

ELECTRA (ISRAEL) LTD.

APPENDIX

NOTE 9 - LONG-TERM RECEIVABLES

a. Composition:

	<u>Consolidated</u>		<u>Company</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>(in thousand US dollars)</u>			
Employees	571	647	571	647
Interested party (1)	110	156	110	157
Loans to minority interest in consolidated subsidiaries	242	253	-	-
Trade accounts receivable	75	79	-	-
Others (3)	367	-	-	-
Loan to a customer	616	421	-	-
Deposits	91	105	-	-
Deferred income taxes (2)	363	647	127	387
Severance pay fund deposits, net of related liabilities	13	-	-	-
	<u>2,448</u>	<u>2,308</u>	<u>808</u>	<u>1,191</u>
Less:				
Current maturities employees	698	729	339	360
	<u>1,750</u>	<u>1,579</u>	<u>469</u>	<u>831</u>

(1) See Note 22e. below.

(2) In respect of differences for deducting expenses for tax purposes.

(3) See d2. below.

b. Classification by linkage basis:

	<u>Interest rate</u>	<u>Consolidated</u>		<u>Company</u>	
		<u>December 31, 2000</u>		<u>December 31, 2000</u>	
		<u>%</u>	<u>Interested parties</u>	<u>Others</u>	<u>Interested parties</u>
		<u>(in thousand US dollars)</u>			
CPI-linked	4	110	695	110	571
Linked to					
construction index (*)	2	-	210	-	-
CPI-linked (**)	9.5	-	307	-	-
CPI-linked	-	-	217	-	-
Dollar-linked	-	-	75	-	-
Dollar-linked (***)	9.75	-	367	-	-
Unlinked—deferred taxes and other	-	-	467	-	127
		<u>110</u>	<u>2,338</u>	<u>110</u>	<u>698</u>

(*) In addition, the Company is entitled to receive 13% of the profits from a project in which it serves as main contractor, the financing of which was provided by a loan granted to the customer.

(**) See d1. below.

(***) See d2. below.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 9 - LONG-TERM RECEIVABLES (CONT.)

c. Repayment schedule

	Consolidated		Company	
	December 31, 2000		December 31, 2000	
	Interested parties	Others	Interested parties	Others
	(in thousand US dollars)			
First year – current maturities	57	641	57	282
Second year	45	270	45	147
Third year	8	152	8	107
Fourth year	-	25	-	25
Fifth year	-	10	-	10
Undetermined	-	1,240	-	127
	<u>53</u>	<u>1,697</u>	<u>53</u>	<u>416</u>
	<u>110</u>	<u>2,338</u>	<u>110</u>	<u>698</u>

d. Supplementary information

1. The loan is CPI-linked and bears interest of 9.5% payable quarterly. In addition, the Company is entitled to receive the greater of: 15% of the profits of the project in which it is carrying out the work as a main contractor, for the financing of which the loan was made to the customer; or to an annual commission of 1.5% per annum from the total loan. The loan will be repaid in full at the completion of the project. In the event that the project results in losses, the Company's right to claim from the customer will be limited to 75% of the outstanding balance of the loan at that date. The borrower may repay in full at any time.
2. The loan was made as part of an agreement signed by a subsidiary and third parties to purchase 33% of the share capital of the Polish company, which acquired land for building near Warsaw. The loan is due for repayment within 60 days on demand by the lender, but not before a year has elapsed since it was granted (August 10, 2000).

The purchase agreement was consummated in February 2001, after all conditions for it to become effective were fulfilled.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 10 - FIXED ASSETS

a. Composition:

Consolidated

	December 31					
	Land and buildings	Machines and equipment	Motor vehicles	Furniture and office equipment	Computers and related equipment	T o t a l
	(in thousand US dollars)					
Cost						
Balance -						
January 1, 2000	17,323	8,552	13,819	4,037	3,597	47,328
Current acquisitions	2,650	675	2,343	327	366	6,361
Adjustments from translation of foreign consolidated subsidiaries	(473)	(324)	(169)	(77)	(25)	(1,068)
Current dispositions	(63)	(182)	(1,280)	(580)	(756)	(2,861)
Balance - December 31, 2000	<u>(*) 19,437</u>	<u>8,721</u>	<u>14,713</u>	<u>3,707</u>	<u>3,182</u>	<u>49,760</u>
Accumulated depreciation						
Balance -						
January 1, 2000	5,842	4,625	7,424	2,444	2,507	22,842
Adjustments from translation of foreign consolidated subsidiaries	(201)	(279)	(126)	(67)	(16)	(689)
Current provision	570	586	1,742	323	573	3,794
Current dispositions	(44)	(89)	(979)	(576)	(730)	(2,418)
Balance - December 31, 2000	<u>6,167</u>	<u>4,843</u>	<u>8,061</u>	<u>2,124</u>	<u>2,334</u>	<u>23,529</u>
Net book value - December 31:						
2000	<u>13,270</u>	<u>3,878</u>	<u>6,652</u>	<u>1,583</u>	<u>848</u>	<u>26,231</u>
1999	<u>11,481</u>	<u>3,927</u>	<u>6,395</u>	<u>1,593</u>	<u>1,090</u>	<u>24,486</u>

(*) Includes \$1,654 thousand as excess of investment cost in a Belgian consolidated subsidiary over its net book value at acquisition, which was allocated to its land cost.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 10 - FIXED ASSETS (CONT.)

a. Composition (cont.):

Company

	December 31					T o t a l
	Land and buildings	Machines and equipment	Motor vehicles (in thousand	Furniture and office equipment US dollars)	Computers and related equipment	
Cost						
Balance -						
January 1, 2000	9,133	3,094	8,374	2,351	2,752	25,704
Current acquisitions	436	329	1,697	204	177	2,843
Current dispositions	(25)	(140)	(866)	(580)	(724)	(2,335)
Balance -						
December 31, 2000	<u>9,544</u>	<u>3,283</u>	<u>9,205</u>	<u>1,975</u>	<u>2,205</u>	<u>26,212</u>
Accumulated depreciation						
Balance -						
January 1, 2000	2,980	748	4,568	1,324	1,969	11,589
Current provision	270	214	1,033	179	435	2,131
Current dispositions	(8)	(89)	(712)	(576)	(726)	(2,111)
Balance -						
December 31, 2000	<u>3,242</u>	<u>873</u>	<u>4,889</u>	<u>927</u>	<u>1,678</u>	<u>11,609</u>
Net book value - December 31:						
2000	<u>6,302</u>	<u>2,410</u>	<u>4,316</u>	<u>1,048</u>	<u>527</u>	<u>14,603</u>
1999	<u>6,153</u>	<u>2,346</u>	<u>3,806</u>	<u>1,027</u>	<u>783</u>	<u>14,115</u>

b. Fully depreciated fixed assets: Consolidated - \$3,157 thousand; Company - \$1,786 thousand.

c. Depreciation and amortization rates:

	<u>%</u>	
Permanent buildings	4-2	
Temporary buildings	15-10	
Machinery, equipment and rental equipment	15-5	
Motor vehicles	15-10	(Mainly 15)
Office furniture and equipment	20-6	(Mainly 7)
Leasehold improvements	20-6.5	
Computers and related equipment	33-20	(Mainly 33)

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 11 - BUILDINGS FOR LEASE

a. In England

1. Consolidated

	December 31	
	2000	1999
	(in thousand US dollars)	
Cost		
Balance – January 1	77,713	56,018
Current acquisitions	4,883	26,327
Additions in respect of initial consolidation	-	11,024
Current deletions	-	(13,230)
Adjustments from translation of foreign consolidated subsidiaries' financial statements	(7,858)	(2,426)
Balance – December 31	<u>74,738</u>	<u>77,713</u>
Accumulated depreciation		
Balance – January 1	1,033	467
Current provision	722	835
Current deletions	-	(249)
Adjustments from translation of foreign consolidated subsidiaries' financial statements	(104)	(20)
Balance – December 31	<u>1,651</u>	<u>1,033</u>
Net book value –		
December 31	<u>73,087</u>	<u>76,680</u>

2. At the beginning of 2000, the Group changed the rate of depreciation on rental buildings in England from 2% to 1.5% per annum. The change in the depreciation rate was made in order to reflect the estimated useful life of the assets on the basis of an appraiser's report which was received regarding the economic useful life of those assets. The change reduced annual depreciation expenses by \$244 thousand.

3. Supplementary information

- a. Rental property in England, on an aggregate of 13,194 sq.m. at a total cost of £ 50.15m are rented for periods of 6 to 16 years in consideration for annual rental fees totalling £ 4.43m. The rent may be adjusted upwards every five years. In most agreements, maintenance and tax expenses related to the use of the assets are payable by the lessee.
- b. Regarding the purchase of an additional office building after the balance sheet date, See Note 30 below.

4. Liens – see Note 16a.d.

5. Distribution of ownership rights and leasing rights:

	December 31,
	2000
	(in thousand US dollars)
Owned land	57,452
Leased land (*)	15,635
	<u>73,087</u>

- (*) Leased from government agencies and from the Crown for periods ranging from 75 to 99 years (until 2060 – 2078).

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 11 - BUILDINGS FOR LEASE (CONT.)

b. In Israel

1. Consolidated

	December 31			
	2000			1999
	Active	Under construction (in thousand US dollars)	Total	Total
Cost				
Balance – January 1	27,071	5,269	32,340	22,125
Additions during the year	34,520	9,848	44,368	10,215
Rental buildings whose construction has been completed	3,575	(3,575)	-	-
Balance – December 31	<u>65,166</u>	<u>11,542</u>	<u>76,708</u>	<u>32,340</u>
Accumulated depreciation				
Balance – January 1	(896)	-	(896)	(487)
Current provision	(1,149)	-	(1,149)	(409)
Balance – December 31	<u>(2,045)</u>	<u>-</u>	<u>(2,045)</u>	<u>(896)</u>
Net book value				
Balance - December 31, 2000	<u>63,121</u>	<u>11,542</u>	<u>74,663</u>	
Balance - December 31, 1999	<u>26,175</u>	<u>5,269</u>		<u>31,444</u>
Total cost				
General and administrative expenses capitalized to building under self-construction	<u>136</u>	<u>-</u>	<u>136</u>	<u>136</u>

2. Annual depreciation rate:

	<u>%</u>
Buildings	2
Leasehold improvements	10
Building systems	5.7-7

3. Break-out between ownership rights and leasing rights:

	December 31 2000
	(in thousand US dollars)
Owned land (*)	8,135
Lands under capital leases (**)	<u>66,528</u>
	<u>74,663</u>

(*) The rights have not yet been registered in the Company's name with the Land Registry Office.

(**) The leasing periods are for 49 years (until 2043) with an option to extend for a further period under the terms set out in the leasing agreements.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 11 - BUILDINGS FOR LEASE (CONT.)

b. In Israel

4. Additional information

- a. An office and commercial building (built by a 60% owned and controlled subsidiary) spanning 23,300 square meters (including parking areas). Total cost (including purchase cost of the land) as of December 31, 1999 amounts to \$21,134 thousand. As of the issuance date of the financial statements, all the space is rented, for varying rental periods (mainly, up to 10 years, including option periods).
- b. In August 1999, a subsidiary purchased an office building under construction in the Rosh Ha'ayin industrial area. The total cost of the building (purchase cost plus related costs and costs of improving the property) is \$6.93m.
At the same time, the Company entered into a rental agreement in 1999 with the sellers, for a period of 10 years, in consideration for annual rental fees of \$625 thousand. The rental terms do not include an option for an additional rental period.
- c. In the years 1998 – 2000, a subsidiary entered into agreements to purchase rental buildings containing a total of 4,490 square meters. The balance of the subsidiary's obligations as of the balance sheet date (not yet a liability and accordingly not recorded in the financial statements) in respect of these agreements is \$6,261 thousand.
- d. In December 2000, the Company committed with a third party ("Oranim"), that it will join with it as a partner (50% of ownership and control) in the rights of Oranim, pursuant to an agreement to purchase a 4,000 square meter property from the Tel Aviv Municipality, as described below.

In December, Oranim won a tender to purchase ownership rights to land in the Tel Aviv area. Pursuant to the terms of the tender, Oranim will build a project of hotel apartments, residential space and other commercial space. The partnership also committed to build 350 square meters of communal space for the Tel Aviv Municipality. The total cost of the project (as per the existing building permit) is estimated at \$58m. As of December 31, 2000, the partnership invested \$3,529 thousand in the project. The total cost of the land is \$16,085 thousand (including purchase tax and related costs), linked to the index for July 1999.

Pursuant to the agreement, the parties agreed that the guarantees and collateral for the project's bank financing would be furnished at the ratio of 80% Electra and 20% Oranim, up to the amount of \$18,600 thousand. Beyond this amount, the parties will furnish guarantees for the project on an equal basis. If a caveat on the land covered by this agreement is not registered in favor of the Company within 36 months, Electra is entitled to cancel the commitment. Under the terms of the agreement, it was agreed that the Company would build the electro-mechanical systems in the project. The above agreement is contingent on several conditions, upon the fulfillment of which, the companies will have joint ownership rights to the property.

At the same time, the companies signed a memorandum of understanding with the Swiss hotel chain, Movenpick ("Movenpick") to manage the hotel to be built on the property. The management agreement is for a period of fifteen years, with the right to extend for two additional five-year periods. Pursuant to the memorandum of understanding, Movenpick committed to guarantee minimum annual revenues during the fifteen-year management period.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 11 - BUILDINGS FOR LEASE (CONT.)

b. In Israel (cont.)

4. Additional data (cont.)

- e. On December 30, 1999, a subsidiary entered into an agreement with Y. Moskovitz Construction Company Ltd. ("Moskovitz"), to purchase 50% of the rights to land containing a building, known as the "Ayalon Business Center" project for \$46m ("purchase agreement"). The complex contains 22,200 square meters of offices, 2,900 square meters of commercial space, 3,000 square meters of warehouses and 1,060 parking spaces. Furthermore, subject to approval of a new municipal building plan and future construction rights, it will be possible to build another 30,000 square meters of space in the project. There is a rental agreement covering 22,200 square meters with the Israeli Government, for a period of up to twenty years, effective February 2000.

Consummation of the agreement was contingent upon fulfillment of several contingent conditions. In November 2000, most of the conditions for the agreement's taking effect were fulfilled and the Company transferred \$30.07 thousand to Moskovitz in respect of its rights in the project. In February 2001, the Company transferred another \$4.95m to Moskovitz, in respect of its share in the two-story parking garage, the construction of which was completed subsequent to the balance sheet date, in accordance with the terms of the agreement. The total cost of the project (including purchase tax and related costs) as of December 31, 2000, is \$32m.

Of the total amount of \$46m an amount of \$11m will be paid in several installments subject to meeting a number of milestones (approval for municipal building plan, receipt of building permit, and actual completion of construction).

c. In Hungary

On November 2, 2000, a subsidiary signed a memorandum of understanding whereby the company will invest, jointly with a third party, in another partnership (50% ownership and control), the sum of \$569 thousand each. The partnership owns a company in Hungary that entered into a preliminary agreement to purchase land on which a residential and commercial project will be built.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 12 - OTHER ASSETS AND DEFERRED CHARGES, NET

Consolidated:

	December 31,			
	2000		1999	
	Amortization rate	Cost	Net book value	Net book value
%	(in thousand US dollars)			
Rights to operate sewage treatment plant (1)	5	3,712	3,542	3,712
Goodwill at acquisition of subsidiaries	10	660	148	210
Elevator service contracts – deferred charges	5	6,378	4,586	4,939
Goodwill at acquisition of operations	10	1,421	396	511
Other deferred charges		1,152	556	597
		<u>13,323</u>	<u>9,228</u>	<u>9,969</u>

- (1) On November 1, 1999, an investee entered into an agreement with two local authorities to obtain a license for operation and maintenance of a sewage treatment facility in Hazor, for 20 years. Under the terms of the agreement, the authorities will provide the facility with a minimum quantity of 1.4m cub. sewage per year. A deviation of 10% will not constitute a breach of the commitment by the authorities. The parties are able to modify the operating price every five years.

Company:

	December 31,			
	2000		1999	
	Amortization rate	Cost	Net book value	Net book value
%	(in thousand US dollars)			
Elevator service contracts – deferred charges	5	6,378	4,586	4,939
Goodwill	10	879	88	176
		<u>7,257</u>	<u>4,674</u>	<u>5,115</u>

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 13A - SHORT-TERM BANK BORROWINGS - TO FINANCE THE ACQUISITION OF RENTAL BUILDINGS IN ENGLAND

a. Composition:

	Annual interest (weighted) %	Consolidated	
		December 31,	
		2000	1999
		(in thousand US dollars)	
Short-term loan – in pounds sterling	(*) 6.35	1,658	2,646
Current maturities of long-term loan		1,056	853
		<u>2,714</u>	<u>3,499</u>

(*) Variable interest.

b. Collateral – see Note 20.

NOTE 13B - OTHER BANK CREDITS

a. Composition:

	Linkage basis	Interest rate (weighted)(*) %	Consolidated		Company	
			December 31,		December 31,	
			2000	1999	2000	1999
			(in thousand US dollars)			
Short-term loans	Belgian franc	5.5	4,012	4,228	115	512
Short-term borrowings and loans	Unlinked	8.7-9.0	22,370	5,221	11,136	-
Short-term loans	Various currencies	1.8-4.8	2,546	-	-	-
Current maturities of long-term loans		-	2,145	1,065	619	-
			<u>31,073</u>	<u>10,514</u>	<u>11,870</u>	<u>512</u>

(*) At the balance-sheet date.

b. Collateral – see Note 20.

NOTE 14 - TRADE ACCOUNTS PAYABLE

Composition:

	Consolidated		Company	
	December 31,		December 31,	
	2000	1999	2000	1999
	(in thousand US dollars)			
Unpaid supplier invoices	43,278	34,294	23,689	17,228
Notes and drafts payable	6,042	6,956	3,826	4,828
	<u>49,320</u>	<u>41,250</u>	<u>27,515</u>	<u>22,056</u>

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 15 - PAYABLES AND OTHER CURRENT LIABILITIES

Composition:

	Consolidated		Company	
	December 31,		December 31,	
	2000	1999	2000	1999
	(in thousand US dollars)			
Wages and related liabilities (*)	11,342	10,338	7,721	6,566
Deferred income	2,284	2,537	-	-
Provision for completion of projects	9,332	7,065	7,697	4,368
Indirect taxes	380	2,725	144	2,245
Income taxes – provisions net of advances	1,736	1,521	1,026	663
Customer advances	298	574	298	456
Elco Holdings Ltd.	475	500	471	500
Subsidiaries	-	-	4,288	859
Other companies (current maturities of long-term loans)	369	767	369	767
Warranty provision	440	396	-	-
Liability for land purchase	4,350	-	-	-
Other and accrued expenses	6,678	7,236	3,505	3,420
	37,684	33,659	25,519	19,844
(*) Includes vacation pay accrual	5,058	4,490	3,418	2,919

NOTE 16A - LOANS TO FINANCE BUILDINGS FOR RENTAL IN ENGLAND

1. Composition (consolidated):

	Annual	December 31,	
	interest rates	2000	1999
	%	(in thousand US dollars)	
Loans denominated in sterling:			
From banks and financial institutions	6.2-7.3 (1)	44,897	46,018
From financial institution	LIBOR+0.9 (2)	16,659	18,533
		61,556	64,551
Less: current maturities		1,056	853
		60,500	63,698

(1) Fixed interest.

(2) At December 31, 2000, the LIBOR was 6.17%. Commencing October 2000, according to a promissory note signed by the Company, it guaranteed to secure all debt incurred in respect of an increase in the stated interest rates in excess of 8%.

The borrowing company is entitled to fix the interest rate at any time up to April 10, 2002, at which time the bank may compel it to fix the interest rate for the entire loan period.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 16A - LOANS TO FINANCE BUILDINGS FOR RENTAL IN ENGLAND (CONT.)

2. Maturity dates:

	<u>Consolidated</u> <u>December 31,</u> <u>2 0 0 0</u> <u>(in thousand</u> <u>US dollars)</u>
First year - current maturities	<u>1,056</u>
Second year	1,514
Third year	1,979
Fourth year	9,652
Fifth year	2,012
Sixth year and thereafter	<u>45,343</u>
	<u>60,500</u>
	<u>61,556</u>

3. Additional Information

The loan agreements stipulate provisions related to early repayment of the loans, and undertake to indemnify the lender for damage to be incurred as a result of the early repayment, plus an early repayment penalty. Some of the loan agreements include covenants to meet several financial requirements. The violation of any one of these covenants will cause the early repayment of some of the loans in order to meet these financial covenants.

4. Liens:

To secure the loans (received by subsidiaries abroad), the Company registered a fixed first-level lien on the buildings, for the financing of which the loan proceeds were used, and on rental fee receipts or any other receipt to be received therefor. Other than as stated in (a) above, the Company is not a guarantor nor has it furnished other securities in respect of these loans.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 16B - OTHER LONG-TERM LOANS

1. Composition:

	<u>Annual</u> <u>interest rate</u> <u>%</u>	<u>December 31,</u> <u>2000</u> <u>1999</u> <u>(in thousand US dollars)</u>	
Consolidated:			
From banking institutions:			
CPI-linked	5.45-6.5	15,225	-
Less: current maturities		(1,185)	-
		<u>14,040</u>	<u>-</u>
In foreign currency or linked thereto:			
In Belgian francs (1)	3.3-6.5	3,706	4,593
In U.S. dollars (2)	7.35	364	3,958
In Euro	5.5	557	-
		<u>4,627</u>	<u>8,551</u>
Less: current maturities		(630)	(749)
		<u>3,997</u>	<u>7,802</u>
Linked to "Kfir" government bonds + 1.25%			
Less: current maturities		421	710
		(330)	(315)
		<u>91</u>	<u>395</u>
From other companies:			
CPI-linked	8.45	369	1,137
Less: current maturities		(369)	(767)
		<u>-</u>	<u>370</u>
From minority shareholders:			
In foreign currency:			
In pounds sterling	-	370	398
In Belgian francs		144	160
		<u>514</u>	<u>558</u>
Terms not determined		386	260
		<u>900</u>	<u>818</u>
Total		<u>19,028</u>	<u>9,385</u>
Company:			
From banking institutions:			
Linked to the CPI	6.3-6.5	12,372	-
Less – current maturities		(619)	-
		<u>11,753</u>	<u>-</u>
From other companies:			
CPI-linked	8.45	369	1,137
Less : current maturities		(369)	(767)
		<u>-</u>	<u>370</u>
Total		<u>11,753</u>	<u>370</u>

(1) Fixed interest.

(2) At December 31, 2000 - 7%.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 16B - OTHER LONG-TERM LOANS (CONT.)

2. Maturity dates

	December 31, 2000	
	Consolidated	Company
	Fixed interest	Fixed interest
	(in thousand US dollars)	
First year - current maturities	2,514	988
Second year	3,623	619
Third year	1,203	619
Fourth year	1,081	619
Fifth year and thereafter	11,302	9,896
Not yet determined	1,819	-
	<u>19,028</u>	<u>11,753</u>
	<u>21,542</u>	<u>12,741</u>

3. Liens – see Note 20.

4. Supplementary information

- a. According to an agreement between a bank and the Belgian subsidiary, the Company undertook that shareholders' equity would increase by 28 million Belgian francs (\$0.62m), through December 31, 2001, whether by increased net income or equity investment and/or shareholders' loans.

- b. According to a long-term banking agreement, the Company is required to maintain financial ratios, inter alia, an obligation to maintain a ratio of shareholders' equity, as defined in the agreement, to total assets of 20%.

NOTE 17 - ACCRUED SEVERANCE PAY, NET

a. Composition:

	Consolidated		Company	
	December 31,		December 31,	
	2000	1999	2000	1999
	(in thousand US dollars)			
Accrued severance pay	3,141	3,118	1,620	1,409
Less: funded portion	1,364	1,375	348	248
	<u>1,777</u>	<u>1,743</u>	<u>1,272</u>	<u>1,161</u>

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 17 - ACCRUED SEVERANCE PAY, NET (CONT.)

b. Severance pay

Most of the employees of the Company and its subsidiaries (“ the Group”) have joined comprehensive pension plans or managers’ insurance policies. To cover severance pay liabilities, the Group makes regular deposits into pension funds and insurance companies. The amounts accrued in provident funds, for the purpose of paying pensions, and in insurance companies, are not under the control or management of the Group. Accordingly, neither these amounts nor the liabilities in respect of which they are accrued, are included in the balance sheets.

The balance sheet provision represents the liability of the Group to supplement severance pay to employees who are covered by pension plans, for the period until they joined the plan, and for the portion of the liability that is not covered by regular deposits, in accordance with existing legislation and labor agreements, in respect of wage components for which, in the opinion of management, the employees are eligible for severance pay. In addition, the provision includes the liability to supplement severance pay for employees covered by managers’ insurance, based on their last salary and insured period of employment, as well as the full liability for severance pay and pension for certain employees.

To provide for some of these liabilities, the Group deposits additional amounts in a severance pay fund on the employees' behalf. The funded provision reflects deposits in severance pay funds, plus accrued income as of the date of the financial statements. The accrued amounts will be available to the companies when employees leave, after the obligations under the Severance Pay Law have been fulfilled.

c. Retirement grants

The Company included in the severance accrual amounts for the payment of retirement grants to employees who will retire from the Company upon reaching retirement age. The amount of the grant depends on the period of seniority accrued by the employee when he reaches retirement age. To cover this liability, the financial statements include a provision of \$463 thousand, based on the present value of the expected future payments.

In computing the provision the following have been taken into consideration: the number of years employed in the Company and the amount of the grant which will accrue to each employee on reaching retirement age; the period from commencement of employment of each employee or from the date of the employment agreement, whichever is later, through the balance sheet date; the last salary; and, an annual discount rate of 5%.

d. Pension

The Company has an obligation to pay pension payments to two executives who retired, or their heirs. To cover this liability, a provision in the amount of \$337 is included, which is based on the present value of the liability for pension payments, at an annual discount rate of 5%. The liability amount was determined on the basis of management’s estimate, according to life expectancy tables used by insurance companies.

e. Retraining grants

The balance sheet liability includes \$210 thousand for a salaried retraining period for which certain senior employees are eligible, pursuant to employment agreements with them. The amount of the provision is computed on the basis of the monthly salary of each of the employees covered by the provision, multiplied by the number of months of retraining for which the employee is eligible, based on the agreement with him.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 18 - COMMITMENT AND CONTINGENT LIABILITIES

a. Lawsuits

1. Lawsuit of \$12.4m were filed against the Company and a subsidiary for damages allegedly incurred. In the estimation of the Company's management, based on the opinion of its legal counsel, the amounts claimed fall within the limits of the product liability insurance policy held by the Company and the subsidiary. Therefore, the Companies will not incur material amounts, if any, in respect of its outcome. Consequently no provision has been made in the financial statements in respect thereof.

2. In connection with projects performed by the Company and its subsidiaries, lawsuits were filed in the aggregate amount of \$6.4m (adjusted). The Company's management believes, based on the opinion of its legal advisors and based on insurance coverage, that the likelihood of the materialization of the claims is remote, and the Group companies will not incur significant costs therefore, beyond a \$0.7m accrual included in the financial statements.

3. Against the Company and a subsidiary lawsuits were filed by former employees in the aggregate amount of \$0.5m, for wage differentials allegedly due to them. In the opinion of the Company's management, based on the opinion of its legal advisors, the Company and its subsidiaries will not incur significant costs, if at all, therefore, beyond a \$99 thousand accrual included in the financial statements.

4. In December 1999, the Histadrut Labor Federation, together with the Electra workers' council ("the petitioners"), filed a motion for a hearing on a collective labor dispute against the Company ("the motion"). The petitioners' allege breach of the collective labor agreement, relating also to salary and social benefits. Management believes, based on the advice of its legal counsel, it will not incur material expense in respect thereof beyond the provisions already made. Management notified the Histadrut and the Registrar of Collective Agreements in the Ministry of Labor, of the termination of the special collective agreements of the Company, effective March 31, 2000. The motion has been submitted for arbitration.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 18 - COMMITMENT AND CONTINGENT LIABILITIES (CONT.)

b. Commitments

1. The Company and Electra Consumer Products Ltd. ("ECP") are committed in an agreement, whereby the Company rents from ECP buildings situated on land it leases, and, at the same time, the Company rents to ECP buildings that it built, for an unspecified period, for net annual fees of \$337 thousand. ECP may demand that the Company vacate the leasehold if it deems such vacancy is necessary for the purpose of improving the property. In such a case, the parties will conduct negotiations as to the damages that ECP will pay to the Company. If ECP should be forced to vacate the property, the Company will vacate the leasehold without the right to receive damages.
2. Under the terms of a comprehensive arrangement of the Elco Group (for an unspecified period), the Company participates in Elco's expenses, at a rate of up to 6.5% of the Company's pre-tax income, as defined in the arrangement. Furthermore, the Company bears specific expenses that are incurred by Elco that can be allocated directly to the Company.

Two subsidiaries, with which the Company has no specific management agreements, bear the costs of management fees, based on the percentage of their contribution to consolidated income.
3. The Company is party to an employment agreement with its CEO (an interested party therein), whereby, in addition to his salary, he shall be entitled to a bonus of 2% of the Company's income, based on the consolidated income before tax and before capital gains or losses, as defined in the agreement.
4. The Company is party to an agreement with a subsidiary (74% owned and controlled), whereby the subsidiary will pay management fees to the Company at the rate of 1% of its revenues each year, up to a ceiling that is to be stipulated, in consideration for management services that the Company will render to it. In 2000, management fees were deducted with the consent of the parties in the amount of \$109 thousand (1999 and 1998 – \$145 thousand and \$129 thousand, respectively).
5. The Company, by means of Electra Real Estate Management (1997) Ltd. ("Electra Management"), is committed in a management agreement with Toran Development and Real Estate (1989) Ltd. ("Toran"), for a period ending April 30, 2002. Pursuant to the terms of the agreement, Toran will pay to Electra Management all of its direct expenses related to the building it owns, as variable operating fees, plus the sum of \$74 thousand (NIS-denominated, linked to the CPI), for management services. The agreement may be extended, unless one of the parties announces that it does not want to extend the agreement.

c. Guarantees

1.
 - a. The Company is a guarantor toward a bank, which is an interested party in the Company, for credit of \$6,325 thousand, made available to subsidiaries. In addition, the Company furnished guarantees, in favor of third parties, to secure the obligations of subsidiaries in the amount of \$615 thousand.
 - b. In addition, the Company is a guarantor toward a bank for a credit line of 2.5m sterling to be provided to a consolidated subsidiary. By December 31, 2000 this credit line had not been used.
2. Guarantees in the framework of a joint venture - see Note 11b.4.d.
3. Performance guarantees from banks – see Note 20 below.

ELECTRA (ISRAEL) LTD.

NOTES TO THE FINANCIAL STATEMENT

NOTE 19 - SHARE CAPITAL

a. Composition:

	<u>Authorized</u>		<u>Issued and outstanding</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>Number of shares</u>		<u>Number of shares</u>	
Ordinary shares, NIS 1 par value (*)	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,161,796</u>	<u>3,161,796</u>
(*) Includes shares held by subsidiary			<u>121,086</u>	<u>121,086</u>
Shares held by the Company			<u>1,330</u>	<u>-</u>

After the balance sheet date, the Company purchased an additional 2,470 shares.

b. All the shares are registered in name and listed for trading on the Tel Aviv Stock Exchange.

NOTE 20 - LIENS

- a.** To secure the liabilities of the Company and its subsidiaries to banks and other corporations, the Company and its subsidiaries registered floating liens, unlimited in amount, on their assets and rights, of all types, which they have currently or will have in the future; fixed liens on vehicles, instruments of all types deposited in banks, and rights to receipts from customers, share capital and goodwill; a first-level mortgage on land and buildings owned by subsidiaries, unlimited in amount.

Secured liabilities

	<u>Consolidated</u>	<u>Company</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2000</u>	<u>2000</u>
	<u>(in thousand US dollars)</u>	
Short-term liabilities to banks	19,310	-
Bank guarantees (*)	27,499	-
Long-term liabilities (includes current maturities)	8,270	369

(*) Unsecured guarantees from banks in the amount of \$49,061 thousand (Consolidated), and \$48,974 thousand (Company).

- b.** As to fixed liens on rental buildings in England and on the rental fees thereof to which the Company is entitled, to secure loans assumed by Group companies in England— see Note 16a. 4 above.
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