

ADGAR INVESTMENTS AND DEVELOPMENT LIMITED

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000

ADGAR INVESTMENTS AND DEVELOPMENT LIMITED

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000

ADJUSTED TO THE NIS OF DECEMBER 2000

INDEX

	<u>P a g e</u>
Auditors' Report to the Shareholders	2
Balance Sheets - Consolidated and Company	3 - 4
Statements of Profit and Loss - Consolidated and Company	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flows - Consolidated and Company	7 - 9
Notes to the Financial Statements	10 - 63
List of Subsidiaries	64

AUDITORS' REPORT

To the Shareholders of

ADGAR INVESTMENTS AND DEVELOPMENT LIMITED

We have audited the accompanying balance sheets of Adgar Investments and Development Limited (hereunder - the Company) as of December 31, 2000 and 1999, the consolidated balance sheets as of the same dates, and the statements of profit and loss, changes in shareholders' equity and cash flows - of the Company and consolidated - for each of the three years in the period ended as of December 31, 2000. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express our opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Israeli Auditors Regulations (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 Board of Directors and Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - of the Company and consolidated - as of December 31, 2000 and 1999, and the results of its operations, changes in shareholders' equity and cash flows - of the Company and consolidated - for each of the three years in the period ended as of December 31, 2000, in conformity with generally accepted accounting principles. In addition, in our opinion the above financial statements are prepared in accordance with the Securities Regulations (Preparation of Annual Financial Statements), 1993.

As detailed in note 2, the aforementioned financial statements have been adjusted to reflect the changes in the general purchasing power of the Israeli currency in accordance with the Statements of the Institute of Certified Public Accountants in Israel.

Tel-Aviv, Israel
March 26, 2001

KOST FORER & GABBAY
A Member of Ernst & Young International

ADGAR INVESTMENTS & DEVELOPMENT LTD.
BALANCE SHEETS
Adjusted to the NIS of December 2000

	Note	CONSOLIDATED		C O M P A N Y	
		December 31,		December 31,	
		2000	1999	2000	1999
Adjusted NIS in thousands					
CURRENT ASSETS					
Cash and cash equivalents	3	82,31	8,7		
Deposits with financial institutions and others	4	6,1	14,13 *	6,1	14,13 *
Marketable securities	5	4,5	4,3	4,5	4,3
Customers in relation to real estate business	6	6,9	1,9		
Customers in relation to textile business	7		1,0		1,0
Debtors and debit balances	8	18,95	13,65	14,22	10,76
		<u>118,949</u>	<u>43,89</u>	<u>26,55</u>	<u>31,40</u>
INVENTORY OF BUILDINGS UNDER CONSTRUCTION					
Buildings under construction	9	14,66	31,79	14,66	31,79
Less: payments in advance from purchasers of apartments			18,45		18,45
		<u>14,66</u>	<u>13,34</u>	<u>14,66</u>	<u>13,34</u>
INVESTMENTS AND LONG TERM DEBIT BALANCES					
In subsidiaries	10			255,448	208,203
In securities	11	91,87	91,87	91,87	91,87
In parent company's shares	12	7,0	7,0		
Loan to a related company	13	1,3	1,7 *	1,3	1,7 *
Others	14				
		<u>100,191</u>	<u>100,735</u>	<u>348,628</u>	<u>301,927</u>
FIXED ASSETS					
Cost	15	474,005	404,706	34,02	33,75
Less accumulated depreciation		34,12	27,03	13,85	12,73
		<u>439,884</u>	<u>377,667</u>	<u>20,17</u>	<u>21,02</u>
OTHER ASSETS AND DEFERRED EXPENSES					
Other assets, net	16	1,9	2,5	2,0	2,7
Deferred expenses, net	17	1,4			
		<u>3,4</u>	<u>2,5</u>	<u>2,0</u>	<u>2,7</u>
		<u>677,131</u>	<u>538,195</u>	<u>412,101</u>	<u>370,429</u>

* Reclassified.

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

ADGAR INVESTMENTS & DEVELOPMENT LTD.

BALANCE SHEETS

Adjusted to the NIS of December 2000

	Note	<u>CONSOLIDATED</u>		<u>C O M P A N Y</u>	
		<u>December 31,</u>		<u>December 31,</u>	
		<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
<u>Adjusted NIS in thousands</u>					
CURRENT LIABILITIES					
Short term credit from banking institutions	18	134,019	90,22	125,765	61,19
Liabilities to suppliers and service providers	19	3,0	2,6		
Creditors in respect of investment in securities	11	16,31	16,31	16,31	16,31
Creditors and credit balances	20	9,3	4,2	2,8	1,3
Current maturities of convertible debentures	21	6,2	6,3	10,65	10,72
		<u>169,006</u>	<u>119,793</u>	<u>155,689</u>	<u>89,71</u>
LONG TERM LIABILITIES					
Convertible debentures	21	43,72	50,69	74,55	85,76
Liabilities to banking institutions and others	22	300,445	218,260	28,53	51,73
Deferred taxes	27	6,6	5,3		
Liabilities for severance pay	23				
		<u>350,904</u>	<u>274,387</u>	<u>103,207</u>	<u>137,570</u>
PLEDGES, GUARANTEES, AND CONTINGENT LIABILITIES	24				
MINORITY INTEREST		<u>4,0</u>			
SHAREHOLDERS' EQUITY	25	<u>153,205</u>	<u>143,143</u>	<u>153,205</u>	<u>143,143</u>
		<u>677,131</u>	<u>538,195</u>	<u>412,101</u>	<u>370,429</u>

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

March 26, 2001

Date of approval of the
financial statements

Moshe Schneidman
Chairman of the Board

Doron Schneidman
Managing Director
and Member of the Board

Ronen Nakar
Finance Manager

ADGAR INVESTMENTS & DEVELOPMENT LTD.
STATEMENTS OF PROFIT AND LOSS
Adjusted to the NIS of December 2000

	Note	CONSOLIDATED			C O M P A N Y		
		Year ended December 31,			Year ended December 31,		
		2000	1999	1998	2000	1999	1998
		Adjusted NIS in thousands			Adjusted NIS in thousands		
Income:							
From leasing of real estate		42,4	25,4	18,4	3	3	3
From construction business		29,3		2	29,3		2
Financing, net	26e						2
		<u>72,3</u>	<u>25,4</u>	<u>20,4</u>	<u>32,3</u>	<u>3</u>	<u>8</u>
Costs and expenses:							
Maintenance of leased real estate	26a	9	6	4	1	1	1
From construction business	26b	19,3		1	19,3		1
Sales and marketing	26c	1	1		1	1	
Administrative and general expenses	26d	9	5	6	6	4	5
Financing, net	26e	19,3	10,4	6		5	
		<u>59,3</u>	<u>24,4</u>	<u>19,3</u>	<u>29,3</u>	<u>12,3</u>	<u>8</u>
Profit (loss) from ordinary activities		12,3		1	3	(8,6	
Capital gain (loss) from realization of investments	26f						
Profit (loss) before income taxes		12,3		1	3	(8,5	
Income taxes	27	2	(1,4		1	(2,5	
Profit (loss) after income taxes		9	1		1	(5,5	
Company's share in profits of subsidiaries, net					6	7	1
Minority's interest in subsidiaries		(2,2					
Net profit for the year		<u>7</u>	<u>1</u>		<u>7</u>	<u>1</u>	
Earnings per share:							
Net profit for NIS 1 nominal value of ordinary shares (in adjusted NIS):	31						
Basic net profit		<u>0.16</u>	<u>0.02</u>	<u>0.01</u>			
Diluted net profit		<u>0.14</u>	<u>*</u>	<u>*</u>			

* Not applicable for this year.

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

ADGAR INVESTMENTS & DEVELOPMENT LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Adjusted to the NIS of December 2000

	<u>Share capital</u>	<u>Receipts on account of options</u>	<u>Capital reserves</u>	<u>Adjustments due to translation of financial statements of investees</u>	<u>Surplus</u>	<u>Total</u>
	<u>Adjusted NIS in thousands</u>					
<u>Balance as of January 1, 1998</u>	85,8	11,2	22,978		19,0	139,06
Profit from netting of convertible debentures held by a subsidiary			47			
Adjustments due to the translation of financial statements of foreign investees			-	3,		3,
Net profit for the year			-			
<u>Balance as of December 31, 1998</u>	85,8	11,2	23,025	3,	19,4	142,64
Conversion of convertible debentures			1,046			1,
Adjustments due to the translation of financial statements of foreign investees			-	(2,3)		(2,3)
Net profit for the year			-		1,	1,
<u>Balance as of December 31, 1999</u>	86,4	11,2	24,071		20,6	143,14
Conversion of convertible debentures			862			1,
Adjustments due to the translation of financial statements of foreign investees			-	1,		1,
Net profit for the year			-		7,	1,
<u>Balance as of December 31, 2000</u>	<u>86,8</u>	<u>11,2</u>	<u>24,933</u>	<u>1,</u>	<u>28,3</u>	<u>153,20</u>

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

STATEMENTS OF CASH FLOWS
Adjusted to the NIS of December 2000

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
CASH FLOWS FROM CURRENT ACTIVITIES:						
Net profit for the year	7,	1,	499	7,717	1,160	499
Adjustments required to reconcile the cash flows from current activities (A)	2,	7,	14,474	(6,643)	(2,898)	6,747
Net cash provided by (used in) current operations	10,6	8,	14,973	1,074	(1,738)	7,246
CASH FLOWS FROM INVESTMENT ACTIVITIES						
Investment in a subsidiary			(1,492)	-	-	-
Proceeds from realization of investment in a subsidiary			-	132	-	-
Realization of investment (investment in) deposits in financial institutions and others	8,	5,	(9,226)	8,340	5,458	(9,226)
Investment in long term securities		(16,56	(58,987)	-	(16,567)	(58,987)
Proceeds from investment in marketable securities, net		3,	8,449	609	3,024	8,449
Acquisition of fixed assets	(89,80	(70,83	(210,057)	(267)	(804)	(537)
Proceeds from sale of fixed assets			51	-	123	51
Loans to subsidiaries			-	(44,474)	(41,707)	(79,812)
Other assets and deferred expenses	(1,6		-	-	-	-
Net cash used in investment activities	(82,46	(78,79	(271,262)	(35,660)	(50,473)	(140,062)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipt (repayment) of short term credit from banking institutions, net	31,0	(27,79	107,410	53,207	(851)	55,1
Receipt of long term loans	171,13	97,2	116,265	-	52,936	
Repayment of long term loans	(49,12	(7,4	(6,899)	(6,665)	(4,792)	(4,7
Repayment of convertible debentures	(7,0	(7,2	-	(11,612)	(11,756)	
Issue of convertible debentures (after deduction of issue expenses)			37,510	-	-	37,5
Dividend paid			(5,795)	-	-	(5,7
Acquisition of Company's convertible debentures by subsidiaries			(43,148)	-	-	
Net cash provided by financing activities	146,00	54,7	205,343	34,930	35,537	82,1
Translation difference in relation to the cash balances of foreign autonomic subsidiaries	(692	-	-	
Increase (decrease) in cash and cash equivalents	73,6	(14,88	(50,254)	344	(16,674)	(50,71
Balance of cash and cash equivalents as of the beginning of the year	8,	23,5	73,841	311	16,985	67,6
Balance of cash and cash equivalents as of the end of the year	82,3	8,	23,587	655	311	16,9

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

ADGAR INVESTMENTS & DEVELOPMENT LTD.

STATEMENTS OF CASH FLOWS
Adjusted to the NIS of December 2000

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
A. Adjustments required to reconcile cash flows from current operations						
Income and expenses not involving cash flows:						
Depreciation and amortization	9,5	7,7	6,340	3,351	3,804	3,8
Capital loss (gain)			266	-	(68)	
Company's share in profits of subsidiaries net of dividend received, net			-	(5,927)	(7,066)	(1,29
Deferred taxes, net		(2,42	(2,109)	1,763	(3,006)	(2,61
Erosion of liabilities to banking institutions and convertible debentures	(6,30	(1,53	1,439	(5,160)	(1,440)	(1
Decrease in value (increase in value) of marketable securities	(6	(2,30	399	(633)	(2,305)	
Erosion of loans to subsidiaries and related companies			(69)	4,106	1,619	1,7
Liabilities for severance pay			(32)	47	431	
Minority's interest in results of subsidiaries	2,2		86	-	-	
Changes in assets and liabilities:						
Decrease (increase) in customers	(3,97	3,7	(3,127)	880	915	
Decrease (increase) in debtors and debit balances	(4,34	(3,54	2,396	(5,223)	(2,143)	1,4
Decrease (increase) in inventory of buildings under construction net of advances from purchasers of apartments	(1,32	8,5	1,296	(1,322)	8,968	1,2
Increase (decrease) in liabilities to suppliers and service providers		1,0	(357)	(33)	5	(347)
Increase (decrease) in creditors and credit balances	6,5	(5,01	7,946	1,508	(2,612)	1,2
	<u>2,8</u>	<u>7,7</u>	<u>14,474</u>	<u>(6,643)</u>	<u>(2,898)</u>	<u>6,7</u>

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

STATEMENTS OF CASH FLOWS
Adjusted to the NIS of December 2000

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
B. Material transactions not involving cash flows						
Issue of capital against conversion of convertible debentures	1,3	1,6	-	1,329	1,637	
Issue of capital to minority against conversion of liability	1,1		-	-	-	
Investment in securities against creditors		16,31	-	-	16,318	
Netting against capital reserve in relation to debentures held by a subsidiary:						
Convertible debentures			(43,143)	-	-	
Issue expenses			356	-	-	
Creditors			(408)	-	-	
Investment in debentures			43,148	-	-	
			(47)	-	-	

The accompanying notes are an integral part of the financial statements

NOTE 1:- GENERAL

- a. The Company is a publicly held company and its shares are traded in the Tel-Aviv stock-exchange.
- b. Company's activities
1. Leasing of assets and office premises in Israel and abroad (by the Company and through subsidiaries).
 2. Building of a residential construction project.
 3. Project development.
- c. Definitions

In these financial statements:

The Company	-	Adgar Investments and Development Ltd.
The group	-	the Company and its subsidiaries as detailed in the attached list.
Subsidiaries	-	companies in which the Company has control (as determined by Statement No. 57 of the Institute of Certified Public Accountants in Israel) and their financial statements are consolidated with the Company's financial statements.
Interested parties	-	as defined in the Securities Regulations (Preparation of Annual Financial Statements), 1993.
Related parties	-	as defined in Statement No. 29 of the Institute of Certified Public Accountants in Israel.

- d. The notes relate to the Company's financial statements and the consolidated financial statements, except where stated that the note relates to the Company only or consolidated only.

NOTE 2:- ACCOUNTING PRINCIPLES

The main accounting policies which are applied in the financial statements are as follows:

a. Financial statements in adjusted values

- 1) The Company and its subsidiaries maintain their financial records in nominal NIS. In accordance with the Statements of the Institute of Certified Public Accountants in Israel, all the amounts in the financial statements (including the comparative figures), are stated in adjusted NIS of the same purchasing power. The adjusted purchasing power of the adjusted NIS reflects the average price level in December 2000, based on the CPI published on January 15, 2001 (168.5 points on an average basis of 1993 = 100).
- 2) The values of the non-monetary assets do not purport to reflect their realization or financial value but, rather, their original historical value as adjusted for changes in the general purchasing power of the Israeli currency.
- 3) The term "cost" in the financial statements represents adjusted cost in NIS.
- 4) The Company's condensed nominal data is presented in note 32.

b. Principles of adjustment

1) Balance sheet

- (a) The values of non-monetary items (items whose amounts in the balance sheet reflect their historical value at the time of their acquisition or creation - see hereunder), have been adjusted according to changes in the CPI since their acquisition or creation.

The following items have been treated as non-monetary items: prepaid expenses, inventory of buildings under construction, net, fixed assets and the related accumulated depreciation, long term investments, other assets, net deferred expenses, the accounts of the capital and reserves derived from capital received from the shareholders.

- (b) The equity value of investments in subsidiaries is determined on the basis of these companies' adjusted statements.
- (c) Monetary items (items whose amounts in the balance sheet reflect the updated or realization value as of balance sheet date) are presented in the adjusted balance sheet as of December 31, 2000, in the same amount as their nominal value for that day (comparative figures have been adjusted to the NIS of December 2000).

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)

b. Principles of adjustment (Cont.)

2) Statement of profit and loss

- (a) Profit and loss components (except for financing), which reflect transactions performed during the reporting year - income, expenses, etc. - have been adjusted based on the date these transactions were performed, according to monthly CPIs. The erosion of monetary balances which relate to the above transactions is included under the financing item.
- (b) Profit and loss components which are related to non-monetary items in the balance sheet, have been adjusted according to the same basis that served as the basis for the adjustment of the relating balance sheet items: depreciation and amortization, capital profit (loss), etc.
- (c) The profit and loss components which are related to the provisions included in the balance sheet - liabilities for severance pay, net, provision for vacation, etc. are determined on the basis of the change in the balance of the relating balance sheet items, after taking into account the related cash flows.
- (d) Current income taxes include the erosion of tax payments from the date of payment up to the balance sheet date.
- (e) The Company's share in the results of subsidiaries' activities is determined on the basis of the adjusted statements of these companies.
- (f) The financing item reflects the real financing income and expenses, including the erosion of monetary items during the year.

3) Adjustment in accordance with changes in the exchange rate and investees abroad

Certain investees, that operate autonomically, adjust their financial statements in accordance with Clarification No. 8 of Statement No. 36 of the Institute of Certified Public Accountants in Israel, based on the changes in the foreign currency exchange rates.

The difference in respect of these companies, between the adjustment of the investment of the holding companies based on the changes in the CPI and that of the adjustment of the shareholders' equity of investees in accordance with the changes in the exchange rate, is charged to a separate item under shareholders' equity ("adjustments due to translation of financial statements of subsidiaries").

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)b. Principles of adjustment (Cont.)3) Adjustment in accordance with changes in the exchange rate and investees abroad
(Cont.)

Up to June 30, 1998 part of these companies operated as the group's "long arm". The Company changed its policy in relation to the accounting treatment of subsidiaries abroad from "long arm" to "autonomic unit", in view of re-examination of the independence of these subsidiaries and the compliance with the principles specified in clarification no. 8 to opinion no. 36 of the Institute of Certified Public Accountants in Israel. The adjustment of the financial statements of companies that operated as a long arm was performed in accordance with the changes in the Israeli consumer price index as mentioned above, after they were translated to Israeli currency, as follows:

Non monetary balance sheet items	-	at the exchange rates at the time of their acquisition.
Monetary balance sheet items	-	at the exchange rate as of balance sheet date.
Items of profit and loss statements	-	at average exchange rates.

The differences arising from the above accounting treatment were charged to the financing item in the statement of profit and loss.

c. Consolidation of financial statements

The Company's financial statements have been consolidated with those of its subsidiaries. The balances of material transactions between the Company and consolidated companies were eliminated in the consolidated financial statements.

d. Investment in investees

- 1) The Company's investment in subsidiaries is reported on the basis of the equity value.

The excess of cost of investment in subsidiaries over their equity value at the time of acquisition was allocated to buildings for lease and transferred to the statement of profit and loss in parallel with the amortization of the assets.

- 2) Regarding deferred taxes - see (m) hereunder.

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)

e. Cash equivalents

The Company regards cash equivalents as highly liquid assets, which include short term bank deposits that are not originally invested for more than three months and are not bound by any pledge.

f. Deposits with financial institutions and others

Including deposits which were deposited in financial institutions and others, redeemable upon request and without limitations as to their use.

g. Marketable securities

- 1) Pursuant to opinion no. 44 of the Institute of Certified Public Accountants in Israel, marketable securities invested for short terms and realizable immediately, are reported at their market value in the stock exchange as of balance sheet date. Changes in their value are charged to the profit and loss statements under the financing item, net.
- 2) Marketable securities invested as long term investments are reported at cost less provision for decrease in value if there is a permanent decrease in their value.

h. Provision for doubtful debts

The provision is calculated specifically for debts that management is doubtful as to their collection.

i. Other investments

The Company's investment in companies which are not subsidiaries is reported at cost, net of a provision for decrease of value, if there is a permanent decrease in value.

j. Inventory of buildings under construction

Each project which is constructed by the Company represents one building or a set of buildings. A set of buildings is regarded as one project if the buildings are at the same site, built according to the same construction and license program and offered for sale at the same time.

Joint construction costs for a number of neighboring projects (such as: land, engineering planning, environmental development, etc.) are charged to the projects according to the proportion of the anticipated proceeds from each project.

Buildings under construction are recorded at cost which does not exceed the realization value less advances received from customers. The cost includes direct cost of the land, cost of land development and taxation and costs of construction by the performing contractor.

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)k. Fixed assets

- 1) Fixed assets are reported at cost. Financing expenses relating to the financing of fixed assets acquisitions, calculated according to the real cost of the specific financing sources which were used for the investment during the period until operation, are included at the fixed assets cost. Improvements are charged to cost.
- 2) Depreciation is calculated on the straight-line method at rates which are considered to be sufficient for the depreciation of assets over their estimated useful lives as follows:

	<u>%</u>	
Office buildings for lease	1-3	(improvements and betterment 2-10%)
Vehicles	15-20	(mainly 15%)
Furniture and office equipment	6-33	(mainly 33%)
Installments and improvements in leased property		(over the leasing period including the option period).

l. Other assets and deferred expenses

- 1) Deferred expenses relating to raising capital are amortized over five years.
- 2) Deferred expenses relating to the issue of convertible debentures, are amortized during the period the debentures are in issue, in accordance with their repayment dates.
- 3) Selling expenses for lease of buildings are amortized over the leasing period.

m. Deferred taxes

- 1) Deferred taxes are calculated for timing differences between the amounts included in the adjusted statements and the amounts taken into account for tax purposes. Deferred taxes are calculated in the following cases:

Differences between the value of real estate and fixed assets in the adjusted statements and their value for tax purposes (taking into account the determinations in Statement No. 40 to the Certified Public Accountants in Israel), provision for vacation, liabilities for severance pay, provision for doubtful debts, inventory of work in progress, marketable securities and losses carried forward for tax purposes if there is a likelihood that they will be utilized.

The balances of the deferred taxes are calculated at the tax rates expected to be in force when these taxes are charged to the profit and loss statement. The amount of the deferred taxes in the profit and loss statement reflects the changes in the above balances during the reporting year.

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)

m. Deferred taxes (Cont.)

- 2) For calculating deferred taxes, the taxes that would be applicable at the time of realization of investments in subsidiaries were not taken into account, since the Company intends to keep these investments and not realize them.

In addition, deferred taxes in relation to distribution of profits by subsidiaries as dividends were not taken into account, since the distribution of the dividend does not cause any additional tax liability and due to the Company's policy not to initiate distribution of dividends which will be liable to an additional tax liability.

n. Recognition of income

- 1) Income from leasing of assets - allocated on an accumulative basis over the asset's leasing period.
- 2) Income from construction business - In the year 2000 the Company applied the Accounting Standard No. 2 - Construction of Buildings for Sale, for the first time. The Company's recognition of income from sale of projects is usually upon its sale, but not before the proceeds from the sales of the project constitute at least 50% of its total expected income and at least 25% of the project is completed. The recognition of income in these cases is by multiplying the proceeds from the sale with the rate of completion of the project.

The transition to the method of reporting according to this Standard did not cause any change in the profits of previous years for projects whose construction began before December 31, 1999, since the Company did not meet the criteria determined for recognition of income in accordance with Standard No. 2 and Statement No. 6 of the Institute of Certified Public Accountants in Israel.

o. Earnings per share

Earnings per share is calculated in accordance with Statement No. 55 of the Institute of Certified Public Accountants in Israel.

p. Convertible debentures

Convertible debentures are included on the basis of conversion probability tests, as determined by Statement No. 53 of the Institute of Certified Public Accountants in Israel. If they are not expected to be converted they are included as a liability based on their liability value. If their conversion is expected they are included between the liabilities and shareholders' equity, based on the liability value or the capital value, whichever is higher.

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)q. Exchange rates and linkage

- 1) Assets and liabilities in foreign currency or linked thereto are included at the representative exchange rates published by the Bank of Israel which were effective as of balance sheet date.
- 2) Assets and liabilities linked to the CPI are included in accordance with the CPI that matches the asset or the liability.

Hereunder is relevant information regarding the foreign exchange rate and the CPI:

As of	Representative exchange rate of				CPI for December in points *
	Dollar	Euro	Pound Sterling	Belgian Franc	
31.12.2000	4.041	3.763	6.032	0.0933	168.5
31.12.1999	4.153	4.175	6.711	0.1035	168.5
31.12.1998	4.160	4.855	6.922	0.1203	166.3
31.12.1997	3.536	-	-	0.0957	153.1
Rate of change in the year ended	%	%	%	%	%
31.12.2000	(2.7)	(9.9)	(10.1)	(9.9)	-
31.12.1999	(0.2)	(14.0)	(3.0)	(14.0)	1.3
31.12.1998	17.6	-	-	25.7	8.6

* The CPI is at the average basis of 100 = 1993.

r. Fair value of financial instruments

The Company and its subsidiaries have financial instruments which include, amongst others, cash and cash equivalents, marketable securities, debtors and customers, financial liabilities which include, amongst others, short term credit, creditors, suppliers, convertible debentures and long term liabilities.

The fair value of the above financial instruments, based on management's estimate, is not materially different from their value in the balance sheet, except for the fair value of a permanent investment in securities and the market value of convertible debentures (see notes 12 and 21 hereunder).

NOTE 2:- ACCOUNTING PRINCIPLES (Cont.)s. Use of estimates for the preparation of financial statements

For the preparation of financial statements in conformity with generally accepted accounting principles, the management is required to make use of valuations and estimates which affect the reported amounts of assets and liabilities, and the disclosures in relation to contingent assets and outstanding liabilities in the financial statements, as well as amounts of income and expenses during the reported periods. The actual results may differ from these estimates.

NOTE 3:- CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Cash in hand and in the bank in NIS				
Cash in hand and in the bank in foreign currency				
Short term deposits in NIS	1	1		
Short term deposits in foreign currency	80	7		
	<u>82</u>	<u>8</u>		

NOTE 4:- DEPOSITS WITH FINANCIAL INSTITUTIONS AND OTHERS

	Interest rate in %	December 31,	
		2000	1999
		Adjusted NIS in thousands	
Bank deposit linked to the CPI	6.75	-	8,295
Deposits with financial institutions and others - linked to the CPI	6.0	5,776	5,437
Current maturity of loan to a related company *	-	419	403
		<u>6,195</u>	<u>14,135</u>

*See note 13 hereunder.

NOTE 5:- MARKETABLE SECURITIES

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Marketable capital notes linked to the dollar	438	548
Marketable capital notes linked to the CPI	-	83
Shares and options	3,473	2,969
Corporate bonds	<u>620</u>	<u>763</u>
	<u>4,531</u>	<u>4,363</u>
Including parent company's securities	<u>2,372</u>	<u>3,429</u>

NOTE 6:- CUSTOMERS IN RELATION TO REAL ESTATE BUSINESS

	CONSOLIDATED		C O M P A N Y	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Construction project - Chen Hatzafon	756	369	756	369
Lease of real estate *	<u>6,239</u>	<u>1,571</u>	<u>193</u>	<u>362</u>
Total	6,995	1,940	949	731
Less: provision for doubtful debts	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,950</u>	<u>1,940</u>	<u>949</u>	<u>731</u>
* Including customers in foreign currency (mainly Pound Sterling)	<u>5,733</u>	<u>867</u>	<u>-</u>	<u>-</u>

NOTE 7:- CUSTOMERS IN RELATION TO TEXTILE BUSINESS

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Open accounts	579	1,336
Checks and notes receivable	212	562
Total	791	1,898
Less: provision for doubtful debts	791	800
	<u>-</u>	<u>1,098</u>

NOTE 8:- DEBTORS AND DEBIT BALANCES

	CONSOLIDATED		C O M P A N Y	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Value Added Tax	-	2,246	-	30
Loan to a former employee	316	316	316	316
Income tax	8,034	2,378	6,998	2,126
Deferred taxes *	9,320	8,172	6,207	7,970
Prepaid expenses	776	260	690	188
Other debtors	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>18,2</u>	<u>13,2</u>	<u>14,2</u>	<u>10,2</u>

* See note 27d hereunder.

NOTE 9:- BUILDINGS UNDER CONSTRUCTION

a. Composition:	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Land	1	3
Cost of land development and construction (by a performing contractor)	12,	27,
Total *	14,	31,
* Inventory of completed apartments	14,	31,

- b. In November 1987, the Company acquired real estate on the area of 21,135 square meters which are registered as parcels 283 and 285 in block 6399 in Petach Tikva.

During the years 1988 up to the end of 1992 the Company leased this asset to third parties.

In accordance with the building permits which the Company received, the Company built six residential buildings in three construction units, which contain 200 apartments.

In one of the construction units 68 apartments were sold as of balance sheet date (percentage of sale - 100%). The Company included the results from the sale of 62 apartments in 1996, from 4 apartments in 1997, and from 2 additional apartments the profit was reported in the reporting year.

From the second construction unit, the Company sold 66 apartments as of balance sheet date (percentage of sale - 100%). The Company included in its financial statements the results from the sale of 61 apartments in 1997, from 3 additional apartments the profit was reported in the year 1998, and from 2 additional apartments the profit was reported in the reporting year.

From the third construction unit, 28 apartments out of 66 apartments were sold in the year 1999 and 8 additional apartments were sold in the reporting year (percentage of sale - 54%). This year the Company included the results from the sale of all the apartments that were sold in the third construction unit.

- c. Pledges - see note 24 hereunder.

NOTE 10:- INVESTMENT IN SUBSIDIARIES

a. Composition of investment

Company							
December 31, 2000							
Adjusted NIS in thousands							
	Rate of holding %	Cost of shares	Capital reserves	Accumulated profits (losses) since acquisition date	Adjustments due to the translation of financial statements of foreign subsidiaries	Loans and capital notes	Total
Adgar Nachalot Ltd.	100	1	-	2,374	-	97,414	99,789
Adgar Chen Hatzafon Management and Services Ltd.	100	-	-	(1)	-	1	-
Adgar Capital Investments Ltd.	100	-	1,185	(8)	-	5,837	7,014
Adgar International Holdings Ltd.	100	-	-	11,011	1,347	501	12,859
Adgar investment and Development Belgium N.V.		-	-	-	-	135,786	135,786
		<u>1</u>	<u>1,185</u>	<u>13,376</u>	<u>1,347</u>	<u>239,539</u>	<u>255,448</u>
Company							
December 31, 1999							
Adjusted NIS in thousands							
	Rate of holding %	Cost of shares	Capital reserves	Accumulated profits (losses) since acquisition date	Adjustments due to the translation of financial statements of foreign subsidiaries	Loans and capital notes	Total
Adgar Nachalot Ltd.	100	1	-	2,058	-	97,684	99,743
Adgar Chen Hatzafon Management and Services Ltd.	100	-	-	(1)	-	11	10
Adgar Capital Investments Ltd.	100	-	1,185	(2)	-	5,828	7,011
Adgar International Holdings Ltd.	100	-	-	5,394	(78)	490	5,806
Adgar investment and Development Belgium N.V.	2	-	-	134	(2)	95,501	95,633
		<u>1</u>	<u>1,185</u>	<u>7,583</u>	<u>(80)</u>	<u>199,514</u>	<u>208,203</u>

NOTE 10:- INVESTMENT IN SUBSIDIARIES (Cont.)

b. Additional information on subsidiaries

- 1) Adgar Nachalot Ltd. (hereunder - Adgar Nachalot) purchased real estate and office premises for lease from related parties. The financial statements of Adgar Nachalot include the financial statements of a subsidiary at a rate of 74% ownership and control, Adgar Nof Tivon Ltd., which was established on November 20, 1996 for the purpose of acquiring the rights in the real estate in Kiryat Tivon.
- 2) Up to December 31, 1997, Adgar Chen Hatzafon Management and services dealt with the management of the Company's project Chen Hatzafon.
- 3) Adgar Capital Investments Ltd. invests for long term in securities, not for commercial purposes (see note 12 hereunder). During the reporting year the Company distributed a dividend to the parent company in the amount of NIS 134 thousand.
- 4) Adgar International Holdings Ltd., was established in January 1993 and holds the shares of Adgar Investment and Development Belgium N.V. (hereunder Adgar Belgium) as specified in paragraph (5) hereunder.
- 5) Adgar Investment and Development Belgium N.V. (hereunder - Adgar Belgium) was registered in Belgium on June 27, 1998. Adgar Belgium was established for the purpose of purchasing real estate abroad through its subsidiaries that are registered in Belgium. In the preceding year the Company held 2% which was sold to a fully owned subsidiary, at adjusted cost.

c. Loans and capital notes

- 1) Hereunder is the linkage basis and the interest rates:

2000				
Interest rate	In foreign currency	Linked to the CPI	Unlinked	Total
Adjusted NIS in thousands				
-	-	97,915	5,838	103,753
5.7-9.0	135,786	-	-	135,786
	135,786	97,915	5,838	239,539
1999				
Interest rate	In foreign currency	Linked to the CPI	Unlinked	Total
Adjusted NIS in thousands				
-	-	97,684	6,329	104,013
3.0-7.5	95,501	-	-	95,501
	95,501	97,684	6,329	199,514

- 2) Repayment dates for the loans and capital notes have not yet been determined.

NOTE 11:- INVESTMENT IN SECURITIES

Investment in securities of Meshulam Levinstein Engineering and Contractors Ltd. (hereunder - Levinstein).

- a. As from December 21, 1998 up to December 31, 1998 the Company, together with others, acquired securities of Meshulam Levinstein Engineering and Contractors Ltd. (hereunder - Levinstein), which include ordinary shares of NIS 1 nominal value, convertible debentures and convertible options. Instructions were given to convert and exercise the convertible securities. These instructions were not fulfilled by Levinstein.

In January 1999, the Company acquired, together with others, additional Levinstein securities. On January 26, 1999 the Company acquired the share of the others.

The total acquisition costs as of balance sheet date amounted to NIS 91,872 thousand. These costs include a liability for the exercise of options in the amount of NIS 16,318 thousand, which were not paid since Levinstein did not fulfill the exercise instructions, as described above. This liability will be cancelled in 2001 when the compromise agreement described in paragraph c' hereunder will be effected.

Following the above acquisitions the Company's holdings in Levinstein increased to 50%. However, the investment in Levinstein is presented at cost basis since the Company has no representative in Levinstein's board of directors. According to the Company's estimate the fair value of its holdings in Levinstein as well as the proceeds that are expected to be received from the compromise agreement including the securities that the Company will continue to hold (as mentioned in paragraph c' hereunder) are not lower than the cost of investment in Levinstein.

- b. The acquisition of securities by the Company created a struggle for control between the Company and Levinstein's shareholders which was brought to court. The present shareholders in control received a preliminary injunction which prevents the exercise and conversions of the above securities and Levinstein undertook not to take any action that is not within their regular management or that may reduce the value of their assets or the asset value of Levinstein's subsidiaries' who hold Levinstein's shares. A request for permission to appeal to the Supreme Court against this decision was dismissed.

At the same time the Company received an interim order according to which Levinstein undertook that if they wish to grant bonuses they will give a 30 days notice in writing. In addition, it was determined that Levinstein will not grant additional dividends beyond those that were granted up to April 8, 1999 either as an interim dividend or a final dividend and Levinstein's subsidiary and the subsidiary's subsidiary will not perform any disposition in Levinstein's shares that they hold without the court's approval of the sale, in view of Levinstein's undertaking as mentioned above.

For information regarding the legal process see paragraph (d) hereunder.

NOTE 11:- INVESTMENT IN SECURITIES (Cont.)

c. The compromise agreement

- 1) In January 2001, a document that was signed determined the principles by which the legal dispute between the Company, the shareholders in control in Levinstein and Levinstein, as a result of the acquisition of Levinstein's securities by the Company will come to an end.
- 2) The following principles were determined by the mediator Prof. Itzhak Suary, within the framework of the agreement, according to the Tel Aviv District Court's request:
 - The Company will sell and transfer to Levinstein and/or to its subsidiaries and/or to its shareholders, all the shares and options (Serial 2) that it holds, in consideration for the amount of NIS 49,700,000.
 - The Company will continue to hold Levinstein's bonds (Serial A) that it holds, but it will give up the right to convert them, in the manner that will prevent their conversion by anyone who holds these bonds. Levinstein will issue a security (a second degree pledge on the Company's real estate asset, without any limit on the amount, and subject to a first degree pledge in favour of a bank) to secure the redemption of the bonds on the date of redemption.
 - Levinstein will sell and transfer to the Company its full share (50%) in the asset which is built by Levinstein on Hanechoset 6 St. in Tel Aviv (hereunder - the asset), after its building is completed, in consideration for the amount of NIS 49 million plus V.A.T.
 - Levinstein will bear the payment of any kind of taxes applicable to the seller, and the Company will pay all the taxes applicable to the buyer.
 - The Company will undertake all Levinstein's rights and liabilities regarding the asset, including the rights and liabilities according to the leasing agreements that were already signed for the project, and including the right to lease prepayments made from January 1, 2001.
 - The principles of the agreement will be anchored in detailed and binding agreements which will be made within 45 days.
 - The arrangement is subject to the court's approval and to the receipt of all necessary approvals for Levinstein and the Company, as well as any other approval or permit required by law.
 - All the legal procedures between the parties will come to an end subject to the signing and performance of the agreements as detailed above.

NOTE 11:- INVESTMENT IN SECURITIES (Cont.)

c. The compromise agreement (Cont.)

- 3) On January 16, 2001 the district court approved the principles of the arrangement and recommended to all the relevant parties and others to make all the necessary arrangements to complete the arrangement and to bring the claim to an end.
- 4) On March 1, 2001 an agreement was signed between the Company and Levinstein in accordance with the compromise agreement.
- 5) On March 5, 2001 the district court granted the compromise agreement the validity of a decision. In addition, the district court instructed, according to Section 350(a) to the Companies' Law, to convene the meetings of Levinstein's shareholders, Levinstein's option holders and Levinstein's bond holders, to approve the cancellation of the right of conversion of the bonds into shares and the extension of the options' exercise period (as part of the compromise agreement the Company undertook not to perform an early redemption of the bonds it holds). The above meetings will be on April 3, 2001.
- 6) In 2001, the cost of the shares in the Company's books will be divided between the cost of the building and the bonds. The bonds will be presented at their present value in the Company's books discounted according to the market interest and the building will be presented according to the difference between the adjusted cost that was paid for the total shares of Meshulam Levinstein and the fair value of the above bonds.

d. The legal process

- 1) On December 27, 1998 the Tel-Aviv-Jaffa District Court issued a preliminary injunction, ex parte, at the request of the present shareholders in control, Meshulam Levinstein and Shaul Lotan, which was included in the claim they issued against the Company and the others. The preliminary injunction prohibits the Company and the others to convert and exercise the securities (convertible bonds and options) into Levinstein's ordinary shares since they argue that the conversion and exercise of the securities is subject to the approval of the Supervisor of Restrictive Practices for the merger between the Company and Levinstein, pursuant to the Restrictive Practices Law, 1988.
- 2) On January 25, 1999 the Supervisor of Restrictive Practices granted his approval, in accordance with the merger notice sent to him by the Company. After receipt of the above approval Levinstein turned to the Supervisor of Restrictive Practices claiming that the approval was granted on the basis of inaccurate information regarding the Company's rate of holding in Levinstein's securities. The Company replied to the Supervisor of Restrictive Practices regarding these claims and this issue is also being clarified within the framework of the above claims. With respect to the recent dispute regarding the expiry of the approval, see paragraph 14 hereunder.

NOTE 11:- INVESTMENT IN SECURITIES (Cont.)

d. The legal process (Cont.)

- 3) On January 25, 1999 Meshulam Levinstein and Shaul Lotan issued a request to the Tel-Aviv-Jaffa District Court to amend the claim and to include a cause according to which the manner in which the Company and the others acquired Levinstein's securities is prohibited in accordance with the Securities Regulations (Acquisition Offer), 1994. Together with this request, a request for a preliminary injunction was submitted. Their argument was that the Company and its partners allegedly violated the Securities Regulations (Acquisition Offer), 1994.
- 4) On January 25, 1999 the Company and the others issued a claim against Levinstein, together with a request for a preliminary injunction. The claim and the request for preliminary aid were issued in order to prohibit Levinstein from performing dispositions in Levinstein's subsidiaries and the subsidiaries' consolidated companies, or Levinstein's shares held by them, a prohibition for the participation of directors appointed to Levinstein by Levinstein's board of directors on December 26, 1998 and a prohibition for Levinstein's subsidiaries and their consolidated companies to vote in the general meetings, a prohibition for any payments whatsoever, including management fees or dividends to Meshulam Levinstein and Shaul Lotan and a prohibition to perform any activity that is not in the ordinary course of business.
- 5) On April 8, 1999, based on an agreement between the parties, the district court issued an interim order regarding the Company's above request, which will be valid until a final decision regarding the claim filed by Levinstein is issued. According to the interim order Levinstein will not pay Meshulam Levinstein and Shaul Lotan any bonuses unless they inform the company in writing, 30 days in advance, Levinstein will not distribute dividends, Levinstein's subsidiary and its consolidated company which hold its shares will not perform any disposition of their shares without the District Court's approval. This order cancelled an interim order that was issued on January 25, 1999, as mentioned above.
- 6) On February 9, 1999 the District Court issued its decisions in relation to the above mentioned requests, as follows:
 - (a) A preliminary injunction against the Company for the reason that its acquisition of the securities, together with the others, constituted a breach of the Securities Regulations (Acquisition Offer), 1994. The preliminary injunction prohibits the conversion of the convertible securities held by the Company into Levinstein's shares of NIS 1 nominal value each. The preliminary injunction was issued on condition that Meshulam Levinstein and Shaul Lotan will provide a personal bank guarantee of NIS 5 million, as well as Levinstein's commitment not to perform activities which may result in the decrease in value of Levinstein's assets, or activities that are not in the ordinary course of business. The collateral, the guarantee and the commitment were issued. The Company was ordered to pay Meshulam Levinstein and Shaul Lotan legal expenses in the amount of NIS 50 thousand, plus V.A.T.

NOTE 11:- INVESTMENT IN SECURITIES (Cont.)

- d. The legal process (Cont.)
- 6) (Cont.)
- (b) The injunction issued ex parte due to the reason that the Company's activities were subject to the approval of the Supervisor of Restrictive Practices was cancelled.
- (c) It was approved, under consent, to amend the claim issued by Meshulam Levinstein and Shaul Lotan, and to add the cause of the violation of Securities Regulations (Acquisition Offer), 1994.
- 7) On February 17, 1999 the Company issued a request to appeal to the Supreme Court against the decision of the District Court as mentioned in paragraph 6(a) above. On June 9, 1999 the request to appeal was dismissed by the Supreme Court since they argued that the order issued as a result of the claim needs to be clarified and settled before the district court.
- 8) The District Court had four preliminary hearings before the trial, on October 10, 1999, October 25, 1999, November 8, 1999 and January 26, 2000. Preliminary procedures were carried out during the preliminary hearings before the trial (revelation of documents, answers to questionnaires, reading of documents, and invitation of witnesses). During these hearings Levinstein's claim as to the requested version for declaratory relief against the Company regarding the alleged violation of the Law for Restrictive Practices, and the alleged violation of the Securities Regulations, as mentioned above was amended again. In addition, during these meetings a decision was made to reject Levinstein's request to order the Company to complete the answers to a questionnaire, to complete a declaration to disclose documents on its behalf and to allow the reading of a confidential document that the Company argued confidential claiming that it was prepared within the framework of its preparations for the above mentioned legal procedures. On January 10, 2000 Levinstein filed a request for permission to appeal to the Supreme Court against this decision. The Company issued its response, in writing, to this request for permission to appeal. On May 16, 2000 the above request for permission to appeal was dismissed and Levinstein was instructed to pay the Company legal expenses in the sum of NIS 5,000.
- 9) On January 10, 2000 the Company issued a request for preliminary injunctions against Levinstein and its managers. In its request the Company requested, amongst others, injunctions to prohibit taking steps to issue dividends in Levinstein. On January 10, 2000 the court issued a temporary order which prohibited the distribution of dividends. After the submission of the response to the request, the court struck-off the whole request and ordered the Company to pay expenses in the total amount of NIS 45,000. The Company did not ask for permission to appeal against this decision.
- 10) On February 13, 2000 and April 12, 2000, the court convened for the first time to discuss the evidence regarding the above claims.

NOTE 11:- INVESTMENT IN SECURITIES (Cont.)

d. The legal process (Cont.)

- 11) On March 8, 2000 Levinstein issued a request for permission to distribute dividends in the amount of NIS 1.5 for each share of NIS 1 nominal value. The Company responded to this request, but it has not yet been heard in court. At this stage it is not possible to estimate the chances and the risks of the above request.
 - 12) On March 16, 2000 the court initiated a meeting in which it suggested to the parties to come to a compromise. See paragraph (c) above regarding the compromise agreement.
 - 13) On April 2, 2000 Levinstein informed the Company that it intends to distribute a bonus in accordance with the management agreement, in the amount of about NIS 5.8 million. According to the above preliminary injunction the Company turned to the court on April 30, 2000 requesting that there will be no distribution of any bonus, according to the management agreement until the end of the hearings of the claims or until the completion of the process of the compromise. On June 4, 2000 after a hearing in the presence of both parties, the court decided to allow Levinstein to distribute the above bonus, against the application of the bank guarantee mentioned in paragraph 6(a) above, which was deposited by Meshulam Levinstein and Shaul Lotan, in the amount of NIS 5 million, also in case it will be determined that the grant should be returned if it was distributed illegally. It was also determined that all the Company's claims regarding the above grant are reserved and will be discussed as part of the main case.
 - 14) On April 27, 2000 Levinstein turned to the Supervisor of Restrictive Trade claiming that the approval for the merger has expired and they request that it will not be extended and/or that there will not be a new permit for merger until the court will come to a decision as to the legality of the merger. Levinstein and its management base their arguments on the notion that the approval of the merger denotes that it will remain valid until the transaction is completed, or up to one year since its issue, whichever comes first. The Company issued its response to these arguments to the Restrictive Trades Authority. The Authority's stand regarding this issue has not yet been received.
 - 15) The Company's legal advisors are of the opinion that at this stage it is not possible to estimate the chances and the risks of the above claims and the procedures in their respect.
 - 16) As mentioned in paragraph (c) above, the court approved the compromise agreement, subject to the receipt of all the necessary approvals for Levinstein and the Company, as well as for each approval or permit by law.
- e. Pursuant to the Income Tax Law (Inflationary Adjustments) 1985, the Company may be liable for the payment of tax in the amount of about NIS 14 million, as a result of the increase in the value of Levinstein's securities which it purchased in the stock exchange. The tax payment depends on the court's final decision and on the discussions which will be carried out with the tax authorities. The possibility of tax payment does not have any effect on the Company's current business results for accounting purposes. In addition, see note 27(g).

NOTE 12:- INVESTMENT IN PARENT COMPANY'S SHARES

The Company, through a fully owned and controlled subsidiary, Adgar Capital Investments Ltd., made a permanent investment in the parent company, Zur Shamir Holdings Ltd.'s ordinary shares and preferred shares which are listed for trade in the stock exchange.

	CONSOLIDATED	
	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Value of investment as presented in the balance sheet - cost	7	7
Market value of investment in the stock exchange	13,	18,

NOTE 13:- LOAN TO A RELATED COMPANY

The loan was granted to a related company - Zur Shamir Finances Ltd., a subsidiary of Zur Shamir Holdings Ltd. The loan is linked to the CPI and bears 4% interest per annum which is accumulated to the loan. The loan is to be repaid in five equal annual installments as from October 2000.

NOTE 14:- OTHER INVESTMENTS

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Shares *		

* During the reporting period these shares were listed for trade in the stock exchange in the United States (last years these shares were not marketable) and were exercised by the Company. Consequently, the Company recorded a profit from securities in the amount of about NIS 1.6 million.

NOTE 15:- FIXED ASSETS

a. Composition:

Consolidated:

	Real estate and office buildings for lease *	Advances on account of purchase fixed assets	Vehicles	Furniture and office equipment	Improvements in leased property	Total
	Adjusted NIS in thousands					
Cost						
Balance as of January 1, 2000	383,149	18,008	579	2,845	125	404,706
Adjustments in relation to foreign autonomic subsidiaries	(20,505)	-	-	-	-	(20,505)
Additions during the year	107,591	(18,008)	-	219	2	89,804
Balance as of December 31, 2000	470,235	-	579	3,064	127	474,005
Accumulated depreciation						
Balance as of January 1, 2000	24,840	-	78	2,116	5	27,039
Adjustments in relation to foreign autonomic subsidiaries	(480)	-	-	-	-	(480)
Additions during the year	7,250	-	82	204	26	7,562
Balance as of December 31, 2000	31,610	-	160	2,320	31	34,121
Depreciated cost as of December 31, 2000	438,625	-	419	744	96	439,884
Depreciated cost as of December 31, 1999	358,309	18,008	501	729	120	377,667

* Including initial difference in the amount of NIS 11,951 thousand which is allocated to office buildings for lease in subsidiaries. In addition, see b hereunder.

Including a component which is allocated to land in the amount of NIS 110,717 thousand.

NOTE 15:- FIXED ASSETS (Cont.)

a. Composition: (Cont.)

Company:

	<u>Office buildings for lease *</u>	<u>Vehicles</u>	<u>Furniture and office equipment</u>	<u>Improvements in leased property</u>	<u>Total</u>
Cost					
Balance as of January 1, 2000	30,213	579	2,840	125	33,757
Additions during the year	<u>107</u>	<u>-</u>	<u>158</u>	<u>2</u>	<u>267</u>
Balance as of December 31, 2000	<u>30,320</u>	<u>579</u>	<u>2,998</u>	<u>127</u>	<u>34,024</u>
Accumulated depreciation					
Balance as of January 1, 2000	10,533	78	2,116	5	12,732
Additions during the year	<u>821</u>	<u>82</u>	<u>193</u>	<u>26</u>	<u>1,122</u>
Balance as of December 31, 2000	<u>11,354</u>	<u>160</u>	<u>2,309</u>	<u>31</u>	<u>13,854</u>
Depreciated cost as of December 31, 2000	<u><u>18,966</u></u>	<u><u>419</u></u>	<u><u>689</u></u>	<u><u>96</u></u>	<u><u>20,170</u></u>
Depreciated cost as of December 31, 1999	<u><u>19,680</u></u>	<u><u>501</u></u>	<u><u>724</u></u>	<u><u>120</u></u>	<u><u>21,025</u></u>

* Including initial difference in the amount of NIS 1,772 which is allocated to land on which the buildings of a merged subsidiary are built. In addition, see b hereunder.

Including a component which is allocated to land in the amount of NIS 5,829 thousand.

NOTE 15:- FIXED ASSETS (Cont.)

b. Additional information

Real estate and buildings for lease:

	December 31,	
<u>Investments in Israel:</u>	2000	1999
<u>The Company:</u>	Adjusted NIS in thousands	
A building on Efal St. Kiryat Aryeh	11,066	11,207
Office premises on Hamifalim St. Kiryat Aryeh	4,474	4,947
The Company's former plant in Ofakim	3,426	3,526
	18,966	19,680
<u>A subsidiary, Adgar Nachalot Ltd.:</u>		
Office premises on Hamasger St., Tel Aviv	29,544	28,001
Two office buildings on Nachalat Benyamin, Tel Aviv	21,107	18,896
A building for lease on Shlomo Ben Yosef St., Haifa	9,224	9,356
	59,875	56,253
<u>A subsidiary, Adgar Nof Tivon Ltd.:</u>		
Real estate and building for lease in Kiryat Tivon	13,382	13,525
<u>Investments abroad:</u>		
<u>In Belgium - through subsidiaries:</u>		
Adgar Plantin N.V., office premises in Antwerp	11,252	12,564
Antwerp Invest N.V., office premises in Antwerp	14,650	16,259
Mondriaan N.V., commercial building in Antwerp	6,907	7,705
Adgar Properties N.V., office premises in Antwerp	2,790	3,125
Adgar Building N.V., office premises in Antwerp	10,196	11,174
Adgar Aartselaar N.V., office premises in Antwerp	7,750	8,632
Adgar Jezustreet N.V., office premises in Antwerp	3,830	4,089
	57,375	63,548
<u>In Great Britain - through subsidiaries:</u>		
Adgar UK N.V., office premises in London	90,412	99,093
Adgar Sutherland N.V., office premises in London	32,843	35,995
Adgar Lemanstree N.V., office premises in London	93,357	70,215
	216,612	205,303
<u>In Poland - through a subsidiary:</u>		
For office premises in Warsaw		
Adgar Poland N.V. - (previous year - payment in advance on account of acquisition)	72,415	18,008
	438,625	376,317

NOTE 15:- FIXED ASSETS (Cont.)

c. Depreciated cost of buildings including land is composed as follows:

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
<u>The Company:</u>		
Under ownership	15,540	16,154
Under lease *	3,426	3,526
Total in the Company's balance sheet	18,966	19,680
<u>Subsidiaries:</u>		
Under ownership	333,862	325,104
Under lease *	85,797	31,533
	419,659	356,637
Total in the consolidated balance sheet	438,625	376,317

* See (e) hereunder.

d. Real estate which were not yet registered in the books of the Land Registrar, for technical reasons.

	Consolidated
	December 31,
	2000
	Adjusted NIS
	in thousands
Depreciated cost	29,544

e. Period of lease:

<u>The Company:</u>	
End of the first period - year 2058	3,426
<u>Subsidiaries:</u>	
Leasing for generations	85,797

f. Capitalized financing expenses in a subsidiary:

Financing expenses	581
--------------------	-----

NOTE 16:- OTHER ASSETS, NET

a. In Consolidated balance sheet:

	Increase capital and issue expenses	Issue expenses convertible debenture	Total
	Adjusted NIS in thousands		
Cost			
Initial amount	1,488	3,677	5,165
Capital reserve from translation differences due to autonomic subsidiaries abroad	(4)	-	(4)
Conversion of debentures	-	(100)	(100)
Balance as of December 31, 2000	<u>1,484</u>	<u>3,577</u>	<u>5,061</u>
Amortization			
Accumulated amortization as of the beginning of the year	1,313	1,230	2,543
Conversion of debentures	-	(42)	(42)
Netting in relation to convertible debentures held by a subsidiary	-	(45)	(45)
Additions	<u>99</u>	<u>525</u>	<u>624</u>
Balance as of December 31, 2000	<u>1,412</u>	<u>1,668</u>	<u>3,080</u>
Depreciated cost as of December 31, 2000	<u>72</u>	<u>1,909</u>	<u>1,981</u>
Depreciated cost as of December 31, 1999	<u>112</u>	<u>2,447</u>	<u>2,559</u>

b. In Company's balance sheet:

	Increase capital and issue expenses	Issue expenses convertible debenture	Total
	Adjusted NIS in thousands		
Cost			
Initial amount	1,372	4,053	5,425
Conversion of debentures	-	(100)	(100)
Balance as of December 31, 2000	<u>1,372</u>	<u>3,953</u>	<u>5,325</u>
Amortization			
Accumulated amortization as of beginning of year	1,307	1,381	2,688
Conversion of debentures	-	(42)	(42)
Additions	<u>65</u>	<u>525</u>	<u>590</u>
Balance as of December 31, 2000	<u>1,372</u>	<u>1,864</u>	<u>3,236</u>
Depreciated cost as of December 31, 2000	<u>-</u>	<u>2,089</u>	<u>2,089</u>
Depreciated cost as of December 31, 1999	<u>65</u>	<u>2,672</u>	<u>2,737</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17:- DEFERRED EXPENSES, NET

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Selling expenses for lease of buildings:		
Initial amount	1,545	-
Less accumulated amortization	81	-
	1,464	-

NOTE 18:- SHORT TERM CREDIT FROM BANKING INSTITUTIONS

a. Composition

	Interest rate as of December 31, 2000	CONSOLIDATED		C O M P A N Y	
		December 31,		December 31,	
		2000	1999	2000	1999
		Adjusted NIS in thousands			
Unlinked	8.7%	14,428	21,678	14,428	21,678
Linked to the Pound Sterling	6.7% - 7%	402	32,585	402	8,666
Linked to the dollar	7.6% - 7.8%	90,989	17,707	90,989	17,707
Linked to the Belgium franc/Euro	5.7% - 5.9%	1,676	6,240	1,676	6,235
Current maturities of long term loans (note 22)		26,524	12,012	18,270	6,911
		134,019	90,222	125,765	61,197

b. Pledges - see note 24 hereunder.

NOTE 19:- LIABILITIES TO SUPPLIERS AND SERVICE PROVIDERS

	CONSOLIDATED		C O M P A N Y	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Suppliers and service providers	3	2		
Service providers in foreign currency	2	2		

NOTE 20:- CREDITORS AND CREDIT BALANCES

	CONSOLIDATED		C O M P A N Y	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Prepaid income and advances from customers	-	-	-	-
Employees and institutions in relation to salaries				
Interest payable	2	2		
Institutions	2			
Provision for vacation and recreation pay				
Provision for completion of construction work				
Expenses payable and sundry creditors	1			
	5	4	2	1

NOTE 21:- CONVERTIBLE DEBENTURES

a. Debentures (Serial C) issued in accordance with the Company's prospectus from July 24, 1997

1) In accordance with the Company's prospectus from July 24, 1997 NIS 71,000 thousand nominal value registered debentures (Serial C) were issued. In January 1998 346,410 options (Serial 4) were exercised by a subsidiary, Adgar Nachalot Ltd. into NIS 34,641 thousand nominal value debentures (Serial C).

The difference between the debentures principal and the amount allocated in consideration for their issue, represents a discount which is deducted from the liability.

2) During the years 2000 and 1999, 1,372,281 and 1,729,175 nominal value of debentures (Serial C), respectively, were converted into 465,180 and 586,161 nominal value ordinary shares of NIS 1 nominal value each, respectively. After December 31, 2000, 23,010 nominal value debentures (Serial C) were converted into 7,800 nominal value ordinary shares of NIS 1 nominal value each.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21:- CONVERTIBLE DEBENTURES (Cont.)

a. Debentures (Serial C) issued in accordance with the Company's prospectus from July 24, 1997 (Cont.)

3) Hereunder are the balances in nominal values and the amount in the balance sheet:

	December 31, 2000		December 31, 1999	
	Balance sheet amount	Nominal value	Balance sheet amount	Nominal value
	Adjusted NIS in thousands			
<u>Consolidated</u>				
Total bonds	55,	<u>49,289</u> **	63,	<u>56,993</u> **
Less discount *	<u>4</u>		<u>6</u>	
	<u>49,</u>		<u>57,</u>	
* Initial amount	10,		10,	
Amortization (including conversions)	<u>4</u>		<u>6</u>	
	<u>4</u>		<u>6</u>	
** Less mutual holding by a subsidiary		<u>32,</u>		<u>36,</u>
 <u>Company</u>				
Total bonds	91,	<u>81,654</u>	104,7	<u>93,404</u>
Less discount *	<u>6</u>		<u>8</u>	
	<u>85,</u>		<u>96,</u>	
* Initial amount	12,		12,	
Amortization (including conversions)	<u>6</u>		<u>8</u>	
	<u>6</u>		<u>8</u>	

NOTE 21:- CONVERTIBLE DEBENTURES (Cont.)

b. Hereunder are the debentures redemption dates, net

	Consolidated		Company	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
First year (current maturity)	€	€	10,	10,
Second year	€	€	10,	10,
Third year	€	€	10,	10,
Fourth year	€	€	10,	10,
Fifth year	€	€	10,	10,
Sixth year onwards	18,	25,	31,	42,
	49,	57,	85,	96,

c. Interest and linkage terms

The principal and interest are linked to the CPI of June 1997.

The debentures bear annual interest at the rate of 1.85% per annum, paid on the 31st of July each year.

d. Redemption date

The debentures are redeemable in ten equal and consecutive installments on the 31st of July of each of the years from 1999 to 2008 (inclusive).

e. Terms of conversion

The debentures are convertible into ordinary registered shares, of NIS 1 nominal value each, in the manner that each NIS 2.95 nominal value of debentures is convertible into an ordinary share of NIS 1 nominal value (subject to adjustments).

f. Market value

The market value of the debentures in the stock exchange as of December 31, 2000 is NIS 45,888 thousand.

g. Security

As security for the payment of the debentures (Serial C) the Company registered a symbolic pledge of NIS 1 out of the proceeds of the issue. In addition, the Company undertook not to create, in favour of any third party, a current pledge on its assets, at an equal degree or superior to the pledge of the debentures, unless the Company registers a current pledge in favour of the debentures (Serial C) at an equal degree Pari Passu with the pledge in favour of the third party.

NOTE 22:- LIABILITIES TO BANKING INSTITUTIONS AND OTHERS

a. Composition

	Annual interest rate %	CONSOLIDATED		COMPANY	
		December 31,		December 31,	
		2000	1999	2000	1999
Adjusted NIS in thousands					
From banking institutions:					
Linked to the CPI	5.3	2,402	7,198	2,402	7,198
Linked to the CPI	(1)	9,009	10,287	-	-
Linked to the Belgian Franc/Euro	4.80	4,311	5,247	-	-
Linked to the Belgian Franc/Euro	(2)	45,648	47,478	18,657	21,919
Linked to the Pound sterling	6.8 - 7.5	239,061	76,503	-	-
Linked to the Pound sterling	(3)	25,743	82,810	25,743	29,527
		<u>326,174</u>	<u>229,523</u>	<u>46,802</u>	<u>58,644</u>
<u>From others:</u>					
Linked to the CPI	6.0	795	749	-	-
		<u>326,969</u>	<u>230,272</u>	<u>46,802</u>	<u>58,644</u>
Less: current maturities		<u>26,524</u>	<u>12,012</u>	<u>18,270</u>	<u>6,911</u>
		<u><u>300,445</u></u>	<u><u>218,260</u></u>	<u><u>28,532</u></u>	<u><u>51,733</u></u>

1) At variable interest rates. The interest rate is 7.7% as of balance sheet date.

2) At variable interest rates. The interest rates are 5.7% - 5.9% as of balance sheet date.

3) At variable interest rates. The interest rates are 6.7% - 7% as of balance sheet date.

b. Redemption dates:

	CONSOLIDATED		COMPANY	
	December 31,		December 31,	
	2000	1999	2000	1999
Adjusted NIS in thousands				
First year - current maturities	26,524	12,012	18,270	6,911
Second year	12,224	28,403	3,804	20,046
Third year	12,639	13,011	3,804	4,225
Fourth year	16,574	13,473	3,804	4,225
Fifth year	18,654	13,944	3,804	4,225
Sixth year onwards	240,354	149,429	13,316	19,012
	<u>326,969</u>	<u>230,272</u>	<u>46,802</u>	<u>58,644</u>

c. Pledges - see note 24(a) hereunder.

NOTE 23:- LIABILITIES FOR SEVERANCE PAY

a. Composition:

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Balance of liabilities for severance pay	_____	_____

- b. The Company and its subsidiaries' liability for severance pay is calculated on the basis of the employees' last salary as of balance sheet date and in accordance with the severance pay law, and is fully covered by current payments to insurance companies for managers insurance policies and provident funds, as well as the balance of liability for severance pay.
- c. The accumulated amounts in the management insurance policies and provident funds in the names of the employees and the liabilities thereto, are not recorded in the balance sheet since they are not controlled or managed by the Company.

NOTE 24:- PLEDGES, GUARANTEES AND CONTINGENT LIABILITIES

a. Pledges

In the Company:

- 1) In order to secure its liabilities to the banks, in the amount of NIS 100,176 thousand, the Company registered permanent unlimited pledges on its assets, insurance rights, unpaid-up share capital and goodwill and in relation to post- dated cheques in the banks. In addition, the Company registered a first degree mortgage on real estate assets in favour of the banks.
- 2) As a security for the redemption of the debentures (Serial C) the Company registered a symbolic pledge of NIS 1 out of the proceeds of the issue. In addition, the Company undertook not to create, in favour of any third party, a current pledge on its assets of an equal degree or superior to the pledge of the debentures, unless the Company registers a current pledge in favour of the debentures (Serial C) at an equal degree Pari Passu with the pledge in favour of the third party.

In subsidiaries:

Long term liabilities in the amount of NIS 379,548 thousand are secured by first degree permanent pledges on real estate and all the contractual rights in relation thereto.

NOTE 24:- PLEDGES, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

b. Guarantees

- 1) The Company deposited with the Petach-Tikva Municipality a bank guarantee in the amount of NIS 30 thousand linked to the construction input index, to secure the performance of work it undertook to perform. This guarantee will be in force until the work is completed.
- 2) The Israel Discount Bank Ltd. is a guarantor to the purchasers of apartments in the Chen Hatzafon Project whose construction is not yet completed, in the amount of about NIS 2,766 thousand. The guarantee is to secure the Company's liabilities, pursuant to the regulations under item 2(1) to the Sales Law (apartments) (security of investments of purchasers of apartments), 1974.
- 3) Other guarantees issued by banks in relation to legal deliberations in favour of the courts amount to about NIS 268 thousand.
- 4) The Company and a subsidiary are the guarantors at a rate of 74%, for a loan in the amount of about NIS 9.0 million, which was given to another subsidiary by Bank Leumi Le-Israel B.M.

c. Contingent liabilities

- 1) As to legal deliberations in relation to the acquisition of the securities of Meshulam Levinstein Engineering and Contractors Ltd., see note 11 above. As to a possible liability regarding tax payments in relation to these securities, see note 27(g) hereunder.
- 2) (a) On June 17, 1999 the Company filed a financial claim to the Tel-Aviv Jaffa District Court, against Kalka Properties (93) and others (Optima Promotions and Investment Management (66) Ltd. and Israel Land Development Hotels Ltd. (hereunder - Kalka) in shekels equivalent to the amount of 2,028,000 U.S. dollars, including expenses in relation to the legal claim and the lawyer's fees plus V.A.T., according to the law. The cause for the legal claim is the breach of an agreement and/or negotiations in an unacceptable manner and not in good faith, as well as causing the breach of an agreement, making illegal profits, etc., all in connection with the agreement which according to the Company was made between the Company and Kalka, and the person controlling Kalka (Mr. Nachum Kalka).
- (b) On September 30, 1999 a statement of defense was filed by Kalka and other defendants, by which the court was requested to reject the claim filed by the Company.

NOTE 24:- PLEDGES, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.)

2) (Cont.)

- (c) At the same time, on September 30, 1999, Kalka and Mr. Nachum Kalka filed a counter financial claim against the Company. The amount demanded in the claim is NIS 8,647,824 (plus the expenses for the counter claim) lawyer's fees and V.A.T. according to the law.

The counter claim is for Kalka's demand to receive compensation from the Company, for damages which were allegedly caused by the implications of the temporary injunction which was issued against Kalka, based on the Company's written undertaking which was given by the Company in this case during the temporary injunction procedures issued in its favour.

- (d) On January 30, 2000 the Company issued a response to the counter claim which was filed by Kalka, by which the court was requested to strike-off the counter claim which was filed against the Company, in limine, and to order the plaintiffs to pay the legal expenses and lawyer's expenses plus V.A.T. by law.
- (e) On March 9, 2000 a pre-trial was held in the Tel-Aviv-Jaffa District Court, in which an order was issued for mutual disclosure of documents as requested by the parties.
- (f) On November 23, 2000 the other defendants, Optima Promotions and Investment Management (66) Ltd. and Israel Land Development Hotels Ltd., issued a request to dismiss in limine, and alternatively to strike out in limine the claim against them. The Company's response in this respect has not yet been issued.
- (g) Another pre-trial was determined for June 17, 2001.
- (f) The Company's legal advisors are of the opinion that it is not possible to estimate the chances and the risks of these claims at this stage.

NOTE 25:- SHAREHOLDERS' EQUITY

- a. The paid-up share capital, including premium received, is adjusted for the effect of inflation from the dates of receipt up to December 31, 2000.

- b. Issue of options

In the year 2000

On March 30, 2000 the general meeting approved the allocation of 4,220,000 options to senior employees of the Company, including the general manager (2,170,000 options). Each option is exercisable into an ordinary share of NIS 1 nominal value, in consideration for an exercise price of NIS 3.06 linked to the CPI for January 2000. The options are valid for five years since the date of allocation (hereunder - the expiry date).

The options will be granted to the recipients in three equal parts: at the end of two years, three years and four years from the date of grant. Each option is exercisable into a share from the date of purchase until the date of expiry.

In addition, it was determined that there will be an allocation of shares in favour of the recipients amounting to the benefit component included in the options on the exercise date.

In the year 1997

- 1) Pursuant to the Company's prospectus dated July 24, 1997 the Company issued:
 - (a) 16,330,000 options (Serial 5), realizable into ordinary shares of NIS 1 each, on every business day up to July 31, 2001 (inclusive), except for the days between the 12th and the 16th (inclusive) of each month, so that each option is realizable into an ordinary share of NIS 1 nominal value against the cash payment of the realization price of NIS 2.5 for each option, linked to the CPI.
 - (b) 5,319,997 options (Serial 5) (in addition to the options in paragraph (a) above), which were offered by way of rights to the Company's shareholders and were fully realized on August 10, 1997.
- 2) On September 17, 1997 the Company issued 1,000,000 options (Serial 5) in favour of the prospectus issue advisor. This issue is in accordance with the Company's commitment outlined in the prospectus.
- 3) In October 8, 1997 the general meeting approved the issue in the total amount of 1,290,000 options (Serial 5) in favour of the general manager, the deputy general manager and the Company's finance manager.
- 4) Up to December 31, 2000 the options have not been exercised.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26:- INFORMATION IN RELATION TO PROFIT AND LOSS STATEMENTS

a. Leased real estate maintenance costs

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Depreciation	7,177	5,193	3,716	822	864	847
Others	2,549	1,419	876	761	484	452
	<u>9,726</u>	<u>6,612</u>	<u>4,592</u>	<u>1,583</u>	<u>1,348</u>	<u>1,299</u>

b. Costs from construction business

	Year ended December 31,		
	2000	1999	1998
	Adjusted NIS in thousands		
Land	2,250	-	170
Development and construction costs (through a performing contractor)	16,938	-	1,082
	<u>19,188</u>	<u>-</u>	<u>1,252</u>

c. Sales and marketing expenses

	Consolidated			Company		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Marketing expenses	298	810	505	298	810	505
Sales commissions	705	206	160	110	206	160
Legal	148	183	163	148	183	163
Others	571	384	105	571	384	105
	<u>1,722</u>	<u>1,583</u>	<u>933</u>	<u>1,127</u>	<u>1,583</u>	<u>933</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26:- INFORMATION IN RELATION TO PROFIT AND LOSS STATEMENTS (Cont.)

d. Administrative and general expenses

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Salaries and related expenses	2,325	1,544	1,390	2,308	1,494	1,390
Legal, audit and professional services	4,742	2,205	2,392	2,034	675	1,173
Maintenance, taxes and insurance	275	229	333	288	229	333
Travel abroad and economic assessments	908	403	1,018	489	403	1,018
Others	479	345	269	479	345	269
Depreciation and amortization	280	561	560	280	551	557
Relating to Chen Hatzafon construction project	733	476	459	733	476	459
	<u>9,742</u>	<u>5,763</u>	<u>6,421</u>	<u>6,611</u>	<u>4,173</u>	<u>5,199</u>

e. Financing expenses/(income)

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Profit (loss) from securities	(633)	(2,400)	399	(633)	(2,400)	399
Real interest in relation to loans to subsidiaries and related companies	(80)	(107)	-	(10,503)	(2,069)	(4,356)
Financing expenses in relation to long term liabilities	10,850	9,389	4,589	3,359	4,306	3,087
Amortization of convertible debentures discount	1,365	1,498	1,536	1,639	1,803	1,834
Amortization of convertible debentures issue expenses	579	526	511	590	574	594
In relation to short term credit, net	7,368	1,742	(889)	6,300	2,809	(4,257)
	<u>19,449</u>	<u>10,648</u>	<u>6,146</u>	<u>752</u>	<u>5,023</u>	<u>(2,699)</u>

NOTE 26:- INFORMATION IN RELATION TO PROFIT AND LOSS STATEMENTS (Cont.)

f. Profit (loss) from realization of investments

	Year ended December 31,		
	2000	1999	1998
	Adjusted NIS in thousands		
Capital loss from write-down of investment	-	-	(260)
Capital profit (loss) from sale of fixed assets	-	68	(6)
	-	68	(266)

NOTE 27:- INCOME TAXES

a. Composition:

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Current taxes	2,142	1,028	2,759	167	506	2,764
Deferred taxes	398	(2,428)	(2,109)	1,763	(3,006)	(2,612)
Taxes in respect of previous years	32	(81)	-	32	(81)	-
Income taxes	2,572	(1,481)	650	1,962	(2,581)	152

- b. The Company has an inflationary deduction in relation to the inventory of buildings under construction in the amount of NIS 3,949 thousand, which is carried forward to the following years. The deduction is linked to the CPI and will be deducted from the income at the time of sale of the inventory. The Company recorded deferred tax receivable in relation to this deduction.

The Company has a loss carried forward for tax purposes in the amount of NIS 5,000 thousand and the subsidiaries have a loss carried forward in the amount of about NIS 2,000 thousand for which deferred taxes were recorded.

The Company creates deferred tax assets as there is reasonable probability that they will be utilized.

Deferred taxes were calculated on the basis of the tax rate expected to be in force at the time of their realization.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27:- INCOME TAXES (Cont.)

- c. Reconciliation of the theoretical tax amount due, had all the business results been liable to taxes at the tax rate applicable on the Company compared to the actual tax amount:

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Balance of profit (loss) before income taxes	12,493	465	1,235	3,618	(8,570)	(642)
Statutory tax rate applicable on the Company	36%	36%	36%	36%	36%	36%
Tax amount on basis of the statutory tax rate	4,497	167	445	1,302	(3,085)	(231)
Income taxed at other tax rates and timing differences for which no deferred taxes were created for foreign companies	(2,457)	(1,723)	(11)	-	-	-
Tax/(tax saving) in relation to:						
Inadmissible expenses less exempt income	662	342	104	790	857	104
Depreciation and amortization	53	83	84	53	83	84
Loss (profit) from marketable securities, net	(226)	(365)	(60)	(226)	(365)	111
Erosion of tax advances	-	10	38	-	10	16
Others	11	86	50	11	-	68
Taxes in relation to previous years	32	(81)	-	32	(81)	-
	<u>2,572</u>	<u>(1,481)</u>	<u>650</u>	<u>1,962</u>	<u>(2,581)</u>	<u>152</u>

NOTE 26:- INCOME TAXES (Cont.)

d. Composition and movement of deferred taxes

	Initial difference allocated buildings and depreciabl assets	Inventory net of advances from customers	Others	Provisions for employees' rights	Losses for tax purposes	Total
	Adjusted NIS in thousands					
<u>Consolidated</u>						
Balance as of January 1, 2000	(5,358)	6,397	288	88	1,399	2,814
Adjustments relating to autonomic subsidiaries abroad	290	-	-	-	-	290
Allocation to profit and loss statement	<u>(1,546)</u>	<u>(2,865)</u>	<u>2,959</u>	<u>(44)</u>	<u>1,098</u>	<u>(398)</u>
Balance as of December 31, 2000	<u>(6,614)</u>	<u>3,532</u>	<u>3,247</u>	<u>44</u>	<u>2,497</u>	<u>2,706</u>
<u>Company</u>						
Balance as of January 1, 2000	-	6,397	288	88	1,197	7,970
Allocation to profit and loss statement	-	<u>(2,865)</u>	<u>553</u>	<u>(44)</u>	<u>593</u>	<u>(1,763)</u>
Balance as of December 31, 2000	<u>-</u>	<u>3,532</u>	<u>841</u>	<u>44</u>	<u>1,790</u>	<u>6,207</u>

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

	Consolidated		Company	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Within current assets	9,320	8,172	6,207	7,970
Within long term liabilities	<u>(6,614)</u>	<u>(5,358)</u>	<u>-</u>	<u>-</u>
	<u>2,706</u>	<u>2,814</u>	<u>6,207</u>	<u>7,970</u>

NOTE 27:- INCOME TAXES (Cont.)

- e. The Company did not provide for long term liability for deferred taxes in relation to the above difference, for buildings, in accordance with the guidance of Statement No. 40 of the Institute of Certified Public Accountants in Israel, as specified below:

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
Balance as of beginning of the year	1,708	1,638
Changes during the year	75	70
The total amount not deductible up to the end of the year	1,783	1,708

- f. The Company received final tax assessments up to and including 1991. Subsidiaries did not receive final tax assessments. Tax returns issued in the years up to and including 1996 are considered as final tax assessment pursuant to Section 145 to the Income Tax Ordinance and subject to the conditions as determined by the Income Tax Ordinance.
- g. Pursuant to the Income Tax Law (Inflationary Adjustments), 1985, the Company may be liable to a tax payment in the amount of about NIS 14 million in relation to the increase in the value of Meshulam Levinstein Engineering and Contractors Ltd. securities, which were acquired by the Company, as specified in note 11 above.

The tax payment depends on the court's final decision, as mentioned in note 11 above, as well as the discussions carried out with the tax authorities.

The possibility for tax payment does not have any effect on the current accounting business results.

NOTE 28:- GEOGRAPHIC SEGMENTS

a. General

The Company and its subsidiaries deal in real estate business (asset leasing and construction) in Israel, Great Britain, Belgium and Poland.

b. Allocation according to geographic segments

	Year ended December 31, 2000				
	Israel	Great Britain	Belgium	Poland	Total
	Adjusted NIS in thousands				
Income	37,472	21,919	5,565	7,364	72,320
Profit (loss) before taxes	2,148	10,497	1,115	(1,267)	12,493
Income taxes					2,572
					9,921
Minority interest in results of subsidiaries					(2,204)
Net profit for the year					7,717
Assets as of December 31, 2000	216,878	281,630	58,636	94,349	651,493
Liabilities as of December 31, 2000	216,914	239,406	37,823	2,835	496,978
Depreciation and amortization for the year	4,038	2,810	1,805	934	9,587
Capital investments for the year	4,754	28,748	641	55,661	89,804

NOTE 28:- GEOGRAPHIC SEGMENTS

b. Allocation according to geographic segments (Cont.)

	Year ended December 31, 1999				
	Israel	Great Britain	Belgium	Poland	Total
	Adjusted NIS in thousands				
Income	<u>7,763</u>	<u>12,522</u>	<u>4,718</u>	<u>-</u>	<u>25,003</u>
Profit (loss) before taxes	<u>(4,620)</u>	<u>3,897</u>	<u>1,188</u>	<u>-</u>	<u>465</u>
Tax benefit					<u>(1,481)</u>
					<u>1,946</u>
Minority interest in results of a subsidiary					<u>(786)</u>
Net profit for the year					<u>1,160</u>
Assets as of December 31, 1999	<u>232,551</u>	<u>214,165</u>	<u>65,264</u>	<u>18,043</u>	<u>530,023</u>
Liabilities as of December 31, 1999	<u>200,951</u>	<u>158,595</u>	<u>29,276</u>	<u>-</u>	<u>388,822</u>
Depreciation and amortization for the year	<u>4,395</u>	<u>1,902</u>	<u>1,481</u>	<u>-</u>	<u>7,778</u>
Capital investments for the year	<u>5,872</u>	<u>25,589</u>	<u>21,366</u>	<u>18,008</u>	<u>70,835</u>

NOTE 28:- GEOGRAPHIC SEGMENTS (Cont.)

b. Allocation according to geographic segments (Cont.)

	Year ended December 31, 1998				
	Israel	Great Britain	Belgium	Poland	Total
	Adjusted NIS in thousands				
Income	11,630	6,210	3,005	-	20,845
Profit before taxes	686	1,040	(491)	-	1,235
Income taxes					650
					585
Minority interest in results of a subsidiary					(86)
Net profit for the year					499
Assets as of December 31, 1998	228,499	194,615	51,895	-	475,009
Liabilities as of December 31, 1998	147,173	162,683	22,217	-	332,073
Depreciation and amortization for the year	4,383	905	1,052	-	6,340
Capital investments for the year	686	187,368	22,617	-	210,671

c. Main customers

	Year ended December 31,	
	2000	1999
	Adjusted NIS in thousands	
Turnover with customers in relation to leased real estate	42,934	25,003
	In percentage	
Customer A	23.7	-
Customer B	17.8	32.4
Customer C	7.4	-
Customer D	7.3	13.8
Customer E	3.5	6.8
Customer F	3.1	6.2
	62.8	59.2

NOTE 29:- LINKAGE TERMS OF MONETARY BALANCES

a. Consolidated balance sheet

	December 31, 2000					
	Linked to the CPI	Pound sterling or linked thereto	Belgian Franc/Eur o or linked thereto	Dollar or linked thereto	Unlinked	Total
	Adjusted NIS in thousands					
Assets						
Cash and cash equivalents	-	58,037	5,052	17,430	1,795	82,314
Deposits (not including current maturities)	5,776	-	-	-	-	5,776
Deposit with a related company including current maturity	1,727	-	-	-	-	1,727
Customers in relation to real estate business	1,217	5,457	224	52	-	6,950
Debtors and debit balances	8,034	8	96	385	340	8,863
	<u>16,754</u>	<u>63,502</u>	<u>5,372</u>	<u>17,867</u>	<u>2,135</u>	<u>105,630</u>
Liabilities						
Short term credit (not including current maturities)	-	402	1,676	90,989	14,428	107,495
Suppliers	-	1,047	512	1,402	112	3,073
Creditors in relation to investment in securities	16,318	-	-	-	-	16,318
Creditors and credit balances	432	3,316	1,559	1,168	2,047	8,522
Loans from banks and from others including current maturities	12,206	264,804	49,959	-	-	326,969
Convertible debentures	49,967	-	-	-	-	49,967
	<u>78,923</u>	<u>269,569</u>	<u>53,706</u>	<u>93,559</u>	<u>16,587</u>	<u>512,344</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29:- LINKAGE TERMS OF MONETARY BALANCES (Cont.)

a. Consolidated balance sheet (Cont.)

	December 31, 1999					Total
	Pound sterling	Belgian Franc/Eur	Dollar			
	Linked to the CPI	or linked thereto	o or linked thereto	or linked thereto	Unlinked	
Adjusted NIS in thousands						
Assets						
Cash and cash equivalents	-	5,837	1,440	-	1,429	8,706
Deposits (not including current maturities)	13,732	-	-	-	-	13,732
Deposit with a related company including current maturity	2,111	-	-	-	-	2,111
Customers in relation to real estate business	1,073	635	232	-	-	1,940
Customers in relation to textile business	-	-	-	-	1,098	1,098
Debtors and debit balances	2,374	2,352	25	-	469	5,220
	<u>19,290</u>	<u>8,824</u>	<u>1,697</u>	<u>-</u>	<u>2,996</u>	<u>32,807</u>
Liabilities						
Short term credit (not including current maturities)	-	32,585	6,240	17,707	21,678	78,210
Suppliers	-	1,857	690	-	145	2,692
Creditors in relation to investment in securities	16,318	-	-	-	-	16,318
Creditors and credit balances	815	1,665	169	-	752	3,401
Loans from banks and from others (including current maturities)	18,234	159,313	52,725	-	-	230,272
Convertible debentures	57,030	-	-	-	-	57,030
	<u>92,397</u>	<u>195,420</u>	<u>59,824</u>	<u>17,707</u>	<u>22,575</u>	<u>387,923</u>

NOTE 29:- LINKAGE TERMS OF MONETARY BALANCES

a. Company's balance sheet

	December 31, 2000					Total
	Linked to the CPI	Pound sterling or linked thereto	Belgian Franc/Eur or linked thereto	Dollar or linked thereto	Unlinked	
Adjusted NIS in thousands						
Assets						
Cash and cash equivalents	-	73	-	-	582	655
Deposits (not including current maturities)	5,776	-	-	-	-	5,776
Deposit with a related company including current maturity	1,727	-	-	-	-	1,727
Customers in relation to real estate business	949	-	-	-	-	949
Debtors and debit balances	7,314	-	-	-	11	7,325
	<u>15,766</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>593</u>	<u>16,432</u>
Liabilities						
Short term credit (not including current maturities)	-	402	1,676	90,989	14,428	107,495
Suppliers	-	-	-	-	112	112
Creditors in relation to investment in securities	16,318	-	-	-	-	16,318
Creditors and credit balances	712	-	-	-	2,000	2,712
Loans from banks and from others including current maturities	2,402	25,743	18,657	-	-	46,802
Convertible debentures	85,202	-	-	-	-	85,202
	<u>104,634</u>	<u>26,145</u>	<u>20,333</u>	<u>90,989</u>	<u>16,540</u>	<u>258,641</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29:- LINKAGE TERMS OF MONETARY BALANCES (Cont.)

a. Company's balance sheet (Cont.)

	December 31, 1999					Total
	Pound sterling	Belgian Franc/Eur	Dollar		Unlinked	
	Linked to the CPI	or linked thereto	o or linked thereto	or linked thereto		
Adjusted NIS in thousands						
Assets						
Cash and cash equivalents	-	34	-	-	277	311
Deposits (not including current maturities)	13,732	-	-	-	-	13,732
Deposit with a related company including current maturity	2,111	-	-	-	-	2,111
Customers in relation to real estate business	731	-	-	-	-	731
Customers in relation to textile business	-	-	-	-	1,098	1,098
Debtors and debit balances	2,442	-	-	-	162	2,604
	<u>19,016</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>1,537</u>	<u>20,587</u>
Liabilities						
Short term credit (not including current maturities)	-	8,666	6,235	17,707	21,678	54,286
Suppliers	-	-	-	-	145	145
Creditors in relation to investment in securities	16,318	-	-	-	-	16,318
Creditors and credit balances	815	-	-	-	520	1,335
Loans from banks and from others (including current maturities)	7,198	29,527	21,919	-	-	58,644
Convertible debentures	96,481	-	-	-	-	96,481
	<u>120,812</u>	<u>38,193</u>	<u>28,154</u>	<u>17,707</u>	<u>22,343</u>	<u>227,209</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30:- DETAILS ABOUT TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

- a. The balance of related parties is included under balances with related parties

	CONSOLIDATED		C O M P A N Y	
	December 31,		December 31,	
	2000	1999	2000	1999
	Adjusted NIS in thousands			
Loan to a related party	1	2	1	2
Interested parties - in current liabilities				
Parent company's securities	9	10,	2	3
Related parties current account in current liabilities				
Related party current account in current assets				
Loans to subsidiaries			239,5	199,5

- b. Income/(expenses) in the reporting year

	CONSOLIDATED			COMPANY		
	Year ended December 31,			Year ended December 31,		
	2000	1999	1998	2000	1999	1998
	Adjusted NIS in thousands					
Income from interest	80	107	96	10,503	2,069	4,356 **
Directors fees	(299)	(240)	(280)	(299)	(240)	(280)
Salaries and related expenses to fully employed interested parties:						
Number of receivers	2	2	2	2	2	2
Amount	(1,729) *	(1,195)	(1,160) *	(1,729) *	(1,195)	(1,160) *
Lease and building maintenance expenses	(155)	(133)	(125)	(155)	(133)	(125)

* Including an annual bonus in the amount of NIS 400 thousand to the Company's general manager, subject to the approval of the general meeting

** Reclassified.

NOTE 30:- DETAILS ABOUT TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (Cont.)

c. Officeholders' insurance and liability compensation

The Company insured the officeholders' liability, in accordance with its regulations, within the Zur Shamir group which includes the parent company, the Company and Direct Insurance - I.D.I. Insurance Company Ltd. and their subsidiaries, for a three year period from 1998, in the total amount of \$ 5 million, for each case and for the period and \$ 1 million in relation to legal expenses in Israel only.

The Company issued letters of indemnity to all its directors and officeholders who have been or are in the Company's service since February 28, 1993, and who do not hold 25% or more of the Company's shares.

The letters of indemnity are in relation to any monetary liability, including litigation expenses, pursuant to a judgment, on condition that they acted bona fide and in the Company's favour.

d. Options to the general manager

See note 25(b) above.

NOTE 31:- EARNINGS PER SHARE

- a. Hereunder are the amounts of the net profit and the nominal value of the share capital which were taken into account for the purpose of calculating the net profit per share and the adjustments made to the figures in order to determine the profit in full dilution:

	Year ended December 31,					
	2000	1999	1998	2000	1999	1998
	Net profit			Weighted average share capital		
	Adjusted NIS in thousands					
Information used to determine the basic net profit per share	7,	1,		48,9	48,1	47,8
Add - the effect of conversion of debentures (serial C)	1,			16,7		
Add - the effect of exercise of options 5	_____	_____	_____	_____	_____	_____
Number of shares and net diluted profit	9,	1,		65,6	48,1	47,8

* Not applicable this year.

- b. The examination of the probability of conversion of debentures and exercise of options, linked to the CPI in 2000 was calculated according to the interest rate of 7% and in the years 1999 and 1998 the calculation was according to the interest rate of 6.5% and 6%, respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32:- COMPANY'S FINANCIAL STATEMENTS IN TERMS OF NOMINAL VALUES

a. Balance sheets

	December 31,	
	2000	1999
	Adjusted NIS in thousands	
<u>Current assets</u>		
Cash and cash equivalents		
Deposits with financial institutions and others	€	14, *
Marketable securities	4	4
Customers in relation to real estate business		
Customers in relation to textile business		1
Debtors and debit balances	15,7	12,7
	<u>27,7</u>	<u>33,7</u>
<u>Inventory of buildings under construction</u>	<u>11,7</u>	<u>7,7</u>
<u>Investments and long term debit balances</u>		
In subsidiaries	220,6	179,4
In securities	90,7	90,7
Loan to a related company	1,7	1,7 *
Others		
	<u>312,7</u>	<u>272,0</u>
<u>Fixed assets, net</u>	<u>7,7</u>	<u>8,7</u>
<u>Other Assets, net</u>	<u>1,7</u>	<u>2,7</u>
	<u>361,7</u>	<u>323,2</u>
<u>Current liabilities</u>		
Short term credit from banking institutions	125,7	61,7
Liabilities to suppliers and service providers		
Creditors in respect of investment in securities	16,7	16,7
Creditors and credit balances	2,7	1,7
Current maturities of convertible debentures	10,7	10,7
	<u>155,7</u>	<u>89,7</u>
<u>Long term liabilities</u>		
Convertible debentures	75,7	86,7
Liability for severance pay		
Loans from banking institutions and others	28,7	51,7
	<u>103,7</u>	<u>138,2</u>
<u>Shareholders' equity</u>	<u>102,1</u>	<u>95,7</u>
	<u>361,7</u>	<u>323,2</u>

NOTE 32:- FINANCIAL STATEMENTS IN TERMS OF NOMINAL VALUES (Cont.)

b. Statements of profit and loss - Company

	Year ended December 31,		
	2000	1999	1998
	Adjusted NIS in thousands		
Income:			
From leasing of real estate	3	3	3
From construction business	28,		2
From securities, net	1	2	
Financing, net			4
	33,	5	10,
Costs and expenses:			
Maintenance of leased real estate	1		
From construction business	15,		
Selling	1	1	
Administrative and general expenses	6	3	4
Financing, net	1	7	
	25,	13,	7
Profit (loss) from ordinary activities	8	(7,6	3
Other income (expenses), net			
Profit (loss) before income taxes	8	(7,5	3
Income taxes (tax benefit)	3	(2,6	(1,5
	4	(4,9	4
Company's share in profits of subsidiaries, net		2	(3,3
Net profit (loss) for the year	5	(1,9	1

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32:- FINANCIAL STATEMENTS IN TERMS OF NOMINAL VALUES (Cont.)

c. Statements of changes in shareholders' equity

	<u>Share capital</u>	<u>Receipts on account of options</u>	<u>Capital reserves</u>	<u>Surplus</u>	<u>Total</u>
	<u>Adjusted NIS in thousands</u>				
Balance as of January 1, 1998	47,3	10,147	11,3	22,3	91,3
Profit from netting of convertible debentures held by a subsidiary		-			
Adjustments due to translation of financial statements of foreign subsidiaries		-	4		4
Net profit for the year		-		1	1
Balance as of December 31, 1998	47,3	10,147	15,3	23,3	97,3
Conversion of debentures		-	1		1
Adjustments due to translation of financial statements of foreign subsidiaries		-	(2,3)		(2,3)
Loss for the year		-		(1,9)	(1,9)
Balance as of December 31, 1999	48,3	10,147	14,3	21,3	95,3
Conversion of debentures		-			1
Adjustments due to translation of financial statements of foreign subsidiaries		-			
Net profit for the year		-		5	5
Balance as of December 31, 2000	48,3	10,147	15,3	27,3	102,1

NOTE 32:- FINANCIAL STATEMENTS IN TERMS OF NOMINAL VALUES (Cont.)

d. Composition of share capital

	December 31,			
	2000		1999	
	Registered	Issued and paid-up	Registered	Issued and paid-up
Ordinary shares of NIS 1 nominal value	120,0	48,	120,0	48,

NOTE 33:- EVENTS AFTER BALANCE SHEET DATE

- a. For information regarding the compromise agreement with respect to the acquisition of securities of Meshulam Levinstein Engineering and Contractors Ltd., which was signed in January 2001, see note 11 above.
- b. On January 11, 2001 a fully owned subsidiary signed an agreement for the acquisition of an office building on the area of about 8,000 square meters, in Warsaw, Poland.

The cost of the building is about U.S.\$ 14 million. The whole building is leased and the anticipated annual income from the rent is about U.S. \$ 2 million.

List of Subsidiaries

Rate of ownership and control by the holding company as of December 31, 2000:

Holding company	Name of the company	Rate of ownership %	Rate of control %
Adgar Investments and Development Ltd.	Adgar Nachalot Ltd.	100%	100%
	Adgar Capital Investments Ltd.	100%	100%
	Adgar Hatzafon Management and Services Ltd.	100%	100%
	Adgar International Holdings Ltd.	100%	100%
Adgar Nachalot Ltd.	Adgar Nof Tivon Ltd.	74%	74%
Adgar International Holdings Ltd.	Adgar Investment and Development Belgium N.V.	100%	100%
Adgar Investment and Development Belgium N.V.	Antwerp Invest N.V.	100%	100%
	Mondriaan N.V.	100%	100%
	Adgar Properties N.V.	100%	100%
	Adgar UK N.V.	82.5%	82.5%
	Adgar Sutherland N.V.	90%	90%
	Adgar Building N.V.	100%	100%
	Adgar Jezusstreet N.V.	100%	100%
	Adgar Aartselaar N.V.	100%	100%
	Adgar Lemanstreet N.V.	75%	75%
	Adgar Investment and Development Plantin N.V.	100%	100%
	Adgar Investment and Development Adgar Poland BTC N.V.	100%	100%
Adgar Investment and Development Poland N.V.	Adgar Postepu S.P.Z.O.O.	100%	100%
