The Israel Land Development Company Ltd.

Highlights from the Annual Report for 2019

Disclaimer: The following is a non-binding translation of **Board of Directors'** discussion and analysis **and the Consolidated Financial Statements which are chapters of the original Hebrew version of the Annual Report for the year 2019 as filed on March 31 2020** (the "**Annual Report**"). It is hereby clarified that this ref. does not in any way diminish the need of an investor to read the Annual Report. In the event of any contradiction between the information brought in this ref., and the information in the Annual Report, the information in the Annual Report shall prevail.

The Board of Directors' Report as on December 31, 2019

The Board of Directors of The Israel Land Development Company Ltd. ("**the Company**" or "**the Group**" or "**ILDC**" – as the case may be) is hereby honored to submit the report of the Board of Directors of the Company and its consolidated subsidiaries for the year ended December 31, 2019 ("**the Report Period**").

The Company, its business environment and its Areas of Activity

The Company operates in three main areas of activity, directly and through investee companies, as follows:

(a) Property leasing segment:

1. Income-generating real estate in Israel: development, leasing and management of income-generating properties in Israel, mainly commercial properties and office buildings.
2. Income-generating real estate in Europe: development, leasing and management of logistics parks, mainly in Poland.

(b) Residential development and construction in Israel: development, execution and sale of projects in Israel by way of urban renewal.

(c) Residential development and construction abroad: development, execution and sale of projects, mainly in Poland and Romania.

The Board of Directors' explanations for the state of the corporation's businesses, its results of operations, its equity and its cash flows

Following are highlights of the consolidated Company's results of operations (in NIS millions)

	2019	2018
Total profit from real estate businesses	189	227
Increase in value of investment real estate	316	167
Financing expenses, net	(136)	(129)
Net profit	**177**	**99**

For details about the operating results during the Report Period and about the parameters affecting them, including compared to the corresponding period last year, see clause 2 hereunder.

1. Highlights of the Company's operations during the Report Period and subsequent to the date of the statement of financial position

General

1.1 **The coronavirus crisis** –details about the coronavirus crisis and its possible repercussions on the Company's operations and business results, are included in clause 1.7 of Part A of the Annual Report, under the description of the corporation's businesses.

1.2 **Preliminary Report** – on March 22, 2020, the Company published consolidated financial data about its financial position as on December 31, 2019 and its operating results in 2019 in a preliminary report (ref. no.: 2020-01-024097) ("**the Preliminary Report**"). The differences between the audited consolidated financial statements included in this periodic report, and the same data as included in the Preliminary Report, if any, are minor.

Events and engagements

1.3 **Skyline agreement** – on June 11, 2018, a mediation agreement for performing actions and transactions was signed between the Company and a fully owned and controlled subsidiary, and Mishorim Investments Ltd. and Skyline Canada Israel Ltd. (a private company in which the Company holds about 29.7% of its shares through a wholly owned and controlled subsidiary) ("**Skyline Israel**") and, in February 2019, the parties signed an amendment to the agreement. In April 2019, shares of Skyline Investments were distributed as a dividend in kind to the shareholders of Skyline Israel.

For additional details, see the immediate reports of June 12, 2018 (ref. no.: 2018-01-050304) of February 26, 2019 (ref. no.: 2019-01-016552), the immediate report of April 18, 2019 regarding the distribution of shares of Skyline Investments as a dividend in kind (ref. no.: 2019-01-039076) and note 13.B to the attached financial statements. The aforesaid reports are included in this report by way of referral.

Subsequent to the actions referred to in the agreements and reports as specified above, the Company holds about 20.26% of the shares of Skyline Investments directly and through a wholly owned and controlled subsidiary.

1.4 **Discontinuation of the operations in the hotel segment** – on February 19, 2019, a set of agreements was signed between the subsidiary, Israel Land Development Hotels Ltd.[1] ("**ILD Hotels**"), and subsidiaries of ILD Hotels and Dan Hotels Ltd. in relation to ILD Hotels' operations and/or rights in part of the hotels it owns. Subsequent to the said engagement, as of the Periodic Report for 2018, the Company no longer operates in the hotel segment and all of the assets, liabilities and operating results attributed to the hotel segment, including the comparative figures to previous years, were reclassified in the financial statements to discontinued operations.

On May 27, 2019, a subsidiary of ILD Hotels engaged in an agreement with third parties unrelated to ILD Hotels or to its controlling shareholders for the sale of all of its rights in the Rimonim Neve Ativ Hotel in consideration of a total of NIS 11.75 million. For additional details, see the immediate report of May 27, 2019 (ref. no.: 2019-01-044958), which is included in this report by way of referral.

For additional details about the engagement, see the immediate reports of February 20, 2019 (ref. no.: 2019-01-014866), of February 25, 2019 (ref. no.: 2019-01-016174), of March 18, 2019 (ref. no.: 2019-01-023221), of April 18, 2019 (ref. no.: 2019-01-038614), of May 14, 2019 (ref. no.: 2019-01-046357) and of May 19, 2019 (ref. no.: 2019-01-047725) and note 18 to the attached financial statements. The said reports are included in this report by way of referral.

[1] On the date of the engagement, the Company held 83.3% of the equity and voting rights in ILD Hotels. Upon the completion of the tender offer as specified hereunder, the Company holds all of its equity and voting rights.

Completion of a tender offer for shares of ILD Hotels – on May 28, 2019, in conformity with the Companies Law 1999 and the Securities Regulations (Tender Offers) 2000, the Company executed a full tender offer of ILD Hotels according to the tender offer specifications published on May 12, 2019.

In accordance with the tender offer, 3,420,446 shares were purchased from the offerees, which constituted 15% of the issued and paid-up share capital and voting rights of ILD Hotels, for the inclusive consideration of about NIS 21 million (including in respect of a forced tender offer from shareholders who have not submitted acceptance notices), which reflects a price of NIS 6.14 per share and, on June 3, 2019, ILD Hotels became a private company and the Company holds all of its share capital. For the tender offer specifications and its results, see the immediate reports of May 12 and 28, 2019 (ref. nos.: 2019-01-045199 and 2019-01-052093, respectively), which are included in this report by way of referral.

1.5 **Engagement relating to the construction of Tower C in the ILDC Campus in Bnei Brak** – on May 6, 2019, the Company's subsidiary, H.H. Real Estate Investors Ltd., engaged in an agreement with Afcon Construction Ltd., a third party unrelated to the Company or to any of its controlling shareholders, for the construction of Tower C in the ILDC Campus in Bnei Brak. For additional details about the engagement, see the immediate report of May 7, 2019 (ref. no.: 2019-01-043936), which is included in this report by way of referral. For additional details about the project, see clause 2.21 of Part A of the Annual Report under the description of the corporation's businesses. For details about advanced negotiations with a bank for an engagement in a framework construction loan for the tower, see the immediate report of March 26, 2020 (ref. no.: 2020-01-026665), which is included in this report by way of referral.

1.6 **Receipt of loans from MLP** – on May 9, 2019, three fully-controlled subsidiaries of a consolidated company, MLP Group S.A., signed a financing agreement with three international banks for the provision of a loan at the inclusive total of about EUR 94 million, bearing interest at three-month Euribor plus a premium in percentages, which is to be repaid in a single payment after six years.

The repayment of the loan is secured by collateral provided to the financing entities up to the sum of 150% of the total credit. For additional details, see the immediate report of May 14, 2019 (ref. no.: 2019-01-045982), which is included in this report by way of referral.

1.7 **Merger of the private real-estate companies into the Company** – on December 23, 2019, the Company's Board of Directors passed a resolution whereby the Company shall merge and absorb its wholly owned and controlled companies operating in the operating segment of income-generating real estate in Israel ("**the Target Companies**" and "**the Merger**," respectively), this subsequent to the receipt of the Israel Tax Authority's tax ruling for the merger on December 4, 2019, in such manner that the Company shall absorb all of the operations, rights, liabilities and assets of any of the Target Companies, and the Target Companies shall be dissolved without liquidation and shall cease to exist as legal entities. The validity of the merger agreements, their execution and the completion of the mergers are contingent upon the receipt of all of the approvals specified in the merger agreements ("**the Suspending Conditions to the Merger**"). It is clarified that the merger shall have retroactive validity as of December 31, 2019. Furthermore, if the Suspending Conditions to the Merger are not fulfilled by December 31, 2020 for any reason whatsoever and the parties do not agree to postpone this deadline, then any of the parties will be allowed to cancel the merger and the other party shall not have any allegation and/or claim against the other party in this regard.

The completion of the merger shall result in savings in the expenses involved in the management and holding of companies and shall enable the Company to offset profits generated by the assets being transferred from the merging companies and which entailed payments of corporate tax in the merging companies up until year-end 2019, against accumulated losses in the Company, all in conformity with the conditions stipulated in the tax ruling. An increase in the Company's net profit is expected in the financial statements that the Company shall publish for the first quarter of 2020, at a volume that may range between NIS 60 and 90 million, as a result of the elimination of a reserve for deferred taxes which, as a result of revaluations of the merging companies' assets performed in recent years, was allocated against the tax expenses item. The impact of the merger on the current tax expenses and on the height of the tax reserve is not yet reflected in the financial statements as on December 31, 2019. The aforesaid assessments of the Company constitute forward-looking information, as defined in the Securities Law 1968, which are based on information in the Company's possession correct to date.

The merger proceedings will be carried out according and subject to the provisions of Chapter One of Part VIII of the Companies Law 1999 and without tax liability pursuant to the provisions of section 103B and subject to section 103C of the Income Tax Ordinance (New Version) 1961. For additional details about the tax ruling and the merger, see the immediate report of December 5, 2019 and the immediate report of December 23, 2019 (ref. nos.: 2019-01-106575 and 2019-01-112611, respectively), which are included in this report by way of referral, and note 30.E to the attached financial statements.

1.8 **Developments in urban renewal projects** – in September 2019, a conditional building permit was received for a "vacate and build" project for the construction of 17 housing units[2] on Lessin Street in Tel-Aviv and, in November 2019, an urban building plan was approved (which has since been validated) for a "vacate and build" project for the construction of 235 housing units and 1,000 m² of commercial space on Fichman Street in Holon, and the Company, together with the consultants in the project, are in advanced stages of receiving a building permit. According to the Company's assessment, subject to developments that might occur as a result of the coronavirus crisis and its repercussions, the estimated construction start date will be during the second-half of 2020.

[2] The project is being carried out by a partnership in which the subsidiary, Israel Land Development – Urban Renewal Ltd. holds all rights therein (77%).

Events relating to the Company's shares

1.9 **Share self-purchase plans** – on **January 21, 2019**, the Company's Board of Directors approved a share self-purchase plan at the volume of up to NIS 12 million until April 15, 2019. For details about the plan, see the immediate report of the same day (ref. no.: 2019-01-008391), which is included in this report by way of referral. On March 31, 2019, the Company's Board of Directors approved an extension of the plan's validity until July 31, 2019, without any change in its scope. Since the approval date of the plan and until its expiration on July 31, 2019, the Company purchased 390,213 par value of the Company's ordinary shares in consideration of the inclusive sum of about NIS 12 million, and they became dormant shares.

On **March 15, 2020**, the Company's Board of Directors approved a share self-purchase plan at the volume of up to NIS 20 million. On **March 22, 2020**, the Company's Board of Directors resolved to revise the plan so that it shall also apply to all series of the Company's debentures in circulation, to increase the plan's volume to up to NIS 50 million, and to limit the cost of the shares to be purchased to NIS 20 million. The plan is in effect for six months as of the date of its approval. For details about the revised plan, see the immediate report of March 22, 2020 (ref. no.: 2020-01-024100), which is included in this report by way of referral ("**2020 Plan**").

Up until the signing date of the financial statements, the Company has not yet purchased shares within the framework of the 2020 Plan.

As of March 31, 2020, the Company holds a total of 464,513 par value of dormant shares.

1.10 **Market-maker agreement** – on February 3, 2019, the Company engaged in an agreement with Meitav Dash Trade Ltd., under which Meitav Dash began operating as a market-maker for the Company's shares as of February 5, 2019. For details, see the immediate report of February 3, 2019 (ref. no.: 2019-01-012021), which is included in this report by way of referral.

1.11 **Dividend distribution to the Company's shareholders** – on March 31, 2019, the Company's Board of Directors resolved to distribute a dividend to the Company's shareholders at the inclusive total of NIS 20 million, which was paid to eligible shareholders on April 16, 2019.

On March 31, 2020, the Company's Board of Directors resolved to distribute a dividend to the Company's shareholders at the inclusive total of NIS 30 million, which shall be paid to eligible shareholders on April 21, 2020.

1.12 **Completion of the Company's capital flattening plan** – after having been approved by the Board of Directors and the Audit Committee, on August 4, 2019, the General Meeting of the Company's Shareholders approved the Company's engagement in a transaction with Nimrodi Land Development Limited ("**NLD**"), a private company owned by Mr. Jackob Nimrodi, one of the Company's controlling shareholders, which rescinded the extra rights attached to the Company's founders' shares held by NLD. In consideration of the rescission of the extra rights as stated, the Company granted 16.5 million non-tradeable and nontransferable (apart from a transfer to the controlling shareholder of NLD) option warrants to NLD, which are exercisable into ordinary shares of the Company during a period of up to 15 years, subject to the execution of the first raising of capital in the Company and, insofar as the shareholders' aggregate holdings of the Company's shares shall fall below 50.01% and only at a volume that shall restore their holdings to 50.01%, against the payment of exercise money, the rate of which shall be determined according to the average share price on the TASE during the 14 trading days preceding the exercise notice, after deducting a discount at the rate of 14.8% or 11%, all according to the conditions specified in the amended immediate report summoning the said General Meeting, which was published by the Company on July 28, 2019 (ref. no.: 2019-01-078028), which is included in this report by way of referral ("**NLD's Options**" and "**the Summons Report**," respectively). For additional details about the terms of NLD's Options and all other terms of the engagement, its implications on the Company's capital structure, the rationale of the Board of Directors and the Audit Committee, a description of the decision-making process and the opinions received from advisors, and about the additional items that were on the agenda of the meeting as an integral part of the plan – amending the Memorandum of Association, replacing the Articles of Association and increasing the registered share capital, see the Summons Report and the presentation that the Company published as an immediate report on August 5, 2019 (ref. no.: 2019-01-080998) prior to a conference call held on that same day, which is included in this report by way of referral.

On August 6, 2019, all of the suspending conditions to the engagement were fulfilled and NLD's Options were actually allotted, and the Company published the updated Memorandum and Articles of Association as an immediate report (ref. no.: 2019-01-081625) and an immediate report of the updated status of holdings by interested parties and officers in order to reflect the updated holding ratios of voting rights of all interested parties in the Company which, subsequent to that described above, are currently identical to the holding ratios of the share capital (ref. no.: 2019-01-081619).[3] The said reports are included in this report by way of referral.

1.13 **Capital raising from the public by way of an issue of shares** – on December 17, 2019, the Company raised a total of NIS 162 million, gross, against a private allotment of NIS 4,263,158 par value of ordinary shares of NIS 1 par value each of the Company, at the price of NIS 38 per share, pursuant to a private allotment memorandum dated December 12, 2019 (ref. no.: 2019-01-109101), which is included in this report by way of referral.

As a result of the completion of the capital raise as stated and the validation of NLD's Options, the Company recognized a liability at the sum of about NIS 61.7 million on the capital issue date, which reflects the fair value of NLD's Options on that date as calculated

[3] The holdings reported in the above-mentioned report were correct to the date of its publication; holdings are updated from time to time and are reported by the Company in compliance with the statutory requirements.

by an independent appraiser, against a reduction of capital reserves. The difference between the liability recognized on that date and the liability in the statement of financial position as calculated by the appraiser as on December 31, 2019, at the sum of about NIS 2.6 million, was recognized in the statement of profit and loss.

On January 8, 2020, the Company raised a total of about NIS 90 million, gross, against a private allotment of NIS 2,068,966 par value of ordinary shares of NIS 1 par value each of the Company, at the price of NIS 43.5 per share, pursuant to a private allotment memorandum dated January 2, 2020 (ref. no.: 2020-01-001395), which is included in this report by way of referral.

Events relating to debentures issued by the Company

1.14 **Rating of the Company's debentures** – on January 8, 2019, S&P Maalot Ltd. published a report assigning an ilBBB+/Stable rating to the Company's Series 15 through 20 and Series 22 debentures and an ilA-/Stable rating to the Series 21 debentures. For additional details, see the immediate reports published on that day – the rating report (ref. no.: 2019-01-003196) ("**the Previous Rating**"), which is included in this report by way of referral, and the report of changes in the interest rates on the Series 20 and 22 debentures following the rating revision (ref. no.: 2019-01-003208) ("**the January 2019 Interest Update**"), which is included in this report by way of referral.

On January 14, 2020, S&P Maalot Ltd. published a report assigning an ilA-/Stable rating to the Company's Series 15 and 16, Series 18 through 20 and Series 22 debentures and an ilA/Stable rating to the Series 21 debentures. For additional details, see the immediate report published on that day – the rating report (ref. no.: 2020-01-005763) ("**the Revised Rating**"), which is included in this report by way of referral, and the amending report of changes in the interest rates on the Series 20 and 22 debentures following the rating revision, which was published on January 20, 2020 (ref. no.: 2020-01-008082) ("**the January 2020 Interest Update**"), which is included in this report by way of referral.

1.15 **Debenture self-purchase plan** – on December 24, 2018, the Company's Board of Directors approved a self-purchase plan of debentures it issued, at a volume of up to NIS 25 million, through a subsidiary. For details about the plan, see the immediate report of that day (ref. no.: 2018-01-125919), which is included in this report by way of referral.

Since the approval date of the said plan and until its expiration date on June 24, 2019, debentures were purchased at the inclusive total of about NIS 4.93 million.

For details about the 2020 Plan, which includes self-purchase of debentures, see clause 1.9 above.

Since the approval date of the 2020 Plan and until March 29, 2020 (inclusively), debentures were purchased at the inclusive total of about NIS 4 million.

For details about all debentures held by the subsidiary, Israel Land Development Finance and Investments Ltd. (100%) as of March 29, 2020, including debentures that were purchased within the framework of previous self-purchase plans, see the Company's immediate report of March 29, 2020 (ref. no.: 2020-01-028093), which is included in this report by way of referral.

1.16 **Replacement of liens in favor of Series 16 debenture-holders** – for details about a deposit that the Company deposited in the account pledged to Hermetic Capital Ltd., the trustee for the Series 16 debenture-holders, and about the removal of the lien on the Company's shares of the subsidiary, Israel Land Development Malls and Commercial Centers, see the immediate reports of February 20, 2020 (ref. no.: 2020-01-017925) and of March 12, 2020 (ref. no.: 2020-01-020905), which are included in this report by way of referral.

1.17 **Recruitments and repayments of debentures**

Series	Date	Details
15	June 2019	Principal repayment no. 5 (out of 6) totalling about NIS 29 million, gross.
16	June 2019	Principal repayment no. 4 (out of 5) totalling about NIS 57.4 million, gross.
	March 2020	The Company repurchased about NIS 8.02 million par value, in consideration of their liability value on the purchase date, in an off-the-board transaction, and they were removed from circulation.
17	March 2019	Principal repayment no. 2 (out of 4) totalling about NIS 51 million, gross.
	April 2019	Recruitment of about NIS 36.8 million (gross) in respect of an issue of NIS 35,000 thousand par value in a private issue, pursuant to the immediate report of April 15, 2019 (ref. no.: 2019-01-037333), which is included in this report by way of referral.
	September 2019[4]	Partial early repayment of NIS 80,000 thousand par value, pursuant to the immediate report of September 15, 2019 (ref. no.: 2019-01-096424), which is included in this report by way of referral.
	December 2019	Final early and full repayment of the balance of NIS 57,874 thousand par value, pursuant to the immediate reports of November 27, 2019 (ref. no.: 2019-01-103482) and of December 16, 2019 (ref. no.: 2019-01-109743), which are included in this report by way of referral.
18	September 2019[5]	Principal repayment no. 2 (out of 4) totalling about NIS 54.4 million, gross.

[4] The actual clearing occurred on October 2, 2019 instead of on September 30, 2019, which was a holiday.
[5] See footnote 5 above.

Series	Date	Details
19	February 2020	Final early repayment of about NIS 160,721 thousand par value, constituting the entire balance of the Series 19 debentures on March 31, 2020. For details, see the amending immediate report of March 24, 2020 (ref. no.: 2020-01-029301), which is included in this report by way of referral.
21	February 2019	Raising of about NIS 86.6 million (gross) in respect of an issue of NIS 90,000 thousand par value in a private issue, pursuant to the amending immediate report of February 13, 2019 (ref. no.: 2019-01-012877), which is included in this report by way of referral.
	January 2020	Raising of about NIS 200 million (gross) in respect of an issue of NIS 180,180 thousand par value, pursuant to the shelf offering memorandum of January 22, 2020 (ref. no.: 2020-01-007999), which is included in this report by way of referral.
	March 2020	Raising of about NIS 50 million (gross) in respect of an issue of NIS 53,000 thousand par value, pursuant to the private offering memorandum of March 30, 2020 (ref. no.: 2020-01-028156), which is included in this report by way of referral.
22	August 2019	Raising of about NIS 171.6 million (gross) in respect of an issue of NIS 172,450 thousand par value, pursuant to the shelf offering memorandum published by the Company on August 8, 2019 (ref. no.: 2019-01-068463), which is included in this report by way of referral.
	September 2019	Raising of about NIS 57.2 million (gross) in respect of an issue of NIS 57,500 thousand par value in a private issue, pursuant to the immediate report of September 18, 2019 (ref. no.: 2019-01-097069), which is included in this report by way of referral.
	January 2020	Raising of about NIS 200 million (gross) in respect of an issue of NIS 189,574 thousand par value, pursuant to the shelf offering memorandum of January 22, 2020 (ref. no.: 2020-01-008002), which is included in this report by way of referral.

Controlling shareholders, directors and officers

1.18 **Remuneration policy, directors' remuneration and officers' remuneration** – on February 7, 2019, after having been approved by the Remuneration Committee and in accordance with the Easement Regulations, the Company's Board of Directors approved that remuneration to be paid to directors who are among the Company's controlling shareholders or their relatives shall be identical to the remuneration payable to the Company's outside directors. For additional details, see the immediate report of that date (ref. no.: 2019-01-011266), which is included in this report by way of referral.

On February 10, 2020, after receiving the Remuneration Committee's approval on February 3, 2020, the Company's Board of Directors approved the Company's new remuneration policy. The Board of Directors and the Remuneration Committee passed these resolutions after they rediscussed the remuneration policy and the resolution of the General Meeting of January 16, 2020 to not approve the policy. For additional details about the said resolutions and the discussions that were held, see the immediate report of February 10, 2020 (ref. no.: 2020-01-014865), which is included in this report by way of referral.

1.19 **Honorary president** – on February 10, 2019, the Company announced the discontinuance of the bearing of the office expenses of the Company's Honorary President, which had been approved in accordance with the Easement Regulations in July 2018. For details, see the immediate report of February 10, 2019 (ref. no.: 2019-01-011743). For details about the discontinued engagement, see the report of July 5, 2018 (ref. no.: 2018-01-061032). The said reports are included in this report by way of referral.

1.20 **Appointments and cessations of office** – in March 2019, Mr. Zafrir Holtzblat began serving as an external director of the Company, and Mr. David Schwartz's tenure as an external director of the Company ended after nine years of service.

In July 2019, Mr. Oded Setter began serving as VP Finance, Investments and Business Development, and Mr. Tomer Katz's tenure as VP Investments and Business Development ended.

In January 2020, Mr. David Babay began serving as an external director of the Company, and Mr. Menashe Arnon's tenure as an external director of the Company ended after nine years of service.

1.21 **General meetings** – on **March 20, 2019**, after having been approved by the Remuneration Committee and the Board of Directors, the General Meeting of the Company's Shareholders approved an extension of the validity of the deeds of indemnity that were issued to directors and officers of the Company who are among the controlling shareholders or their relatives. For additional details about the deeds of indemnity, see the amending report of the summoning of the meeting, which was published on February 24, 2019 (ref. no.: 2019-01-016024), which is included in this report by way of referral. Also approved during that same meeting was the appointment of Mr. Zafrir Holtzblat as an external director of the Company for a three-year term as of March 23, 2019.

On **January 6, 2020**, after having been approved by the Remuneration Committee and the Board of Directors, the General Meeting of the Company's Shareholders passed resolutions relating to insurance, release and indemnification to directors and officers. For details about the said topics, see the report summoning the meeting, which was published on November 27, 2019 (ref. no.: 2019-01-103488) ("**January 2020 Meeting Summons Report**"), which is included in this report by way of referral. Also approved during that same meeting was the appointment of Mr. David Babay as an external director of the

Company for a three-year term as of January 10, 2020. Discussions and the passing of resolutions relative to the other items on the agenda of that meeting regarding amendments to the Company's Articles of Association and the adoption of a new remuneration policy were adjourned to a later meeting.

During the said adjourned meeting, which was held on **January 16, 2020**, the General Meeting resolved to remove from the agenda the discussion and the passing of resolutions regarding amendments to the Articles of Association, and voted against the adoption of the new remuneration policy. As stated above in clause 1.18, the Company's Board of Directors and Remuneration Policy approved the remuneration policy notwithstanding the General Meeting's opposition.

2. Explanations of the financial statements

2.1 Following is an analysis of the net asset value as on December 31, 2019 (in NIS millions):

	Income-generating real estate	Income-generating real estate under construction	Inventory of buildings for sale and lands for construction	Land reserves	Total
Israel					
Value of assets	2,034[6]	158	27	217	2,436
Attributed loans[7]	(1,089)	-	-	(40)	(1,129)
Net asset value in Israel	**945**	**158**	27[8]	**177**	**1,307**
Leverage ratio	54%	0%	0%	18%	46%
Outside of Israel (mainly MLP)					
Asset value	1,646	-	234	146	2,026
Attributed loans	(602)	-	(7)	(44)	(653)
Net asset value outside of Israel	**1,044**	**-**	**227**	**102**	**1,373**
Leverage ratio	37%	0%	3%	30%	32%
Total net asset value	**1,989**	**158**	**254**	**279**	**2,680**
The Company's corporate debt – unattributed debentures					(1,169)
The Company's corporate debt – unattributed loans					(105)
Cash, cash equivalents and short-term investments					331

6 See footnote 11 hereunder.
7 Including Series 21 debentures.
8 Stated at cost.

	Income-generating real estate	Income-generating real estate under construction	Inventory of buildings for sale and lands for construction	Land reserves	Total
Total, before other liabilities and assets					1,737
Other liabilities and assets, net					(839)
Equity attributable to the Company's shareholders					**898**

2.2 Following are the principal changes that occurred in the Company's consolidated financial position as on December 31, 2019 and 2018 (in NIS millions):

	As on December 31		Notes and explanations
	2019	2018	
Total assets	5,367	5,017	The increase derives mainly from the cash item and from the appreciation of the investment real estate, which were offset mainly by a decrease in the assets attributed to a disposal group held for sale. See details in the clauses hereunder.
Cash and cash equivalents	319	134	The increase derives mainly from a net recruitment totalling NIS 160 million in consideration of a share issue pursuant to a private allotment memorandum during the second half of December 2019.
Assets attributed to a disposal group held for sale	55	287	A decrease occurred according to engagements relating to the ILD Hotels transaction, under which the hotel operating segment operations were discontinued, as specified in clause 1.2 of the Board of Directors' Report accompanying the financial statements as on September 30, 2019, which were published on November 27, 2019 (ref. no.: 2019-01-103470) ("**September Statements**"), which are included in this report by way of referral.
Investment real estate	4,096	3,664	Following are details about the composition of this item and the changes that have occurred since the beginning of the year: Real estate in Israel totalled NIS 2,304 million on the date of the statement of financial position, constituting an increase of NIS 241 million since the beginning of the year, which derives mainly from changes that occurred in the values of the following properties: (1) Revaluation of the Seven Stars Mall totalling about NIS 72 million; (2) Net increase at the inclusive total of about NIS 87 million in the buildings on the ILDC Campus in Bnei Brak, deriving from the continuing construction of Tower C at the volume of about

	As on December 31		Notes and explanations
	2019	2018	
			NIS 82 million, and from a revaluation totalling NIS 77 million, which were offset by the value derecognized in respect of offices sold in Tower A at the volume of about NIS 72 million; (3) Revaluation of properties in Tel-Aviv: mainly, about NIS 21 million in respect of Kalka House and NIS 20 million in respect of the Jackob Nimrodi Tower project (formerly Maariv House). Real estate abroad totalled NIS 1,792 million on the date of the statement of financial position, constituting an increase of NIS 191 million since the beginning of the year, which derives mainly from the net increase in the values of the logistics parks of the consolidated company in Poland, MLP, totaling about NIS 204 million, which is comprised of acquisitions and additions totalling about NIS 230 million and revaluations totalling about NIS 112 million, which were offset by changes in capital reserves totalling about NIS 138 million as a result of currency translations. For details about income-generating real estate by uses, see the table in clause 2.3 hereunder.
Current liabilities	847	770	The increase derives mainly from an increase of about NIS 69 million in credit from banking corporations, an increase of about NIS 61 million in current maturities of debentures according to the repayment schedules, and an increase of about NIS 60 million in trade payables, mainly in MLP, relating to the continuing park expansions as stated above. These increases were offset by a decrease of about NIS 122 million in liabilities attributed to a disposal group held for sale, which is attributed to the realization of the hotel transaction as stated above.
Noncurrent liabilities	3,104	2,951	The increase derives from the recognition of a liability totalling about NIS 64 million in respect of NLD's Options, as specified above in clause 1.12, and from an increase of about NIS 66 million in deferred taxes, which totalled about NIS 455 million on the date of the statement of financial position. For the expected change in this item during 2020, upon the completion of the merger of private real-estate companies, see clause 1.7 above.
Total equity attributed to the Company's shareholders	**898**	**780**	The increase derives mainly from recognition of the profit for the period totalling about NIS 105 million and from a net issue of share capital totalling NIS 98 million (after offsetting a liability in respect of options as specified above in clause 1.13, and after

As on December 31		Notes and explanations
2019	2018	
		deducting NIS 56 million from the foreign currency translation reserves deriving from the strengthening of the NIS against the EUR and the PLN, and a dividend totalling NIS 20 million, which was distributed in 2019).

2.3 Following are details about income-generating real estate and net operating income (NOI) as on December 31, 2019, and about operating data during the report period:

	Size (in m²)	For the period ended December 31, 2019 (in NIS millions)		Occupancy ratio (%)	Fair value (in NIS millions)
		Rent and management fee income	NOI		
Israel					
Seven Stars Mall	25,256	97	73	100	1,132
Commercial	28,212	18	14	97	318
Offices	48,786	24	18	97	489
Industrial	32,098	6	5	89	88
Other income-generating properties	1,365	1	-[9]	85	7
Total income-generating properties in Israel	**135,717**	**146**	**110**	**95**	**2,034**
Investment real estate being promoted in Israel					158
Investment real estate – additional lands					217
Total investment real estate in Israel[10]					**2,409**
Abroad (mainly Poland)					
Logistics parks	**586,772**	**129**	**74**	**96**	**1,645**
Investment real estate being promoted abroad					146
Total investment real estate abroad					**1,791**

9 About NIS 0.3 million.

10 Including NIS 33 million in respect of an available-for-sale property, which is presented under current assets, and NIS 72 million in respect of the Company's share of the Kolbo Building in Jerusalem, which is included in the balance of the investments in investee companies.

	Size (in m²)	For the period ended December 31, 2019 (in NIS millions)		Occupancy ratio (%)	Fair value (in NIS millions)
		Rent and management fee income	NOI		
Total investment real estate[11]					**4,200**

2.4 Following are the condensed business results for the periods ended December 31, 2019 and 2018 (in NIS millions):

	For the period ended December 31		Notes and explanations
	2019	2018	
Profit from property leasing	174	181	The profit from income-generating real estate in Israel: totalled about NIS 99 million for the report period, constituting a decrease of about NIS 12 million compared to the profit for 2018, mainly as a result of a reduction in the inventory of the Company's income-generating properties in Israel, which resulted from the discontinuation of the operations at the Yarkonim Complex, from the sale of the property on Hatechiya Street in Tel-Aviv and from the demolition of Maariv House in preparation for the construction of the Jackob Nimrodi Tower. The profit from income-generating real estate abroad: totalled about NIS 74 million for the report period, constituting an increase of about NIS 4 million compared to the profit for 2018. The entire improvement in MLP's results have not yet received expression as a combined outcome of two parameters: (1) the expenses for constructing new parks in Germany and Romania, which have not yet received full expression in income; and (2) translation differentials that are resulting in the operating profit being offset by the rates of change in the foreign currency exchange rates compared to the corresponding period last year.
Profit from promoting residential construction abroad	27	21	The differences in the results derive from the timing differences for recognizing profit in projects and in the number of apartments in respect whereof profit was recognized after receiving the full consideration, delivering possession of the apartments and signing final notarial acts ("**Final Sale**") and from the mix of apartments being sold depending upon the project being sold, since the profitability is not uniform in all projects.

	For the period ended December 31		Notes and explanations
	2019	2018	
			During the report period, the majority of the profit derived from the Final Sale of apartments in Phases 1 and 2 of the Aura Sky project in Poland during the fourth quarter of the year.
Profit from real estate sales	-	31	There were no real estate sale transactions during the report period. The total of NIS 31 million in 2018 is attributed to the profits of a transaction that were recognized in the first quarter of 2018.
Appreciation of investment real estate, net	316	167	Appreciation of properties in Israel: totalled about NIS 211 million during the report year, compared to NIS 80 million last year, which derives from a decrease in the discount rate according to the changes that occurred in the customary discount rates, which resulted in appreciation of the properties in Israel, mainly of the Seven Stars Mall in Herzliya and the ILDC Campus in Bnei Brak, as specified above. Appreciation of properties abroad: totalled about NIS 105 million during the report year, compared to about NIS 87 million last year, which derives from the revaluations of logistics parks that are impacted by the increase in areas and by the change in the discount rate.
Administrative and general expenses	(71)	(66)	The change mainly reflects an increase of about NIS 3.5 million in MLP's expenses, as a result of the hiring of two new regional managers, in Germany and in Romania, due to the launch of the operations of new logistics parks in these countries, and a general increase in the wages of the employees in Poland. Also included are amortization expenses of items of property, plant and equipment in Israel totalling about NIS 3 million.
Taxes on income	(98)	(83)	The taxes during the report period derive mainly from the creation of deferred taxes in respect of the revaluation of investment real estate, as explained hereinabove and hereunder.
Net profit	**177**	**99**	

Liquidity and sources of financing (in NIS millions)

2.5 Following is the condensed cash flow for the periods ended December 31, 2019 and 2018 (in NIS millions):

	For the period ended December 31		Notes and explanations
	2019	2018	
Operating activities	13	(30)	Includes a decrease in trade receivables, other receivables and debit balances totalling about NIS 24 million during the report period, which reflects receipts received by MLP during the report period that were recognized as "income receivables" last year, and the discontinuation of the hotel operations. Concurrently, the liabilities for trade payables and other payables decreased, mainly due to the increase in MLP's operations.
Investing activities	(27)	(183)	The principal investing activities during the report period were proceeds from the sale of items of property, plant and equipment, real estate and investment real estate totalling about NIS 319 million: about NIS 213 million were received in respect of a portion of the sale agreements in the hotel company and about NIS 40 million in respect of the proceeds received from the sale of the Optima Hotel in Ramat-Gan and, on the other hand, investments totalling about NIS 349 million in items of property, plant and equipment, in real estate and in investment real estate, mainly NIS 230 million in the logistics parks and NIS 82 million in the ILDC Campus in Bnei Brak.
Financing activities	194	68	The principal financing activities during the report period were: debenture issues totalling about NIS 352 million, debenture repayments totalling about NIS 327 million, including of Series 17 debentures that were repaid by way of early repayment as stated above, and the receipt of short-term credit, net, totalling about NIS 47 million.

Results of the fourth quarter of 2019

2.6 The profit for the fourth quarter of 2019 totalled about NIS 105 million. Following are details of the material items that generated the results in this quarter:

The profit from property leases totalled about NIS 48 million and reflects growth compared to the previous quarters, mainly thanks to MLP's increase in leased spaces in the logistics parks in Poland, and thanks to income from spaces in the new parks in Germany and Romania.

The profit from promoting construction abroad totalled NIS 22 million and reflects mainly profits recognized in respect of Final Sales in phases 1 and 2 in the Aura Sky project in Poland, according to the timing of the completion of the project, the receipt of the full consideration, the signing of a notarial act and delivery of the possession of apartments to buyers.

The appreciation of investment real estate totalled about NIS 161 million.

These profits were offset mainly by administrative and general expenses totalling about NIS 27 million, by taxes on income totalling about NIS 48 million and by financing expenses, net, totalling about NIS 15 million.

The explanations for the movements in the profit and loss items during the fourth quarter do not differ materially from that explained above in relation to 2019 as a whole, apart from a sharp drop in the net financing expenses, which decreased significantly compared to the previous quarters of 2019 as a result of the strengthening of the EUR and the PLN relative to the NIS that began during the last quarter of the report year, compared to the reverse trend during the three previous quarters, and apart from the 3.1% weakening of the EUR relative to the PLN during the fourth quarter, which reduced a consolidated company's financing expenses relating to EUR-linked loans that it received.

3. Disclosures relating to the corporation's financial reporting

Legal proceedings

3.1 For legal proceedings in the Group, see note 28.C to the attached consolidated financial statements.

Quality report about exposure to market risks and risk management methodologies

3.2 **Market risk management officer** – market risks are jointly managed in the Company by the CEO, Mr. Ofer Nimrodi, and by the Executive Vice President, Mr. Shimshon Marfogel.

3.3 **Exposure to risks deriving from the repercussions of the coronavirus crisis** – at the time this report is being written, the coronavirus crisis is still running its course. As specified in clause 1.7 of Part A of the Annual Report, under the description of the corporation's businesses, the coronavirus crisis may lead to the materialization of some or all of the market risks described hereunder. The intensity of the materialization of risks and the magnitude of their impact on the Company and on its operating results in the future cannot be estimated at this time and depend upon the timeframe that will elapse until the crisis passes and upon events that might transpire during the crisis, including decisions that might be made by governments internationally and in Israel, which could cause the Company heightened exposure to the market risks relevant to its operations.

In addition to the actions taken by the Company's Board of Directors and Management within the framework of risk management processes on an ongoing basis during routine times, as described hereunder in clause 3.5, the Company's Board of Directors has held several meetings since the outbreak of the crisis in order to receive updates about the actions taken by the Company's Management to revise the budget and the work plan for

2020 and to adapt them to the new reality and the accompanying uncertainties, during which several ad hoc decisions were also reached, such as approval of a buyback plan for the Company's securities, as described above in clause 1.9.

According to the assessment of the Company's Board of Directors and Management, the actions taken by the Company in recent months to improve the capital structure and financial robustness, to cut financing costs and to extend the average duration of the Company's liabilities, coupled with flexibility and the ability to make the adjustments needed in the work plan, will enable the Company to reduce the adverse impact of the crisis on the Company's operations and to fulfill all of its obligations on time and in their entirety.

The market risks are described hereunder according to their potential impact on the Company during routine times. As stated above, the Company's exposure to these risks may intensify as a result of the coronavirus.

3.4 **Description of the market risks:**

3.4.1 **Income-generating real estate**

The average occupancy ratio of the Company's properties exceeds about 95%. The properties are leased for medium- to long-term periods. According to the Company's assessment, as of the publication date of the financial statements, no significant adverse change has occurred in the values of the Company's investment real estate compared to their carrying amounts as on December 31, 2019.

3.4.2 **Construction projects**

During construction projects, the Company is exposed to market risks relating to obtaining suitable financing and the level of demands for apartments, which affect the selling prices, the number of units sold and the project's financing expenses. In relation to construction projects abroad, the Company is also exposed to fluctuations in the currency exchange rates in the countries where projects are underway.

3.4.3 **Currency Risks**

The Company may have accounting exposure to fluctuations in the currency exchange rates in countries in which it is active, as a result of the currency translation differentials of financial statements of the subsidiaries operating abroad.

In these companies, fluctuations in exchange rates have no material economic impact on the financial position, since the assets and the liabilities in all projects of the subsidiaries abroad are in the functional currency, thereby posing no currency exposure at the operating level.

Nevertheless, the Company may have cash-flow exposure when transferring money from abroad to Israel depending upon the currency exchange rates.

3.4.4 **Changes in the Consumer Price Index**

In Israel, all of the Company's leasing revenues are linked to the Consumer Price Index, as are some of its financing expenses deriving from liabilities to banking corporations and liabilities in respect of debentures issued by the Company. Due to this fact, a rise in the inflation rates in the Israeli economy (expressed by a rise in the CPI), is the factor having an impact on the Company's financial position in terms of the leasing revenues and in terms of the financing expenses.

3.5 **The Company's risk management policy and supervision of the risk management policy**

The Company has no policy regarding the volume of protection against market risks, and it is determined according to the directives of the Company's Board of Directors and/or the Company's Investment Committee, as the case may be. The Company's Board of Directors receives quarterly reports from the Management about the Company's exposure and the risks or ad hoc, as necessary, and makes decisions in this regard accordingly. Explanations of the Company's financing expenses are provided quarterly, when the Board of Directors convenes to approve the financial statements.

3.6 **Report of linkage bases**

For the Company's consolidated statements of financial position presenting linkage terms, see note 32.C to the financial statements hereunder.

3.7 **Policy regarding transactions with derivatives**

The Company has no policy regarding transactions with derivatives. The Company had no activity in derivatives during the report period.

Events subsequent to the date of the statement of financial position

3.8 See clause 1 above.

Report of the status of liabilities by repayment dates

3.9 For details about the status of the Company's liabilities by repayment dates, see the immediate report published by the Company concurrent with the publication of this report, which is included here by way of referral.

4. Corporate governance aspects

The corporation's donation policy

4.1 The Company has no fixed donation policy, but customarily donates various sums to a variety of causes in the fields of education, health, culture and community according to the Management's decisions from time to time. During the report period, the Company and/or its private subsidiaries donated the inclusive total of about NIS 771 thousand to various bodies according to that stated above.

In March 2020, the Company donated a total of NIS 200 thousand towards equipment purchases to help contend with the coronavirus.

Corporate governance review – Entropy

4.2 Out of the Company's desire to continue enhancing its transparency to the capital market and the quality of the corporate governance in the Company, the Company engaged with Entropy Corporate Governance Consulting Ltd. ("**Entropy**"), which reviewed the existing components of corporate governance in the Company and compared them to the customary principles in public companies having similar characteristics in Israel, for the purposes of performing a detailed professional review for the Company of the level of corporate governance in the Company and submitting recommendations for implementation in an orderly work plan for enhancing the corporate governance in the Company, on the basis of Entropy's corporate governance model.

Within the framework of the review process that it implemented, Entropy held meetings with most of the Company's officers, directors and advisors and perused relevant materials. Upon completing the examination process as stated, Entropy submitted a corporate governance risk assessment review to the Company's Board of Directors, as well as a number of recommendations for further strengthening and improving the corporate governance. Within this framework, the Company has already begun practically implementing Entropy's recommendations in relation to several topics, including: establishing communications processes with the capital market and strengthening transparency, forming a committee to find and assess the qualifications of candidates for office as external directors,[11] anchoring the existing strategy in a formal process under the Board of Directors' guidance, subordinating the Company's internal auditor to the Chairman of the Board of Directors, increasing the scope of the audits and adopting a training program for directors. Also within the framework of this process, Entropy's recommendations that have not yet been implemented were submitted for discussion by the Company's Board of Directors, which resolved to adopt the recommendations in an orderly work plan. These recommendations address such topics as: anchoring a formal policy for appointing outside directors and for improving the Board of Directors' independence (strengthening the independent component of the Board of Directors), strengthening risk-management processes, anchoring a policy in relation to the Company's gatekeepers and strengthening the infrastructures and resources that are available to them, and a formal anchoring of information-flow processes in the Company. Based on the positive findings of the review and in light of the Board of Directors' resolution to adopt the recommendations as stated above, Entropy assessed the quality of the Company's corporate governance at the rank of "Reasonable." The Company plans to continue enhancing a number of components of its corporate governance, including according to Entropy's recommendations in its review.

Details about the corporation's internal auditor

4.3 See hereunder – Appendix A to the Report of the Board of Directors.

[11] For details about the process implemented by the Company, see the January 2020 Meeting Summons Report.

Disclosure of the independent auditor's fee

4.4 See hereunder – Appendix B to the Report of the Board of Directors.

5. Specific disclosure to debenture-holders

Material changes that occurred in the Company's debentures since year-end 2019 and until the signing date of this report:

5.1 See above clauses 1.15 and 1.17.

Details about the debentures as of December 31, 2019

5.2 For details about the debentures, as of December 31, 2019, see hereunder – Appendix C to the Report of the Board of Directors.

Financial covenants

5.3 For details about the financial covenants stipulated in the deeds of trust of the debentures issued by the Company, see hereunder – Appendix C to the Report of the Board of Directors.

Statement of projected cash flows

5.4 As on December 31, 2019, the following warning signs, which are specified in Regulation 10(B)(14)(a) of the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the Regulation**") exist in the financial statements: (1) deficit in working capital (**nonconsolidated**); and (2) ongoing negative cash flow from operating activities (**nonconsolidated**).

5.5 During the Board of Directors' meeting held on March 31, 2020 to approve the December 2019 financial statements, the Company's Board of Directors discussed the Company's liquidity position in light of these warning signs and were satisfied that they do not indicate a liquidity problem in the Company and that the Company has sufficient resources to carry out its business and financial plans and to fulfill all of its obligations.

5.6 As specified above in clause 1.12, thanks to the completion of the operations relating to the Company's capital flattening plan, the Company's flexibility in recruiting sources of financing has improved significantly since August 6, 2019, once it became possible to recruit capital through issues of new shares and/or other equity instruments, such as options, convertible debentures, etc. The Company's Management has made preparations to examine and implement the new alternatives that are now available to the Company for maximizing the benefits deriving from the improved flexibility, in order to be prepared to actually recruit financing when needed, to carry it out in an optimal format while taking into account all relevant considerations at any given time including, but not limited to, the market conditions, the volume of financing required, the price of the capital, financial ratios, etc. In December 2019, the Company raised capital by way of an issue of shares for the first time in decades, and executed an additional raise in January 2020, all as specified above in clause 1.13. to be conservative and since, as of the publication date of this report, the Company's Board of Directors has not yet passed a concrete resolution with regard to additional capital issuings, the statement of projected cash flows hereunder does not include any sources from equity issues, apart from the consideration actually received from the issuing executed in January 2020. According to the assessments of the Company's Management and Board of Directors, the possibility of executing additional capital issuings, if so decided, offers only favorable implications on the Company's liquidity position, which will be reflected both on the sources side, thanks to the lower volume of debt capital that the Company might need to raise, and on the uses side, thanks to a possible lowering of the interest that the Company will be required to pay, to the extent that the volume of debt capital being raised by the Company is lower (existing and/or planned).

5.7 The table below reflects the data and assessments made by Company's Management, as discussed and approved by the Board of Directors during the aforesaid meeting, also based on the additional details and assumptions specified hereunder.

5.8 Notwithstanding the fact that, according to the Board of Directors' determination as stated above in clause 5.5, the Company is not required to include a statement of projected cash flows pursuant to the Regulation, the Company's Board of Directors believes that disclosing the data that served to satisfy the Board of Directors can contribute to an understanding of the state of the corporation's affairs in a balanced manner by a reasonable investor considering a purchase or sale of the Company's securities.

Warning in relation to forward-looking information:

The cash flow assessed in this report and its underlying assumptions constitute forward-looking information, as this term is defined in the Securities Law, 1968. The said information is based, inter alia, on assessments, work plans and various estimates that are not under the Company's sole control, particularly during the current period, while the coronavirus crisis is affecting the entire world and when the magnitude and intensity of its repercussions on the global economy, including all parameters that impact the Company's operations, are not yet known and cannot be estimated. The Company's projections may not materialize if material adverse changes occur in its operating income and/or if adverse changes occur in the structure of its expenses, or if the subsidiaries become incapable of repaying their debts to banking corporations, some of which are guaranteed by the Company. The Company's projections are also affected by the state of the economy. The aforesaid information may not materialize in whole or in part, or may materialize in a way that differs significantly from the Company's expectations, inter alia, as a result of exogenous factors that are not under the Company's control such as: the state of the real-estate market, the Company's ability to recruit additional bank financing, and as a result of the materialization of any of the risk factors characterizing the Company's operations or those of its subsidiaries, as specified in Part A of the Annual Report under the description of the corporation's businesses, as specified above in this Report of the Board of Directors, and in the assumptions specified hereunder.

(in NIS millions)	2020	2021	Notes
Opening balance	**152**	**125**	
Sources (nonconsolidated):			1
Cash flow from operating activities			2,3
Cash flow from property sales, net	129	211	
Cash flow from all other operating activities, net	37	67	
Total from operating activities (nonconsolidated)	**166**	**278**	
Cash flow from financing activities			4,6
Receipt of current loans from banking corporations	182	-	
Receipt of construction loans from banking corporations	25	250	
Capital issues	89	110	
Debenture issues	450	100	
Total from financing activities (nonconsolidated)	**746**	**460**	
Total sources (nonconsolidated)	**1,064**	**863**	
Sources from investee companies:			5
Cash flow from operating activities			
Loan repayment	9	-	
Total sources from investee companies	**9**	**-**	
Total sources	**1,073**	**863**	
Expected liabilities (expected uses):			
Cash flow for financing activities			1
Repayments of loans from banking corporations, including interest	(338)	(80)	
Repayment of principal – Series 15 debentures	(22)	-	7
Repayment of principal – Series 16 debentures	(57)	-	7
Repayment of principal – Series 18 debentures	(54)	(54)	7
Repayment of principal – Series 19 debentures	(161)	-	7
Repayment of principal – Series 20 debentures	(61)	(61)	7
Repayment of principal – Series 21 debentures	(28)	(28)	7
Repayment of principal – Series 22 debentures	-	(84)	7
Payment of interest on debentures	(51)	(35)	7
Dividend	(30)	(30)	8
Buybacks of securities	(30)[12]	-	
Total uses for financing activities	**(832)**	**(372)**	
Cash flow for investing activities	**(116)**	**(345)**	6

[12] As specified above in clause 1.9, on March 22, 2020, the Company's Board of Directors approved a revised self-purchase plan for shares and debentures at the volume of up to NIS 50 million. According to the assessment of the Company's Management, inter alia, based on the actual implementation of the plan subsequent to its approval, the volume of self-purchases by virtue of this plan is not expected to exceed NIS 30 million. Therefore, uses at the approved full volume of the plan were not included in the statement of projected cash flows.

(in NIS millions)	2020	2021	Notes
Total uses	**(948)**	**(717)**	
Closing balance	**125**	**146**	

Following are additional notes and assumptions used by the Company when preparing the above projected cash flow

1) Cash flows subject to CPI-linkage were included based on the last CPI published; cash flows in foreign currency were included based on the exchange rates on the report preparation date; and cash flows based on variable interest were included according to the interest rate known on the report preparation date. Future changes in the CPI, in the currency exchange rates and/or in variable interest rates might impact the relevant cash flows, on both the sources side and on the uses side.

2) As of the report date, the Company's operating activities are carried out directly and through subsidiaries under its ownership and control. Pursuant to the merger plan described above in clause 1.7, during 2020, the real-estate companies will be merged into the Company and all of their operations will be transferred to it effective as of December 31, 2019. Therefore, this report assumes that the merger has already been completed and reflects the forecasted operations in the coming years.

3) The cash flow from property sales reflects the net flow, after loan repayments in respect of properties to be sold.

   The cash flows from all other operating activities, on a nonconsolidated basis, derive from rent income and from real estate sales in transactions that are not uniformly distributed over the years, or over each year separately, and include cash totalling NIS 27 million that has already been deposited in subsidiaries' accounts and that were in the Company's possession upon the completion of the merger as stated above.

   For the purpose of preparing the statement of projected cash flows, it was assumed that no material change will occur in the occupancy ratios of leased properties, and it was assumed that no change will occur in the level of operating expenses. However, an adjustment was made to the forecasted cash flow from material properties in relation to the second quarter of 2020 in order to reflect the expected decline in income due to the general slowdown in the economy as a result of the coronavirus crisis, coupled with some savings in the operating expenses of these properties. In respect of the period as of July 2020, it was assumed that activities will return to the levels in the original budget.

4) On the signing date of the financial statements, 75% of the sources from financing activities included in the forecast for 2020 have actually already been received.

   In addition to the flexibility recently achieved by the Company in raising the sources of financing it needs by way of capital issuings, the Company may also carry out its future raising plans through financing from financial institutions while pledging assets of the Company and/or by raising through new series of debentures and/or by expanding existing series of unsecured debentures (Series 18, 20 and 22) or a series that is secured by a pledge on assets (Series 21).

The Company's ability to raise sources from debenture issues during the report periods specified above depends on the market conditions prevailing at the relevant time and the yields on its debentures. Furthermore, most of the real estate properties of the Company and its subsidiaries in Israel are currently pledged in favor of loans that they received.

Notwithstanding that stated above, in light of the fact that over the years the Company and its subsidiaries have been repaying loans and the Company's debentures regularly on time and in full, the Company's Management assesses that the prospects of meeting the above raising forecast are good.

The Management's assessment is based on its experience over many years, on the quality of the collateral that the Company can provide, on its flexibility in executing debt raising from banking corporations or through debenture issues, according to that customary in the market in this regard, and based on that stated hereunder:

a. On the signing date of the financial statements, the Company and its fully owned investee companies have unencumbered real estate assets in Israel and abroad (including assets for which the financing entity's consent to release them from pledges has been received[13]), and their carrying amounts as on December 31, 2019 are as follows:

Details	NIS millions
Real estate in Israel	699
Real estate abroad	225
Total	**924**

Against the backdrop of the coronavirus crisis, the Company assesses at this stage that it will obtain loans from banking institutions mainly on the basis of real estate assets. The Company did not weight the full financing potential in respect of the real estate assets in its possession into the cash flow from loans from banking corporations included in respect of 2020.

b. Shares and shareholder loans of investee companies that were pledged in favor of debenture-holders which, correct to date, have been repaid in full, such that the lien on them has been released or is expected to be released, or were released from lien within the framework of an exchange of liens, according to the following details: shares of the subsidiary, ILDC Malls and Commercial Centers Ltd., which were pledged in favor of the Series 16 debenture-holders and released from lien after the Company provided a cash deposit to secure the payment to the debenture-holders in March 2020; shares of the

[13] Real estate in Israel includes NIS 141 million in respect of an asset for which the credit in respect thereof was repaid but the lien has not yet been completely removed for technical reasons and NIS 136 million in respect of assets for which the bank's consent to remove the lien has been received but, due to the coronavirus crisis, the Company has applied to the bank to retain the lien and obtain new credit based on those same assets.

Company's subsidiaries that hold (in concatenation) tradable shares of MLP were released from lien as a result of the early redemption of the Series 17 debentures, which was completed in December 2019; and shares of H.H. Real Estate Investors Ltd., which are expected to be released from lien as a result of the early redemption of the Series 19 debentures on March 31, 2020.

5) On March 31, 2020, the Company's Board of Directors resolved to include financial sources in the statement of projected cash flows that derive from investee companies in respect of repayments of loans provided by the Company in previous years, this, after the Company's Board of Directors was satisfied that no restrictions, including legal and business restrictions, apply to transfers of the said financial sources on the preparation date of the statement of projected cash flows and are not expected to apply up until the transfer date of the funds according to the statement of projected cash flow. These transfers are part of the Company's routine business activities.

6) Against the backdrop of the general slowdown in Israel and internationally as a result of the coronavirus crisis, and for the sake of being prudent and conservative, the Company assumed a postponement in the timing of the receipt of the flow from construction loans that the Company intends to obtain to finance the construction of urban renewal projects on Fichman Street in Holon and on Lessin and De Haas Streets in Tel-Aviv, and the commercial center project in Eilat. Accordingly, the assumption is that the investing activities included on the uses side in 2020 will be carried out by way of the provision of equity for those projects whose construction is planned to start later in 2020. According to the assessment of the Company's Management, as of the signing date of the financial statements, the Company will be able to fulfill its adjusted investment plan as presented above, and the Company's Management will continue to examine its work plan and make necessary adjustments according to the duration, intensity and repercussions of the coronavirus crisis.

7) The calculation of debenture payments (principal and interest), which is included under uses, includes payments in respect of debentures repurchased by a subsidiary, with the interest and principal in respect thereof constituting receipts in the above cash flow, and includes payments deriving from the issuings of new debentures, which are included under sources.

8) The dividend distribution included in 2020 was approved for distribution by the Board of Directors. The sum included in respect of 2021 was included as a forecast and is subject to separate approval by law.

9) Subject to that stated under the warning in relation to forward-looking information, and to that stated under the individual assumptions above, the Company assesses that the projected sources included in the above table will be received at sums and times that will enable it to pay its obligatory payments in their entirety and on time during the periods included in the above table.

Following are details about material liabilities during the first six months of 2020:

Details of the liability	Liability volume in NIS millions	Liability repayment date
Dividend	30	April 2020
Bank loan repayments	295	January – June 2020
Early final repayment of Series 19 debenture principal	161	March 2020
Principal repayment – Series 15 debentures	22	June 2020[14]
Principal repayment – Series 16 debentures	57	June 2020[15]
Principal repayment – Series 20 debentures	61	June 2020
Total	**626**	

The Company expects, inter alia, considering that the opening balance retained by the Company and by investee companies to be merged totals about NIS 179 million, and due to the fact that more than NIS 500 million of the aforesaid sources were already received by the Company before the end of March 2020, that the projected sources for the first six months of 2020 will be received at sums and times that will enable it to pay its obligatory payments on time during the said period.

Warning in relation to forward-looking information:

The cash flow assessed in this report and its underlying assumptions constitute forward-looking information, as this term is defined in the Securities Law, 1968. The said information is based, inter alia, on assessments, work plans and various estimates that are not under the Company's sole control, particularly during the current period, while the coronavirus crisis is affecting the entire world and when the magnitude and intensity of its repercussions on the global economy, including all parameters that impact the Company's operations, are not yet known and cannot be estimated. The Company's projections may not materialize if material adverse changes occur in its operating income and/or if adverse changes occur in the structure of its expenses, or if the subsidiaries become incapable of repaying their debts to banking corporations, some of which are guaranteed by the Company. The Company's projections are also affected by the state of the economy. The aforesaid information may not materialize in whole or in part, or may materialize in a way that differs significantly from the Company's expectations, inter alia, as a result of exogenous factors that are not under the Company's control such as: the state of the real-estate market, the Company's ability to recruit additional bank financing, and as a result of the materialization of any of the risk factors characterizing the Company's operations

14 Including about NIS 4 million in respect of Series 15 debentures purchased by a subsidiary in March 2020 within the framework of a self-purchase plan.

15 Including about NIS 8 million that were already repurchased by the Company in March 2020 and removed from circulation.

or those of its subsidiaries, as specified in Part A of the Annual Report under the description of the corporation's businesses, as specified above in this Report of the Board of Directors, and in the assumptions specified hereunder.

Differences between the statement of projected cash flows presented in the previous period and the actual cash flows

5.9 Presented hereunder are the material differences between the statement of projected cash flows for 2019 that were included in the 2018 Periodic Report and the actual data during that period, in NIS millions:

Item in the statement	Presented forecast	Actual cash flow
Sources		
Property sales in investee companies, net	327	217
Capital issues	-	160
Debenture issues	150	351
Uses		
Debenture repayments	(240)	(381)

5.10 Following are explanations for the differences presented in the above table:

5.10.1 Property sales – the difference in the proceeds from property sales derives mainly from the decision to redesignate office spaces originally intended for sale as spaces for leasing, and from timing differences in respect of a portion of the offices sold in 2019, since the proceeds from them were received only in 2020.

5.10.2 Capital issues – the forecast for 2019 was prepared before the General Meeting's approval was received for the capital flattening plan, which was approved in August 2019, in a manner that enabled the Company to raise capital, and the first raise was executed in December 2019.

5.10.3 Debenture issues/repayments – in 2019, the Company executed an expansion of the Series 22 debentures, bearing interest at the rate of 2.25% per annum, which is not secured by any lien, in consideration of about NIS 230 million and, concurrently, repaid all of the Series 17 debentures by way of early redemption, which bore interest at the rate of 5% per annum and were secured by a lien on shares of MLP that the Company holds (in concatenation) at the inclusive volume of about NIS 137 million. These actions led to the extension of the average duration of the Company's indebtedness, reduced its future interest payments and improved its financial flexibility.

Shlomo Maoz	**Ofer Nimrodi**	**Shimshon Marfogel**
Chairman of the Board	**Director and CEO**	**Executive VP**

March 31, 2020

Appendix A to the Report of the Board of Directors as on December 31, 2019 – Disclosure of details about the corporation's internal auditor

1. **Details about the internal auditor**

   Name: Batia Kotzubay

   Employment start date: 1/2/2011.

   Qualifications and experience: Certified Public Accountant since 1993 and a member of the Institute of Certified Public Accountants in Israel. Owns an independent firm engaging mainly in the provision of internal auditing services. Serves as internal auditor of a number of public companies and non-profit organizations. Holds a B.A. in economics and accounting, and also completed supplementary professional training in risk management, advanced financial management, pricing and control.

   CPA Batia Kotzubay fulfills all of the suitability requirements prescribed in sections 3(a) and 8 of the Internal Auditing Law and in the provisions of section 146(b) of the Companies Law.

2. **Mode of appointment** – CPA Batia Kotzubay was appointed by the Company's Board of Directors at the recommendation of the Audit Committee after having examined and interviewed a number of candidates for the position, and was selected, considering her training and professional experience, mainly in the field of internal auditing.

3. **The internal auditor's organizational supervisor** – the Chairman of the Board of Directors.

4. **The work plan** – the work plan is prepared with a multi-year perspective, thereby enabling the auditing of topics relevant to the Company's operations on a cyclical basis. The audit plan is approved annually by the Company's Audit Committee. The plan was formulated based on knowledge about the business environment and based on audit reports prepared in the Company in recent years.

   The audit plan is prepared in coordination with the Company's Management and the Company's Audit Committee.

5. **Auditing of investee corporations** – the audit plan relates to the Company and to the corporation's investee companies in Israel and abroad, with the exception of the subsidiary ILDC Urban Renewal in Israel Ltd. (a public company in which the Company's internal auditor also serves as its internal auditor; however, its audit plan is formulated independently by its own audit committee) and the second-tier subsidiary MLP Group SA, a public company with its own internal auditor. According to the Company's auditing plan, the internal auditor supervises the auditing activities in these companies.

6. **Volume of employment** – the internal auditing budget for 2019, as approved by the Company's Audit Committee, is at the volume of 270 hours, which was defined while considering the volume of auditing required, and while taking into account, inter alia, the internal auditing also being performed in the public subsidiaries, which was at the inclusive volume of about 80 hours in 2019. It should be noted that, as part of the efforts to improve the corporate governance in the Company, as stated above in clause 4.2, the Audit

Committee decided to increase the volume of auditing hours and, accordingly, the audit plan approved for implementation in 2020 is planned to be at the volume of 360 hours.

7. **Generally accepted professional standards applied by the internal auditor during the audit** – the internal auditing work and the preparatory stages of the audit plan were carried out in conformity with generally accepted professional internal auditing standards, professional guidelines and briefings approved and published by the Institute of Internal Auditors in Israel and by the Institute of Certified Public Accountants in Israel.
8. **Access to information** – the internal auditor has free, constant and direct access to the corporation's information systems, including financial data.
9. **The internal auditor's reports** – the audit reports are submitted in writing. The following audit reports were submitted by the internal auditor in respect of 2019:

	Submission date	Discussion date
Report A	August 2019	August 2019
Report B	January 2020	January 2020
Report C	March 2020	March 2020
Report D	March 2020	March 2020
Report E	March 2020	March 2020

10. **The Board of Directors' assessment of the internal auditor's activities** – the Company's Board of Directors believes that the volume, character and continuity of the internal auditor's activities and work plan are reasonable under the circumstances and suffice to achieve the purposes of internal auditing in the corporation. The audit plan is usually part of a multi-year auditing process of the Company, and subjects audited in the past are taken into account when formulating the plan, as well as possible risks.
11. **Remuneration** – the internal auditor provides internal auditing services to the corporation, and the actual remuneration is according to the volume of hours actually devoted to the performance of the audit. In consideration of the auditing work in respect of 2019, the internal auditor was paid NIS 82 thousand.

    In light of the nature of the engagement and the volume of auditing, the Company does not believe that the remuneration could have any influence on the internal auditor's exercise of professional judgment.

Appendix B to the Report of the Board of Directors as on December 31, 2019 – Disclosure of the independent auditor's fee

1. **Principles for determining the fee and the approving authority**

   The fee is defined separately in each company.

   In companies of the Group in Israel, the fee is defined as an hourly rate during negotiations between the auditors and the CEO or the CFO in each of the companies, according to the nature of the work, past experience and market conditions. The final fee for each year is obtained by multiplying the hours worked by the defined hourly rate as stated above.

   In companies of the Group abroad, the fee is defined as a fixed sum for the year during negotiations between the auditors and the CEO or the CFO in each of the companies, based on the forecasted volume of work and the nature of the work.

   The authority approving the fee is the Company's Management.

2. **Names of the independent auditors**:

   In Israel: Kost, Forer, Gabbay & Kasierer
   Ezra Kaduri and Co., CPA

   In Poland: KPMG

   In Romania: KPMG and Menirav Berkowitz, CPA

   In Cyprus: PEK Limited

3. **Payments to the independent auditors (in NIS thousands, excluding VAT)**

	2019		2018	
	In respect of auditing services, audit-related services and tax services	Other services	In respect of auditing services, audit-related services and tax services	Other services
The Company[16]	1,171	932[17]	930	345
ILDC Urban Renewal in Israel Ltd.	48	-	48	-
Total companies in Israel	**1,219**	**932**	**978**	**345**
Companies abroad	543	158	546	195

[16] Including private, wholly controlled subsidiaries.

[17] Including exceptional work performed in relation to the merger of the real-estate companies and the tax ruling, as specified above in clause 1.7, and discussions of tax assessments, which are not billed according to an hourly rate.

3. **Hours of work of the independent auditors**

	2019		2018	
	In respect of auditing services, audit-related services and tax services	Other services	In respect of auditing services, audit-related services and tax services	Other services
The Company	6,208	1,630	5,368	1,452
ILDC Urban Renewal in Israel Ltd.	304	-	312	-
Total companies in Israel	**6,512**	**1,630**	**5,680**	**1,452**

Appendix C to the Report of the Board of Directors as on December 31, 2019 – Details about the debentures as of December 31, 2019

Details/series	Series 15	Series 16	Series 18	Series 19
Issue dates	5/2011 and 12/2020	3/2013, 6/2013, 9/2013, 1/2014, 3/2015, 10/2015 and 11/2015	5/2014, 2/2016, 4/2016 and 11/2016	8/2016, 7/2017 and 9/2017
Data as on December 31, 2019[18] in NIS thousands:				
Par value on the issue date	174,881[19]	277,515[20]	217,663[21]	160,721[22]
Linked value at the end of the reporting period (CPI of 11/2019)	22,279	56,833	108,832	160,618
Accrued interest	92	-	-	-
Stock exchange value of the series	22,671	58,361	113,533	166,705
Material series	No	No	No	Yes
Linkage terms, interest type and rate	Variable shekel interest according to	Linked to the CPI of 1/2013, 5.3% interest	5.6% shekel interest	4% shekel interest

18 Presented after deducting debentures repurchased under buyback plans.

19 NIS 90,256 thousand par value were issued pursuant to the shelf offering memorandum of December 2010. In May 2011, the Company issued Series 15 debentures at a par value of NIS 123,080 thousand pursuant to a shelf offering memorandum and, in March 2013, Series 15 debentures at a par value of NIS 38,455 thousand were exchanged for Series 16 debentures pursuant to a swap tender offer.

20 NIS 50,000 thousand par value were issued pursuant to a shelf offering memorandum of March 2013, NIS 43,017 thousand par value were issued pursuant to a shelf offering memorandum of June 2013, NIS 19,451 thousand par value were issued in September 2013 as a result of an exercise of Series 2 option warrants, NIS 25,000 thousand par value were issued in a private allotment in January 2014, NIS 50,000 thousand par value were issued in a private allotment in March 2015, NIS 42,000 thousand par value were issued in a private allotment in October 2015 and NIS 48,047 thousand par value were issued pursuant to a shelf offering memorandum of November 2015.

21 NIS 121,920 thousand par value were issued pursuant to a shelf offering memorandum of May 2014, NIS 15,229 thousand par value were issued pursuant to a shelf prospectus of February 2016, NIS 10,514 thousand par value were issued in a private issue in April 2016 and NIS 70,000 thousand par value were issued in a private issue in November 2016.

22 NIS 97,721 thousand par value were issued pursuant to the shelf offering memorandum of August 2016, NIS 50,400 thousand par value were issued pursuant to the shelf offering memorandum of July 2017 and NIS 12,600 thousand par value were issued in a private issue in September 2017.

Details/series	Series 15	Series 16	Series 18	Series 19
	government bond 520 + 4.7%			
Principal repayment dates	June 1, 2015-2020	June 30, 2016-2020	September 30, 2018-2021	March 31, 2020-2024[23]
Interest payment dates	1.3, 1.6, 1.9 and 1.12	31.3, 30.6, 30.9 and 31.12	31.3, 30.6, 30.9 and 31.12	31.3, 30.6, 30.9 and 31.12
Corporation has a right to execute an early redemption	No	No	Yes	Yes
Assets pledged to secure the liabilities	None	First-ranking fixed lien on a monetary deposit at the height of the outstanding balance of the liabilities, which is assessed until the redemption of the series, plus a security cushion	None	First-ranking fixed lien on ordinary shares of H.H. Real Estate Investors Ltd. and on shareholders' loans provided to it by the Company
Current rating of the debentures by S&P Maalot[24]	IlA-/Stable	IlA-/Stable	IlA-/Stable	IlA-/Stable
Rating when the series was issued	Baa1/Positive[25]	IlBBB+/Stable	IlBBB+/Stable	IlBBB+/Stable

23 As stated above in clause 1.17, on February 16, 2020 the Company's Board of Directors passed a resolution to pay the entire balance of the Series 19 debentures by way of early final redemption, to be executed on March 31, 2020.

24 For details about the latest rating report, including the rating history, see the latest rating as specified above in clause 1.14.

25 The Series 15 debentures were assigned a rating by Midroog Ltd. at the time of their issue and until June 2017. Correct to date, they are rated by Maalot together with all of the other series.

Details/series	Series 20	Series 21	Series 22
Issue dates	1/2017, 4/2017 and 6/2017	11/2017, 4/2017 and 6/2017	12/2017, 8/2018, 8/2019 and 9/2019
Data as on December 31, 2019[26] in NIS thousands:			
Par value on the issue date	298,674[27]	383,312[28]	401,355[29]
Linked value at the end of the reporting period (CPI of 11/2019)	304,072	389,067	400,608
Accrued interest	-	-	-
Stock exchange value of the series	320,298	418,423	412,941
Material series	Yes	Yes	Yes
Linkage terms, interest type and rate	Linked to the CPI of 12/2016, 3.25% interest[30]	Linked to the CPI of 9/2017, 1.8% interest	Linked to the CPI of 10/2017, 2.25% interest[31]
Principal repayment dates	June 30, 2020-2024	December 31, 2020-2027	June 30, 2021-2027
Interest payment dates	30.6 and 31.12	31.3, 30.6, 30.9 and 31.12	31.3, 30.6, 30.9 and 31.12

[26] Presented after deducting debentures purchased under self-purchase plans.

[27] NIS 204,655 thousand par value were issued pursuant to the shelf offering memorandum of January 2017, NIS 76,019 thousand par value were issued pursuant to the shelf offering memorandum of April 2017 and NIS 18,000 thousand par value were issued in a private allotment in June 2017.

[28] NIS 286,425 thousand par value were issued pursuant to a shelf offering memorandum of November 2017, NIS 6,887 thousand par value were issued as a result of an exercise of Series 3 option warrants in January 2018, NIS 90,000 thousand par value were issued in a private allotment in February 2019. Additionally, another NIS 180,180 thousand par value were issued pursuant to a shelf offering memorandum of January 2020 and NIS 53,000 thousand par value were issued pursuant to a private offering memorandum of March 2020, which are not included in the specified balance.

[29] NIS 121,405 thousand par value were issued pursuant to a shelf offering memorandum of December 2017, NIS 50,000 thousand par value were issued in a private allotment in August 2018, NIS 172,450 thousand par value were issued pursuant to a shelf offering memorandum of August 2019 and NIS 57,500 thousand par value were issued in a private allotment in September 2019. Additionally, another NIS 189,574 thousand par value were issued pursuant to a shelf offering memorandum of January 2020, which are not included in the specified balance.

[30] Since the date of the previous rating on 8/1/2019 and until the publication of the revised rating on 14/1/2020, the interest was at the rate of 3.5%. See additional details in the January 2019 Interest Update and in the January 2020 Interest Update.

[31] Since the date of the previous rating on 8/1/2019 and until the publication of the revised rating on 14/1/2020, the interest was at the rate of 2.5%. See additional details in the January 2019 Interest Update and in the January 2020 Interest Update.

Details/series	Series 20	Series 21	Series 22
Corporation has a right to execute an early redemption	Yes	Yes	Yes
Assets pledged to secure the liabilities	None	Second-ranking mortgage on all of Seven Stars Mall Ltd.'s rights in the "Seven Stars Mall" in Herzliya	None
Current rating of the debentures by S&P Maalot[32]	IlA-/Stable	IlA/Stable	IlA-/Stable
Rating when the series was issued	IlA-/Stable	IlA-/Stable	IlA-/Stable

[32] See footnote 25 above.

Financial covenants

For details about the financial covenants stipulated in the deeds of trust of the debentures from Series 15, 16, 18 and 20 – 22, which were issued by the Company and are still in circulation as of the date of this report, see note 30.A (subclauses 2-9) of the attached financial statements.[33]

In conformity with Legal Position 104-15 of the Israel Securities Authority "Reportable Credit Event," following is a disclosure about the calculation of the financial covenants as on the date of the statement of financial position:

Series	Financial covenant	Threshold required	Calculation on the date of the statement of financial position
All of the series (except Series 16)	Level of the nonconsolidated equity	For all series: Must not fall below NIS 565 million	NIS 898 million
All of the series	Ratio of equity to total nonconsolidated statement of financial position	For Series 15 and 16 Must not fall below 18%	30.8%
		For Series 17 to 22 Must not fall below 20%	
16	LTV	Must not exceed 80%	29.3%
	Ratio of the equity of ILDC Malls plus shareholders' loans to the statement of financial position	Must not fall below 24%	46.2%
19	Ratio of secured loans of H.H. Real Estate Investors to the total value of its real estate assets	Must not exceed 70%	59.7%
	LTV	Must not exceed 85%	47.8%
20	CAP ratio	Must not exceed 77%	59.7%
21	LTV	Must not exceed 85%	62.4%

As on December 31, 2019, the Company complied with all of the said financial covenants.

Compliance with the terms of the deeds of trust, details about the trustees for the debentures and the trustees' demands during the report year:

There were no demands from the trustees in any of the series. The corporation complied with all of the conditions and obligations pursuant to the deeds of trust for all series of the debentures, including, as stated above, all of the financial covenants stipulated in the deeds of trust.

Following are details about the trustees.

[33] Additionally, Series 17 debentures had been in circulation until their final repayment on December 31, 2019 and the Company complied with all of the financial covenants stipulated in the deed of trust for the issue of the said series.

1. **Mishmeret Trust Company Ltd.**, 46-48 Menahem Begin St., Tel-Aviv; contact person: CPA Rami Sebty; tel: 03-6374354; fax: 03-6374333; e-mail: ramis@bdo.co.il – **Trustee for Series 15, 18, 20 and 21**.
2. **Hermetic Trust (1975) Ltd.**, 30 Sheshet Hayamim, Bnei Brak; contact person: Adv. Dan Avnon; tel.: 03-5274867; fax: 03-5271451; e-mail: hermetic@hermetic.co.il – **Trustee for Series 16 and 19**.
3. **Reznik Paz Nevo Trusts Ltd.**, 14 Yad Harutzim, Tel-Aviv; contact person: CPA Yossi Reznik; tel.: 03-6389200; fax: 03-6393316; e-mail: trust@rpn.co.il – **Trustee for Series 22**.

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

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Building a better working world

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INDEPENDENT AUDITORS' REPORT

to the Shareholders of

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of the Israel Land Development Company Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2019. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard (Israel) 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over investment property processes; and (3) controls over sale and income processes (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively fulfilled, in all material aspects, the audited control components as of December 31, 2019.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and our report dated March 31, 2020 expressed an unqualified opinion thereon.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
March 31, 2020	A Member of Ernst & Young Global

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

THE ISRAEL LAND DEVELOPMENT COMPANY LTD.

We have audited the accompanying consolidated statements of financial position of the Israel Land Development Company Ltd. ("the Company") as of December 31, 2019 and 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. The Company's board of directors and management are responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 42% and approximately 40% of total consolidated assets as of December 31, 2019 and 2018, respectively, and whose revenues included in consolidation constitute approximately 57%, approximately 51% and approximately 31% of total consolidated revenues for the years ended December 31, 2019, 2018 and 2017, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity, the investment in which amounted to NIS 123,074 and NIS 122,787 thousand as of December 31, 2019 and 2018, respectively, and the Company's share of their earnings (losses) amounted to NIS (177) thousand, NIS 2,141 thousand and NIS 1,168 thousand for the years ended December 31, 2019, 2018 and 2017, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, pursuant to Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2019, and our report dated March 31, 2020 includes an unqualified opinion as to the effective maintenance of those components.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
March 31, 2020	A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	318,702	133,757
Short-term investments	6	11,895	25,720
Short-term loans	7	5,928	4,106
Trade receivables	8	36,171	45,116
Current taxes receivable		5,382	4,052
Other receivables	9	180,916	211,866
Inventory of buildings for sale	10	210,227	223,624
		769,221	648,241
Real estate properties and investment property held for sale	14	33,150	43,150
Assets attributable to disposal group held for sale	18	54,847	287,391
		857,218	978,782
NON-CURRENT ASSETS:			
Real estate for construction	11	53,937	60,479
Long-term loans, deposits and receivables	12	73,410	72,473
Investments in associates	13	184,006	183,199
Investment property	14	4,095,761	3,664,472
Property, plant and equipment, net	15	20,079	15,479
Right-of-use assets	16	44,713	-
Goodwill and intangible assets	17	35,213	38,876
Deferred taxes	30f	2,676	3,726
		4,509,795	4,038,704
		5,367,013	5,017,486

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		NIS in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and other credit providers	20	306,989	237,499
Current maturities of debentures	24	244,373	183,711
Current maturity of lease liability	16	18,987	-
Advances from buyers	10	38,379	42,354
Trade payables	21	141,331	81,452
Other payables	22	76,004	81,031
		826,063	626,047
Liabilities attributable to disposal group held for sale	18	21,419	143,597
		847,482	769,644
NON-CURRENT LIABILITIES:			
Liabilities to banks and other credit providers	25	1,192,324	1,184,570
Debentures	24	1,303,030	1,340,511
Lease liability	16	51,424	5,251
Employee benefit liabilities	26	3,660	2,855
Other non-current liabilities	23	98,524	27,773
Deferred taxes	30f	455,468	389,897
		3,104,430	2,950,857
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	27		
Share capital and capital reserves		446,853	442,590
Share premium		375,023	219,404
Treasury shares		(14,496)	(2,497)
Other capital reserves		(186,380)	(6,581)
Retained earnings		276,756	127,452
		897,756	780,368
Non-controlling interests		517,345	516,617
Total equity		1,415,101	1,296,985
		5,367,013	5,017,486

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

March 31, 2020			
Date of approval of the financial statements	Shlomo Maoz Chairman of the Board	Ofer Nimrodi Member of the Board and CEO	Shimshon Marfogel Executive Vice President and Senior Officer in Charge of Finance

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31, 2019	2018	2017
		NIS in thousands (except per share data)		
REVENUES:				
Revenues from rental of properties		275,282	282,049	257,776
Revenues from sale of real estate		-	63,688	-
Revenues from residential construction development overseas		114,276	152,704	88,379
Revenues from billboard business		37,441	50,690	41,699
Total revenues		426,999	549,131	387,854
COSTS:				
Cost of maintenance of rental properties	29a	101,593	101,115	85,402
Cost of real estate sold		-	32,213	-
Cost of residential construction development in Israel	29b	12,033	6,732	13,634
Cost of residential construction development overseas	29c	87,250	131,285	69,256
Cost of billboard business	29d	43,149	51,192	43,989
Total costs		244,025	322,537	212,281
Revenues less costs		182,974	226,594	175,573
Increase in value of investment property, net	14	315,877	166,575	68,678
General and administrative expenses	29e	(71,258)	(66,165)	(60,289)
Other income (expenses), net	29h	(5,921)	8,045	(14,406)
Group's share of earnings (losses) of companies accounted for at equity, net		710	(1,392)	(382)
Operating income		422,382	333,657	169,174
Finance income	29f	7,031	11,196	27,544
Finance expenses	29g	(143,040)	(139,933)	(126,184)
Group's share of earnings (losses) of companies accounted for at equity, net		28	(2,706)	2,243
Income before taxes on income		286,401	202,214	72,777
Taxes on income	30	98,136	82,530	46,746
Net income from continuing operations		188,265	119,684	26,031
Loss from discontinued operations, net	18	(11,647)	(20,679)	(7,078)
Net income		176,618	99,005	18,953
Net income (loss) attributable to:				
Equity holders of the Company		104,918	45,944	(6,617)
Non-controlling interests		71,700	53,061	25,570
		176,618	99,005	18,953
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):	33			
Earnings (loss) from continuing operations		4.10	2.35	(0.11)
Loss from discontinued operations		(0.41)	(0.73)	(0.12)
Basic and diluted net earnings (loss)		3.69	1.62	(0.23)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Net income	176,618	99,005	18,953
Other comprehensive income (loss) (after tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment in subsidiary	2,479	13,380	6,185
Revaluation of property, plant and equipment in associate	-	3,350	-
Loss from remeasurement of defined benefit plan	(575)	(316)	(1,509)
	1,904	16,414	4,676
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operations	(105,587)	(13,182)	59,708
Total other comprehensive income (loss)	(103,683)	3,232	64,384
Total comprehensive income	72,935	102,237	83,337
Comprehensive income from continuing operations	82,103	109,574	84,917
Comprehensive loss from discontinued operations	(9,168)	(7,337)	(1,580)
Total comprehensive income	72,935	102,237	83,337
Total comprehensive income attributable to:			
Equity holders of the Company	50,173	50,091	17,942
Non-controlling interests	22,762	52,146	65,395
	72,935	102,237	83,337

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and capital reserves	Share premium	Treasury shares	Other capital reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	NIS in thousands							
Balance as of January 1, 2017	442,590	219,404	-	(27,135)	120,001	754,860	396,042	1,150,902
Net income (loss)	-	-	-	-	(6,617)	(6,617)	25,570	18,953
Foreign currency translation reserve	-	-	-	20,786	-	20,786	38,922	59,708
Revaluation of property, plant and equipment	-	-	-	5,169	-	5,169	1,016	6,185
Loss from remeasurement of defined benefit plan	-	-	-	(1,396)	-	(1,396)	(113)	(1,509)
Total comprehensive income (loss)	-	-	-	24,559	(6,617)	17,942	65,395	83,337
Dividend	-	-	-	-	(36,000)	(36,000)	-	(36,000)
Dividend to non-controlling interests	-	-	-	-	-	-	(994)	(994)
Repurchase of Company shares by the Company	-	-	(2,497)	-	-	(2,497)	-	(2,497)
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(1,652)	1,652	-	-	-
Share of non-controlling interests in fair value of guarantee and financing of surplus for subsidiary	-	-	-	(970)	-	(970)	970	-
Balance as of December 31, 2017	442,590	219,404	(2,497)	(5,198)	79,036	733,335	461,413	1,194,748
Net income	-	-	-	-	45,944	45,944	53,061	99,005
Foreign currency translation reserve	-	-	-	(10,079)	-	(10,079)	(3,103)	(13,182)
Revaluation of property, plant and equipment	-	-	-	14,524	-	14,524	2,206	16,730
Loss from remeasurement of defined benefit plan	-	-	-	(298)	-	(298)	(18)	(316)
Total comprehensive income	-	-	-	4,147	45,944	50,091	52,146	102,237
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(2,472)	2,472	-	-	-
Share of non-controlling interests in fair value of guarantee and financing of surplus for subsidiary	-	-	-	(3,058)	-	(3,058)	3,058	-
Balance as of December 31, 2018	442,590	219,404	(2,497)	(6,581)	127,452	780,368	516,617	1,296,985

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and capital reserves	Share premium	Treasury shares	Other capital reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	NIS in thousands							
Balance as of December 31, 2018	442,590	219,404	(2,497)	(6,581)	127,452	780,368	516,617	1,296,985
Net income	-	-	-	-	104,918	104,918	71,700	176,618
Foreign currency translation reserve	-	-	-	(56,242)	-	(56,242)	(49,345)	(105,587)
Revaluation of property, plant and equipment	-	-	-	2,072	-	2,072	407	2,479
Loss from remeasurement of defined benefit plan	-	-	-	(575)	-	(575)	-	(575)
Total comprehensive income (loss)	-	-	-	(54,745)	104,918	50,173	22,762	72,935
Issuance of shares *)	4,263	155,619	-	(61,700)	-	98,182	-	98,182
Dividend	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Repurchase of Company shares by the Company	-	-	(11,999)	-	-	(11,999)	-	(11,999)
Purchase of non-controlling interests	-	-	-	1,032	-	1,032	(22,034)	(21,002)
Amounts reclassified from revaluation reserve for sale of property, plant and equipment	-	-	-	(62,813)	62,813	-	-	-
Depreciation reclassified from revaluation reserve for property, plant and equipment	-	-	-	(1,573)	1,573	-	-	-
Balance as of December 31, 2019	446,853	375,023	(14,496)	(186,380)	276,756	897,756	517,345	1,415,101

*) See Notes 27e and 23a.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Cash flow from operating activities:			
Net income	176,618	99,005	18,953
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Adjustments to profit and loss items:			
Increase in fair value of investment property, net	(315,877)	(166,955)	(69,558)
Finance expenses, net	132,959	127,075	101,364
Capital gain from sale of property, plant and equipment, net	(7,663)	(14,404)	(33)
Gain from remeasurement of investment in associate	-	(3,200)	-
Group's share of losses (earnings) of companies accounted for at equity	(738)	4,098	(1,857)
Depreciation and amortization including impairment of property, plant and equipment, net	49,204	35,029	26,134
Taxes on income	98,136	82,530	44,593
Changes in employee benefit liabilities, net	(4,220)	1,646	(1,244)
Decrease (increase) in value of securities measured at fair value through profit or loss, net	(715)	77	(507)
	(48,914)	65,896	98,892
Changes in asset and liability items:			
Decrease (increase) in trade and other receivables	23,766	(24,424)	(16,211)
Decrease in inventory	960	477	38
Decrease (increase) in inventory of buildings for sale less advances from buyers, net	10,629	7,935	(5,133)
Decrease in trade and other payables	(1,809)	(23,629)	(27,659)
	33,546	(39,641)	(48,965)
Cash paid and received during the year for:			
Interest paid	(105,359)	(114,706)	(123,432)
Interest received	1,613	627	646
Taxes paid	(50,951)	(47,752)	(22,577)
Taxes received	6,744	6,238	2,581
	(147,953)	(155,593)	(142,782)
Net cash provided by (used in) operating activities	13,297	(30,333)	(73,902)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Cash flows from investing activities:			
Repayment (grant) of loans to associates, net	395	(7,836)	(7,195)
Proceeds from withdrawal of (investment in) bank deposits, net	11,839	(13,029)	(27,868)
Acquisition of initially consolidated company (a)	-	(3,802)	(2,983)
Investment in fixed and other assets, real estate and investment property	(348,732)	(272,922)	(249,420)
Proceeds from sale of property, plant and equipment, real estate and investment property	318,553	113,957	22,883
Repayment (grant) of long-term loans, net	(9,338)	712	(4,469)
Collection of short-term loans, net	-	20	141
Proceeds from sale of securities measured at fair value through profit or loss, net	-	-	13,127
Net cash used in investing activities	(27,283)	(182,900)	(255,784)
Cash flows from financing activities:			
Repurchase of Company shares	(11,999)	-	(2,497)
Purchase of non-controlling interests	(21,002)	-	-
Issuance of capital	159,882	-	-
Issuance of debentures, net	352,151	98,237	843,034
Repayment of debentures	(326,906)	(260,282)	(211,409)
Receipt of long-term loans from banks and other credit providers	569,144	377,121	211,283
Repayment of long-term loans from banks and other credit providers	(535,459)	(165,424)	(388,514)
Repayment of lease liability	(18,815)	(344)	-
Short-term credit from banks and other credit providers, net	47,018	18,564	(46,200)
Dividend paid to equity holders of the Company	(20,000)	-	(36,000)
Dividend paid to non-controlling interests	-	-	(994)
Net cash provided by financing activities	194,014	67,872	368,703
Exchange rate differences on balances of cash and cash equivalents	(5,162)	528	14
Increase (decrease) in cash and cash equivalents	174,866	(144,833)	39,031
Cash and cash equivalent balance at beginning of year	133,757	300,021	260,990
	308,623	155,188	300,021
Add (less) changes in cash presented in disposal group held for sale	10,079	(21,431)	-
Cash and cash equivalent balance at end of year	318,702	133,757	300,021

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2019	2018	2017
		NIS in thousands		
(a)	Acquisition of initially consolidated company:			
	The subsidiary's assets and liabilities at date of acquisition:			
	Working capital (excluding cash and cash equivalents)	-	(33,328)	546
	Investment in associates	-	13,336	24,746
	Investment property	-	-	(28,275)
	Property, plant and equipment	-	(53)	-
	Long-term liabilities	-	13,043	-
	Gain from remeasurement of investment in associate	-	3,200	-
		-	(3,802)	(2,983)
(b)	Significant non-cash activities:			
	Receivables for sale of real estate and investment properties	75,552	59,347	2,317
	Receivables for sale of property, plant and equipment	9,650	40,500	-
	Investment in right-of-use assets and investment property against liability	29,114	-	-

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

NOTE 1: - GENERAL

a. The Israel Land Development Company Ltd. ("the Company") is a company resident in Israel an incorporated in Israel, whose official address is 30 Sheshet Hayamim Street, Bnei-Brak, Israel. The Company's securities are listed for trade on the Tel Aviv Stock Exchange ("TASE").

b. The Company operates, directly and through investees, in three major business sectors (see also Note 35 regarding operating segments) as follows:

1. Rental of properties - rental and management of investment properties in Israel and overseas.

2. Residential construction development in Israel - development and performance of residential construction projects in Israel, including urban renewal and National Outline Plan 38 projects.

3. Residential construction development overseas - development, construction, performance and sale of residential construction projects overseas.

c. On December 4, 2019, the Company received a tax ruling from the Israeli Tax Authority ("the tax ruling") regarding the merger process performed in the Group in accordance with and subject to the directives of Chapter One to Part Eight to the Israeli Companies Law, 1999 with no tax liability pursuant to the provisions of Section 103B and subject to the provisions of Section 103C to the Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance").

The merger date for tax purposes was determined as December 31, 2019, subject to obtaining all the necessary approvals specified in the merger agreement, including the approvals of banks, holders of the Company's debentures and other third parties. According to the merger, Group companies will be merged into the Company through a statutory merger whereby the operations, assets and liabilities of these companies will be transferred to the Company and they will be dissolved without liquidation.

d. 1. As of the financial statement issuance date, the world is facing major macroeconomic ramifications due to the spread of the Coronavirus pandemic across the globe. As a result of the pandemic, numerous countries including Israel have been taking serious far reaching steps in order to prevent the virus spread such as imposing various restrictions on civilian movement and transit, on the number of employees allowed to physically stay in the workplace, on crowd gatherings and on transportation and transport of goods as well as closing down of state borders etc.

NOTE 1: - GENERAL (Cont.)

d. 1. (Cont.)

At this stage, the Company has identified several potential implications that can be attributed to the Coronavirus spread: (a) in the income-producing property lease and management segment, the financial stability of certain lessees (mainly in commercial properties) is expected to be impaired to such an extent that if they default on their lease payments or even face insolvency, this would impair the Company's cash inflows; (b) hundreds of thousands of employees in the Israeli market have been either asked to take an unpaid leave of absence for an indefinite period or have been dismissed effective immediately and were forced to seek unemployment, which indicates that the Israeli economy could face a recession that will ultimately adversely affect demands for leasing properties in all segments and lead to a decline in lease prices and consequently a decline in the value of the Company's real estate properties. Moreover, an increase in unemployment levels is likely to lead to reduced demands for purchasing new apartments; (c) difficulties might arise in raising new debt and/or refinancing existing debt from lenders; (d) the sharp drop in the majority of quoted market prices on the TASE, including of the marketable securities issued by the Company, is likely to challenge the ability to raise shares and debentures and potentially result in increased debt raising interest, including unquoted debt, and bank loans.

2. In 2019, 2018 and 2017, the Group had positive (negative) cash flows from operating activities totaling approximately NIS 13 million, approximately NIS (30) million and approximately NIS (74) million, respectively. Moreover, as of December 31, 2019 and 2018, the Group had a positive working capital of approximately NIS 10 million and approximately NIS 209 million, respectively. Based on projected cash flows for the period of two years commencing from January 1, 2020 (in this paragraph - "the period") as approved by the Company's Board, the Company's management estimates that the Company will have sufficient financial resources for carrying out its business and financial plans.

The Company is planning to continue financing its business operations during the period, among others, based on the Company's cash balances as of January 1, 2020 totaling approximately NIS 152 million, the Company's cash flows from operating activities totaling approximately NIS 444 million, consisting of lease of properties, sale of real estate properties and general and administrative expenses and a combination of various financing resources during the period such as: raising and refinancing debt against banks and/or the capital market at a scope of approximately NIS 1,215 million. Among others, these resources will be used for investments in a total of approximately NIS 461 million and will also allow the repayment of the Company's debts according to its liabilities during the period at a scope of approximately NIS 1,204 million which is expected to release the underlying securities which can be used to secure the debt raising and refinancing as above.

NOTE 1: - GENERAL (Cont.)

d. 2. (Cont.)

The future cash flows in the period, including the amounts mentioned above, reflect management's assessment based on available information at the time of preparing the financial statements and might arise from one or more of these resources or in combination with various financing resources and there is no certainty as to the specific scopes of cash flows resulting from each of those resources during the period. The Company's management studies its business plans on a regular basis and updates them as necessary.

As of the financial statement issuance date, the Company's management is unable to assess and quantify the effects of the continued spread of the Coronavirus on the Company's business operating results. The Company estimates that its solid financial position will allow it to cope with the ensuing crisis, among others owing to the debt and capital raised in December 2019, January 2020 and March 2020 which enabled refinancing debt while extending the amortization schedules and reducing finance costs; and in view of the Company's unencumbered credit facilities and properties (real estate and/or real estate company shares) and the ability to refinance or increase its debt based on existing liens. See details of debt and capital raised in the reporting period and after the statement of financial position date in Notes 27e-f, 24c(14) and 24c(17).

e. The Company's management is acting together with the subsidiaries' managements and monitors their activities on an ongoing basis. The Company also provides loans to subsidiaries and guarantees some of the obligations of subsidiaries to banks.

f. Definitions

In these financial statements:

The Company	-	The Israel Land Development Company Ltd.
The Group	-	The Company and its investees, as indicated in the appendix to the financial statements.
Subsidiaries	-	Companies in which the Company has control (as defined in IFRS 10), and whose financial statements are consolidated with those of the Company.
Joint arrangements	-	Companies in which the Company has joint control.
Associates	-	Companies over which the Company has significant influence and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company at equity.
Investees	-	Subsidiaries, associates and joint arrangements.
Related parties	-	As defined in IAS 24.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements are prepared on a cost basis, with the exception of investment property, financial instruments measured at fair value through profit or loss, non-current assets held for sale, deferred taxes, employee benefit assets and liabilities, investments accounted for at equity and provisions.

The Company has elected to present the items of profit or loss based on the function of expense method.

b. The operating cycle:

The Group has two operating cycles. The operating cycle of the inventory of buildings for sale exceeds one year and may continue up to five years. The operating cycle of the remaining activities is one year. Accordingly, in respect of construction projects, when the operating cycle exceeds one year, the assets and liabilities directly attributable to this activity are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements (Cont.):

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests.

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the date of acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets. Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

e. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

1. Joint ventures:

   In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

2. Joint operations:

   In joint operations the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes in relation to its interest its share of the assets, liabilities, revenues and expenses of the joint operation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Investments in associates:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

g. Investments accounted for using the equity method:

The investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Gains and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Goodwill relating to the acquisition of an associate or a joint venture is presented as part of the investment in the associate or the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate or in the joint venture as a whole.

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as held-for-sale.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

   The presentation currency of the financial statements is the NIS. The Group determines the functional currency of each Group entity, including companies accounted for at equity.

   Assets and liabilities of an investee which is a foreign operation, including excess cost created, are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

   Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and, accordingly, the exchange rate differences from these loans (net of the tax effect) are recorded in other comprehensive income (loss). Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

   Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

   Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized to qualifying assets or recorded in equity in hedge transactions, are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months.

j. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition. The deposits are presented according to their terms of deposit.

k. Allowance for doubtful accounts (accounting policy adopted until December 31, 2017):

The allowance for doubtful accounts is determined in respect of specific trade receivables whose collection, in the opinion of the Company's management, is doubtful. The Company did not recognize an allowance in respect of groups of trade receivables that are collectively assessed for impairment since it did not identify any groups of customers which bear similar credit risks. Impaired receivables are derecognized when they are assessed as uncollectible.

l. Inventory of buildings for sale:

The cost of inventory includes identified direct construction costs. Inventories of buildings for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

m. Revenue recognition:

On January 1, 2018, the Company initially adopted IFRS 15, "Revenue from Contracts with Customers" ("the Standard"). The Company elected to adopt the provisions of the Standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data.

The accounting policy for revenue recognition applied until December 31, 2017, is as follows:

Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Revenue recognition (Cont.):

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

Revenues from the rendering of services (including management fees):

Revenues from management fees are carried over the service period and recognized when the results of the underlying service transaction can be measured reliably.

Revenues from the rendering of services are recognized by reference to the stage of completion at the end of the reporting period.

Revenues from the sale of real estate and residential apartments:

Revenues from the sale of real estate and residential apartments are recognized when the principal risks and rewards of ownership have passed to the buyer. These criteria are usually met when construction has effectively been completed, the residential apartment has been delivered to the buyer and the buyer has paid the entire consideration for the apartment. As for real estate, the above criteria are usually met upon passing possession of the real estate.

Revenues from the media business:

Revenues from billboards and electronic signs are carried to profit and loss in proportion to the advertising period.

Revenues from hotel operation and management:

Revenues from hotel operation and management are recognized on a cumulative basis over the period in which service is rendered.

Customer discounts:

Customer discounts are recognized in the financial statements proportionately as the sales entitling the customer to the discounts are made.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Revenue recognition (Cont.):

The accounting policy for revenue recognition applied commencing from January 1, 2018, is as follows:

Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from rendering of services (including management fees, hotel operation and management and billboard operations):

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenue is recognized in the reporting periods in which the services are rendered. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

For certain management and maintenance services contracts, the Company is an agent. Accordingly, revenue is recognized for the net amount of the consideration, after deducting the amount due to the principal.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Revenue recognition (Cont.):

Revenue from real estate development and construction contracts overseas:

The Company is engaged in the development, construction and sale of residential apartments, offices and retail spaces overseas. At contract inception, the Company identifies the residential apartments, offices and commercial spaces as performance obligations.

In respect of the Company's foreign real estate development activities, the Company has determined, based on the laws, regulations and commercial practices applicable in the countries in which it operates outside of Israel, that the control of the asset is transferred to the customer when the asset is delivered. This determination is based on the assessment of the Company and its legal advisers that the Company does not have an enforceable right to payment until the date the apartment/office/retail space is delivered. Therefore, revenue from the sale of apartments/offices/retail spaces overseas is recognized at a point in time (on the date of delivery).

If a loss is anticipated from a contract, the loss is recognized in full regardless of the percentage of completion.

Costs incurred in fulfilling contracts or anticipated contracts with customers are recognized as an asset when the costs create or enhance the Company's resources that will be used to meet or continue to meet the performance obligations in the future and are expected to be recovered. Costs to fulfill a contract comprise direct identifiable costs and indirect recognized costs that can be directly attributed to a contract based on a reasonable allocation method.

n. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes in respect of investment property that is held with the objective of recovering substantially all of the economic benefits embedded in the investment property through sale and not through use are measured in accordance with the expected manner of recovery of the base asset, on the basis of sale rather than use.

When the Company owns an investment in a single property company and the manner in which the Company expects to dispose of the investment is by selling the shares of the property company rather than by selling the property itself, the Company recognizes deferred taxes for both inside temporary differences arising from the difference between the carrying amount of the property and its tax basis, and for outside temporary differences arising from the difference between the tax basis of the investment and the Company's carrying amount of the net assets of the investment in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Taxes on income (Cont.):

2. Deferred taxes (Cont.):

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

p. Non-current assets or disposal group held for sale and discontinued operations:

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation are presented separately in profit or loss, net of the tax effect. See more information of a discontinued operation in Note 18 below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Leases:

As described in paragraph dd(1) below regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied until December 31, 2018, is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

1. The Group as lessee:

Finance leases:

A lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the Group is classified as a finance lease. At the commencement of the lease term, the leased asset is measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is depreciated over the shorter of its useful life and the lease term.

2. The Group as lessor:

Operating leases:

Leases in which the Group does not transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Rental income is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the rental income. Contingent rent is recognized as income in the statement of profit or loss when the Company is entitled to receive such income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Leases (Cont.):

The accounting policy for leases applied effective from January 1, 2019, is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred.

The right-of-use asset classified as property, plant and equipment is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

Following are the amortization periods of the right-of-use assets by class of underlying asset:

	Years	Mainly
Real estate	5	5
Licenses	1 – 6	5
Other	70	70

The right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life or the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Leases (Cont.):

2. The Group as lessor:

The classification of a lease as a finance lease or operating lease is determined based on the substance of the lease agreement, and the assessment is made at the inception date of the lease pursuant to the provisions of the Standard.

a) Operating lease:

A lease in which substantially all the risks and rewards incidental to ownership of the leased asset have not been transferred to the lessee is classified as an operating lease. Lease payments are recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.

b) Lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

c) Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee, and are recognized as income as earned when the Company is the lessor.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Leases (Cont.):

2. The Group as lessor (Cont.):

d) Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

r. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

An item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

Buildings *)	(mainly 2%)
Billboards	(mainly 33%)
Office equipment and furniture	(mainly 10%)
Motor vehicles	(mainly 15%)
Leasehold improvements	See below

*) As for the land component, see paragraph q above.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Property, plant and equipment (Cont.):

The residual value, depreciation method and useful life of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant and equipment, see w below. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The revaluation of property, plant and equipment in hotels is recognized in a revaluation reserve presented in equity, net of income taxes. The revaluation reserve is transferred directly to retained earnings when the asset is derecognized or as the asset is used based on the depreciation of the asset.

Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A revaluation resulting in a reduction in the carrying amount of a revalued asset is recognized directly in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any additional reduction in excess of the credit balance is recognized in profit or loss. If an asset's carrying amount is increased as a result of the revaluation, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. Any subsequent increase is carried to a revaluation reserve.

s. Real estate held for construction:

Real estate held for construction is measured at cost. Cost of real estate includes directly attributable costs such as taxes, fees and levies and borrowing costs relating to the financing of the construction of the assets until their completion, planning and design costs, indirect costs attributable to construction and other related costs.

t. Borrowing costs:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale.

The capitalization of borrowing costs commences when expenditures for the asset are incurred, the activities to prepare the asset are in progress and borrowing costs are incurred and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Investment property:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss when they arise. Investment property is not systematically amortized.

Investment property under construction for future use as investment property is also measured at fair value, as above, if fair value can be reliably measured. If fair value cannot be reliably measured, due to the nature and risks of the project, then it is measured at cost less impairment losses, if any, until the earlier of the date when the fair value can be reliably measured and the date when construction is complete. The cost basis of investment property under construction includes cost of land, costs of borrowings that are used to finance construction, directly attributable planning and development costs and brokerage fees relating to agreements to lease the property.

In determining the fair value of investment property, the Group relies on valuations performed by external independent valuation specialists who are experts in real estate valuations and who have the necessary knowledge and experience and by the Group management which has extensive professional experience and by internal valuation specialists.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Intangible assets:

Intangible assets acquired separately are measured upon initial recognition at cost plus direct acquisition costs. After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

According to management's assessment, intangible assets have a finite useful life. The assets are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property, plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

Software is amortized over a period of three to four years.

w. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and its recoverable amount.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Impairment of non-financial assets (Cont.):

The following criteria are applied in assessing impairment of these specific assets:

1. Goodwill in respect of subsidiaries:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated on the acquisition date to each of the Group's cash-generating units that are expected to benefit from the business combination. The Group reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. Under certain circumstances, in testing the impairment of goodwill, the recoverable amount is reconciled for the difference between the carrying amount and the fair value of the deferred tax reserves. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. See more information in Note 17 below.

2. Investment in associate or joint venture:

After application of the equity method, the Company examines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company examines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Financial instruments:

On January 1, 2018, the Company initially adopted IFRS 9, "Financial Instruments" ("the Standard"). The Company elected to adopt the provisions of the Standard retrospectively without restatement of comparative data.

The accounting policy for financial instruments applied until December 31, 2017, is as follows:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of investments in financial assets is based on their classification into one of the following four categories:

a) Financial assets measured at fair value through profit or loss:

This category includes financial assets held for trading. Derivatives are classified as held for trading.

b) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans, including debentures, are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Financial instruments (Cont.):

2. Financial liabilities (Cont.):

c) Financial guarantee contracts:

Financial guarantee contracts are initially recognized at fair value, taking into account transaction costs that are directly attributable to the issuance of the guarantee. After initial recognition, the liability is measured at the higher of the amount initially recognized (less, if appropriate, cumulative amortization over the period of the guarantee) and the estimate of any obligation to be recorded at the reporting date in accordance with IAS 37.

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

4. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group):

- discharges the liability by paying in cash, other financial assets, goods or services; or
- is legally released from the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Financial instruments (Cont.):

5. Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

6. Derivative financial instruments designated as hedges:

The Group enters into contracts for derivative financial instruments such as interest rate swaps (IRSs) to hedge risks associated with interest rate fluctuations

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges:

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss. Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecasted transaction occurs. Where the hedged item is a non-financial asset or liability, their cost also includes the gain (loss) from the hedging instrument.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in other comprehensive income (loss) until the forecast transaction or firm commitment occurs.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Financial instruments (Cont.):

The accounting policy for financial instruments applied commencing from January 1, 2018, is as follows:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

a) The Company's business model for managing financial assets; and
b) The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition , or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company applies the low credit risk simplification in the Standard, according to which the Company assumes the debt instrument's credit risk has not increased significantly since initial recognition if on the reporting date it is determined that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Financial instruments (Cont.):

2. Impairment of financial assets (Cont.):

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset. The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss such as derivatives.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Hedge accounting:

The Company has chosen to continue applying the provisions of IAS 39 regarding hedge accounting as allowed by the Standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

z. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

aa. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a legal present or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Provisions (Cont.):

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty and completion of construction:

The Group recognizes a provision for completion in respect of the sale of apartments. The warranty in respect of sale of apartments lies with the performing contractor. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Levies:

Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

Onerous contracts:

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

bb. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

bb. Employee benefit liabilities (Cont.):

2. Post-employment benefits (Cont.):

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

3. Other long-term employee benefits:

Certain of the Group's employees are entitled to adaptation grants. These benefits are accounted for as other long-term benefits since the Company estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and more than twelve months after the end of the annual reporting period in which the employees render the related service.

The Group's net obligation for other long-term employee benefits, which is computed based on actuarial assumptions, is for the future benefit due to the employees for service rendered in the current period and in prior periods and taking into account expected salary increases The amount of these benefits is discounted to its present value. The discount rate is determined by reference at the reporting date to market yields on high quality corporate bonds that are linked to the Consumer Price Index and whose term is consistent with the term of the Group's obligation.

Remeasurements of the net liability are recognized in profit or loss in the period in which they occur.

cc. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Initial adoption of IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the Standard"), which provides guidance on the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17, "Leases" ("the old Standard"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease", and SIC-15, "Operating Leases - Incentives". According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Company elected to apply the provisions of the Standard using the modified retrospective method. The Company recognized lease liabilities on the initial application date of the Standard in respect of leases previously classified as operating leases according to IAS 17. The amount of the liability as of the date of initial application of the Standard was measured using the Company's incremental borrowing rate of interest on the date of initial application of the Standard, as:

The carrying amount of the right-of-use assets was identical to the carrying amount of the lease liability.

According to this approach, comparative data have not been restated.

For details of the accounting policy applied from the date of initial application of the Standard, see paragraph q above.

The main effect of the initial application of the Standard relates to existing leases in which the Company is the lessee. According to the Standard, as explained in paragraph q above, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee, excluding certain exceptions. This accounting treatment is different than the accounting treatment applied under the old Standard according to which the lease payments in respect of leases for which substantially all the risks and rewards incidental to ownership of the leased asset were not transferred to the lessee were recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

Following are data relating to the initial application of the Standard as of January 1, 2019, in respect of leases existing as of that date:

a) Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	As previously reported	The change	As presented according to IFRS 16
		NIS in thousands	
As of January 1, 2019:			
Non-current assets:			
Investment property	4,990	5,148	10,138
Right-of-use assets	-	45,809	45,809
Total non-current assets	4,990	50,957	55,947
Current liabilities:			
Current maturities of lease liabilities	-	10,431	10,431
Non-current liabilities:			
Lease liabilities	5,251	40,526	45,777
Total liabilities	5,251	50,957	56,208

b) The Group was assisted by an external valuation expert in determining the appropriate interest rate for discounting its leases based on credit risk, the weighted average term of the leases and other economic variables. A weighted average incremental borrowing rate of 2%-6% in Israel and of 9% abroad was used to discount future lease payments in the calculation of the lease liability on the date of initial application of the Standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

c) Reconciliation of total commitment for future minimum lease payments as reported as of December 31, 2018, to the lease liability as of January 1, 2019:

	January 1, 2019
	NIS in thousands
Total future minimum lease payments for non-cancelable leases as per IAS 17 according to the financial statements as of December 31, 2018	60,699
Effect of short-term leases and/or leases of low value assets whose lease payments are recognized as an expense on the straight-line basis over the lease term	(2,672)
Total undiscounted lease liabilities as per IFRS 16	62,200
Effect of discount of future lease payments at the Company's incremental borrowing rate on initial date of adoption	(64,019)
Total lease liabilities as per IFRS 16 as of January 1, 2019	56,208
Finance lease liabilities as per IAS 17 as of December 31, 2018	5,251
Total lease liabilities resulting from initial application of IFRS 16 as of January 1, 2019	50,957

d) Practical expedients applied in the initial application of the Standard:

(1) The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

(2) The Company elected not to recognize a lease liability and right-of-use asset for leases whose term ends within 12 months of the date of initial application, and instead accounted for such leases as short-term leases.

(3) The Company elected to exclude initial direct costs from the measurement of right-of-use assets at the date of initial application.

(4) The Company elected to use hindsight in determining the lease term in contracts containing options to extend or terminate the lease.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. Changes in accounting policies - initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

2. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation has been initially applied in these financial statements.

The Company has elected to apply the Interpretation retrospectively, without restating comparative data, by recording the cumulative effect as of the date of initial application in the opening balance of retained earnings.

The initial application of the Interpretation did not have a material effect on the Company's financial statements.

3. IAS 28, "Investments in Associates and Joint Ventures":

In October 2017, the IASB published an amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates or joint ventures (such as loans receivable or investments in preferred shares) which form part of the net investment in an associate or joint venture are initially accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28. As a result of the Amendment, the Israel Securities Authority's guidelines in respect of the recognition of an investor's share of the results of an investee, as set forth in Accounting Enforcement Decision 11-2, are no longer relevant.

The Amendment has been initially applied in these financial statements. The Company applies the provisions of the Amendment retrospectively without restating comparative data, the same method for which the provisions of IFRS 9 were applied.

The adoption of the Amendment did not have a material effect on the Company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ee. Data of the Israeli CPI, interest rates and exchange rates of foreign currencies:

	Israeli CPI *)	Exchange rate of US$	Exchange rate of Polish Zloty	Exchange rate of Euro
	In points		NIS	
At the end of:				
December 31, 2019	224.7	3.456	0.9090	3.8780
December 31, 2018	223.3	3.748	0.9985	4.2916
December 31, 2017	221.6	3.467	0.9950	4.1530
			%	
Rate of change during the year:				
2019	0.60	(7.79)	(8.96)	(9.64)
2018	0.80	8.10	0.4	3.3
2017	0.41	(9.83)	8.2	2.7
Interest rates as of December 31, 2019:				
Prime	1.75			
LIBOR-USD (3 months)	1.909			
EURIBOR-Euro (1 month)	(0.438)			
EURIBOR-Euro (3 months)	(0.383)			
WIBOR-Zloty (3 months)	1.71			

*) The index for the month ending on each balance sheet date on an average basis of 1993 = 100.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Classification of leases:

  In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, the Company evaluates such criteria as the existence of a "bargain" purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions (Cont.):

- Investment property:

  Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in its fair value are recognized in profit or loss. Fair value is determined generally by independent valuation experts using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Investment property under development also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

  The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments to be made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

- Inventories of real estate properties under construction:

  The net realizable value is assessed based on management's evaluation including forecasts and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition.

- Legal claims:

  In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions (Cont.):

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows.

- Employee benefit liabilities:

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, the discount rate, rate of salary increase and employee turnover rate. The carrying amount of the liability may be significantly affected by changes in these estimates.

- Lease extension and termination options:

  In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease or not exercise an option to terminate a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend or not exercise the option to terminate such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, etc.

  After the commencement date, the Company reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Company is reasonably certain to exercise an option or not exercise an option previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The Amendment consists of the following:

1. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

2. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.

3. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.

4. Narrowing the definitions of "outputs" and "business" by focusing on goods and services provided to customers.

5. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

b. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture:

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the Amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the Amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated such that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the Amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

The Amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

c. Amendments to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued several amendments to IAS 1, "Presentation of Financial Statements" ("the Amendments") in order to clarify the criteria for determining the classification of liabilities as current or non-current.

The Amendments include the following clarifications:

- Clarification of the definition of the right to defer settlement of a liability.

- Clarification that only the rights an entity has at the end of the reporting period can determine whether it has the right to defer settlement of the liability.

- Clarification of the means that can be used to settle a liability other than by transfer of cash (such as by transfer of equity instruments).

The Amendments are to be applied retrospectively effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

The Company is evaluating the possible impact of the Amendments but is presently unable to assess their impact, if any, on the financial statements.

NOTE 5: - CASH AND CASH EQUIVALENTS

	Interest rate on the report date	December 31, 2019	December 31, 2018
	%	NIS in thousands	
In Israeli currency		38,641	53,639
In foreign currency *)		137,426	53,423
Cash equivalents in Israeli currency	0.35	142,635	22,308
Cash equivalents in foreign currency *)		-	4,387
		318,702	133,757

*) As for linkage terms, see Note 32f.

NOTE 6: - SHORT-TERM INVESTMENTS

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Shares and warrants (b)	1,837	1,122
Restricted deposits (c)	10,058	24,598
	11,895	25,720

b. Financial assets held for trading and changes therein carried to profit or loss.

c. The deposits were invested in corporations to secure loans received by foreign subsidiaries in foreign currency, mainly Zloty.

NOTE 7: - SHORT-TERM LOANS

	December 31, 2019	December 31, 2018
	NIS in thousands	
Current maturities of long-term loans (see Note 12)	5,928	4,106

NOTE 8: - TRADE RECEIVABLES

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Open debts	26,406	35,869
Checks collectible *)	18,256	20,006
	44,662	55,875
Less - allowance for doubtful accounts	8,491	10,759
Trade receivables, net	36,171	45,116

*) Regarding liens, see Note 31.

b. An analysis of past due but not impaired trade receivables (allowance for doubtful accounts), trade receivables, net, with reference to balance sheet date:

December 31, 2019

	Neither past due nor aging	Past due trade receivables with aging of: Under 30 days	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
	NIS in thousands						
Balance of trade receivables before allowance for doubtful accounts	17,684	6,481	2,270	1,074	1,359	15,794	44,662
Balance of allowance for doubtful accounts	-	-	-	-	-	8,491	8,491
	17,684	6,481	2,270	1,074	1,359	7,303	36,171

December 31, 2018

	Neither past due nor aging	Past due trade receivables with aging of: Under 30 days	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
	NIS in thousands						
Balance of trade receivables before allowance for doubtful accounts	19,847	9,298	2,689	1,905	2,084	20,052	55,875
Balance of allowance for doubtful accounts	-	-	-	-	18	10,741	10,759
	19,847	9,298	2,689	1,905	2,066	9,311	45,116

c. Regarding linkage terms, see Note 32f.

NOTE 9: - OTHER RECEIVABLES

a. Composition:

	December 31,	
	2019	2018
	NIS in thousands	
Value Added Tax	35,405	23,521
Prepaid expenses and advances to suppliers	5,934	5,732
Escrow deposit for construction project	2,536	1,011
Income receivable (b)	-	25,534
Receivables for sale of investment property	75,552	99,847
Associate	11,458	11,212
Receivables for eviction fees	-	2,468
Holders of non-controlling interests	2,957	1,769
Advances on account of purchase of asset (c)	35,336	26,164
Other receivables	11,738	14,608
	180,916	211,866

b. In late 2015, a subsidiary, MLP GROUP SA ("MLP"), sold a logistic park in Bierun, Poland, in consideration of € 17.1 million. The transaction was subject to certain suspending conditions, among others, obtaining the approval of a Polish government entity which was obtained in 2016. In addition, the agreement included an option whereby MLP will build an additional building on the sold property within a period of five years from the date of signing the agreement. If the additional building is built and rented under the conditions agreed in the agreement, the consideration will be raised to € 26.9 million. The agreement consisted of MLP's undertaking to perform repair work in the park at its expense and to provide guarantees for the buyer, which expired at the end of 2016. In 2016, MLP began construction of the additional building and completed the above repair work. Construction was terminated in 2019.

c. An amount of approximately NIS 20 million of the above amount represents interest-bearing debt. On October 24, 2014, a subsidiary operating in Poland signed an agreement with a third party for the purchase of land in an area of some 208 thousand sq. m. near Poznan, Poland. The transfer of ownership over the land was subject to the fulfillment of certain suspending conditions as defined in the purchase agreement. As of the date of the financial statements, the suspending conditions have not been fulfilled. The subsidiary filed a lawsuit against the third party for breach of the agreement and won the lawsuit in the court of the first instance. The third party appealed the decision. The Company has received collateral in the form of a first degree charge recorded on the land.

d. As for linkage terms, see Note 32f.

NOTE 10:- INVENTORY OF BUILDINGS FOR SALE

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Costs of projects under construction (presented in current assets)	210,227	223,624
Costs of projects under construction (presented in real estate for construction in non-current assets)	26,529	44,678
Total costs *)	236,756	268,302
Less - advances from buyers (presented in current liabilities)	38,379	42,354
	198,377	225,948

*) As of December 31, 2019, includes capitalized finance costs totaling approximately NIS 2,583 thousand (December 31, 2018 - approximately NIS 4,765 thousand).

b. Additional information regarding projects under construction:

1. a) A private foreign company incorporated in Poland, which is wholly owned by the Company, Mill-Yon, constructed a project in an area of some 10 thousand sq. m. in the city of Gdansk (Aura Gdansk) for the purpose of building 410 residential units and retail spaces in three stages. The construction of stages A and B was completed of which all the residential units were sold. The construction of stage C which consists of 50 residential units ended on December 31, 2019 of which 44 residential units have been sold after the balance sheet date. In July 2014, Mill-Yon entered into an agreement for the purchase of land of some 10.5 thousand sq. m. in Warsaw, Poland (Aura Ski). The land is held for the construction of about 581 residential units covering a net area of some 33,000 sq. m. and commercial construction covering a net area of some 4,350 sq. m. to be carried out in two stages. As of the reporting date, 358 units have been sold in stage A which consists of 361 residential units, and 201 units have been sold in stage B which consists of 220 residential units.

Mill-Yon is also involved in a project on land in an area of some 27 thousand sq. m. in Białołęka, in the northern district of Warsaw, held for the construction of residential units in five stages. As of the financial statement date, the construction of stages A-C has been completed. All the residential units in stages A-B have been sold and after the financial statement date, 4 units have been sold in stage C which consists of 96 residential units.

In 2019, the Company recorded in the statement of profit or loss income from construction transactions in Poland totaling approximately NIS 109 million and related costs totaling approximately NIS 81 million. Total costs included in these projects as of December 31, 2019 amount to approximately NIS 151 thousand less advances of approximately NIS 114 thousand.

NOTE 10:- INVENTORY OF BUILDINGS FOR SALE (Cont.)

b. Additional information regarding projects under construction (Cont.):

1. (Cont.)

b) In July 2017, the Polish subsidiary acquired land in Gdansk by the name of "Aura 40" in consideration of PLN 20.8 million (approximately NIS 18.9 million) which is located near the old city and is held for the construction of 251 residential units, which began in April 2019.

In September 2017, the Polish subsidiary acquired land in the Mokotów district of Warsaw in consideration of PLN 21.8 million (approximately NIS 19.8 million) which is held for the construction of 195 residential units and 100 sq. m. of retail area.

In December 2018, Mill-Yon acquired an additional land in Aura Warsaw in consideration of PLN 20.2 million (approximately NIS 18.4 million) in a total area of 10,000 sq. m. held for the construction of some 172 residential units.

The Polish subsidiary has been acting to obtain permits to begin construction on said properties.

2. The Company, through a subsidiary, purchased land covering some 53 thousand sq. m. in Bucharest, Romania, held for the construction of about 1,540 residential units and retail spaces in five stages. As of December 31, 2019, the total cost of the project is approximately NIS 56,867 thousand. The Company received a building permit, signed a financing agreement with a lending bank and began the construction of stages A and B which consist of 250 residential units. As of the financial statement date, 119 residential units have been sold in stage A.

c. Further information about long-term projects under construction:

	For the year ended	Aggregate through	For the year ended	Aggregate through	For the year ended	Aggregate through
	December 31, 2019		December 31, 2018		December 31, 2017	
	NIS in thousands					
Recognized revenues	114,276	1,175,553	152,704	1,061,277	88,379	908,573
Recognized costs	87,250	1,022,158	131,285	934,908	69,256	800,623
	27,026	153,395	21,419	126,369	19,123	107,950

NOTE 11:- REAL ESTATE FOR CONSTRUCTION

a. The movement:

	December 31,	
	2019	2018
	NIS in thousands	
Balance at beginning of year	60,479	97,562
Foreign currency translation reserve	(2,284)	768
Additions during the year	11,607	-
Disposals during the year	-	(32,213)
Reclassification to inventory of buildings for sale	(15,865)	(5,638)
Balance at end of year *)	53,937	60,479

*) Of this balance, an amount of NIS 26,529 thousand was reclassified from inventory of buildings for sale (December 31, 2018 - NIS 44,678 thousand).

b. The real estate is freehold real estate. Some of the real estate rights have not yet been registered in the companies' names at the Land Registry Office due to technical reasons.

c. As for liens, see Note 31.

NOTE 12: - LONG TERM LOANS AND RECEIVABLES

a. Composition:

	December 31,	
	2019	2018
	NIS in thousands	
Loans to employees	201	133
Loans to partners and others	15,655	8,100
Restricted deposits *)	63,482	68,346
	79,338	76,579
Less - current maturities (see Note 7)	5,928	4,106
Total	73,410	72,473

*) Includes Euro deposits in the amount of NIS 18,069 thousand (December 31, 2018 - NIS 22,310 thousand) that were pledged to secure the repayment of liabilities of foreign subsidiaries to banks.

NOTE 12: - LONG TERM LOANS AND RECEIVABLES (Cont.)

b. Classification by currency and linkage:

	Interest rate on the report date	December 31, 2019	December 31, 2018
	%	NIS in thousands	
In Israeli currency:			
Linked debt balance	2.56	201	133
Unlinked loan *)	-	4,000	4,000
Unindexed loans	5.25-8.0	7,769	500
Indexed loans	-	3,600	3,600
Unlinked deposits	Prime-(1.72-1.73)	45,699	46,036
Foreign currency deposits:			
Linked to Euro	-	15,884	21,427
Linked to Zloty	-	2,185	883
		79,338	76,579

*) The amount was repaid after the reporting date.

c. Maturity dates after the reporting date:

	December 31, 2019	December 31, 2018
	NIS in thousands	
First year	5,928	4,106
Second year	6,276	6,704
Third year	2,320	1,987
Fourth year	45,723	2,638
Fifth year	1,903	49,109
Sixth year and thereafter	12,976	12,035
Undetermined	4,212	-
	79,338	76,579

NOTE 13: - INVESTMENTS IN INVESTEES

Associates

a. Composition:

	See item	December 31, 2019	December 31, 2018
		NIS in thousands	
Investment in shares	(b)	221,987	221,011
Long-term loans	(c)	5,678	5,847
Total		227,665	226,858
Less - provision for impairment		43,659	43,659
		184,006	183,199

b. Investment in Sky Line Investment Inc. ("Sky Line"):

1. The Company holds 20.25% of the control and ownership rights in Sky Line, a real estate company operating in Canada. As of December 31, 2019, the investment amounts to NIS 109,922 thousand (December 31, 2018 - NIS 109,755 thousand). As of December 31, 2018, the Company analyzed the adjusted recoverable amount less the difference between the carrying amount and the fair value of the deferred tax reserves attributable to the investment and based on this analysis wrote down its investment in Sky Line by approximately NIS 10.4 million. The cost of the investment includes revaluation of property, plant and equipment in a total of approximately NIS 21.7 million, net after reclassification of depreciation from revaluation reserve to retained earnings (see paragraph 4 below).

2. Following a dispute which arose in 2016, on June 11, 2018, a bridging agreement was signed between the Company and a wholly owned and controlled subsidiary of the Company and Mishorim and Sky Line Israel regarding actions that will be performed subject to the fulfillment of suspending conditions defined in the agreement, until April 30, 2019, including a dividend to be transferred by Sky Line Israel in a minimum amount of NIS 15 million, conversion of unrepaid amounts from existing capital notes into shares of Sky Line Israel, repayment of debts and expenses to the shareholders of Sky Line Israel, and the distribution of shares of Sky Line which is traded on the TASE as a dividend in kind to the shareholders of Sky Line Israel.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

b. Investment in Sky Line Investment Inc. ("Sky Line") (Cont.):

2. (Cont.):

On February 25, 2019, an amendment was signed to the bridging agreement between the Company and its wholly-owned and controlled subsidiary and Mishorim and Sky Line Israel, in which the parties agreed to cancel the original condition according to which Sky Line Israel's cash balance will not be lower than NIS 15 million and instead set forth that Mishorim will grant the Company a loan of NIS 4.5 million to be repaid solely from future dividends that will be distributed by Sky Line or by Sky Line Israel and/or from the proceeds from the sale of shares of Sky Line held by the Company or the subsidiary. Also, according to the amendment, the amount payable by Mishorim to the Company will be NIS 3.25 million plus VAT (instead of NIS 3 million plus VAT). The suspending conditions defined in the agreement were met. The other conditions of the bridging agreement remain unchanged.

On April 18, 2019, the Company announced the completion of the distribution of the Skyline shares held by Skyline Israel as a dividend in kind according to the following distribution: 7,688,398 shares to Mishorim, 872,613 shares to the Company and 2,373,989 shares to the subsidiary. In addition to the shares transferred, the Company holds 144,300 shares of Skyline.

3. On January 23, 2019, the ITA issued the Company a tax ruling regarding the above distribution of Sky Line's shares. According to the tax ruling, the transfer is in effect retroactively from June 14, 2018. The transfer is a tax free event pursuant to the provisions of Section 104C to the Ordinance and is subject to the tax exemption directives and conditions in Section 104C to the Ordinance, including any conditions and restrictions applicable to offsetting losses, as specified in Section 104E(c) to the Ordinance. Moreover, the Company is required to continue holding the shares of Sky Line for a period of two years from the date of transfer of the shares through June 14, 2020.

4. Effective from December 31, 2016, Sky Line measures the hotels owned by it, excluding holiday resorts, at fair value, see also Note 2r above. Sky Line has hired an independent qualified appraiser with recognized professional skills and extensive experience regarding the location and type of the valued real estate in order to determine the fair value of the hotels owned by it.

The fair value was measured using the income approach according to which the value of the asset is measured by discounting the expected inflow of income from the asset over its remaining economic life. This approach also takes into consideration risk components in the flow of income and expenses.

As a result of the adoption of the revaluation model, the balance of the revaluation reserve in an associate as of December 31, 2019 amounts to NIS 25,204 thousand. In the reporting period, an amount of NIS 1,302 thousand which represents the depreciation was reclassified from the revaluation reserve to retained earnings.

A significant increase in occupancy rates or a significant decrease in discount rates will result in an increase in the fair value of the assets.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

b. Investment in Sky Line Investment Inc. ("Sky Line") (Cont.):

5. Condensed data of the financial statements of Sky Line:

	December 31, 2019	December 31, *) 2018
	NIS in thousands	
The associate's statement of financial position at reporting date:		
Current assets	314,582	439,614
Non-current assets	1,475,058	1,718,921
Current liabilities	(210,373)	(343,588)
Non-current liabilities	(846,192)	(987,126)
Total equity	733,075	827,821
Attributable to non-controlling interests	64,789	372,733
Attributable to equity holders of the Company	668,286	455,088
Holding rate in associate	20.25%	29.7%
Company's share of the associate's equity	135,328	135,161
Less – portion attributable to revaluation of holiday resorts	25,406	25,406
Balance of investment in associate	109,922	109,755

	Year ended December 31, 2019	*) 2018	*) 2017
	NIS in thousands		
Group's share of the operating results of the associate during the year:			
Revenues	631,157	876,532	422,975
Net income (loss)	(872)	(7,222)	9,929
Other comprehensive income (loss):			
Revaluation of property, plant and equipment	(1,060)	11,280	(1,241)
Foreign currency translation and other reserves	2,759	2,810	(16,725)
Total comprehensive income (loss) attributable to equity holders of the Company	827	6,868	(8,037)
Holding rate in associate	20.25%	29.7%	29.7%
Company's share of comprehensive income (loss) of associate *)	167	2,040	(2,387)

*) As of December 31, 2018 and in periods ended on that date, represents the Company's investment in Sky Line Israel. The Company also held about 1.06% in a subsidiary of Sky Line.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

c. Loans to associates:

	Interest rate as of report date	December 31, 2019	December 31, 2018
	%	NIS in thousands	
Loans in Euro *)	4.0	3,389	3,269
Loans in U.S. dollar **)	3.0	2,289	2,578
		5,678	5,847

*) Repayable in a lump sum in 2023.

**) The loans are repayable based on excess cash in the associate as defined in the loan agreement.

d. Additional information regarding subsidiaries held by the Company:

1. General information:

	December 31, 2019 and 2018	
	Country of incorporation	Ownership interests held by the Company
		%
Israel Land Development Company Hotels Ltd. ("ILDC Hotels") *)	Israel	**) 100
Israel Land Development Urban Renewal Ltd. ("ILDC Urban Renewal")*)	Israel	76.66
R.R.N Holdings and Investments Ltd. ("RRN") *)	Israel	66.67

*) As for guarantees provided by the Company to investees, see Note 28a(2) below.

**) As of December 31, 2018 was 83.36% held.

2. Condensed financial data of subsidiary with material non-controlling interests - RRN:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Statement of financial position at reporting date (as presented in the subsidiary's financial statements):		
Current assets	177,213	138,524
Non-current assets	1,667,894	1,468,870
Current liabilities	129,360	94,884
Non-current liabilities	882,371	718,620
Total equity	833,376	793,890

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

d. Additional information regarding subsidiaries held by the Company (Cont.):

2. Condensed financial data of subsidiary with material non-controlling interests - RRN (Cont.):

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
The subsidiary's operating results (as presented in the subsidiary's financial statements):			
Revenues	128,826	118,907	95,334
Net income	119,118	91,263	41,777
Other comprehensive income (loss)	(79,632)	1,300	58,730
Total comprehensive income	39,486	92,563	100,507

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
The subsidiary's cash flows (as presented in the subsidiary's financial statements):			
From operating activities	74,076	21,295	34,669
From investing activities	(206,251)	(206,251)	(179,478)
From financing activities	182,149	167,412	144,193
Exchange rate differences on cash balances	(4,246)	265	4,951
Net increase (decrease) in cash and cash equivalents	45,728	(17,279)	4,335

Balances of non-controlling interests

	December 31,	
	2019	2018
	NIS in thousands	
RRN	517,110	492,676
ILDC Hotels	-	23,707
Other	235	234
Total	517,345	516,617

Income (loss) attributable to non-controlling interests

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
RRN	73,779	56,363	28,229
ILDC Hotels	(2,080)	(3,391)	(2,709)
Other	1	89	50
Total	71,700	53,061	25,570

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

d. Additional information regarding subsidiaries held by the Company (Cont.):

3. Information regarding the quoted market value of traded shares in investees as of December 31, 2019:

	Holding rate	Amounts invested (excess losses over investment)	Market value at 31.12.2019	Market value after the reporting date – mid February 2020
	%	NIS in thousands		
Subsidiaries:				
ILDC Urban Renewal	76.66	(7,240)	26,152	36,846
MLP GROUP SA	38.26	348,220	336,995	346,443
Associates:				
Sky Line Investments Inc.	20.25	109,922	96,891	110,542

4. In the third quarter of 2017, a subsidiary acquired the remaining 50% of the shares of 7 Star Malls Ploiesti Limited ("Ploiesti"), which is registered in Romania, from another company and now wholly owns Ploiesti.

   As part of the above acquisition, the seller's outstanding loans were assigned to the buyer. It should be noted that the relative portion acquired in the property mentioned above represents excess liabilities over assets.

5. On February 13, 2018, a Polish subsidiary, Mill-Yon Gdansk Sp. z.o.o, acquired the remaining shares of an associate, MILL-YON POLSKA SPS CONSTRUCTION SP Z.O.O., in consideration of approximately PLN 11.1 million (approximately NIS 11.5 million). Following the acquisition, the subsidiary fully owns and controls the associate.

   In view of the provisions of IFRS 3 regarding a business combination achieved in stages, the Company revalued its former investment in the associate as of the date of achieving control. Consequently, the Company recorded a gain of approximately NIS 3.2 million included in other income.

6. See details of agreements for the sale of the operations of ILDC Hotels and/or its rights in certain hotels in Note 18 below.

NOTE 13: - INVESTMENTS IN INVESTEES (Cont.)

d. Additional information regarding subsidiaries held by the Company (Cont.):

7. On May 28, 2019, the Company completed a full purchase offer in accordance with the Companies Law, 1999 and the Securities and Exchange Commission (Purchase Offer), 2000, for ordinary shares of NIS 1 par value each of ILDC Hotels, in accordance with the purchase offer specification published on May 12, 2019.

   In the framework of the purchase offer, 3,420,446 shares were purchased from the offerees, constituting 15% of the issued and paid-up capital and voting rights in ILDC Hotels for a total consideration of approximately NIS 21 million (including for forced acquisition from shareholders that did not provide acceptance notices), reflecting a price of NIS 6.14 per share. Upon completion of the purchase offer, the Company (directly and indirectly) holds the entire issued share capital of ILDC Hotels.

e. Amounts of dividends received by the Company from investees:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Subsidiary:			
RRN	-	-	5,682

f. Additional information regarding investees:

1. For the list of subsidiaries and associates, see Appendix B to the financial statements.

2. The independent auditors of subsidiaries have drawn attention in their opinions to the following:

   a) ILDC Urban Renewal - the need to raise financial resources for funding ILDC Urban Renewal's activities and the Company's undertaking to provide ILDC Urban Renewal financing for its operations in the coming year insofar as ILDC Urban Renewal is unable to raise financing resources independently. ILDC Urban Renewal's continued activities are contingent on obtaining the required financial resources.

   b) Rapid Vision - the Company's support of Rapid Vision by means of loans provided by the Company and by guarantees to banks.

NOTE 14:- INVESTMENT PROPERTY

a. Composition and movement:

	2019	2018
	NIS in thousands	
Balance as of January 1	3,707,622	3,426,252
Additions during the year		
Purchases	332,408	261,418
Adjustments arising from translation of financial statements of foreign operations	(144,824)	11,386
Appreciation, net	315,877	166,955
Total additions	503,461	439,759
Disposals during the year		
Disposals	82,172	115,869
Reclassification to disposal group held for sale	-	42,520
Total disposals	82,172	158,389
Balance as of December 31	4,128,911	3,707,622
Investment property is comprised as follows:		
Investment property	3,970,857	3,366,522
Investment property under construction measured at fair value	158,054	341,100
	4,128,911	3,707,622
Presented as follows:		
Assets held for sale	33,150	43,150
Non-current assets	4,095,761	3,664,472
	4,128,911	3,707,622

b. Amounts recognized in profit or loss:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Rental income from investment property	275,282	282,049	254,444
Direct operating expenses (including repairs and maintenance)	101,593	101,115	82,070
	173,689	180,934	172,374

NOTE 14:- INVESTMENT PROPERTY (Cont.)

c. Investment property is entirely measured at fair value and comprises mainly malls, logistic warehouses and office buildings that are leased to third parties.

d. Fair value measurement of investment property:

Investment property is measured at fair value which has been determined based on valuations performed by external independent valuation experts with recognized and relevant professional qualifications who have experience in the location and category of the properties being valued. The fair value was measured with reference to recent real estate transactions for similar properties in the same location as the properties owned by the Company and based on the expected future cash flows from the properties. In assessing cash flows, their risk is taken into account by using a discounted yield that reflects their underlying risk supported by the standard yield in the real estate market and by including adjustments for the specific characteristics of the properties and the level of future income therefrom.

The following table presents the effect on the Group's pre-tax income (loss) arising from changes in assumptions used in measuring the fair value of the material properties:

	December 31, 2019		
	Shopping malls and commercial centers	Office and other buildings	Logistic warehouses
	NIS in thousands		
Income (loss) from the change in assumptions:			
5% increase in annual income	56,600	11,950	42,322
5% decrease in annual income	(56,600)	(11,950)	(42,322)
0.5% increase in discount rate	(80,900)	(14,850)	(55,678)
0.5% decrease in discount rate	94,300	16,650	64,115

Significant assumptions (on the basis of weighted averages) used in the valuations of material properties are presented below:

	December 31, 2019		
	In Israel		In Poland
	Shopping malls and commercial centers	Office and other buildings	Logistic warehouses
Investment property:			
Average monthly rental fees per sq. m. (NIS)	98-219	29-80	12-23
Yield on the property (%)	6.5-6.8	4.6-9.1	4.8-8.0
Vacant rental areas (%)	-	0-15	7.0
Discount rates used in the valuations as of December 31, 2019 (%):			
In Israel	6.5-12.0	7.25-12.0	-
In Poland	-	-	5.75-8.0

NOTE 14:- INVESTMENT PROPERTY (Cont.)

d. Fair value measurement of investment property (Cont.):

	December 31, 2018		
	In Israel		In Poland
	Shopping malls and commercial centers	Office and other buildings	Logistic warehouses
Investment property:			
Average monthly rental fees per sq. m. (NIS)	94-243	29-82	17-22
Yield on the property (%)	6.8-7.6	6.0-10.3	4.1-9.6
Vacant rental areas (%)	-	0-11	2-3
Discount rates used in the valuations as of December 31, 2018 (%):			
In Israel	7-12	7.75-12	-
In Poland	-	-	6.25-8.5

e. The Tel-Aviv District Planning and Building Committee (in this paragraph "the Committee") approved a zoning plan for the property on Maariv House, approving the construction of a building of 42 floors, which is lower than the number of floors planned by the Company. In this context, the Company announced that the Committee's decision to approve a lower number of floors derived from the categorical objection expressed by the Civil Aviation Authority of Israel ("the CAA") despite the fact that the Company had presented to both the Committee and the CAA, at the CAA's specific demand, a comprehensive and professional aviation survey prepared by a leading international firm in this field according to which a 60-floor tower would not impair the flight safety at Ben-Gurion Airport and therefore there is no justification for disallowing the original building plan ("the survey"). Since, notwithstanding the survey's findings, the Flight Noise Control Committee of the Israel Airports Authority ("the IAA"), which is the government agency in charge of this area, as authorized by the Israeli Ministry of Finance, had refused to hold a hearing of the Company's application to allow the original building plan with 60 floors, the Company plans to take administrative planning procedures and in this context submitted an appeal to the National Building and Planning Council and initiated additional legal proceedings in order to reverse the District Committee's decision.

f. On May 6, 2019, a wholly-owned and controlled subsidiary signed a turnkey contract with an unrelated third party for the construction of Tower C in the ILDC Campus in Bnei-Brak.

The contractor began work in June 2019 and pledged to complete the work within 42 months. The contract amount is approximately NIS 249 million, linked to the Building Input Index, payable in monthly installments which will be determined according to the progress of the construction work. The contractor's parent company guaranteed the contractor's obligations in the contract.

g. As for liens, see Note 31.

NOTE 15:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2019

	Land and buildings *)	Solar installations	Machinery and equipment, billboards and office furniture	Motor vehicles	Leasehold improvements	Total
	NIS in thousands					
Cost:						
Balance as of January 1, 2019	5,882	-	84,244	4,897	10,963	105,986
Foreign currency translation adjustments of investees	(256)	-	(98)	(14)	-	(368)
Additions during the year	454	2,694	5,717	238	-	9,103
Disposals during the year	(412)	-	(6,570)	(3,371)	-	(10,353)
Balance as of December 31, 2019	5,668	2,694	83,293	1,750	10,963	104,368
Accumulated depreciation:						
Balance as of January 1, 2019	4,941	-	78,373	3,300	3,893	90,507
Foreign currency translation adjustments of investees	(204)	-	(62)	(14)	-	(280)
Additions during the year	222	-	2,702	291	488	3,703
Disposals during the year	(12)	-	(6,568)	(3,061)	-	(9,641)
Balance as of December 31, 2019	4,947	-	74,445	516	4,381	84,289
Depreciated cost as of December 31, 2019	721	2,694	8,848	1,234	6,582	20,079

*) The balance represents freehold real estate – some of the companies' land rights have not yet been registered in their name for technical reasons.

NOTE 15: - PROPERTY, PLANT AND EQUIPMENT (Cont.)

a. Composition and movement (Cont.):

2018

	Land and buildings	Hotel buildings and facilities	Machinery and equipment, billboards and office furniture	Motor vehicles	Leasehold improvements	Total
	NIS in thousands					
Cost:						
Balance as of January 1, 2018	51,883	264,587	143,962	4,911	10,963	476,306
Foreign currency translation adjustments of investees	40	-	3	-	-	43
Revaluation recognized in other comprehensive income	-	17,377	-	-	-	17,377
Additions during the year	78	25	8,358	1,433	-	9,894
Newly consolidated company	83	-	-	-	-	83
Disposals during the year	(46,202)	(650)	-	(1,290)	-	(48,142)
Reclassification to disposal group held for sale	-	(281,339)	(68,079)	(157)	-	(349,575)
Balance as of December 31, 2018	5,882	-	84,244	4,897	10,963	105,986
Accumulated depreciation:						
Balance as of January 1, 2018	4,572	118,718	108,450	3,572	3,497	238,809
Foreign currency translation adjustments of investees	25	-	4	-	-	29
Additions during the year	418	7,165	11,143	605	396	19,727
Newly consolidated company	30	-	-	-	-	30
Disposals during the year	(104)	(298)	-	(813)	-	(1,215)
Reclassification to disposal group held for sale	-	(125,585)	(41,224)	(64)	-	(166,873)
Balance as of December 31, 2018	4,941	-	78,373	3,300	3,893	90,507
Less - provision for impairment, net:						
Balance as of January 1, 2018	-	(217)	(4,348)	-	-	(4,565)
Provision for impairment	-	165	(768)	-	-	(603)
Reclassification to disposal group held for sale	-	52	5,116	-	-	5,168
Balance as of December 31, 2018	-	-	-	-	-	-
Depreciated cost as of December 31, 2018	941	-	5,871	1,597	7,070	15,479

b. As for liens, see Note 31.

NOTE 16:- LEASES

Disclosures for leases in which the Group acts as lessee:

The Group has entered into leases of buildings, franchises, motor vehicles etc. which are used for the Company's ongoing operations. The leases of buildings are for a period of five years. Some of the leases entered into by the Company include extension options.

a. Information on leases:

	Year ended December 31, 2019
	NIS in thousands
Interest expenses on lease liabilities	2,312
Short-term lease expenses	3,957
Total negative cash flows in respect of leases	20,805

b. Variable lease payments:

The following provides information on the lease payments for leases that contain fixed and variable payments:

	Year ended December 31, 2019
	NIS in thousands
Fixed lease payments	19,627
Variable lease payments	28
Total lease payments	19,655

NOTE 16:- LEASES (Cont.)

Disclosures for leases in which the Group acts as lessee (Cont.):

c. Lease extension and termination options:

The Company has lease agreements that contain extension options.

Following are details of potential future undiscounted lease payments for periods covered by extension options that were not included in the measurement of the Company's lease liabilities:

	Up to 5 years	More than 5 years
	NIS in thousands	
Year ended December 31, 2019:		
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	43,918	2,176

d. Disclosures in respect of right-of-use assets:

	Land	Franchises and licenses	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2019	10,133	35,676	45,809
Additions during the year:			
Additions for new leases in the period	-	16,100	16,100
Adjustments for indexation	61	-	61
Balance as of December 31, 2019	10,194	51,776	61,970
Accumulated depreciation:			
Additions during the year:			
Depreciation and amortization	2,039	15,218	17,257
Balance as of December 31, 2019	2,039	15,218	17,257
Depreciated cost at December 31, 2019	8,155	36,558	44,713

NOTE 16:- LEASES (Cont.)

Disclosures for leases in which the Group acts as lessee (Cont.):

e. Maturity dates of lease liabilities:

	December 31, 2019		
	Future minimum lease payments	Interest component	Present value of minimum lease payments
	NIS in thousands		
First year	19,287	300	18,987
Second to fifth years	37,986	5,327	32,659
Sixth year and thereafter	72,388	53,623	18,765
	129,661	59,250	70,411

f. The Group has leases of motor vehicles for a period of up to 12 months and low value leases of office furniture. The Company applies the practical expedient in IFRS 16 in respect of these leases and recognizes lease payments as an expense using the straight-line method over the lease term.

g. The Group has right-of-use assets that meet the criteria of investment property. The Group accounts for these assets in accordance with the disclosure requirements of IAS 40. Accordingly, an amount of NIS 22,454 thousand is included in investment property.

NOTE 17: - GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition:

	December 31,	
	2019	2018
	NIS in thousands	
Goodwill attributed to the property rental segment (b)	31,474	34,575
Goodwill attributed to billboard segment (c)	3,213	3,213
Computer software	526	1,088
	35,213	38,876

b. The goodwill arises from a business combination in 2013 whose original amount totaled NIS 40,177 thousand. The goodwill created is attributed to MLP as a whole. As of December 31, 2019, the Company examined the market value of the investment that consists of the goodwill as above. According to an examination, no impairment loss in respect of the investment in MLP was recorded.

c. The Company tested the impairment of the goodwill attributable to a subsidiary which operates in the billboard business. The recoverable amount of the goodwill was determined based on the realizable value of the subsidiary.

NOTE 18:- DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

a. On February 19, 2019, agreements were signed between ILDC Hotels and its subsidiaries and Dan Hotels Ltd. for the sale of ILDC Hotels' operations and/or rights in some of the hotels owned by it, Rimonim Hotel in Eilat, Ruth Rimonim Hotel in Safed and Rimonim HaMaayan Hotel in Nazareth, for a total consideration of approximately NIS 225 million. The agreements were completed by May 14, 2019.

b. On May 26, 2019, ILDC Hotels entered into an agreement with an unrelated third party to sell the exclusive right to use the "Rimonim" and/or "Rimonim Hotel Chain" brand name ("the brand"), including the assets and liabilities underlying the brand and the goodwill as defined in the agreement, effective from January 1, 2020 in return for NIS 1 million plus VAT.

c. On May 27, 2019, an agreement was signed between ILDC Hotels and unrelated third parties for the sale of the entire rights and obligations of a company that is privately owned and fully controlled by ILDC Hotels, in connection with the Rimonim Neve Ativ Hotel, which includes, among others, ownership of the hotel's leasehold rights, equipment and agreements with suppliers. In consideration for the sale of the hotel's rights and obligations, the buyers paid a total of NIS 11.75 million plus VAT.

d. The main groups of assets and liabilities classified as held for sale:

	December 31,	
	2019	2018
	NIS in thousands	
Assets:		
Cash and cash equivalents	11,353	21,432
Trade receivables	6,394	25,684
Other receivables (1)	32,027	18,633
Restricted deposit	5,073	-
Inventory	-	960
Investment property	-	42,520
Property, plant and equipment	-	177,534
Intangible assets	-	628
Assets held for sale	54,847	287,391
Liabilities:		
Short-term credit from banks and others	-	30,522
Trade and other payables	19,783	52,365
Long-term bank loans	-	41,564
Other long-term liabilities	-	3,367
Employee benefit liabilities	156	4,433
Deferred taxes	1,480	11,346
Liabilities attributable to assets held for sale	21,419	143,597
Net assets held for sale	33,428	143,794

(1) The hotels were held by ILDC Hotels under capitalized lease terms for 49 years with a right for extension by another 49 years.

NOTE 18:- DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont.)

d. The main groups of assets and liabilities classified as held for sale (Cont.):

In the context of a proceeding for the renewal of the Eilat Rimonim Hotel's lease contracts with the Israel Land Authority for an additional period of 49 years, ILDC Hotels was asked to pay an amount of NIS 34,043 thousand relating to lease jubilee discount fees, permit fees and usage fees. This amount was included in the financial statements for 2014 as follows: an amount of approximately NIS 14 million relating to discount fees and permit fees was carried to investment property, an amount of approximately NIS 4 million was carried to property, plant and equipment, an amount of approximately NIS 9.5 million in respect of usage fees was carried to other expenses in the statement of profit or loss for 2015 and an amount of approximately NIS 10.5 million was carried to other receivables. The Company filed a legal objection to the amount paid by it which is supported by an appraiser's objection. A monetary claim was filed with the Court on February 20, 2017. Based on the opinion of its legal counsel, ILDC Hotels' management believes that it is highly probable that the entire amount claimed will be recovered.

In addition, an amount of approximately NIS 9.7 million included in this item represents receivables for the sale of the hotels and the brand as discussed above.

e. Below are data of the other comprehensive income (loss), net attributable to assets and liabilities classified as held for sale, as attributed to equity holders of the Company and carried to equity:

	December 31,	
	2019	2018
	NIS in thousands	
Revaluation reserve of property, plant and equipment	-	73,197

f. Below are data of the operating results attributable to the discontinued operation:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Revenues from sales	84,218	203,921	241,909
Cost of sales	63,531	168,755	199,595
Gross profit	20,687	35,166	42,314
Appreciation of investment property	-	380	880
Selling, general and administrative and other expenses	(30,492)	(52,285)	(48,393)
Operating loss	(9,805)	(16,739)	(5,199)
Finance expenses, net	(5,384)	(4,547)	(4,032)
Tax benefit	3,542	607	2,153
Loss from discontinued operation, net	(11,647)	(20,679)	(7,078)

NOTE 18:- DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont.)

g. Below are data of the net cash flows provided by (used in) operations attributable to the discontinued operation:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Operating activities	(38,056)	(70)	(651)
Investing activities	104,414	(3,340)	(2,498)
Financing activities	(76,437)	7,399	(11,070)

NOTE 19:- FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2019:

The carrying amount of certain financial instruments such as cash, short-term investments, short-term loans, trade receivables and other short and long-term receivables approximates their fair value.

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Assets measured at fair value:				
Current assets:				
Marketable securities	1,837	-	-	1,837
Investment property:				
Shopping malls	-	-	1,341,151	1,341,151
Office buildings	-	-	1,108,551	1,108,551
Logistic parks	-	-	1,646,059	1,646,059
	-	-	4,095,761	4,095,761
	1,837	-	4,095,761	4,097,598
Assets whose fair value is disclosed (Note 32a):				
Loans to investees	-	-	5,678	5,678
Long-term loans	-	-	15,856	15,856
	-	-	21,534	21,534

There were no transfers between levels during the period.

NOTE 19:- FAIR VALUE MEASUREMENT (Cont.)

The carrying amount of certain liabilities such as short-term credit from banks, trade payables, other payables and other non-current liabilities approximates their fair value.

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Liabilities measured at fair value:				
Non-current liabilities:				
Financial derivatives	-	7,422	-	7,422
Liabilities whose fair value is disclosed (Note 32a):				
Debentures	1,547,403	-	-	1,547,403
Long-term loans:				
Variable interest loans	-	-	480,304	480,304
Variable interest loans – Euro	-	-	601,937	601,937
Variable interest loans - US dollar	-	-	7,165	7,165
Variable interest loans – Zloty	-	-	7,439	7,439
Fixed interest loans - Moroccan Dirham	-	-	43,994	43,994
Fixed interest loans	-	-	266,891	266,891
	-	-	1,407,730	1,407,730
	1,547,403	7,422	1,407,730	2,962,555

There were no transfers between levels during the period.

NOTE 20: - SHORT-TERM CREDIT FROM BANKS AND OTHER CREDIT PROVIDERS

a. Composition:

	Interest rate at report date	December 31, 2019	December 31, 2018
	%	NIS in thousands	
Overdrafts:			
Unlinked - NIS	Prime+2.75	20,244	21,645
Unlinked - Zloty		-	2,938
Short-term loans from banks:			
NIS	2.40-2.65	71,339	20,245
Current maturities of long-term loans (see Note 25)		215,406	192,671
		306,989	237,499

b. As for collaterals, see Note 31 below.

c. As for linkage terms, see Note 32f below.

NOTE 21: - TRADE PAYABLES

a. Composition:

	December 31,	
	2019	2018
	NIS in thousands	
In Israeli currency:		
Open debts	13,353	9,292
Post-dated checks and notes	12,185	5,633
In foreign currency - open accounts	115,793	66,527
	141,331	81,452

b. Regarding linkage terms, see Note 32f below.

NOTE 22: - OTHER PAYABLES

	December 31,	
	2019	2018
	NIS in thousands	
Current maturities of finance lease	95	-
Current taxes payable	21,253	24,778
Deferred revenues and customer advances	7,404	7,535
Accrued vacation and recreation pay	1,734	1,910
Employees and payroll accruals	6,563	5,872
Value added tax	14,179	12,194
Interest payable	7,093	7,509
Liability to shareholders in subsidiaries	4,639	4,838
Advance for sale of investment property	-	2,074
Provision for claims	1,319	560
Other payables	11,725	13,761
	76,004	81,031

Regarding linkage terms, see Note 32f below.

NOTE 23: - OTHER NON-CURRENT LIABILITIES

	December 31,	
	2019	2018
	NIS in thousands	
Warrants (a)	64,300	-
Prepaid income (b)	19,058	21,636
Financial derivatives (c)	7,422	5,210
Liabilities to non-controlling interests (d)	3,651	927
Liabilities to shareholders in associate (e)	4,093	-
	98,524	27,773

NOTE 23: - OTHER NON-CURRENT LIABILITIES (Cont.)

a. On August 6, 2019, as part of the process of simplifying the Company's capital structure, the Company granted a company owned by the Company's controlling shareholder ("NLD") 16.5 million unquoted and non-transferable warrants (excluding transfer to the controlling shareholder of NLD). The warrants will be exercisable into Ordinary shares of the Company (in whole or in part) from the date of completion of an initial capital raising in the Company for a period of up to 15 years and insofar as the cumulative holdings of the Company's shareholders fall below 50.01%, only at a scope that increases their holdings back to 50.01%, against the payment of an exercise increment to be determined as the average quoted market price of the share on the TASE in the 14 trading days preceding the exercise notice, less a discount of 14.8% or 11%, all in accordance with the terms of the decision.

   An initial capital raising was completed in the Company on December 17, 2019. The fair value of the warrants on said date was assessed at approximately NIS 61.7 million by an external appraiser using the Monte Carlo valuation method based on an average share price of NIS 43.3 and standard deviation of 39% for a period of 15 years.

   See additional information in Note 28b(4).

b. Prepaid income received from tenants. The amount reflects rental fees covering the last few months of long-term rent.

c. The transactions are carried out by a subsidiary that operates in Poland for hedging currency risks (Zloty vs. Euro). These hedges mature by 2024. The effects of the changes in hedges are carried to profit or loss.

d. Of which NIS 1,585 thousand bearing annual interest of 2.56% and the balance in foreign currency mainly bearing interest (WIBOR+2%) and repayable based on free cash flows in the subsidiaries as defined in the loan agreements.

e. The liability bears annual interest of 2% and is repayable in 2029.

NOTE 24: - DEBENTURES

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Debentures issued by the Company	1,442,302	1,406,649
Debentures issued by subsidiary *)	116,193	128,884
Less - deferred charges	(11,092)	(11,311)
	1,547,403	1,524,222
Less - current maturities	(244,373)	(183,711)
	1,303,030	1,340,511

*) In May 2017, a subsidiary in Poland carried out a private placement of € 20,000 thousand par value of debentures on the Warsaw Stock Exchange. The proceeds of the issuance amounted to about PLN 84,530 thousand (approximately NIS 79,768 thousand). The debentures were issued for a period of five years to be repaid in a lump sum in 2022, bearing interest of Euribor plus the standard Polish interest margin on six-month deposits.

In May 2018, the subsidiary issued additional debentures with a par value totaling € 10,000 thousand for total proceeds of PLN 42,569 thousand (approximately NIS 42,550 thousand) under the same repayment terms in a lump sum in 2023.

Deferred charges attributable to these debentures amounted to approximately NIS 652 thousand and the amortized balance as of December 31, 2019 amounted to NIS 357 thousand.

b. Maturity dates:

	December 31, 2019	December 31, 2018
	NIS in thousands	
First year - current maturities	244,373	183,711
Second year	222,741	290,583
Third year	245,714	236,521
Fourth year	207,202	216,538
Fifth year	168,539	173,793
Sixth year and thereafter	458,834	423,076
	1,547,403	1,524,222

NOTE 24: - DEBENTURES (Cont.)

c. Additional information:

Debentures issued by the Company:

1. General information:

Details/series	Series 15	Series 16	Series 18	Series 19	Series 20	Series 21	Series 22
Date of issuance	December 2010 and May 2011	March, June and September 2013, January 2014, March 2015, October and November 2015	May 2014, February, April and November 2016	August 2016, July and September 2017	January, April and June 2017	November 2017, January and February 2019	December 2017, August 2018, August and September 2019
Par value (NIS in thousands):							
On the issuance date (including expansions)	174,881	277,515	217,663	160,721	298,674	383,312	401,355
As of the reporting date	22,279	55,503	108,832	160,618	298,674	383,312	395,481
Liability value as of the reporting date	22,279	56,833	108,832	160,618	304,072	389,067	400,601
Amount of accrued interest (NIS in thousands)	92	-	-	-	-	-	-
Quoted market price of the series (NIS in thousands)	22,671	58,361	113,534	166,704	320,298	418,423	412,941
Interest type and rate	4.7% above the annual interest on Variable 520 Government Bonds	5.3%	5.6%	4%	3.25%	1.8%	2.25%
Linkage terms - principal and interest linked to the CPI for	Unlinked	February 2013	Unlinked	Unlinked	December 2016	September 2017	October 2017
Principal maturity dates	June 1, each year from 2015 until 2020	June 30, each year from 2016 until 2020	September 30, each year from 2018 until 2021	March 31, each year from 2020 until 2024	June 24, each year from 2020 until 2024	December 31, each year from 2020 until 2027	June 30, each year from 2021 until 2027
Interest maturity dates	March 1, June 1, September 1 and December 1, from March 1, 2011 until June 1, 2020	March 31, June 30, September 30 and December 31, each year until June 2020	September 30, December 31, March 31 and June 30, each year until September 30, 2021	September 30, December 31, March 31 and June 30, each year until March 31, 2024	June 30 and December 31 each year until June 30, 2024	March 31, June 30, September 30 and December 31, each year until December 31, 2027	March 31, June 30, September 30 and December 31, each year from 2018 until June 30, 2027
Rating as of the reporting date:							
S&P Maalot *)	(ilA-)	(ilA-)	(ilA-)	(ilA-)	(ilA-)	(ilA-)	(ilA-)
Midroog	Baa1	-	-	-	-	-	-
Liens and covenants to secure certificates of liability	See Note 31a(2)	See Note 31a(3)	See Note 31a(4)	See Note 31a(5)	See Note 31a(6)	See Note 31a(7)	See Note 31a(8)

*) Until January 14, 2020, the rating was (ilBBB+), except for Series 21 whose rating was (ilA-). As for the raising of the rating and the update of the interest rates of Series 20 and 22 after the reporting date, see paragraph (16) below.

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

2. On December 14, 2018, the Company's Board approved a plan for the repurchase of debentures through a wholly controlled subsidiary in the amount of up to NIS 25 million for a period of six months.

   Through December 31, 2019, in the context of this plan, the subsidiary purchased 5,514,276 par value of debentures (Series 22) in consideration of approximately NIS 4.9 million.

3. On July 12, 2017, the Company issued NIS 50,400,000 par value of debentures (Series 19) pursuant to a shelf offering report dated July 11, 2017 by way of expanding the series, and the immediate (gross) proceeds from the issuance amounted to approximately NIS 52.3 million.

   On August 30, 2017, an invitation was received in the context of a private placement for a corporate debenture partnership by an investor who is part of the category of investors listed in the First Addendum to the Israeli Securities Law, 1968 for NIS 12,600,000 par value of registered debentures (Series 19) of NIS 1 par value each of the Company by way of expansion of the existing series of debentures which are listed for trade on the TASE for immediate (gross) proceeds of approximately NIS 13.18 million, reflecting a price of 104.6 Agorot per NIS 1 par value of debentures (Series 19).

   As for collaterals and financial covenants undertaken by the Company in connection with the debentures (Series 19), see Note 31a(5).

4. On January 23, 2017, the Company issued NIS 204,655 thousand par value of debentures (Series 20) based on a shelf offering report of January 22, 2017 issued pursuant to a shelf prospectus of May 29, 2015. The gross issuance proceeds totaled approximately NIS 204.7 million.

   The debentures (Series 20) are registered debentures of NIS 1 par value each, bearing annual CPI-linked interest at a rate of 3.25%, as determined in a tender, and repayable in five annual consecutive installments from June 24, 2020. The interest is payable in two semiannual installments in each calendar year on June 30 and December 31 of each of the years 2017 through 2024.

   The issued debentures (Series 20) were rated by S&P Maalot on the issuance date at (ilA-).

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

4. (Cont.):

In April 2017, the Company raised approximately NIS 78 million according to a shelf offering report in respect of the issuance of NIS 76,019 thousand par value of debentures (Series 20) by way of expanding the series. The price per one unit of NIS 1,000 par value set in the tender for the debentures (Series 20) is NIS 1,030.5.

On June 6, 2017, the Company raised NIS 18.9 million (gross) in respect of a private placement of NIS 18,000,000 par value of debentures (Series 20) of NIS 1 par value each, by means of the expansion of the aforesaid series of debentures.

As for financial covenants undertaken by the Company in connection with the debentures (Series 20), see Note 31a(6) below.

5. On November 9, 2017, the Company issued NIS 286,425 thousand par value of debentures (Series 21) pursuant to a shelf offering report dated November 8, 2017, which was published pursuant to a shelf prospectus dated May 29, 2015 and which was extended until May 28, 2018. The registered debentures (Series 21) of NIS 1 par value each are linked to the CPI and bear annual interest at a rate of 1.8%, as determined in the tender. The gross issuance proceeds totaled approximately NIS 286 million.

The debentures (Series 21) are repayable in eight unequal annual payments, to be paid on December 31, from December 2020 to December 2027.

The above debentures (Series 21) were rated at (ilA-) by S&P Maalot on the date of issuance.

As for financial covenants undertaken by the Company in connection with the debentures (Series 21), see Note 31a(7) below.

6. On November 27, 2017, the Company allocated to holders of the debentures (Series 16) 500,028 warrants (Series 3) that were exercisable by January 11, 2018 into NIS 100 par value of debentures (Series 21) each, against a cash exercise price of NIS 100. Through the date of their expiration, warrants were exercised for proceeds totaling approximately NIS 6,887 thousand against the issuance of an additional approximately NIS 6,887 thousand par value of debentures (Series 21).

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

7. On December 14, 2017, the Company issued NIS 121,405 thousand par value of debentures (Series 22) pursuant to a shelf offering report dated December 14, 2017, which was published pursuant to a shelf prospectus dated May 29, 2015 and which was extended until May 28, 2018. The registered debentures (Series 22) of NIS 1 par value each are linked to the CPI and bear annual interest at a rate of 2.25%, as determined in the tender. The gross issuance proceeds totaled approximately NIS 121.1 million.

   The debentures (Series 22) are repayable in seven equal consecutive annual payments, to be paid on June 30, from June 2021 to June 2027.

   The above debentures (Series 22) were rated at (ilA-) by S&P Maalot on the date of issuance.

   As for financial covenants undertaken by the Company in connection with the debentures (Series 22), see Note 31a(8) below.

8. On August 6, 2018, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968 NIS 50,000 thousand par value of registered debentures (Series 22) of NIS 1 par value each of the Company by way of series expansion for immediate (gross) proceeds of approximately NIS 48.8 million.

   The issued debentures were rated at (ilA-) by S&P Maalot. The terms of the issued debentures are identical to the terms of outstanding debentures (Series 22).

9. On February 20, 2019, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968, including of the Phoenix Holdings Ltd. Group, an interested party in the Company, NIS 90,000 thousand par value of registered debentures (Series 21) of NIS 1 par value each of the Company by way of series expansion for immediate (gross) proceeds of approximately NIS 86.6 million.

   The issued debentures were rated at (ilA-) by S&P Maalot. The terms of the issued debentures are identical to the terms of outstanding debentures (Series 21).

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

10. On April 15, 2019, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968 NIS 35,000 thousand par value of registered debentures (Series 17) of NIS 1 par value each of the Company through a private placement by way of series expansion for immediate (gross) proceeds of approximately NIS 36.75 million.

11. On August 13, 2019, the Company issued NIS 172,450 thousand par value of debentures (Series 22) based on a shelf offering report of August 8, 2019 issued pursuant to a shelf prospectus from May 31, 2018, by way of series expansion for immediate (gross) proceeds of approximately NIS 171.6 million. Transaction costs amounted to immaterial amounts.

    The issued debentures were rated at (ilBBB+) by S&P Maalot. The terms of the debentures are identical to the terms of outstanding debentures (Series 22).

12. On September 18, 2019, the Company issued to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968 NIS 57,500 thousand par value of registered debentures (Series 22) of NIS 1 par value each of the Company through a private placement by way of series expansion for immediate (gross) proceeds of approximately NIS 57.2 million. Transaction costs amounted to immaterial amounts.

    The issued debentures were rated at (ilBBB+) by S&P Maalot. The terms of the issued debentures are identical to the terms of outstanding debentures (Series 22).

13. On October 2, 2019, the Company made a partial early redemption of NIS 80,000 par value of debentures (Series 17) of the Company. The total amount paid to the holders of the debentures for the partial early redemption was NIS 85,247 thousand including interest and linkage differences accrued on the entire outstanding debentures totaling NIS 2,288 thousand and compensation for the redeemed portion totaling NIS 2,959 thousand.

    On November 27, 2019, the Company's Board approved an early redemption of the remaining NIS 57,875 thousand par value of debentures (Series 17) of the Company which was carried out on December 31, 2019.

    The overall amount paid to the holders of the debentures (Series 17) for the early redemption was NIS 60,731 thousand, including interest and linkage differences accrued on the redeemed debentures totaling NIS 1,011 thousand and compensation for the final redemption totaling NIS 1,845 thousand.

NOTE 24: - DEBENTURES (Cont.)

c. Additional information (Cont.):

Debentures issued by the Company (Cont.):

14. On January 23, 2020, the Company issued NIS 180,180 thousand par value of debentures (Series 21) and NIS 189,574 thousand par value of debentures (Series 22) based on shelf offering reports of January 22, 2020 issued pursuant to a shelf prospectus from May 31, 2018, by way of series expansion.

    The unit price of the debentures (Series 21) determined in the offer was NIS 1,110 and the immediate gross proceeds to the Company totaled approximately NIS 200,000 thousand. The unit price of the debentures (Series 22) determined in the offer was NIS 1,055 and the immediate gross proceeds to the Company totaled another approximately NIS 200,000 thousand.

    The issued debentures (Series 21) and (Series 22) were rated by S&P Maalot at (ilA) and (ilA-), respectively. The terms of the issued debentures are identical to the terms of outstanding debentures (Series 21 and 22).

15. On February 16, 2020, the Company's Board decided on a full and final early redemption of the remaining outstanding par value of debentures (Series 19) of the Company amounting to NIS 160,721,000 as of the financial statement date. The redemption will be paid on March 31, 2020.

    The overall amount payable to the holders of the debentures for the final redemption will approximate NIS 166,778 thousand, including interest accrued on the debentures to be redeemed totaling NIS 1,607 thousand and compensation for the final redemption totaling NIS 5,404 thousand.

16. On January 8, 2019, S&P Maalot lowered the rating outlook of the Company's debentures rated by it (except for Series 21 which was rated (ilA-) to ilBBB+/Stable.

    On January 14, 2020, S&P Maalot raised the rating of the Company's debentures rated by it to (ilA-) and of the debentures (Series 21) to (ilA). The Company's rating is (ilA-/Stable).

    See details of the raising of the interest on the debentures (Series 20 and 22) in Notes 31a(6) and 31a(8) below.

17. On March 31, 2020, the Company issued approximately NIS 53 million par value of registered debentures (Series 21) of NIS 1 par value each of the Company through a private placement by way of series expansion for immediate (gross) proceeds of approximately NIS 50.08 million, reflecting a price of NIS 0.945 per NIS 1 par value.

    The terms of the debentures are identical to the terms of outstanding debentures (Series 21). The rating of expansion of the debentures (Series 21) was affirmed by S&P Maalot at (ilA).

NOTE 25: - LIABILITIES TO BANKS AND OTHER CREDIT PROVIDERS

a. Composition and maturity dates:

	Interest rate as of report date	December 31, 2019	December 31, 2018
	%	NIS in thousands	
(1) Composition:			
Unlinked	Prime+(1.15-1.8)	480,304	447,455
Unlinked	Prime+(2.05-2.85)	-	36,729
Linked to CPI	2.85	10,650	84,769
Linked to CPI	5.15	219,084	232,599
Linked to CPI	6.8	37,157	37,046
In U.S. dollar	3-month LIBOR+0.95	7,165	10,360
Linked to Euro	One-month EURIBOR+ (2.0-2.5)	116,409	158,074
Linked to Euro	3-month EURIBOR+ (1.9-2.95)	485,528	302,643
Linked to Zloty	3-month WIBOR+3	7,439	22,795
Linked to Moroccan Dirham	5.0	43,994	44,771
Total before current maturities		1,407,730	1,377,241
Less - current maturities (see Note 20)		215,406	192,671
		1,192,324	1,184,570
(2) Maturity dates:			
First year - current maturities		215,406	192,671
Second year		102,277	222,412
Third year		79,111	188,573
Fourth year		367,047	93,459
Fifth year		162,600	455,085
Sixth year and thereafter		481,289	225,041
		1,407,730	1,377,241

b. As for collaterals, see Note 31 below.

c. For agreements signed by the Company and investees with banks and other credit providers with regard to compliance with financial covenants, see Note 31 below.

NOTE 26:- EMPLOYEE BENEFIT LIABILITIES

Post-employment benefits:

According to the labor laws and the Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation. The post-employment employee benefits are normally financed by contributions classified as defined benefit plans as detailed below:

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

Defined benefit plans:

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

a. Expenses recognized in the statements of profit or loss and comprehensive income:

	Year ended December 31,		
	2019	**2018**	**2017**
	NIS in thousands		
Current service cost	839	865	1,182
Interest cost on benefit obligation	677	661	711
Expected return on plan assets	(603)	(537)	(636)
Transfer of real return from compensation to benefits item	-	-	(3)
Total employee benefit expenses	913	989	1,254
Loss from remeasurement in other comprehensive income	747	375	1,719
Actual return on plan assets	182	(852)	351

NOTE 26: - EMPLOYEE BENEFIT LIABILITIES (Cont.)

a. Expenses recognized in the statements of profit or loss and comprehensive income (Cont.):

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
The expenses are presented in the statement of profit or loss as follows:			
Cost of construction business	162	157	114
Cost of media business	32	72	247
Cost of residential real estate development in Israel	48	-	-
General and administrative expenses	671	760	893
	913	989	1,254

b. The plan assets (liabilities), net:

	December 31,	
	2019	2018
	NIS in thousands	
Defined benefit plan liability	21,276	21,157
Fair value of plan assets	17,616	(18,302)
Total liabilities, net	3,660	2,855

c. Changes in the present value of defined benefit plan liabilities:

	2019	2018
	NIS in thousands	
Balance as of January 1	21,157	25,281
Interest cost	677	661
Current service cost	839	4,002
Benefits paid	(1,723)	(2,404)
Relocation of employees	-	96
Amendment of Section 14	-	(462)
Net actuarial loss (gain)	326	(1,014)
Balance as of December 31	21,276	26,160
Less - liability attributable to disposal group held for sale	-	(5,003)
	21,276	21,157

NOTE 26: - EMPLOYEE BENEFIT LIABILITIES (Cont.)

d. Plan assets:

1. Plan assets:

Plan assets comprise assets held by qualifying insurance policies.

2. The movement in the fair value of the plan assets:

	2019	2018
	NIS in thousands	
Balance as of January 1	18,302	19,954
Expected return	603	537
Contributions by employer	510	824
Benefits paid	(1,378)	(687)
Relocation of employees	-	96
Amendment of Section 14	-	(462)
Net actuarial loss	(421)	(1,389)
Balance as of December 31	17,616	18,873
Less - plan assets attributable to disposal group held for sale	-	(571)
	17,616	18,302

e. The principal assumptions used in determining the obligation for the defined benefit plan:

	2019	2018	2017
		%	
Discount rate in respect of the obligation, net *)	0.5-2.18	1.2-1.22	0.9-2.85
Expected yield	0.5-2.18	1.2-1.22	0.9-2.85
Expected future salary increase rate	1.3-1.4	0.5-0.8	0.5-1.32

*) The discount rate is based on high quality CPI-linked corporate debentures.

NOTE 27: - EQUITY

a. Composition of share capital:

	December 31, 2019	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	149,999,999	32,539,135
Founders' shares of NIS 0.05 par value each (b1)	30	30

	December 31, 2018	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	49,999,998	28,275,977
Founders' shares of NIS 0.05 par value each	30	30
Deferred share of NIS 0.5 par value (b2)	1	-

b. Voting rights attached to the shares:

1. Each of the Company's Ordinary shares entitles its holder to participate in the general meetings of the Company's shareholders whereby each Ordinary share of the Company confers its holder one vote in such meetings. Each NIS 1 par value of Founders' shares entitle their holders to participate in the general meetings of the Company's shareholders and confer one vote in such meetings (namely – one collective vote per 20 Founders' shares).

   See details of a change in the rights conferred by the Founders' shares in Note 28b(4).

2. The Deferred share was eliminated as part of the process of simplifying the Company's capital structure executed in the reporting period.

c. Dividends:

1. On March 30, 2017, the Company's Board approved the distribution of a dividend of NIS 36 million which was paid to the eligible parties on April 23, 2017.

2. On March 31, 2019, the Company's Board approved the distribution of a dividend in an aggregate amount of NIS 20 million which was paid to the eligible parties on April 16, 2019.

3. On March 31, 2020, the Company's Board approved the distribution of a dividend of NIS 30 million.

NOTE 27: - EQUITY (Cont.)

d. Repurchase of shares:

1. On May 9, 2017, the Company's Board approved a repurchase plan for the Company's Ordinary shares in an amount of up to NIS 10 million to be executed until December 31, 2017. Up to the date expiration of the plan, the Company repurchased 74,300 Ordinary shares, in the amount of approximately NIS 2.5 million and they became dormant shares.

2. On January 21, 2019, the Company's Board approved a repurchase plan for the Company's Ordinary shares in an amount of up to NIS 12 million to be executed until July 31, 2019. Through the conclusion of the plan, the Company repurchased 390,213 Ordinary shares, in the amount of approximately NIS 12 million and they became dormant shares.

3. On March 15, 2020, the Company's Board approved a plan for the repurchase of Company shares totaling up to NIS 20 million. On March 22, 2020, the Board decided to also apply the plan to the Company's debentures and expand the maximum scope to NIS 50 million. The plan is in effect for a period of six months from the approval date.

e. On December 12, 2019, the Company issued a material private placement and an immaterial private placement of an aggregate of 4,263,158 Ordinary shares of NIS 1 par value each of the Company allocated to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968. The total proceeds in the allocation amounted to NIS 162 million.

f. On January 2, 2020, the Company issued a material private placement and an immaterial private placement of an aggregate of 2,068,966 Ordinary shares of NIS 1 par value each of the Company allocated to investors who are part of the investors listed in the First Addendum to the Israeli Securities Law, 1968. The total proceeds in the allocation amounted to NIS 90 million.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

a. Guarantees:

1. Composition of guarantees provided to others:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Guarantees to others *)	27,007	25,756

*) Guarantees provided by the Company and subsidiaries to local authorities and to hotel owners.

2. Guarantees provided by the Company to subsidiaries, mainly in respect of loans from banks, amount to approximately NIS 678,907 thousand.

b. Commitments:

1. On July 15, 2015, the Company signed a lease agreement for the offices in the Champion building in Bnei-Brak, Israel for a period of eight years with an option for three more lease terms of 24 months each.

In addition, subsidiaries entered into long-term lease agreements mostly linked to the Israeli CPI. The balance of expected rental fees is calculated based on the rental fees effective as of December 31, 2019, and amounts to approximately NIS 10,662 thousand.

Following is a breakdown of the expected rental fees according to years:

	NIS in thousands
First year	2,622
Second year	2,622
Third year	2,622
Fourth year	2,622
Fifth year	174

2. The Company and subsidiaries have signed agreements with contractors and other suppliers in connection with construction and investment property contracts the outstanding liability in respect of which approximates NIS 297.6 million.

3. On November 20, 2016, the Company reported the purchase of a directors' liability insurance policy for a period of 18 months ending on April 30, 2018 with a liability limit of up to US$ 15 million and at an overall premium of US$ 42,750 in which the Company's share based on the asset ratio test is US$ 39,824.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

3. (Cont.)

On May 27, 2018, the Company reported the purchase of a directors' liability insurance policy for a period of 18 months which ended on October 31, 2019 with a liability limit of up to US$ 15 million and at an overall premium of US$ 42,750 in which the Company's share based on the asset ratio test was US$ 40,320.

The above reports were delivered after obtaining the approval of the Company's Remuneration Committee for the purchase of the policy and the inclusion of directors and officers who are controlling shareholders in the Company and their relatives.

4. On August 4, 2019, following the approval of the Board and the Audit Committee, the Company's General Meeting of Shareholders approved the Company's engagement in a transaction with Nimrodi Land Development Limited ("NLD"), a private company owned by Mr. Yaakov Nimrodi, the Company's controlling shareholder, as a result of which the preferential rights attached to the Company's Founders' shares held by NLD were eliminated. In exchange for the elimination of such preferential rights, the Company granted NLD 16.5 million unquoted and non-transferable warrants (excluding transfer to the controlling shareholder in NLD). The warrants will be exercisable into Ordinary shares of the Company (in whole or in part), from the date of completion of a first capital raising in the Company, for a period of up to 15 years and insofar as the cumulative holdings of the Company's shareholders fall below 50.01% and only to an extent that their holdings will be increased back to 50.01%, against the payment of an exercise increment to be determined by the average quoted market price of the share on the TASE in the 14 trading days preceding the exercise notice, less a discount of 14.8% or 11%, all in accordance with the terms of an amended immediate report issued by the Company to convene the general meeting on July 28, 2019, which also includes approval of the additional issues that were on the agenda of the meeting as an integral part of the outline - amendment of the memorandum and replacement of the articles of association, and increasing the authorized share capital.

   On August 6, 2019, all the suspending conditions of the engagement were fulfilled and the warrants were actually allocated, and the Company released the updated memorandum and articles of association.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

5. Engagement with the Company's CEO:

On August 31, 2015, the general meeting of the Company's shareholders approved entering into a management agreement with Ofer Nimrodi Investment Company Ltd. ("the management company") for receiving general manager services from the management company for a period of three years based on the Company's remuneration policy ("the previous management agreement"). According to the previous management agreement, in return for the CEO services, the management company was entitled to a monthly fee of NIS 239 thousand, linked to the CPI of February 2015 and annual bonuses derived from the consolidated net income calculated and contingent on obtaining an additional approval from the general meeting of shareholders, under certain conditions.

On April 29, 2018, the general meeting approved the signing of a new management agreement with the management company for receiving CEO services for a period of three years commencing from March 22, 2018 ("the new management agreement").

In return for the CEO's services, the management company is paid a total monthly payment of NIS 238 thousand linked to the CPI of February 2018 and annual bonuses not exceeding NIS 3,000 thousand, which are determined as a percentage of the profit according to the thresholds specified in the new management agreement.

On June 10, 2018, the general meeting of shareholders approved the payment of the outstanding bonus to the CEO in the amount of NIS 1,041 thousand for 2017 based on the previous management agreement.

The cost of the CEO's services received in the reporting year amounted to approximately NIS 6,018 thousand, including an annual bonus and directors' fees in the amount of approximately NIS 3,000 thousand (2018 - approximately NIS 6,039 thousand, including an annual bonus and directors' fees in the amount of approximately NIS 3,000 thousand).

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

6. On December 12, 2017, the general meeting of the Company's shareholders approved an employment agreement signed between the Company and Mrs. Smadar Nimrodi-Rinot, the VP of Special Projects in the Company who is also an active chairman of the board of ILDC Hotels and a relative of the controlling shareholders in the Company ("the VP of Special Projects ").

   According to the agreement, the VP of Special Projects is entitled to a gross monthly salary of NIS 74 thousand, a company car and related social benefits.

   The VP of Special Projects is also entitled to an annual bonus based on the Company's operating results, to be determined at a certain percentage based on certain thresholds stipulated in the agreement and limited to six gross monthly salaries for each calendar year. The bonus amount is limited to six gross monthly salaries per calendar year.

   In the reporting year, the cost of employment of the VP of Special Projects amounted to NIS 1,798 thousand, of which the annual bonus amounted to NIS 455 thousand (2018 - NIS 1,784 thousand).

7. On March 19, 2017, the Company's general meeting approved an update of the salary of Mr. Daniel Nimrodi, a relative of the controlling shareholders in the Company who serves as Head of Urban Renewal in the Company and as CEO of a sub-subsidiary, The New Community Ltd., in a full-time position, for a period of three years from February 1, 2017 to a gross monthly salary of NIS 21 thousand as well as social benefits, a company car and mobile phone whose overall cost to the Company is estimated at approximately NIS 31 thousand a month.

   The total cost of employment of Mr. Daniel Nimrodi in 2019 amounted to NIS 520 thousand.

   On November 17, 2019, the general meeting of ILDC Urban Renewal Ltd. approved the employment of Mr. Daniel Nimrodi in the context of an employment agreement signed between the parties in effect from September 1, 2019 according to which Mr. Daniel Nimrodi is entitled to a gross monthly salary of NIS 36 thousand and social benefits as well as annual bonuses subject to meeting certain performance targets.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

8. The Company's directors and officers are entitled to receive a letter of indemnity and quittance which includes a section on grounds for indemnity such that the Company's obligation to indemnify the directors and officers shall apply to any obligation or expense that may be indemnified pursuant to any law and the Company's articles of association.

   The application of the letters of indemnity and quittance to directors who are controlling shareholders in the Company and/or their relatives is approved every three years and was recently approved in a general meeting held in January 2020.

9. On February 9, 2014, pursuant to Section 1a to the Companies Regulations (Exemptions in Transactions with Interested Parties), 2000 ("the Exemption Regulations"), the Company approved that starting from 2014, the remuneration payable to directors in the Company, excluding the Chairman of the Board, including directors who are the controlling shareholders in the Company and their relatives, will be in conformity with the fixed remuneration payable to external directors in the Company pursuant to the Companies Regulations (Rules of Remuneration and Expenses of External Director), 2000. The decision was ratified for directors who are controlling shareholders and their relatives for an additional period of three years from February 7, 2019.

   On August 11, 2009, after obtaining the approval of the Company's audit committee and Board, the general meeting of the Company's shareholders agreed that in the event that the remuneration payable to the Company's Chairman of the Board effective from 2009 (including remuneration for participation in board meetings, annual remuneration and remuneration for making written decisions, collectively "the remuneration to the Chairman of the Board") is lower than NIS 360 thousand at the end of a certain calendar year, then the remuneration to the Chairman of the Board will be completed to NIS 360 thousand. In January 2014, the Chairman of the Board informed the Company that he was voluntarily and unilaterally waiving part of the remuneration described above in such a manner that as long as the remuneration paid by the Company to the other members of the Board is based on the amount prescribed in the Companies Regulations (Rules of Remuneration and Expenses of External Director), 2000 based on the Company's ranking according to said regulations, the remuneration to the Chairman of the Board will only be supplemented until NIS 250 thousand.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Commitments (Cont.):

10. In their meetings of February 3 and February 10, 2020, the Company's Remuneration Committee and the Board approved a new remuneration policy in the Company for a period of three years from the date of approval. In addition, certain amendments to the Company's articles of association were approved in connection with the replacement of the director appointment mechanism and the adaptation of the director tenure policy.

11. A subsidiary, ILDC Hotels, had agreements for managing hotels in return for lease fees generally comprised of a fixed annual fee and an additional fee as a percentage of turnover or on the annual revenue turnover.

    In addition, on February 4, 2018, ILDC Hotels entered into an agreement with Neot Boker Ltd. for the lease and management of the Sde Boker Hotel. According to the management agreement and the owners' undertaking in the context thereof, the management period will begin once the construction of the first 95 hotel rooms is completed and they are delivered to ILDC Hotels, all by December 1, 2018. The agreement is for a period of 15 years, subject to each party's right to reduce the management period to 10 years. Provided that certain conditions are met, each party may terminate the management period at the end of 5 years. The agreement will become effective provided that the approvals of the Director General of the Antitrust Authority and the lending bank are obtained.

    On September 2, 2018, the parties agreed to cancel the suspending condition which requires obtaining the lending bank's consent and accordingly the management agreement of Kedma Hotel became effective. On March 17, 2019, ILDC Hotels announced that it had reached understandings with the owners of Kedma Hotel for terminating the hotel's management agreement.

12. A subsidiary and its subsidiaries, Rapid, signed franchise agreements with various local authorities. In order to meet its liabilities to local authorities, Rapid provided bank guarantees or notes for future repayment. Total bank guarantees provided in connection with said engagements as of December 31, 2019 amount to approximately NIS 1.7 million.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities:

In the ordinary course of business, the Company and the investees become involved in several legal claims. A provision is recorded for the costs which might be incurred as a result of these claims only when it is more likely than not that a liability will be created as a result of past events and that the amount of the liability may be quantified or reasonably estimated. The amount of the provisions made is based on the assessment of the risk level of each individual claim and events that take place in the process of litigations might require reassessment of such risk. The Company's risk assessments are based on the opinion of its legal advisors. Any settlement agreements that are reached between the parties are provided for in the financial statements in the amounts stipulated in the settlement agreements.

Following are details of claims filed against the Company:

1. On May 29, 2017, a claim was filed against the Company with the Jerusalem District Court by the Company for Location and Restitution of Holocaust Victims' Assets ("the Restitution Company") and the Administrator General and Official Receiver (collectively - "the petitioners") in which the Court was asked by the petitioners to order as follows:

   a) To declare that the Company holds the assets of Holocaust victims, as defined in the Holocaust Victims Property Law (Restitution to Successors and Dedication to Assistance and Commemoration), 2006, with respect to alleged successors of 45 Holocaust victims in 30 alleged transactions in the Yokneam area. The petitioners also seek to obligate the Company to pay the Restitution Company the "current value of the plots and lots" mentioned in the claim. Based on an appraisal opinion prepared on its behalf, the Restitution Company estimated the value of the properties in question at approximately NIS 101 million.

   b) In the claim, the Administrator General and Official Receiver seeks to declare the cancellation of a clause in an agreement from 1979 signed between the Company and the Administrator General and Official Receiver by virtue of which the Company had paid certain amounts in respect of the properties of missing victims to the Administrator General and Official Receiver.

   A pretrial hearing was held on September 16, 2019 in which the parties agreed to apply to a mediation proceeding. In addition, proof hearings in connection with the Administrator General and Official Receiver's decision to reverse a clause in the agreement of 1979 were scheduled for May 18-19, 2020.

   Given the early stages of the claim, based on its legal counsel, the Company is unable to assess its possible implications for the Company's assets and financial results.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

2. a) Subsidiaries operating in Poland under a Polish subsidiary, MLP Pruszkow SP. ZO.O., received a claim for the payment of full usage fees in an amount of approximately PLN 17.2 million (approximately NIS 16.3 million).

   Based on the opinion of the subsidiary's management and of its legal counsel, the subsidiary included a provision of approximately PLN 900 thousand (approximately NIS 819 thousand) in its financial statements.

   b) On January 16, 2014, a subsidiary operating in Poland, MLP SP. ZO.O. S.K.A, received a demand for payment of approximately PLN 5.4 million due to storage violations pursuant to applicable law as a result of which Group assets were expropriated by Polish law enforcement agencies.

   In the reporting period, the Polish court dismissed the plaintiff's demand and the claim was stricken.

3. A letter of claim in the amount of approximately PLN 6.9 million was filed against a subsidiary, Mill-Yon Gdansk S.P. ZO.O. ("Mill-Yon") by the homeowners' committee of a building located in one of Mill-Yon's construction projects. The claim mainly involves alleged defects in the quality of the underground parking floor and water insulation work in the building. Based on the opinion of legal advisors, management believes that the homeowners' committee does not have the authority to file a claim pertaining to public areas. Moreover, management's opinion is supported by an opinion of an independent engineer according to which there are no defects in the building's water insulation system and is it in compliance with the project's specifications and building laws. Mill-Yon argues that the amount of the claim is excessive and disproportionate to any amount that Mill-Yon could be required to expense in order to repair any damage, assuming that it is legally bound to do so.

   In the estimate of the subsidiary's management, based on the opinion of its legal counsel, it is more likely than not that the claim will be dismissed. Accordingly, the subsidiary did not include a provision in its financial statements.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

4. On August 28, 2018, the Lod District Court issued a suspension injunction ordering the discontinuance of operation of the Power Center at Yarkon Junction which became effective on January 1, 2019.

   In addition, on July 24, 2019, the District Court issued a judgement dismissing the petition filed by the Company regarding the decision of the National Planning and Building Council not to reverse the declaration of the land at the Yarkon Junction Power Center as agricultural land.

   The above discontinuance of operation of the Power Center did not have an adverse effect on the property's carrying amount since the carrying amount of the property in the Company's books also included the implications of the suspension injunction.

5. Legal proceedings were held between ILDC Hotels and Danim Investments Ltd., the owner of Royal Rimonim Dead Sea Hotel ("Danim").

   On May 30, 2019, a judgement was issued by the Tel-Aviv District Court in the monetary claim filed by ILDC Hotels which obligates Danim to pay ILDC Hotels a sum of NIS 4,482 thousand with the addition of interest and linkage differences, attorney fees and legal expenses. Moreover, the claims filed by Danim against ILDC Hotels were either dismissed and/or fully stricken.

6. On October 2, 2018, ILDC Hotels received notice of a claim and motion to approve the claim as a class action filed by Ayala, Israeli Organization for the Benefit of the Disabled Person and another party (collectively "the plaintiff") on the grounds of the defendant's alleged failure to provide access to the visually impaired at the hotels owned by it. The claim mainly relies on the provisions of the Law for Equal Rights for People with Disabilities, 1998 and the regulations enacted thereunder ("the Accessibility Regulations") as well as on the Torts Ordinance, 1968.

   On January 30, 2019, the District Court granted the motion for dismissal of the class action motion and the motion was stricken. In its decision, the Court ruled that insofar as a new motion is filed by the plaintiff, it must be supported by new facts and evidence.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

7. On August 2, 2019, a claim and class action certification motion pursuant to the Israeli Class Action Law, 2006 were filed against ILDC Hotels and its subsidiary which managed the Rimonim Tiberias Hotel (as phrased in the claim) (collectively – "Rimonim Group members") and against two unrelated defendants on the grounds of alleged inaccessibility of hotels of the Rimonim Group members to people with hearing disabilities in violation of the Israeli Equal Rights to People with Disabilities Law, 1998 and/or the Israeli Equal Rights to People with Disabilities Regulations (Service Accessibility Adjustments), 2013.

The alleged group of plaintiffs according to the motion consists of people with hearing disabilities who can read who stayed at the hotels of the Rimonim Group members in the last seven years and needed subtitles to understand the television broadcasts since, as alleged by the plaintiffs, the hidden subtitles built into the television broadcasts could not be seen live.

The main remedies sought in the motion are the approval of a class action for granting personal compensation of NIS 150 to each member in the group of plaintiffs and an aggregate (estimated) compensation of NIS 4.2 million as well as issuing a mandamus to order the Rimonim Group members to cease preventing the guests of the hotels from watching the television broadcasts at the hotels with the built-in subtitles.

ILDC Hotels is studying the arguments raised in the claim with its legal counsel and is currently unable to assess the chances of the claim.
It should be noted that similar motions had been filed against several hotel chains such as Isrotel, Fattal and Dan which were dismissed by the District Court and are currently awaiting an appeal hearing.

8. On March 15, 2016, the Company ceased managing the Central Park Hotel in Eilat following the termination of the management agreement. On August 24, 2016, the Company received a letter of clam filed by the owner of the hotel, Inn on the Park Ltd., in an amount of approximately NIS 7 million. Until recently, ILDC Hotels and Inn on the Park Ltd. held negotiations for the continued management of the hotel by the former which did not result in signing a binding agreement. On November 27, 2016, ILDC Hotels submitted a letter of defense to the claim filed by the owner of the hotel as well as a counterclaim of approximately NIS 3.9 million in respect of amounts which ILDC Hotels incurred in the context of the hotel's management. On February 1, 2017, ILDC Hotels submitted a letter of defense. Based on its legal counsel, ILDC Hotels believes that it is more likely than not that the principal claim will be dismissed and the counterclaim will be partly accepted.

On January 20, 2019, a revised letter of claim was filed in which an amount of NIS 2.7 million was added to the monetary relief included in the claim resulting from the opinions attached to the revised letter of claim in connection with two heads of damage included in the original claim.

Based on the opinion of its legal counsel, ILDC Hotels argues that the opinions attached to the revised letter of claim rely on incorrect data and represent a futile attempt to support the original claim in an aim to put pressure on ILDC Hotels which had already filed a counterclaim of NIS 3.8 million for damages caused to it, among others due to the plaintiff's violation of the hotel management agreement.

NOTE 28: - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Contingent liabilities (Cont.):

9. On July 31, 2019, ILDC Hotels received a municipal tax assessment from the Eilat Municipality in a total of approximately NIS 3.2 million for the Neptune Hotel during the period from 2013 through May 2019. On January 9, 2020, ILDC Hotels received a demand for payment of development levies on the property known as Ruth Rimonim Hotel in Safed totaling approximately NIS 3.7 million. ILDC Hotels recorded a provision in its books based on its assessment and on legal counsel.

10. On September 22, 2017, a petition was filed against ILDC Hotels for the issuance of a remedy and the cancellation of a settlement agreement that had been signed between ILDC Hotels and a third party and had been approved by the Court for the payment of a settlement amount of approximately NIS 1.3 million. ILDC Hotels plans to file its objection to the petition based on the opinion of its legal counsel whereby it has good defense arguments. However, in view of the preliminary stage of the proceeding, the chances of the petition cannot be assessed.

11. As for income tax assessments received by the Company and subsidiaries, see Note 30d.

12. In addition to the claims detailed above, the Company and certain subsidiaries are parties to various other legal proceedings that arise in the ordinary course of business in the aggregate amount of approximately NIS 3.5 million. For these claims, a provision amounting to approximately NIS 1.3 million was recorded in the financial statements, which managements of the companies, based on the opinion of legal counsel, believe to be sufficient to cover these claims.

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS

a. Cost of maintenance of rental properties:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Electricity, taxes and municipal taxes	51,286	48,265	39,805
Security and cleaning	16,543	17,492	15,395
Salaries and related expenses	5,041	5,766	5,017
Marketing	3,411	3,022	3,072
Other maintenance expenses	25,312	26,570	22,113
	101,593	101,115	85,402

b. Cost of residential construction development in Israel:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Marketing	2,547	766	4,890
Legal expenses	3,518	1,790	1,805
Planning and supervision	1,999	1,491	1,634
Advisors	2,351	1,906	862
Other	1,618	779	4,443
	12,033	6,732	13,634

c. Cost of residential construction development overseas:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Costs	81,812	124,706	63,043
General and administrative expenses not carried to construction costs	5,438	6,579	6,213
	87,250	131,285	69,256

d. Cost of operation of billboard business:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Costs of production, franchises and maintenance	32,842	40,964	35,077
Selling, general and administrative expenses	8,115	10,080	8,654
Depreciation and amortization	2,192	148	258
	43,149	51,192	43,989

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS (Cont.)

e. General, administrative and other expenses:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Salaries and related expenses	35,725	31,767	29,755
Consulting, legal and audit fees	12,197	10,761	12,559
Rent and office maintenance	4,308	3,475	3,641
Depreciation and amortization	3,996	1,440	1,564
Doubtful accounts and bad debts	1,052	1,494	236
Other expenses	13,980	17,228	12,534
	71,258	66,165	60,289

f. Finance income:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Change in fair value of financial assets designated at profit or loss	1,527	-	507
Income from bank deposits and loans	541	873	2,877
Exchange rate differences and other	4,963	10,323	24,160
	7,031	11,196	27,544

g. Finance expenses:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Change in fair value of financial assets designated at profit and loss	-	77	-
With respect to long-term liabilities	50,977	48,400	53,594
With respect to debentures	69,136	69,361	56,422
Finance expenses on leases	2,312	-	-
With respect to short-term borrowings	5,421	1,912	3,999
Exercise and change in fair value of foreign currency hedges	6,154	3,188	7,043
Exchange rate losses and others	9,040	16,995	5,126
	143,040	139,933	126,184

NOTE 29: - ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS ITEMS (Cont.)

h. Other income (expenses), net:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Expenses for claims settlement (1)	(1,594)	(2,239)	(13,634)
Income from sale of real estate in previous years (2)	661	7,015	353
Gain (loss) from sale of property, plant and equipment	(486)	14,404	33
Gain from remeasurement of investment in associate	-	3,200	-
Write down of investment in associate	-	(10,426)	-
Refund of allowance (allowance) for expected credit losses	1,483	(250)	-
Expenses in respect of participation in tender	(5,946)	(2,432)	-
Expenses in respect of abandoned project	-	-	(424)
Provision for onerous contract	-	-	(317)
Other expenses	(39)	(1,227)	(268)
	(5,921)	8,045	(14,406)

(1) Mainly in respect of a claim filed by the Company for Location and Restitution of Holocaust Victims' Assets.

(2) See Note 9b.

NOTE 30: - TAXES ON INCOME

a. Tax laws applicable to the Group companies:

1. Companies in Israel:

a) Income Tax (Inflationary Adjustments) Law, 1985:

Under the law, through 2007 results are measured for tax purposes in Israel, after adjustment for changes to the Consumer Price Index. Starting in 2008, results for tax purposes are measured at nominal values, except for certain adjustments for changes in the Consumer Price Index for the period prior to December 31, 2007.

b) The Law for the Encouragement of Industry (Taxation), 1969:

The Group companies have the status of an "industrial company", as implied by this law. According to this status and by virtue of regulations published there under, the companies are entitled to claim and, in fact, have claimed a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustment Law.

2. Foreign subsidiaries:

Subsidiaries which were incorporated outside Israel are taxed according to the tax laws in their countries of incorporation.

b. Tax rates applicable to the Group companies:

Subsidiaries in Israel:

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2017 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Israeli corporate income tax rate was 23% in 2019 and 2018 and 24% in 2017.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

NOTE 30: - TAXES ON INCOME (Cont.)

b. Tax rates applicable to the Group companies (Cont.):

Subsidiaries in Israel (Cont.):

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law") was enacted. The Law includes, among others, provisions for the taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of foreign assets. As of the date of approval of these financial statements, these regulations have not been published.

Foreign subsidiaries:

The tax rates applicable to subsidiaries resident in Poland - 19%, to subsidiaries resident in Cyprus - 12.5% and to a subsidiary resident in Romania - 16%.

c. Carry-forward inflationary losses and deductions:

As of December 31, 2019, carry-forward losses of the Company total approximately NIS 488 million (December 31, 2018 - approximately NIS 385 million). As of December 31, 2019, carry-forward losses of the subsidiaries total approximately NIS 699 million (December 31, 2018 - approximately NIS 723 million). Deferred tax assets were recorded with respect to certain tax losses (see e below).

d. Tax assessments:

1. The tax returns of the Company and subsidiaries filed through the 2014 tax years are deemed as a final tax assessment pursuant to Section 145 to the Israeli Income Tax Ordinance.

2. In October 2015, ILDC Malls and Shopping Centers Ltd., a wholly-owned and controlled subsidiary of the Company ("ILDC Malls"), received an income tax assessment whereby it is required to pay tax of NIS 25 million on a dividend received from its subsidiary, Seven Stars Mall Ltd. ("Seven Stars"), in 2012 which the tax assessing officer argues originates from revaluation gains. On December 25, 2016, a tax assessment by decree was issued by the tax assessing officer to ILDC Malls pursuant to Section 152(b) to the Israeli Income Tax Ordinance.

NOTE 30: - TAXES ON INCOME (Cont.)

d. Tax assessments (Cont.):

2. (Cont.):

On December 21, 2015, Seven Stars received tax assessments to the best of judgment for 2011-2013 according to which there are several items which the tax assessing officer argues are nondeductible by Seven Stars as an expense for tax purposes and also that Seven Stars may not deduct certain finance expenses attributable to the distribution of a dividend. On February 8, 2017, Seven Stars was issued a tax assessment by decree by the tax assessing officer pursuant to Section 152(b) to the Israeli Income Tax Ordinance.

On December 24, 2017, the companies signed a tax assessment settlement with the tax assessing officer of large enterprises according to which ILDC Malls will be liable to corporate tax on the dividend distributed in 2012 and finance expenses totaling approximately NIS 30 million will be adjusted in 2013. In contrast, ILDC Malls will be entitled to deduct approximately NIS 8.7 million in each of the years 2014-2028 and if in one of these tax years it will not be able to deduct said amount, it will be carried forward to future years and will be deductible against the income derived by Seven Stars. The tax assessment settlement also stipulates that if Seven Stars sells the mall before the end of the 2028 tax year, the remaining unclaimed deductible amount will be recognized as part of the original price of the asset.

As a result of the aforesaid, the total net consolidated tax expenses in respect of the tax assessments mentioned above amounted to approximately NIS 6 million and were recorded as an expense in 2017.

On December 30, 2019, ILDC Malls and the ITA's tax assessor of large enterprises signed a tax assessment agreement for 2014-2017 according to which ILDC Malls is required to pay tax of approximately NIS 2 million, an amount which was recorded as an expense in the reporting year.

3. On December 31, 2018, a tax assessment agreement was signed for 2013-2014 between a subsidiary, ILDC Hotels, and the ITA according to which ILDC Hotels undertook to pay tax totaling approximately NIS 5 million, including interest and linkage differences, which was recorded as an expense in 2018.

4. On December 31, 2018, a tax assessment agreement was signed for 2013-2014 between the Company and the ITA according to which the Company undertook to pay tax totaling approximately NIS 8 million, including interest and linkage differences, which was recorded as an expense in 2018.

NOTE 30: - TAXES ON INCOME (Cont.)

d. Tax assessments (Cont.):

5. On December 26, 2018, a tax assessment agreement was signed for 2013-2017 between a subsidiary, Optima Promotions and Investment Management 66 Ltd., and the ITA as a result of which the subsidiary included a provision of approximately NIS 1.7 million, including interest and linkage differences, which was recorded as an expense in 2018.

6. The Company received from the ITA a tax assessment in connection with a property holding company which is 50% held by the Company in which the ITA wishes to tax the property holding company as a regular limited company.

e. Restructuring in the Group:

On December 23, 2019, the Company's Board approved a resolution whereby the Company will merge with companies that are wholly owned and controlled by it operating in the income-producing real estate segment in Israel, this following a tax ruling obtained from the ITA on December 4, 2019 ("the tax ruling"). The merger process will be performed in accordance with and subject to the directives of Chapter One to Part Eight to the Companies Law, 1999 with no tax liability as per the provisions of Section 103B to the Ordinance and subject to the provisions of Section 103C to the Ordinance as follows:

1. Any capital gain or loss (including appreciation) from the sale of assets transferred to the Company (as the receiving company in the merger) by one of the merging companies will not be deductible for tax purposes against profits or losses in the Company for a period of five years from December 31, 2019 ("the merger date for tax purposes").

2. Notwithstanding the aforesaid in paragraph (1), a gain or loss from the sale of an asset will be deductible insofar as the gain or loss derives from the same entity that held the sold asset prior to the merger date for tax purposes.

3. Carryforward losses in the Company and/or in the merging companies that were not allowed for deduction before the merger date for tax purposes and which are not subject to the provisions of paragraph (2) above, will be allowed for deduction against the Company's taxable income (as the receiving company in the merger) from the merger date for tax purposes over a period of eight years (12.5% of total losses in each year whereby the percentage of unutilized losses in a certain year in respect of the 50% limitation described below will accumulate in the following year), provided that such deduction does not exceed half (50%) of the Company's taxable income in the same tax year before deducting carryforward tax losses.

NOTE 30: - TAXES ON INCOME (Cont.)

e. Restructuring in the Group (Cont.):

4. Any expense or deduction in the Company and/or in the merging companies that was not allowed for deduction before the merger date for tax purposes will be viewed as part of the carryforward losses of the Company and/or the merging companies and will be subject to the guidelines of paragraphs (1)-(3) above and deductible within two years from the merger date for tax purposes.

5. Prepayments for surplus expenses held by the Company and/or the merging companies before the merger date for tax purposes can be offset against tax or capital gains tax applicable to income derived to the Company after said date in equal parts over a period of eight years from the merger date for tax purposes.

6. The Company is obligated to hold the majority of assets held by it before the merger date for tax purposes and the majority of the assets or a merging company transferred to the Company in the merger for a period of two years from the merger date for tax purposes.

7. Since according to the tax ruling the completion of the merger will allow the Company to offset taxable gains originating from the transferred assets until the end of 2019 against carryforward losses, in the financial statements to be issued by the Company for the first quarter of 2020, the Company expects an increase in profits due to the reversal of the deferred tax reserve previously carried as a result of revaluations of assets of the merging companies in previous years against tax expenses.

The merger is subject to obtaining the entire approvals required in the merger agreement, including approvals from banks, holders of debentures and other third parties.

NOTE 30: - TAXES ON INCOME (Cont.)

f. Deferred taxes:

	Accrued severance pay, net	Property, plant and equipment	Revaluation of investment property	Real estate and buildings under construction	Carry-forward losses and deductions	Other items	Total
	NIS in thousands						
Balance at January 1, 2018	2,244	(37,262)	(437,331)	(14,100)	116,837	7,462	(362,150)
Foreign currency translation adjustments of foreign operations	-	-	10,122	-	1,611	(1,402)	10,331
Changes carried to other comprehensive income	77	(3,997)	-	-	-	-	(3,920)
Changes carried to profit or loss *)	280	2,222	(22,995)	8,884	(30,896)	727	(41,778)
Reclassification to disposal group held for sale	(1,746)	36,547	-	-	(21,365)	(2,090)	11,346
Balance at December 31, 2018	855	(2,490)	(450,204)	(5,216)	66,187	4,697	(386,171)
Foreign currency translation adjustments of foreign operations	-	-	12,907	-	(359)	(347)	12,201
Changes carried to other comprehensive income	172	-	-	-	-	-	172
Changes carried to profit or loss *)	(41)	1,642	(82,504)	364	3,175	(1,630)	(78,994)
Balance at December 31, 2019	986	(848)	(519,801)	(4,852)	69,003	2,720	(452,792)

*) The changes carried to profit or loss do not include the share of ILDC Hotels which was included in discontinued operations.

Presented in the financial statements as follows:

	December 31, 2019	December 31, 2018
	NIS in thousands	
In non-current assets	2,676	3,726
In non-current liabilities	(455,468)	(389,897)
	(452,792)	(386,171)

NOTE 30: - TAXES ON INCOME (Cont.)

f. Deferred taxes (Cont.):

The financial statements do not include deferred taxes in respect of certain carry-forward losses and deductions for tax purposes and in respect of timing differences relating to recording income and expenses in the books and for tax purposes ("business losses and timing differences") and in respect of capital losses for tax purposes due to the uncertainty regarding their utilization in the foreseeable future as follows:

Business losses and timing differences:

As of December 31, 2019, deferred tax assets totaling approximately NIS 77 million have not been recognized in the Company for carryforward losses for tax purposes totaling approximately NIS 336 million (as of December 31, 2018, deferred tax assets totaling approximately NIS 54 million in respect of carryforward losses for tax purposes totaling approximately NIS 333 million). As of December 31, 2019, deferred tax assets totaling approximately NIS 129 million have not been recognized in respect of subsidiaries for carryforward losses for tax purposes totaling approximately NIS 592 million (as of December 31, 2018, deferred tax assets totaling approximately NIS 117 million in respect of carryforward losses for tax purposes totaling approximately NIS 539 million).

In respect of capital losses:

As of December 31, 2019, deferred tax assets totaling approximately NIS 33 million have not been recognized in the Company in respect of capital losses for tax purposes totaling approximately NIS 142 million (as of December 31, 2018 - deferred tax assets totaling approximately NIS 33 million in respect of capital losses totaling approximately NIS 142 million). As of December 31, 2019, deferred tax assets totaling approximately NIS 11 million have not been recognized in subsidiaries in respect of capital losses for tax purposes totaling approximately NIS 78 million (as of December 31, 2018 - deferred tax assets totaling approximately NIS 12 million in respect of capital losses for tax purposes totaling approximately NIS 53 million).

g. Taxes on income included in the statements of profit or loss:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Current taxes	20,177	25,443	16,002
Deferred taxes	78,994	46,683	19,495
Taxes in respect of previous years *)	(1,035)	10,404	11,249
Taxes on income	98,136	82,530	46,746

*) In respect of 2017, see paragraph d(2) above; in respect of 2018, see paragraph d(4-6) above.

NOTE 30: - TAXES ON INCOME (Cont.)

h. Theoretical tax

The reconciliation between the tax amount, assuming that all revenues and expenses, gains and losses on the statement of comprehensive income would have been taxed at the statutory tax rate and the taxes on revenue recorded in the statement of profit or loss is as follows:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Income before taxes on income	286,401	202,214	68,976
Statutory tax rate	23%	23%	24%
Tax computed at the statutory tax rate	65,872	46,509	16,554
Tax (tax saving) with respect to:			
Non-deductible expenses, other timing differences and capital gains, net	2,961	303	1,130
Losses and timing differences for which no deferred taxes were recorded	37,433	29,852	21,273
Group's share of losses (earnings) of associates	170	529	(446)
Differences due to change in tax rate	-	-	475
Different tax rate for foreign companies	(7,077)	(4,162)	(4,049)
Tax on dividend from subsidiary for which no deferred taxes were recognized in the past	-	-	2,843
Differences in the measurement basis for tax purposes and other	(188)	(905)	(2,283)
Taxes in respect of previous years	(1,035)	10,404	11,249
Taxes on income	98,136	82,530	46,746

NOTE 31: - LIENS

a. The Company:

1. a) To secure repayment of a loan whose balance amounts to approximately NIS 73.9 million at December 31, 2019, the Company recorded first degree liens on properties of the Company and wholly-owned subsidiaries in favor of banks and others. The Company also pledged in favor of banks and others shares of a subsidiary. In addition, as collateral for credit facilities extended to the Company by banks, the Company granted those banks the right to offset credit balances, securities and current balances in its bank accounts.

   b) To secure repayment of a loan whose balance amounts to approximately NIS 37 million at December 31, 2019, the Company recorded a first degree lien on bank deposits totaling approximately NIS 37 million.

2. As collateral for debentures (Series 15) of the Company, the Company has undertaken to meet a financial covenant whereby the ratio of its equity to total assets in the balance sheet on a stand-alone basis will not be lower than 18%.

   In addition, the Company will be entitled to distribute a dividend and repurchase its shares, provided that at least one of the following conditions is met:

   a) The equity attributable to equity holders of the Company following such distribution or repurchase will not be lower than NIS 565 million.
   b) The ratio of equity attributable to equity holders of the Company to the stand-alone balance sheet will not be lower than 23%.

   As of December 31, 2019, the Company is meeting the above financial covenants.

3. To secure the repayment of principal and interest on the debentures (Series 16), the Company recorded a first degree fixed lien on 13,633,458 Ordinary shares of NIS 1 par value each of a wholly-owned and controlled subsidiary, ILDC Malls, in favor of the trustee. The lien was recorded based on an LTV ratio of 0.65 (as defined in the deed of trust) whereby the value of the shares of ILDC Malls charged as discussed above will be calculated according to a valuation of ILDC Malls, as updated annually.

   On June 26, 2017, the general meeting of the holders of debentures (Series 16) approved an amendment to the deed of trust dated March 11, 2013, which was amended on January 13, 2014 ("the deed of trust") so that the Company will be entitled to cause that additional liens will be registered on the shares of Seven Stars Mall Ltd., a sub-subsidiary of the Company ("Seven Stars") (in whole or in part) and/or on the Seven Stars Mall ("the Mall") (in whole or in part) to secure loans and borrowings secured by a lien on the shares of Seven Stars (in whole or in part) and an additional lien on the Mall (in whole or in part) ("the new financial debts"), provided that the ratio of the unpaid balance of the loan secured by a lien on the Mall together with the new financial debts to the value of the mall, as published by the Company in a valuation, to be attached to its financial statements, as required by law, shall not exceed 73%.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

3. (Cont.):

As guarantee for the holders of debentures (Series 16), the Company undertook to meet the following financial covenants:

The Company will be entitled to distribute a dividend and repurchase its shares as long as at least one of the following conditions is met:

a) The equity attributable to equity holders of the Company after the distribution or the acquisition will not be lower than NIS 565 million.
b) The ratio of the equity attributable to equity holders of the Company to the balance sheet on a stand-alone basis will not be lower than 18%.

The Company has also undertaken to meet the following financial covenants:

c) The ratio of the adjusted equity to total balance sheet on a stand-alone basis ("the equity to balance sheet ratio") will not be lower than 18%. This ratio will be examined by the Company after the publication of the audited annual or reviewed interim financial statements as issued by the Company with respect to the balance sheet date included in the financial statements as above.
d) The ratio of LTV to the above collaterals shall not exceed 0.65. This ratio will be examined every quarter from the date of issuance of the annual financial statements for 2012.
e) As long as the Company's interests in ILD Malls serve as collateral for the debentures (Series 16), the loans that ILD Malls receives from foreign banks to finance foreign projects will only be non-recourse loans.
f) As long as the Company's interests in ILD Malls serve as collateral for the debentures (Series 16), the ratio of ILD Malls' equity (including minority interests) with the addition of shareholders' loans to balance sheet will not be lower than 22%.

As of December 31, 2019, the Company is meeting the above financial covenants.

In March 2020, the Company placed a cash deposit pledged in favor of the trustee in the amount of the outstanding liability to the holders of the debentures (Series 16) until the final repayment with the addition of a safety cushion and in return for the deposit, the trustee agreed to release the pledge on the shares of ILDC Malls.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

4. As guarantee for the holders of debentures (Series 18), the Company undertook to meet the following financial covenants:

   a) If the ratio of equity attributable to equity holders of the Company to total balance sheet on a stand-alone basis is lower than 24%, the annual interest rate on the outstanding principal of the debentures (Series 18) will increase by 0.3% per annum.
   b) The ratio of equity attributable to equity holders of the Company to the balance sheet will not be lower than 20%.
   c) If the equity attributable to equity holders of the Company based on the Company's latest financial statements is lower than NIS 670 million, the annual interest rate on the outstanding principal of the debentures (Series 18) will increase by 0.3% per annum.
   d) The equity attributable to equity holders of the Company based on the Company's latest financial statements prior to any such examination as above (to be performed once a quarter) will not be lower than NIS 565 million.
   e) If the ratio of net financial debt in the Company's consolidated financial statements to the Company's total equity and debt (as defined in the deed of trust) exceeds 75% over a period of two consecutive quarters, the interest rate on the unpaid balance of the debentures (Series 18) will increase by 0.5% per annum.
   f) The maximum increment payable to the holders of debentures (Series 18) as a result of noncompliance with paragraphs (a)-(c) and (e) above or as a result of a change in the rating of the debentures (Series 18) will not be higher than 1.5% above the interest rate determined in the first offering report.

   As of December 31, 2019, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

5. As guarantee for the repayment of debentures (Series 19), the Company recorded a first degree fixed lien in an unlimited amount on 18,991,069 shares of a wholly-controlled subsidiary (H.H. Real Estate Investors Ltd.) ("H.H. Investors") (representing the entire shares held by the Company) and also assigned to the trustee by way of first degree fixed lien in an unlimited amount the Company's rights to the repayment of NIS 144,274 thousand out of a shareholders' loan extended by the Company to the subsidiary. There is also a right to offset the credit balances of the Company's securities and time deposits in its bank accounts. The Company has also undertaken to meet the following financial covenants:

   a) The equity to the balance sheet following dividend distribution or repurchase of shares will not be lower than NIS 565 million.
   b) The ratio of equity to the stand-alone balance sheet following dividend distribution or repurchase of shares will not be lower than 20%.
   c) The rating of the debentures will be at least +BBB.
   d) The ratio of equity to the stand-alone balance sheet will not be lower than 18%.
   e) The ratio of net financial debt in the consolidated financial statements to the Company's total equity and debt (CAP) will not exceed 75% in two consecutive quarters.
   f) The LTV to collateral ratio as above will not exceed 0.85%.
   g) The ratio of secured loans relating to H.H. Investors to its total real estate value will not exceed 70%.

   As of December 31, 2019, the Company is meeting the above financial covenants.

   On March 31, 2020, the entire debentures (Series 19) were redeemed in a final early redemption.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

6. The debentures (Series 20) are not secured by any collateral. In the context of the issuance of the debentures, the Company has undertaken to meet the following financial covenants:

In the event that the ratio of equity attributable to equity holders of the Company to total stand-alone balance sheet is lower than 22%, the annual interest rate on the unsettled balance of the debentures will be increased by 0.25% per annum.

a) The ratio of equity attributable to equity holders of the Company to the balance sheet will not be lower than 20%.
b) If the equity attributable to equity holders of the Company according to its latest financial statements issued before each examination date is lower than NIS 600 million, the interest rate on the unsettled principal balance of the debentures will be increased by 0.25% per annum.
c) The equity attributable to equity holders of the Company according to its latest financial statements issued before each examination date will not be lower than NIS 565 million.
d) If the ratio of net financial debt in the Company's latest issued consolidated financial statements to the Company's total equity and debt (CAP) exceeds 74%, the annual interest rate on the unsettled principal balance of the debentures will be increased by 0.25% per annum but the maximum interest increment will not be more than 1.6% above the interest rate determined in the first offering report.
e) The debt to CAP ratio will not exceed 77%.

Effective from January 8, 2019, the interest on the debentures (Series 20) was raised by 0.25% due to the lowering of the rating of the Company's debentures by S&P Maalot whereby the debentures bore interest of 3.50% until January 14, 2020, on which date the rating was raised again.

As of December 31, 2019, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

7. As guarantee for the repayment of debentures (Series 21), the Company recorded a second degree lien on all the real estate rights and rights deriving from the real estate on which the Seven Stars Mall is located and operated in Herzliya. The second degree lien as above will be subordinate to the lien recorded to secure the original loan. The Company has also undertaken to meet the following financial covenants:

   a) The ratio of equity to the stand-alone balance sheet will not be lower than 20% in two consecutive financial statements, and if it is lower than 22%, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   b) The Company's equity will not be lower than NIS 565 million and if it is lower than NIS 600 million, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   c) In the event of distribution, at least one of the following alternative conditions will be met:

      (1) The Company's equity after dividend distribution will not be lower than NIS 650 million;
      (2) The ratio of equity to balance sheet after dividend distribution will not be lower than 23%.

   As of December 31, 2019, the Company is meeting the above financial covenants.

8. The debentures (Series 22) are not secured by any collateral. For the purpose of their issue, the Company has undertaken to meet the following financial covenants:

   a) The ratio of equity to the stand-alone balance sheet will not be lower than 20% in two consecutive financial statements, and if it is lower than 22%, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   b) The Company's equity will not be lower than NIS 565 million and if it is lower than NIS 600 million, the annual interest rate on the unsettled principal balance of the debentures will be raised by 0.25% per annum.
   c) At least one of the following alternative conditions will be met:

      (1) The Company's equity after dividend distribution will not be lower than NIS 650 million;
      (2) The ratio of equity to balance sheet after dividend distribution will not be lower than 23%.

   Effective from January 8, 2019, the interest on the debentures (Series 22) was raised by 0.25% due to the lowering of the rating of the Company's debentures by S&P Maalot whereby the debentures bore interest of 2.50% until January 14, 2020, on which date the rating was raised again.

   As of December 31, 2019, the Company is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

a. The Company (Cont.):

9. To secure a loan received from a bank whose balance as of December 31, 2019 totals NIS 19.8 million, the rights in commercial buildings in Petach-Tikva, Haifa and Jerusalem, Israel were pledged in such a manner that the P/E ratio of the rental fees from the property will not exceed 8.5, 8.8 and 8.5, respectively, of the unpaid balance of the loan.

10. To secure loans whose balance as of the financial statement date is NIS 40 million received by the Company, the Company undertook to meet the following financial covenants:

    a) The ratio of (i) the stand-alone (solo) equity attributable to the equity holders of the borrower based on the borrower's financial statements (on a non-consolidated basis) to (ii) the borrower's total stand-alone (solo) balance sheet based on the borrower's financial statements (on a non-consolidated basis) will not be lower than 20%;
    b) The stand-alone (solo) equity attributable to the equity holders of the borrower based on the borrower's audited or reviewed financial statements, as applicable, will not be lower than NIS 565 million.

    The Company also undertook not to distribute or pay any dividends to its shareholders unless its equity exceeds NIS 650 million and the ratio of its stand-alone (solo) equity (after the dividend is distributed) to the total stand-alone (solo) balance sheet before the distribution is lower than 23%.

    As of December 31, 2019, the Company is meeting the above financial covenants.

11. To secure bank credit whose balance as of the financial statement date is NIS 20 million, the Company pledged 3,214,161 shares of a subsidiary, ILDC Urban Renewal, held by it. The Company also undertook that the ratio of the loans to the total value of the pledged assets will not exceed 55%.

    As of the date of the financial statements, the Company is meeting the above financial covenant.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries:

1. Israel Land Development Malls and Shopping Centers Ltd. ("ILDC Malls"):

a) On October 19, 2017, Seven Stars Mall Ltd. (a wholly owned and controlled sub-subsidiary of the Company) ("Seven Stars"), signed an agreement with Bank Hapoalim Ltd. (as lender, credit manager and trustee of existing collaterals) and with three institutional entities which together with Bank Hapoalim provided Seven Stars loans whose balance as of the date of the agreement amounted to about NIS 618 million ("the original loan"). In addition, an outline agreement was signed with Hermetic Trust Services (1975) Ltd. which serves as the credit manager and trustee of the new collaterals ("the outline agreement"), whose main points, for the Company, are as follows:

1) Seven Stars will make an early repayment of Bank Hapoalim's share in the original loan in the amount of approximately NIS 247 million, of which a liability of Seven Stars in the amount of approximately NIS 37 million towards Bank Hapoalim will be assigned to the Company.

2) Financing the early repayment as above will be done by issuing a new series of debentures by the Company (Series 21) that will be secured by a second degree lien on all of Seven Stars' rights in the real estate on which the Seven Stars Mall was built and operates in Herzliya. The second degree lien as aforesaid shall be subordinate to the lien securing the original loan.

3) The outline agreement includes suspending conditions and other standard provisions that were met as of the date of submission of the financial statements for 2017.

On November 23, 2017, the early repayment was made to Bank Hapoalim in an amount which as of such date approximated NIS 260 million (including early repayment commissions and accrued interest and linkage differences). The second degree lien recorded in favor of the trustee of the debentures (Series 21) on Seven Stars' entire real estate rights in the Seven Stars Mall in Herzliya was registered at the Land Registry Office and the other suspending conditions underlying the outline agreement were met.

As collateral for credit received by Seven Stars from financial corporations whose balance as of the reporting date approximates NIS 332 million, liens were recorded on the assets of Seven Stars and its subsidiaries, including a first mortgage on the Seven Stars Mall in Herzliya owned by the subsidiary, a first degree fixed lien on the real estate in Reut, a lien on the operating rights of the Seven Stars Mall (such as a lien on rental agreements in the Mall), a lien on the shares of a subsidiary that are wholly owned by the subsidiary which is the management company of Seven Stars Mall, and a guarantee and a bank deposit provided by the Company.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

1. Israel Land Development Malls and Shopping Centers Ltd. ("ILD Malls") (Cont.):

a) (Cont.):

To secure compliance with the terms of the agreement, Seven Stars undertook to meet the following financial covenants:

1) The LTV ratio, which is the ratio of the loans net of the safety cushion and additional deposit to the latest valuation produced by the Company to the lenders, will not exceed 60%.

2) The NOI ratio, which is the ratio of the net operating income from the Mall (as defined in the financing agreement) during each four-quarter period to the amounts payable by Seven Stars according to the financing agreement in that period based on the amortization schedules of the loans extended according to the financing agreement, will not be lower than 1.5.

3) The LTV ratio of the expansion of debentures (Series 21), which is the ratio of: (1) the outstanding loans net of the safety cushion and the additional deposit with the addition of the Company's total debts to holders of debentures (Series 21) before the date of expansion of said series with the addition of the total debt which the Company is interested in raising to (2) the value of the Mall as collateral according to the latest valuation produced by Seven Stars to the lenders, will not exceed 75%.

Seven Stars also undertook to complete the following: enter into a hedge transaction to protect itself against an increase in the BOI's interest rate, deposit a safety cushion, limit any change in the structure and control thereof, adhere to certain LTV and NOI restrictions (maximum LTV of 55% and minimum NOI of 1.4) on the date of dividend distribution and other restrictions as customary in such hedges.

b) In order to receive a bank loan totaling approximately NIS 40 million as of December 31, 2019, the subsidiary undertook to meet a financial covenant whereby the P/E ratio of the rental fees receivable from a property known as Reut commercial center will exceed 8.8 in relation to the unsettled loan balance. To secure this covenant, a deposit which guarantees compliance with this financial covenant will be provided.

As of December 31, 2019, ILDC Malls is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

2. The company for -Israel Land Development Company Urban Renewal Ltd. ("ILDC Urban Renewal"):

The consolidated balance of loans received from a bank as of December 31, 2019 approximates NIS 88 million. The loans were provided with the guarantees and collaterals of the Company. The financing will be granted provided that the subsidiary meets the following financial covenants:

a) The Company's total tangible equity as defined in the agreement will not be lower than NIS 565 million and 20% of total balance sheet.
b) If the Company's equity is lower than NIS 630 million, the credit interest will be raised by 0.15%.
c) The result of dividing the financial debt less financial assets by the Company's total balance sheet will not exceed 70%.
d) The EBITDA for each calendar year will not be lower than NIS 70 million.
e) The ratio of the Company's and subsidiary's debt to the bank to the entire securities will not exceed 66% of the value of the collaterals provided to the bank in respect of said debt.
f) For the duration of all the credit periods, the ownership and control rate of the owners in the Company and in the subsidiary will not drop below 50.1%.

The Company also recorded a lien on the shares of an associate, Kol-Bo Jerusalem Building Ltd., and additional restrictions were imposed on any pledge, credit, use, rent, mortgage and construction in connection with the property.

At December 31, 2019, the Company is complying with the above financial covenants.

3. Optima Promotions and Investment Management 66 Ltd. ("Optima"):

a) As collateral for short-term and long-term credit from banks with a balance of NIS 53 million at December 31, 2019, Optima recorded a floating charge and specific charges on buildings including all rights and assets, insurance rights, management rights and rental fees from buildings.

b) In addition, Optima undertook to meet the following financial covenants:

1) The P/E ratio of the rental fees received from the pledged properties to the unsettled balance of the loan will not exceed 10.
2) The ratio of the unsettled loan balance to the value of the pledged properties will not exceed 75%.

As of December 31, 2019, the subsidiary is complying with the above financial covenants.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

4. Rapid Vision Ltd. ("Rapid"):

a) Rapid and its subsidiary pledged in favor of banks promissory notes deposited in bank accounts and recorded a floating charge on their assets.

b) Rapid has guaranteed a subsidiary's entire bank debts in respect of various municipal commitments up to an amount of approximately NIS 693 thousand.

5. R.R.N Holdings and Investments Ltd. ("RRN"):

a) To secure loans from banks whose balance as of December 31, 2019 totals approximately NIS 601 million, a mortgage was recorded on the real estate properties of foreign subsidiaries as well as a charge on their shares, property, plant and equipment, funds receivable as rental and lease fees and some of the deposits held in said banks.

b) To secure a loan of approximately NIS 7.2 million received by RRN from a bank, a first degree fixed charge was recorded on all the subsidiary's shares.

In the reporting year, three wholly controlled subsidiaries of the subsidiary, MLP Group S.A., signed loan agreements with three international banks for receiving loans whose balance totals NIS 407 million as of December 31, 2019.

The loans are secured by collaterals provided to the lenders covering up to 150% of the loan facility and mainly consisting of a lien on the borrowers' entire assets, a lien on MLP's shares in the borrowers, a lien on the borrowers' entire bank accounts, contract rights and insurance rights.

In addition, the subsidiary undertook to meet the following financial covenants:

1) The ratio of outstanding loans to the value of the assets as security according to latest valuation produced by each of the companies that are required to meet the financial covenants will not exceed 70%.
2) The ratio of NOI to the loan payments applicable to the companies will not be lower than 1.2.

As of December 31, 2019, the subsidiaries are complying with the above financial covenants.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

6. Industrial Buildings Be'er-Sheva Ltd.:

As collateral for loans received from a bank whose balance as of December 31, 2019 is approximately NIS 59.9 million, the rights in real estate properties were pledged in such a manner that the P/E ratio of the rental fees received from the properties to the unsettled balance of the loans will exceed 8.5. For this purpose, the Company has undertaken to pledge a deposit that will supplement the P/E ratio of rental fees to the unsettled loan balance to 8.5. The deposit will be released when the P/E ratio is 8.5.

As of December 31, 2019, Industrial Buildings Be'er-Sheva Ltd. has not been required to pledge any deposits.

7. H.H. Property Investors Ltd. ("Investors"):

a) To secure credit received by Investors from financial corporations totaling approximately NIS 149 million and to secure the Company's liabilities to financial corporations and performance liabilities underlying the Argaman project, Investors recorded a fixed lien on real estate properties, including all the rights and income, insurance rights and rental fees deriving from the properties. In addition, certain conditions were stipulated in connection with the ratio of the partners' equity investments in the project as well as other standard covenants as customary in financing agreements for this type of project.

b) To secure credit of NIS 56 million as described above, Investors has undertaken to meet the following financial covenants:

1) The NOI from the property (Shop-In Mall) will not be lower than NIS 6.5 million.
2) The unsettled outstanding debt divided by the NOI from the property will not exceed a P/E multiple of 8.65 at all times.

As of December 31, 2019, the subsidiary is meeting the above financial covenants.

NOTE 31: - LIENS (Cont.)

b. Subsidiaries (Cont.):

8. Other subsidiaries:

a) As collateral for loans and borrowings received by a Polish subsidiary (Mill-Yon) and its subsidiaries from banks and financial corporations amounting to approximately NIS 4.5 million at December 31, 2019, the subsidiaries recorded a lien on their real estate, bank accounts and rights to funds therefrom in favor of banks.

b) As collateral for loans and borrowings received by a Polish subsidiary (M.L.P) and its subsidiaries from financial corporations amounting to approximately NIS 601 million at December 31, 2019, the subsidiaries recorded first degree mortgages on real estate and a lien on rights to current accounts in banks, certain cash and deposits in favor of the financial corporations.

c) As collateral for credit extended to other subsidiaries by banks, the subsidiaries granted the banks a right to offset credit balances, securities and current accounts in banks etc.

NOTE 32: - FINANCIAL INSTRUMENTS

a. Fair value:

The Company and its subsidiaries have financial assets which consist, among others, of cash and cash equivalents, marketable securities, deposits, trade and other receivables and financial liabilities which consist, among others, of short-term credit from banks, trade and other payables and other long-term liabilities at variable interest whose carrying amount approximates their fair value.

The table below provides details of the carrying amount and fair value of the financial instruments that are presented in the financial statements not at fair value:

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in thousands			
Financial assets *):				
Long-term loans (1)	21,534	20,634	14,080	13,708
	21,534	20,634	14,080	13,708
Financial liabilities *):				
Long-term loans at fixed interest (1)	(267,214)	(271,786)	(354,811)	(386,017)
Debentures (2)	(1,558,495)	(1,629,127)	(1,536,315)	(1,512,847)
	(1,825,709)	(1,900,913)	(1,891,126)	(1,898,864)
	(1,804,175)	(1,880,279)	(1,877,046)	(1,885,156)

*) Includes interest receivable (payable) without the discounts included in the financial statements in respect of the above assets (liabilities).

The fair value of financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced transaction (a forced liquidation or distress sale).

The following methods and assumptions were used to estimate the fair values:

(1) Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, creditworthiness of the customer and the risk characteristics of the financed project. As of December 31, 2019, the carrying amount of such receivables, net of allowances, was not materially different from their calculated fair values.

(2) The fair value is based on quoted market prices in an active market as of the date of the financial statements.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

a. Fair value (Cont.):

Classification of financial instruments by fair value hierarchy:

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

For details of the fair value hierarchy used to present financial assets and liabilities, see Note 19 above.

Financial liabilities measured at fair value:

As of December 31, 2019, the Company has financial liabilities measured at fair value totaling approximately NIS 7,517 thousand (December 31, 2018 - approximately NIS 5,210 thousand) which are all classified as Level 2.

In the years 2015-2018, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

b. Financial risk management objectives and policies:

The Company's principal financial liabilities, other than derivatives, are comprised of loans and borrowings and other receivables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans provided, receivables, cash and short-term deposits that derive directly from its operations. The Company also holds available-for-sale investments and enters into derivative transactions.

The Group's activities expose it to various financial risks such as market risks (including foreign currency risk and interest risk), credit risk and risk involving changes in prices of raw materials. The Group's risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performances.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

Risk management is performed by the Group in accordance with the policies approved by the boards of the companies.

1. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as share price risk and commodity risk. Financial instruments affected by market risk include, among others, loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity analysis relates to derivatives and available-for-sale debt instruments.

- The sensitivity analysis of the relevant statement of profit or loss item is the effect of the assumed changes in the respective market risks. This is based on the assets and liabilities held as of December 31, 2019 and 2018 including the effect of hedge accounting.

- The sensitivity analysis of equity which is calculated by considering the effect of cash flow hedges and hedges of net investments in subsidiaries that constitute foreign operations as of December 31, 2019 for the effects of the assumed changes of the underlying risk.

2. Currency and index linkage risk:

Foreign currency or index linkage risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates or changes in the Israeli CPI.

The Group is exposed to risks arising from changes in foreign currency exchange rates resulting mainly from the translation of investments and loans in foreign investees. The Group is also exposed to risks arising from increase in the Israeli CPI and foreign currencies due to the existence of excess liabilities linked to the CPI or to a foreign currency over assets linked to the CPI or a foreign currency.

A foreign subsidiary entered into currency hedges whose balance as of December 31, 2019 totals NIS 7,517 thousand in order to hedge Euro loans in an economic environment in which the functional currency is the Zloty. The change in the fair value of the hedges is carried to profit or loss from the date of achievement of control in the subsidiary. In the reporting period, the Company recorded a loss of NIS 6,154 thousand in profit or loss (in 2018 - a loss of NIS 3,188 thousand).

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

2. Currency and index linkage risk (Cont.):

The hedges will be terminated in 2024 simultaneously with the repayment of the loans received.

The following table demonstrates the sensitivity test to a reasonably possible change in the U.S. dollar, Euro and Polish Zloty exchange rates, with all other variables held constant. The impact on the Company's income before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Company's exposure to foreign currency changes for all other currencies is immaterial.

	Sensitivity test to fluctuations in U.S. dollar exchange rate	
	5% increase in exchange rate	**5% decrease in exchange rate**
	NIS in thousands	
Effect on income (loss)		
2019	(198)	198
2018	(321)	321
Effect on equity		
2019	(198)	198
2018	(321)	321

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

2. Currency and index linkage risk (Cont.):

	Sensitivity test to fluctuations in Euro exchange rate	
	5% increase in exchange rate	5% decrease in exchange rate
	NIS in thousands	
Effect on income (loss)		
2019	(36,234)	36,234
2018	(29,164)	29,164
Effect on equity		
2019	(36,214)	36,214
2018	(29,164)	29,164

	Sensitivity test to fluctuations in Polish Zloty exchange rate	
	5% increase in exchange rate	5% decrease in exchange rate
	NIS in thousands	
Effect on income (loss)		
2019	-	-
2018	-	-
Effect on equity		
2019	4,286	(4,286)
2018	3,608	(3,608)

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

2. Currency and index linkage risk (Cont.):

	Sensitivity test to fluctuations in MAD (Moroccan Dirham) exchange rate	
	5% increase in exchange rate	5% decrease in exchange rate
	NIS in thousands	
Effect on equity		
2019	(3,015)	3,015
2018	(3,004)	3,004

	Sensitivity test to fluctuations in RON (Romanian Leu) exchange rate	
	5% increase in exchange rate	5% decrease in exchange rate
	NIS in thousands	
Effect on equity		
2019	(2)	2
2018	(62)	62

	Sensitivity test to changes in Israeli CPI	
	2% increase in CPI	2% decrease in CPI
	NIS in thousands	
Effect on income (loss)		
2019	(28,445)	28,445
2018	(27,792)	27,792

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

3. Interest risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to the risk of changes in the market interest rates on long-term loans with floating interest rates. The Group's policy is to manage the finance costs relating to the interest by having a balance between fixed and variable rate long-term loans. As of December 31, 2019, about 58% of the long-term liabilities are at a fixed rate of interest.

Interest rate sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the effect of the changes in interest rates on the Company's income before tax is as follows:

	Sensitivity test to changes in Prime interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2019	(9,606)	9,606	(4,203)	4,203
2018	(9,684)	9,684	(4,237)	4,237

	Sensitivity test to changes in EURIBOR interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2019	(12,023)	12,023	(1,259)	1,259
2018	(9,124)	9,124	(834)	834

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

3. Interest risk (Cont.):

	Sensitivity test to changes in LIBOR interest rate			
	Absolute 2% increase	Absolute 2% decrease	50% increase in market factor	50% decrease in market factor
	NIS in thousands			
Effect on income (loss)				
2019	(143)	143	(68)	68
2018	(207)	207	(145)	145

	Sensitivity test to changes in WIBOR interest rate (Poland)	
	50% increase in market factor	50% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2019	(64)	64
2018	(196)	196

	Sensitivity test to changes in interest rate on subsidiary's debentures	
	50% increase in market factor	50% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2019	(1,297)	1,297
2018	(1,837)	1,837

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

4. Share price risk:

The Group's investments in listed and unlisted shares are sensitive to market price risk arising from uncertainties about future value of these investments. The Group manages the price risk through diversification and by placing limits on individual and total investment in shares.

Reports on the investment portfolio are submitted to the Group's senior management on a regular basis. The Company's Board reviews and approves all decisions related to investments in shares.

Sensitivity analysis to changes in quoted market prices of securities:

	Sensitivity test to changes in quoted market prices	
	20% increase in market factor	20% decrease in market factor
	NIS in thousands	
Effect on income (loss)		
2019	367	(367)
2018	224	(224)

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

5. Liquidity risk concentration:

The Group monitors the risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, debentures and hire purchase contracts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2019:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Maturity date unfixed	Total
	NIS in thousands							
Financial liabilities								
Credit from banks:								
In NIS	94,302	-	-	-	-	-	-	94,302
In foreign currency	-	-	-	-	-	-	-	-
Trade and other payables	172,765	-	-	-	-	-	-	172,765
Lease liabilities	19,927	13,370	9,230	6,188	2,932	18,764	-	70,411
Other long-term liabilities	-	43	292	1,095	1,506	9,399	3,651	15,986
Long-term loans:								
In foreign currency	42,632	42,308	51,553	43,087	79,837	468,034	-	727,451
In linked NIS	39,230	28,470	28,469	217,390	-	-	-	313,559
In unlinked NIS	175,941	66,430	29,857	131,113	93,318	25,694	-	522,353
Debentures:								
Linked to the Israeli CPI	165,009	160,715	156,815	152,915	149,016	484,223	-	1,268,693
Unlinked	120,168	93,001	35,014	33,729	32,444	-	-	314,356
In foreign currency	3,396	3,396	79,368	39,114	-	-	-	125,274
	833,370	407,733	390,598	624,631	359,053	1,006,114	3,651	3,625,150

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

b. Financial risk management objectives and policies (Cont.):

5. Liquidity risk concentration (Cont.):

December 31, 2018:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Maturity date unfixed	Total
	NIS in thousands							
Financial liabilities								
Credit from banks:								
In NIS	43,326	-	-	-	-	-	-	43,326
In foreign currency	2,938	-	-	-	-	-	-	2,938
Trade and other payables	116,066	-	-	-	-	-	-	116,066
Other long-term liabilities	-	700	367	247	3,215	681	6,177	11,387
Long-term loans:								
In foreign currency	49,210	48,394	116,243	68,132	134,120	177,947	-	594,046
In linked NIS	72,526	57,111	44,310	28,383	216,754	-	-	419,084
In unlinked NIS	115,708	153,808	58,503	21,604	122,555	57,438	-	529,616
Debentures:								
Linked to the Israeli CPI	138,564	207,395	168,301	113,129	110,139	416,401	-	1,153,929
Unlinked	93,184	120,173	93,001	35,014	33,729	32,446	-	407,547
In foreign currency	3,669	3,669	3,669	87,703	43,253	-	-	141,963
	635,191	591,250	484,394	354,212	663,765	684,913	6,177	3,419,902

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

c. Credit risk:

Credit risk may arise from the exposure of holding several financial instruments with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentrations of risks consist of the nature of the debtors' activities, such as their business sector, the geographical area of their operations and their financial strength.

The Group's cash and cash equivalents are deposited in Israeli banks. The Company believes the credit risk with respect to these balances is remote. The Group earns revenues from a large number of customers and the Group is not dependent on any customers. Outstanding customer receivables are regularly monitored by the Group and, where appropriate, an allowance for doubtful accounts is recorded for debts that management believes are doubtful of collection. About 30% of the allowance for doubtful accounts is recorded for customers from the media segment.

d. Pledges:

The Group has pledged part of its deposits to secure credit received from banks. As of December 31, 2019 and 2018, the carrying amount of the pledged deposits approximates their fair value in the amount of NIS 73,540 thousand and NIS 92,944 thousand, respectively. The counterparties have an obligation to return the deposits to the Group.

e. Further information with regard to material investments in financial assets:

Details of material investments in financial asset groups, in accordance with IAS 39:

	December 31,	
	2019	**2018**
	NIS in thousands	
Financial assets measured at fair value through profit or loss:		
Shares and warrants	1,837	1,122
Short-term loans and deposits:		
Restricted deposits	10,058	24,598
Long-term loans and receivables:		
Deposits	63,482	68,346
Long-term loans	15,856	8,133
	79,338	76,479
Loans and capital notes to associates	5,678	5,847
	96,911	108,046

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

f. Linkage terms of monetary balances:

	December 31, 2019						December 31, 2018					
	In or linked to foreign currency *)	In or linked to Euro	In or linked to Zloty	Linked to CPI	Unlinked	Total	In or linked to foreign currency *)	In or linked to Euro	In or linked to Zloty	Linked to CPI	Unlinked	Total
	NIS in thousands											
Assets												
Cash and cash equivalents	3,860	50,787	82,779	-	181,276	318,702	2,954	13,247	41,609	-	75,947	133,757
Short-term investments and loans	-	2,523	7,249	-	2,123	11,895	-	-	24,598	-	1,122	25,720
Trade receivables	-	399	12,044	-	23,728	36,171	-	-	14,490	-	30,626	45,116
Other receivables	169	-	49,286	-	89,769	139,224	154	1,760	50,983	-	129,626	182,523
Long-term loans and receivables	-	15,884	2,185	3,801	57,468	79,338	-	21,427	883	3,600	50,669	76,579
Loans to investees and others	2,289	3,389	-	-	-	5,678	2,578	3,269	-	-	-	5,847
	6,318	72,982	153,543	3,801	354,364	591,008	5,686	39,703	132,563	3,600	287,990	469,542
Liabilities												
Short-term credit from banks	-	-	-	-	91,583	91,583	-	-	2,938	-	41,890	44,828
Trade payables	11,988	69,648	34,141	-	25,554	141,331	11,671	27,656	27,200	-	14,925	81,452
Other payables	7,464	-	3,799	321	19,850	31,434	6,619	514	1,299	552	25,630	34,614
Long-term liabilities	51,159	718,130	7,439	1,417,467	772,030	2,966,225	55,131	589,601	22,795	1,392,641	852,606	2,912,774
Lease liabilities	-	-	22,454	8,280	39,677	70,411		5,210	-	-	-	5,210
Other long-term liabilities	-	9,488	-	-	5,678	15,166	-	-	6,177	-	-	6,177
	71,388	796,489	67,833	1,426,068	954,372	3,316,150	73,421	622,981	60,409	1,393,193	935,051	3,085,055

*) Primarily U.S. dollar.

NOTE 32: - FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities arising from financing activities:

2019

	Balance at January 1, 2019	Cash flows	Effect of changes in CPI and exchange rates	Discontinued operation	Other changes	Balance at December 31, 2019
	NIS in thousands					
Long-term loans	1,377,241	22,268	(63,865)	72,086	-	1,407,730
Debentures	1,524,222	25,245	(6,628)	-	4,564	1,547,403
Finance lease obligations	5,251	(16,378)	2,469	(179)	79,248	70,411
Derivatives	5,210	2,834	(527)	-	-	7,517
Total liabilities arising from financing activities	2,911,924	33,969	(68,551)	71,907	83,812	3,033,061

2018

	Balance at January 1, 2018	Cash flows	Effect of changes in CPI and exchange rates	Discontinued operation	Other changes	Balance at December 31, 2018
	NIS in thousands					
Long-term loans	1,222,513	204,597	22,217	(72,086)	-	1,377,241
Debentures	1,671,053	(162,045)	12,417	-	2,797	1,524,222
Finance lease obligations	8,732	(14)	21	(3,488)	-	5,251
Derivatives	2,251	2,941	18	-	-	5,210
Total liabilities arising from financing activities	2,904,549	45,479	34,673	(75,574)	2,797	2,911,924

NOTE 33: - NET EARNINGS (LOSS) PER SHARE

Data used for the computation of net earnings (loss) per share:

	Year ended December 31,					
	2019		2018		2017	
	Weighted number of shares	Income (loss) attributable to Company shareholders	Weighted number of shares	Income (loss) attributable to Company shareholders	Weighted number of shares	Income (loss) attributable to Company shareholders
	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	NIS in thousands
Number of shares and income (loss) from continuing operations						
Used in calculating basic earnings	28,276	104,918	28,276	45,944	28,276	(6,617)
Effect of shares issued in the year	175	-	-	-	-	-
For the computation of basic and diluted earnings (loss)	28,451	104,918	28,276	45,944	28,276	(6,617)
Number of shares and loss from discontinued operations						
Used in calculating basic earnings	28,276	(11,647)	28,276	(20,679)	28,276	(7,078)
Effect of shares issued in the year	175	-	-	-	-	-
For the computation of basic and diluted earnings (loss)	28,451	(11,647)	28,276	(20,679)	28,276	(7,078)

NOTE 34: - BALANCES AND TRANSACTIONS WITH RELATED AND INTERESTED PARTIES

a. The Company and the Group companies enter into transactions among themselves in the ordinary course of business and under market conditions for receiving billboard services, leasing assets, participating in expenses in respect of various services and hotel accommodation. These transactions have no material effect on the profits, assets or liabilities of the Company or the Group companies.

b. On February 7, 2010, the Company's Board decided to adopt guidelines and principles regarding the classification of a transaction between the Company or its subsidiary and an interested party therein ("interested party transaction") as an immaterial transaction as prescribed in regulation 64(3)(d)(1) to the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993. Immaterial transactions are defined as transactions in the ordinary course of business that are not extraordinary and whose overall scope does not exceed NIS 1.5 million a year.

In 2019, the Company's expenses included negligible transactions totaling NIS 219 thousand.

c. The following are details of balances with related and interested parties, guarantees, loans and commitments which are separately detailed in the notes to the financial statements:

1. In connection with loans and guarantees provided by the Company to investees, see Notes 13 and 28a above.

2. In connection with directors' and officers' liability insurance policies, see Note 28b(3) above.

3. As for a transaction with a private company owned by a controlling shareholder, see Note 28b(4) above.

4. As for employment agreements with the Company's CEO, who also serves as a Board member and is also a controlling shareholder, see Note 28b(5) above.

5. As for employment agreements with relatives of a controlling shareholder, see Note 28b(6-7) above.

6. As for the grant of letters of indemnity and quittance to directors, see Note 28b(8) above.

7. Regarding the remuneration of the Company's directors, see Note 28b(9) above.

NOTE 34: - BALANCES AND TRANSACTIONS WITH RELATED AND INTERESTED PARTIES (Cont.)

d. 1. Balances included in the consolidated statements of financial position:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Receivables	11,458	11,212
Payables	(3,455)	(3,446)
Non-current liabilities	(64,300)	-

2. Income (expenses) included in the consolidated statements of profit or loss:

	Year ended December 31, 2019	2018	2017
	NIS in thousands		
Finance income (expenses)	297	244	(5,183)
Other expenses	-	(10,426)	-

e. Benefits to interested parties:

	Year ended December 31, 2019	2018	2017
	NIS in thousands		
Interested parties employed by the Company *)	8,371	7,823	6,063
Interested parties not employed by the Company	527	970	1,109
Directors not employed by the Company	1,115	1,288	1,074
	Number of benefit recipients		
Interested parties employed by the Company	3	2	3
Interested parties not employed by the Company	2	3	3
Directors not employed by the Company	9	8	8

*) Including a relative portion of the year attributable to a former interested party.

NOTE 35: - OPERATING SEGMENTS

a. General:

Operating segments have been determined based on the Chief Operational Decision Maker ("CODM") for the purpose of making decisions with regard to resource allocation and performance assessment. Accordingly, for management purposes, the Group consists of operating segments. The Group companies operate in three operating segments as detailed below:

1. Property rental: rental and management of investment properties throughout Israel and overseas.

2. Residential construction development overseas: development, construction, performance and sale of residential construction projects overseas.

3. Residential construction development in Israel: development and performance of residential urban renewal or NOP 38 construction projects in Israel.

Segment results include the share of general and administrative expenses and other expenses that can be allocated to the specific reported segment.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results:

	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	Year ended December 31, 2019					
	NIS in thousands					
External revenues	277,810	114,276	-	37,441	-	429,527
Inter-segment revenues	-	-	-	166	(166)	-
Adjustments ***)	(2,528)	-	-	-	-	(2,528)
Total in statements of profit or loss	275,282	114,276	-	37,607	(166)	426,999
Segment results	457,361	27,018	(10,550)	(5,420)	-	468,409
Unattributed income (expenses):						
General and administrative expenses						(33,668)
Other expenses, net						(7,579)
Finance expenses, net						(136,820)
Company's share of earnings of companies accounted for at equity						28
Taxes on income						(102,605)
Income from continuing operations						187,765
Loss from discontinued operations, net						(11,647)
Net income						176,118
Depreciation and amortization *)	8,825	93	-	17,456	-	26,374
Capital investments *)	332,681	-	-	16,051	-	348,732

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.

**) Segment results include the Company's share of the results of a company accounted for at equity.

***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results (Cont.):

	Year ended December 31, 2018					
	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	NIS in thousands					
External revenues	282,049	152,704	-	114,378	-	549,131
Inter-segment revenues	-	-	-	302	(302)	-
Adjustments ***)	-	-	-	-	-	-
Total in statements of profit or loss	282,049	152,704	-	114,680	(302)	549,131
Segment results	325,491	23,470	(6,732)	31,180	-	373,409
Unattributed income (expenses):						
General and administrative expenses						(30,353)
Other expenses, net						(13,101)
Finance expenses, net						(128,929)
Company's share of losses of companies accounted for at equity						(2,706)
Taxes on income						(78,636)
Income from continuing operations						119,684
Loss from discontinued operations, net						(20,679)
Net income						99,005
Depreciation and amortization *)	4,365	33	-	12,092	-	16,490
Capital investments *)	264,300	-	-	2,962	-	267,262

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.

**) Segment results include the Company's share of the results of a company accounted for at equity.

***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

b. The following are segment operating results (Cont.):

	Property rental**)	Residential construction development overseas	Residential construction development in Israel	Other	Adjustments	Total
	Year ended December 31, 2017					
	NIS in thousands					
External revenues	257,823	88,379	-	41,699	-	387,901
Inter-segment revenues	-	-	-	362	(362)	-
Adjustments ***)	(47)	-	-	-	-	(47)
Total in statements of profit or loss	257,776	88,379	-	42,061	(362)	387,854
Segment results	208,039	19,123	(13,634)	(1,751)	-	211,777
Unattributed income (expenses):						
General and administrative expenses						(27,658)
Other expenses, net						(14,852)
Finance expenses, net						(98,626)
Company's share of earnings of companies accounted for at equity						2,243
Taxes on income						(46,853)
Income from continuing operations						26,031
Loss from discontinued operations, net						(7,078)
Net income						18,953
Depreciation and amortization *)	6,661	35		2,044	-	25,134
Capital investments *)	238,089	381		1,243	-	249,420

*) Depreciation and amortization and capital investments do not include the results of discontinued operations.

**) Segment results include the Company's share of the results of a company accounted for at equity.

***) Excluding the Company's share of income of companies under joint control accounted for at equity.

NOTE 35: - OPERATING SEGMENTS (Cont.)

c. The following table presents the segments' assets and liabilities as of December 31, 2019 and 2018:

	Property rental	Residential construction development overseas	Residential construction development in Israel	Adjustments	Assets/ liabilities not allocated to segments	Total active assets and liabilities	Discontinued operations	Total
	NIS in thousands							
Operating assets:								
December 31, 2019	4,604,019	341,127	5,521	-	361,499	5,312,166	54,847	5,367,013
December 31, 2018	4,105,597	343,907	4,951	-	275,640	4,730,095	287,391	5,017,486
Operating liabilities:								
December 31, 2019	2,186,354	153,655	62,740	(915,910)	2,443,654	3,930,493	21,419	3,951,912
December 31, 2018	1,961,023	164,152	46,971	(882,580)	2,287,338	3,576,904	143,597	3,720,501

NOTE 35: - OPERATING SEGMENTS (Cont.)

d. Secondary reporting on geographic information:

1. Sales by geographic markets (based on customer location):

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Israel	186,425	277,520	442,296
Poland	237,842	245,953	180,381
Other	5,260	25,658	-
	429,527	549,131	622,677
Adjustments *)	(2,528)	-	(47)
	426,999	549,131	622,630

*) Excluding the Company's share of income of companies under joint control accounted for at equity.

2. The carrying amount of assets according to geographic areas (based on asset location):

	Segment assets	
	December 31,	
	2019	2018
	NIS in thousands	
Israel	3,026,668	2,896,892
Poland	2,091,681	1,861,082
Other	248,664	259,512
	5,367,013	5,017,486

NOTE 36: - EVENTS AFTER THE REPORTING DATE

a. For details of the ramifications of the Coronavirus spread, see Note 1d.

b. For details of the issuance of Company shares, see Note 27e-f.

c. For details of the issuance of debentures, see Note 24c(14) and (17).

d. For details of the decision on an early redemption of Company debentures (series 19), see Note 24c(15).

e. For details of the raising of the rating of the Company's debentures, see Note 24c(16).

f. For details of the approval of the Company's share and debenture repurchase plan, see Note 27d(3).

g. For details of the distribution of a dividend after the reporting date, see Note 27c(3).

CONDENSED DATA FOR TAX PURPOSES

The following are data for tax purposes only. Data was compiled based on Israeli GAAP, and not by IFRS standards, at nominal values based on historical cost, without accounting for changes in general purchasing power of the Israeli currency.

Company balance sheets

	December 31,	
	2019	2018
	NIS in thousands	
Current assets		
Cash and cash equivalents	188,939	100,355
Short-term investments	7,765	1,121
Trade receivables	478	453
Other receivables	8,544	67,517
	205,726	169,446
Non-current assets		
Long-term loans and receivables	5,229	4,000
Investment property	6,783	4,678
Real estate for construction	12,366	943
Investments in investees and others companies *)	828,777	894,751
Property, plant and equipment, net	12,918	13,838
Intangible assets	10,789	10,771
Deferred taxes	4,429	4,429
	881,291	933,410
	1,087,017	1,102,856
Current liabilities		
Credit from banks and other credit providers	35,201	36,032
Current maturities of long-term loans	34,259	68,467
Current maturities of debentures	379,447	239,205
Trade payables	7,414	5,833
Other payables	18,825	28,995
	475,146	378,532
Long-term liabilities		
Liabilities to investees	279,978	278,224
Liabilities to banks and other credit providers	121,565	152,538
Debentures	1,075,407	1,183,907
Employee benefit liabilities	2,258	2,002
Other long-term liabilities	69,109	1,028
	1,548,317	1,617,699
Shareholders' deficiency	(936,446)	(893,375)
	1,087,017	1,102,856

*) Investments in investees and other companies are presented using the cost method.

CONDENSED DATA FOR TAX PURPOSES (Cont.)

Company statements of profit or loss

	Year ended December 31, 2019	Year ended December 31, 2018
	NIS in thousands	
Revenues		
From rental of buildings	9,153	11,125
From sale of real estate	10,048	160,188
Total revenues	19,201	171,313
Costs and expenses		
Cost of real estate sold	-	27,399
Maintenance of rental properties	3,289	2,484
Financing, net	79,568	69,638
General and administrative	33,854	30,264
Other expenses	6,992	15,430
Total costs and expenses	123,703	145,215
Income (loss) before taxes on income	(104,502)	26,098
Taxes on income	-	11,225
Income (loss) after taxes on income	(104,502)	14,873
Company's share of results of investees, net *)	-	-
Net income (loss)	(104,502)	14,873

Statements of changes in shareholders' deficiency

	2019	2018
Movement in shareholders' deficiency		
Opening balance	(893,375)	(908,248)
Dividend distributed	(20,000)	-
Repurchase of shares	(11,999)	-
Issuance of capital	98,182	-
Capital reserve	(4,752)	-
Net income (loss) for the year	(104,502)	14,873
Closing balance	(936,446)	(893,375)

*) Investments in investees and other companies are presented using the cost method.

LIST OF INVESTEES AND OTHER COMPANIES *)

Ownership and control by the holding company as of December 31, 2019:

Holding company	Company name	Ownership stake	Controlling stake	
		%		
Israel Land Development Company Ltd.				
	Israel Land Development and Construction Ltd.	100.00	100.00	Subsidiary
	H.H. Real Estate Investors Ltd.	100.00	100.00	Subsidiary
	B.T.B. Industrial Buildings Beer Sheva Ltd.	100.00	100.00	Subsidiary
	B.T.R. Industrial Buildings and Workshops Rishon LeZion Ltd.	100.00	100.00	Subsidiary
	Israel Land Development Finance and Investments Ltd.	100.00	100.00	Subsidiary
	Sh.L.N. Sherutim Lenihul Nekhasim Ltd.	100.00	100.00	Subsidiary
	Binyenei Midot Ltd.	100.00	100.00	Subsidiary
	Israel Land Development Hotels Ltd.	100.00	100.00	Subsidiary
	Optima Promotions and Investment Management 66 Ltd.	100.00	100.00	Subsidiary
	Israel Land Development Company Malls and Shopping Centers Ltd.	100.00	100.00	Subsidiary
	Israel Land Development Company International Ltd.	100.00	100.00	Subsidiary
	Kol-Bo Jerusalem Building Ltd.	50.00	50.00	Associate
	Israel Land Development Media Ltd.	100.00	100.00	Subsidiary
	Israel Land Development Company Urban Renewal Ltd.	76.66	76.66	Subsidiary
	Open Sky Ltd.	11.18	11.18	Other company
	Israel Land Development Overseas Ltd.	100.00	100.00	Subsidiary
	Sky Line Investment Inc.	20.25	20.25	Associate
	R.R.N. Holdings and Investments Ltd.	66.70	66.70	Subsidiary
	EAGLE INTERNATIONAL	100.00	100.00	Subsidiary
	Nimrodi Georgia	100.00	100.00	Subsidiary
	THE SINGER LIMITED	100.00	100.00	Subsidiary
	Jaffa Towers' Managing Services Company Ltd.	50.00	50.00	Subsidiary
	DOWNSVIEW HOLDINGS LIMITED **)	50.00	50.00	Subsidiary
	MILL-YON SP Z.O.O	100.00	100.00	Subsidiary
	FREESPOT Ltd.	100.00	100.00	Subsidiary
Israel Land Development Company Malls and Shopping Centers Ltd.				
	Seven Stars Mall Ltd.	100.00	100.00	Subsidiary
	Management Company of Reut's Commercial Center Ltd.	100.00	100.00	Subsidiary
	Yarkon Junction (1999) Ltd.	51.00	51.00	Subsidiary
	Hevra Lebinyan Upituah Eilat Ltd.	100.00	100.00	Subsidiary
	DOWNSVIEW HOLDINGS LIMITED **)	50.00	50.00	Subsidiary
	7 STAR MALLS INTERNATIONAL LIMITED	100.00	100.00	Subsidiary
7 STAR MALLS INTERNATIONAL LIMITED				
	7 STAR MALLS ENTERTAINMENT S.R.L	100.00	100.00	Subsidiary
	STARS CAPITAL S.R.L	100.00	100.00	Subsidiary
	7 STAR MALLS PLOIESTI S.R.L	100.00	100.00	Subsidiary

*) Not including inactive companies.

**) The company is held by another member of the Group.

LIST OF INVESTEES AND OTHER COMPANIES *) (Cont.)

Ownership and control by the holding company as of December 31, 2019 (Cont.):

Holding company	Company name	Ownership stake	Controlling stake	
		%		
Israel Land Development Media Ltd.				
	Rapid Vision Ltd.	95.10	95.10	Subsidiary
Rapid Vision Ltd.				
	Maor - Lighted Billboard and Outdoor Advertising Ltd.	100.00	100.00	Subsidiary
R.R.N Holdings and Investments Ltd.				
	CAJAMARCA B.V.	75.00	75.00	Subsidiary
CAJAMARCA B.V.				
	MLP GROUP SA **)	56.97	56.97	Subsidiary
THE SINGER LINITED				
	MLP GROUP SA **)	9.78	9.78	Subsidiary
Optima Promotions and Investment Management 66 Ltd.				
	Optima Construction and Investments Ltd.	100.00	100.00	Subsidiary
	Ramat Hasharon Towers Ltd.	100.00	100.00	Subsidiary
	Hevra Lenihul Beit Kalka Ltd.	100.00	100.00	Subsidiary
	Bialik Ramat Gan Towers Ltd.	100.00	100.00	Subsidiary
7 Star Mall Ltd.				
	7 Star Mall Management Company (2000) Ltd.	100.00	100.00	Subsidiary
Israel Land Development Urban Renewal Ltd.				
	The New Community Ltd.	100.00	100.00	Subsidiary
Downsview Holdings Limited				
	SALAM INVEST S.A.R.L	100.00	100.00	Subsidiary

*) Not including inactive companies.
**) The company is held by another member of the Group.

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