. 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 in the amount of NIS 294 thousand that is included in its financial statements.
- (10) 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, 2015, the Technion has commitments to suppliers and contractors in the amount of NIS 171,397 thousand in respect of orders that were placed or contracts that were signed but not yet supplied or executed (last year - NIS 219,213 thousand).

Note 13A - Unrestricted Net Assets

	Consolidated and Technion	
	September 30, 2015	September 30, 2014
	NIS thousands	NIS thousands
Funds designated for employee pensions and retirement benefits	2,490,028	2,073,691
Funds offset for employee benefits	(270,692)	(262,873)
Funds designated for research	284,373	238,376
Funds designated for development	90,930	71,203
Closed budgets	205,868	184,328
Funds for other specified objectives	1,015,769	1,509,628
Used for fixed assets	1,033	1,047
	3,817,309	3,815,400

Notes to the Financial Statements as of September 30, 2015

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, 2013	79,405	184,770	346,448	142,692	753,315	276,501	205,743	92,439	24,910	599,593
Donations	17,019	23,637	113,540	79,959	234,155	4,148	872	-	48	5,068
Allocations	207	415	5,414	237	6,273	-	-	-	-	-
Other	3,675	2,300	2,493	8,016	16,484	12	-	1	-	13
Finance	12,110	16,951	9,162	10,867	49,090	5,385	5,039	3,267	785	14,476
Interfund transfer	(1,177)	9,781	143,180	(58,804)	92,980	408	(5,014)	187	-	(4,419)
Amounts matched/released	-	-	(14,781)	-	(14,781)	-	-	-	-	-
Satisfaction of program restrictions	(23,583)	(42,860)	(86,506)	(21,391)	(174,340)	-	-	-	-	-
Balance as at September 30, 2014	87,656	194,994	518,950	161,576	963,176	286,454	206,640	95,894	25,743	614,731
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	12,817	19,409	20,994	12,107	65,327	5,173	5,902	4,353	1,281	16,709
Interfund transfer	(7,194)	11,847	43,113	(65,897)	(18,131)	(1,368)	(2,177)	(3,700)	699	(6,546)
Amounts matched/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	518,220	226,025	1,038,058	296,471	215,348	96,547	27,772	636,138

Notes to the Financial Statements as of September 30, 2015

Note 14 - Allocations from the Planning and Budgeting Committee

	Consolidated and Technion	
	For the year ended September 30,	
	2015	2014
	NIS thousands	NIS thousands
Ordinary allocation	775,707	771,008
Allon Scholarships	2,365	3,249
Postdoctoral students	310	140
“Matching” allocations	19,835	20,158
Pre-academic courses	4,405	5,445
Postdoctoral students from China and India	1,474	1,086
Hammer Scholarships	41	143
AIS - Absorption of Immigrant Scientists	4,115	5,206
Learning deficiencies	212	206
Bikorah scholarships	-	220
Scholarships for minority doctoral students	548	470
Expansion of accessibility to minorities in general	1,902	1,714
Lev Zion scholarships	170	165
Nanotechnology	1,720	2,520
Recovery and efficiency program	134,336	127,997
Involvement of students in the community	500	610
Addition of medical students	1,288	716
Upgrading teaching and research infrastructure in universities	11,673	4,560
Industrial innovation	131	453
Energy saving and efficiency	-	248
Expansion of accessibility for the orthodox population	2,809	2,649
Accessibility for persons with disabilities	398	2,114
Summer courses for students from China and India	990	750
Enrichment classes	270	470
Support for fire safety partitioning areas	1,600	-
Building for “Grand” energy program	-	1,480
Undergraduate dormitory village project	7,290	1,226
Addition of engineering students in universities	6,192	5,464
Arranging clinical training in the medical schools	1,502	1,562
Postdoctoral Arab students	386	210
MA research scholarships for Arab students	368	204
Outstanding students from China for academic studies	1,556	789
VAT payments to databases	3,415	-
	987,508	963,232
Less transfers to:		
Matching allocations to ATS funds and “Lady Davis” fund	7,961	7,689
Transfer to nanotechnology project	1,720	2,520
Industrial innovation	131	453
Support for fire safety partitioning areas	1,600	-
Building for “Grand” energy program	-	1,480
Undergraduate dormitory village project	7,290	1,226
VAT payments to databases	3,415	-
	22,117	13,368
	965,391	949,864

Notes to the Financial Statements as of September 30, 2015

Note 15 - Donations

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	985	25,226
Technion Society – USA -ATS	39,619	176,487	4,403	16,117	236,626
Technion Society – Canada	6,060	17,800	1,354	22	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	-	15	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	-	-	10	80
China	-	58,855	-	-	58,855
Bequests and other	12,143	19,836	1,155	1,271	34,405
	<u>64,685</u>	<u>304,940</u>	<u>11,232</u>	<u>18,420</u>	<u>399,277</u>
Revenues in respect of prior years					
- USA - ATS (see Note 11)	4,657	-	-	-	4,657
	<u>69,342</u>	<u>304,940</u>	<u>11,232</u>	<u>18,420</u>	<u>403,934</u>
Less cash donation from sale of fixed assets (Israel Technion Society)	-	(4,710)	-	-	(4,710)
	<u>69,342</u>	<u>300,230</u>	<u>11,232</u>	<u>18,420</u>	<u>399,224</u>
Consolidated and Technion					
For the year ended September 30, 2014					
In statement of activities	In temporarily restricted net assets	In permanently restricted net assets	Transfers to related institutions	Total	
NIS thousands					
Technion Society – Israel	2,070	21,213	927	1,141	25,351
Technion Society – USA - ATS	47,307	99,902	1,344	17,654	166,207
Technion Society – Canada	5,946	21,275	1,052	1	28,274
Technion Society – England	983	2,611	157	-	3,751
Technion Society – South America	347	-	-	-	347
Technion Society – Germany	42	608	-	-	650
Technion Society – Switzerland	1,648	3,275	4	-	4,927
Technion Society – France	895	13,480	-	-	14,375
Technion Society – South Africa	-	103	-	-	103
Technion Society – Holland	-	-	-	48	48
Technion Society – Australia	17	467	-	-	484
Technion Society – Greece	-	205	-	-	205
China	-	52,785	-	-	52,785
Bequests and other	13,155	27,410	1,584	241	42,390
	<u>72,410</u>	<u>243,334</u>	<u>5,068</u>	<u>19,085</u>	<u>339,897</u>
Revenues in respect of prior years					
- USA - ATS (see Note 11)	3,539	-	-	-	3,539
	<u>75,949</u>	<u>243,334</u>	<u>5,068</u>	<u>19,085</u>	<u>343,436</u>
Less cash donation from sale of fixed assets (Israel Technion Society)	-	(9,179)	-	-	(9,179)
	<u>75,949</u>	<u>234,155</u>	<u>5,068</u>	<u>19,085</u>	<u>334,257</u>

Notes to the Financial Statements as of September 30, 2015

Note 16 - Income from Students

A.

	Consolidated		Technion	
	For the year ended		For the year ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Ordinary tuition – see B	103,454	101,962	103,454	101,962
Registration fees	2,827	2,710	2,827	2,710
Dormitories	32,559	33,469	32,559	33,469
Pre-academic studies	5,195	4,233	5,195	4,233
Summer semester	3,444	2,659	3,444	2,659
Security fee	3,319	3,114	3,319	3,114
Income from tuition, special programs and various courses	67,180	54,426	30,235	23,488
Other	1,791	1,311	1,791	1,311
	219,769	203,884	182,824	172,946

B. The Technion and consolidated:

	For the year ended September 30, 2015			For the year ended September 30, 2014		
	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	91,557	25,091	116,648	89,879	23,928	113,807
Less:						
Scholarships granted	-	11,871	11,871	-	10,797	10,797
Tuition exemptions	724	599	1,323	658	390	1,048
	724	12,470	13,194	658	11,187	11,845
Income from ordinary tuition	90,833	12,621	103,454	89,221	12,741	101,962

Notes to the Financial Statements as of September 30, 2015

Note 17 - Teaching and Research and Auxiliary Services

	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	870,421	633,730	236,691	870,421
Research budgets	328,194	6,998	34,970	41,968
Other budgets	42,029	-	8,199	8,199
	1,240,644	640,728	279,860	920,588

	Consolidated	Technion		
	For the year ended	For the year ended September 30, 2014		
	September 30, 2014	Salaries and related expenses	Current expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Current budget	836,817	629,664	207,153	836,817
Research budgets	332,297	6,308	30,160	36,468
Other budgets	42,859	-	9,729	9,729
	1,211,973	635,972	247,042	883,014

Note 18 - Costs Pertaining to Students

	Consolidated and Technion			Consolidated and Technion		
	For the year ended September 30, 2015			For the year ended September 30, 2014		
	Salaries and related expenses	Current expenses	Total	Salaries and related expenses	Current expenses	Total
	NIS thousands			NIS thousands		
Scholarships	-	89,663	89,663	-	82,970	82,970
Grants and awards	-	7,625	7,625	-	7,343	7,343
Student dormitories	6,209	15,209	21,418	6,064	14,958	21,022
Dean of students office	4,774	828	5,602	4,733	1,177	5,910
Other	633	9,967	10,600	695	10,659	11,354
	11,616	123,292	134,908	11,492	117,107	128,599

Notes to the Financial Statements as of September 30, 2015**Note 19 - Budgetary Pension**

- (1) 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, 2015 the Technion paid an amount of NIS 256,411 thousand and an amount of NIS 288,958 thousand on a consolidated basis in respect of pension payments (previous year NIS 244,947 thousand and NIS 276,601 thousand, respectively).
- (2) According to an actuarial report as at September 30, 2015 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 2015 that was published by the company Shaarei Ribit, the Technion's liability for budgetary pension amounts to NIS 7.487 billion and to NIS 8.161 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.
- (3) The spread of the expected pension payments in nominal value, according to the aforementioned actuarial report:

Period	Consolidated NIS millions	Technion NIS millions
2016-2025	3,355	3,031
2026-2035	3,332	3,079
2036-2045	2,430	2,286
2046-2055	1,224	1,171
2056-2065	373	362
2066 and thereafter	54	53

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, 2015 the balance of the Technion's account with the provident fund is NIS 45.5 million (last year – about NIS 43 million).

Notes to the Financial Statements as of September 30, 2015

Note 20 - General and Administrative Expenses

	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	
Administration and finance	53,056		30,138	6,228	36,366	
Professional services and other expenses	17,360		1,473	6,260	7,733	
	70,416		31,611	12,488	44,099	

	Consolidated		Technion			
	For the year ended		For the year ended September 30, 2014			
	September 30, 2014		Salaries and	Current	Total	
	Total		related expenses	expenses	Total	
	NIS thousands		NIS thousands		NIS thousands	
Administration and finance	51,299		30,966	4,509	35,475	
Professional services and other expenses	* 16,499		1,997	* 5,078	7,075	
	67,798		32,963	9,587	42,550	

* Reclassified.

Note 21 - Financing Income, Net

	Consolidated		Technion	
	For the year ended		For the year ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	NIS thousands		NIS thousands	
Income from securities and other financing income	90,791	445,720	93,456	448,257
Management fees and bank interest	(1,823)	(1,839)	(1,129)	(1,027)
	88,968	443,881	92,327	447,230
Income (expenses) for adjustment of restricted funds	(82,036)	(63,566)	(82,036)	(63,566)
	6,932	380,315	10,291	383,664

Notes to the Financial Statements as of September 30, 2015

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 2014 tax year. The tax returns up to and including the 2010 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, 2015 amount to NIS 142 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 it eliminated from its books an amount of NIS 1,149 thousand that was paid as advances on account of disallowed expenses.
- B. TRDF has tax assessments that are considered final up to and including the year ended September 30, 2011.
- 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, 2015

Note 23 - Comparison to the Budget (Unaudited)

	Technion			
	2015		2014	
	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	967,631	965,391	952,117	949,864
Donations	63,000	46,797	60,000	54,018
Income from students	121,000	122,662	115,000	118,820
Other unilateral transfers from funds	158,000	181,843	150,000	149,785
Other income	63,000	74,474	63,000	71,693
	<u>1,372,631</u>	<u>1,391,167</u>	<u>1,340,117</u>	<u>1,344,180</u>
<u>Cost of activities:</u>				
Teaching and research and auxiliary services	831,117	870,421	822,448	836,817
Costs pertaining to students	135,556	129,930	131,561	126,034
Retirement and pensions	270,997	277,554	264,237	261,900
Other direct expenses	94,374	87,420	95,842	93,395
	<u>1,332,044</u>	<u>1,365,325</u>	<u>1,314,088</u>	<u>1,318,146</u>
Net income from activities	40,587	25,842	26,029	26,034
General and administrative expenses	57,757	44,382	42,937	42,824
Raising donations and public relations	17,114	17,113	16,826	16,968
	<u>(34,284)</u>	<u>(35,653)</u>	<u>(33,734)</u>	<u>(33,758)</u>
<u>Reconciliation to the statement of activities:</u>				
Financing income, net		10,291		383,664
Technion's share of profits of investees		40,466		19,312
Net income in respect of prior years		4,657		3,539
Other adjustments, net		(60,216)		(74,818)
Net income (deficit) for the year in the statement of activities		<u>(40,455)</u>		<u>297,939</u>