

ANNUAL REPORT 2012 – VAN LEER GROUP FOUNDATION

The Van Leer Group Foundation is a privately endowed charitable organization established in 1979 by Oscar Van Leer. It performs the holding function for all the Van Leer charitable activities and as such supervises its investment portfolio and the governance of its charitable activities. The Van Leer charitable activities are presently embodied in the Van Leer Group Foundation and the Bernard Van Leer Foundation in The Hague, and the Van Leer Jerusalem Institute and Jerusalem Film Centre in Israel. Apart from an investment portfolio, the Van Leer Group Foundation fully owns Crecor B.V. that is active as an Israeli venture capital company through its Israeli subsidiary, Docor International Management in Tel Aviv.

The Van Leer Group Foundation's origins lie with Bernard Van Leer, a Dutch industrialist and philanthropist. In 1919, he started a packaging company in the Netherlands that developed into a world leader in the packaging industry. Royal Packaging Industries provided him with the resources to pursue his philanthropic ideals: to use his wealth for the benefit of others. When he passed away in 1958, he had arranged that his business interests would continue to fuel his philanthropic activities. His wife Polly and their sons Wim and Oscar had already relinquished their inheritance rights and a humanitarian foundation had been established in 1949 in Lucerne, Switzerland.

In its articles of association, the Van Leer Group Foundation mentions three statutory objectives. These are:

- To promote the optimum development of socially and economically disadvantaged children up to the age of 8, with the objective of developing their innate potential to the greatest extent possible.
- To contribute to the development and strengthening of a Jewish democratic national home in Israel committed to a free, equitable and just society for all its citizens; to contribute to the pursuit of regional peace, for the benefit and betterment of social, cultural, and individual lives in Israel.
- To promote and advance the continuity and the preservation of the identity of the Van Leer entity.

The financial strategy of the foundation is formulated as follows:

'To maintain or add to the purchasing power of the investment assets, measured in Euros, and to provide a relatively predictable, stable and, in real terms, constant stream of income for annual charitable expenses by the foundation.'

The foundation regards future generations of grant recipients equally important as the present generation. Since its aim is to exist in perpetuity, the real value of the investment assets should, over the years, not be eroded by excessive pay-outs. In order to realize the above mentioned strategy of at least maintaining the purchasing power of investments, the long-term investment total returns (net of investment management fees and other related costs) must at least equal the sum of the foundation's annual expenditures (expected to average 4% of asset value) plus the rate of inflation. Thus, the primary investment goal is to earn an average annual real total return of 4%, within acceptable limits of risk. The foundation expects that this goal will not be realized every year, but could be achieved in most five-year periods. On December 31, 2012 the value of the global investment portfolio of the Van Leer Group Foundation amounted to € 622 million (2011: €608 million).

The investment policy of the foundation is implemented (with the exception of Crecor B.V.) by external investment managers.

The total return on assets (net of all investment related fees) in 2012 was 6.7%. However, to assess the adequacy of an investment policy for the agreed upon pay-out for charitable activities (i.e. the sum of the foundation's annual expenditures), it is important not to concentrate on a total return figure of one single year. Instead, it is important to look at total return figures over a longer period of time. For the Van Leer Group Foundation this means looking at total return figures since 1996, the year that Royal Packaging Industries Van Leer went public and an objective value for our assets could be established. The average total return on the investment portfolio of the Van Leer Group Foundation since inception, i.e. 1996, has been 5.4% (at the end of 2011: 5.3%). After reduction of an average annual inflation figure over this period of 2.1% (OECD CPI Netherlands) the annual real total return has been 3.3%. This annual real total return of 3.3% does not meet the investment objectives.

The breakdown of the foundation's expenditures over 2012 was:

	2011	2012
	€ Thousands	€ Thousands
Bernard Van Leer Foundation	17.257	17,257
Van Leer Jerusalem Institute	3,869	3,665
Jerusalem Film Center	760	653
Incidental contributions	35	39
<i>Total</i>	<i>21,921</i>	<i>21,614</i>

The charitable spending pay-out in 2012 was 3.51% of the average assets over that year (2011: 3.51%). If the annual expenditures of the Van Leer Group Foundation itself are added, the overall total is € 23,125 million (2011: € 23.495 million). The actual pay-out in 2012 was 3.76% of the average assets over that year (2011: 3.76%).

Governing Council as of December 31st 2012

Peter Bell (*U.S.*)

Gideon Frank (*Israel*)

Rien van Gendt (*Netherlands*)

Trude Maas, Chair (*Netherlands*).

Jacqueline Tammenoms Bakker (*Netherlands*)

Robert Swaak, (*Netherlands*)

Baroness Rabbi Julia Neuberger (*UK*)

Jonathan Kestenbaum (*UK*)

The Van Leer Group Foundation remunerates its members of the Governing Council. Some members have waived the right to remuneration. Members are reimbursed for travel and other related expenses. The Van Leer Group Foundation has no remuneration policy for its 3 staff members. Compensation is determined on a case by case basis, according to market conditions and job requirements.

Staff as of December 31st 2012

Andre Betting (*Netherlands*), Executive Director

Jacqueline Jacob

Tim Otto

Contact

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Balance sheet as at December 31, 2012

(after appropriation of result)

	Note	2012		2011	
		EUR000	EUR000	EUR000	EUR000
Investments					
Participating interests	1		34,262		41,065
Financial investments	2		588,118		567,075*
			<u>622,380</u>		<u>608,140</u>
Other assets and liabilities					
Receivables	3	652		571	
Tangible fixed assets		49		41	
Cash and cash equivalents	4	710		654*	
Current liabilities	5	(15,496)		(15,330)	
Net other assets/(liabilities)			<u>(14,085)</u>		<u>(14,064)</u>
Total assets less liabilities			<u>608,295</u>		<u>594,076</u>
Capital and reserves					
Capital	6		2,268		2,268
Reserve BVLFF			35,751		17,257
Reserve VLJI			7,330		3,665
Reserve VLJI building			1,426		1,298
Reserve JFC			653		653
Reserve other contributions			78		117
General reserve			<u>560,789</u>		<u>568,818</u>
			<u>608,295</u>		<u>594,076</u>
			<u>608,295</u>		<u>594,076</u>

*2011 reclassified, see note 'Change of presentation'.

Statement of comprehensive income and expenditure for the year 2012

	Note	2012		2011	
		EUR000	EUR000	EUR000	EUR000
Income					
Result from participating interests	1		(1,901)		(16,110)
Income from financial investments	11		15,278		12,425
(Un)realised differences in valuation of financial investments and exchange rate differences	12		30,123		(2,493)
Impairment of other fixed assets	3		(1,243)		-
Fund managers' fees			(1,238)		(1,239)
Investment fees	13		(3,675)		(3,081)
			<u>37,344</u>		<u>(10,498)</u>
Expenditure					
General and administrative expenses	14		983		1,000
Remuneration and expenses Governing Council members	15		452		543
Incidental expenses	16		76		31
			<u>1,511</u>		<u>1,574</u>
Net result			<u>35,833</u>		<u>(12,072)</u>
Direct capital movements					
Contributions BVLF	6	17,257		17,257	
Contributions VLJI	6	3,665		3,869	
Contributions Jerusalem Film Center	6	653		760	
Other contributions	6	39		35	
			<u>21,614</u>		<u>21,921</u>
Total result of the Foundation			<u>14,219</u>		<u>(33,993)</u>