Tempo Beverages Ltd.

Consolidated Financial Statements

As of December 31, 2021

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Contents

	Page
Auditors' Reports	
Consolidated Statements of Financial Position	2
Consolidated Statements of Income	4
Consolidated Statements of Other Comprehensive Income and Loss	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	9

Consolidated Statement of Financial Position as at

	Note	December 31 2021 NIS thousands	December 31 2020 NIS thousands
Current assets			
Cash and cash equivalents		**56,527**	36,924
Trade receivables	4	**320,220**	286,106
Other receivables	5	**31,353**	42,797
Inventory	6	**329,091**	300,604
Current tax assets		**4,778**	5,953
Total current assets		**741,969**	672,384
Long-term loans and receivables	7	**31,684**	31,166
Fixed assets	9	**783,703**	761,321
Intangible assets	10	**17,901**	21,974
Investment in equity accounted investee companies	8	**58,284**	37,732
Investments measured at fair value		**8,036**	-
Inventory in process		**6,747**	7,061
Deferred tax assets	24	**8,368**	9,448
Total long-term assets		**914,723**	868,702
Total assets		**1,656,692**	1,541,086

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

Consolidated Statement of Financial Position as at

	Note	December 31 2021 NIS thousands	December 31 2020 NIS thousands
Liabilities			
Short-term credit from banks	11	**35,901**	48,128
Trade payables	12	**288,230**	234,883
Other payables	13	**117,549**	97,630
Derivative instruments		**1,552**	1,312
Current maturities of debentures	15	**42,442**	42,534
Current maturities of liabilities in respect of leasing	30	**29,884**	23,040
Current tax liabilities		**14,167**	7,753
Total current liabilities		**529,635**	455,280
Liabilities to banking institutions	14	**44,342**	63,004
Other long-term liabilities	14	**2,548**	2,576
Long-term liabilities in respect of leasing	30	**100,110**	92,502
Debentures	15	**193,834**	235,622
Deferred tax liabilities	24	**33,682**	28,686
Employee benefits	16	**12,783**	9,272
Total non-current liabilities		**387,299**	431,662
Total liabilities		**916,934**	886,942
Equity			
Non-controlling interest		**680**	672
Share capital		**1**	1
Share premium		**147,334**	147,334
Translation reserve		**(6,353)**	(1,263)
Retained earnings		**598,096**	507,400
Total equity attributable to equity holders of the Company	17	**739,078**	653,472
Total equity		**739,758**	654,144
Total liabilities and equity		**1,656,692**	1,541,086

Jacques Beer **Chairman of the Board and CEO**	**Amir Borenstein** **Deputy Chairman of the Board**	**Eyal Tregerman** **CFO**

Date of approval of financial statements: March 31, 2022

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

Consolidated Statement of Income for the year ended December 31

	Note	2021 NIS thousands	2020 NIS thousands	2019 NIS thousands
Revenues from sales, net	18	**1,698,544**	1,385,960	1,514,821
Cost of sales	19	**1,099,907**	883,576	945,062
Gross profit		**598,637**	502,384	569,759
Selling and marketing expenses	20	**(348,776)**	(303,897)	(349,095)
General and administrative expenses	22	**(83,051)**	(79,611)	(84,222)
Other income	21	**6,457**	786	68
Other expenses	21	-	(1,798)	(590)
Operating profit		**173,267**	117,864	135,920
Financing income	23	**6,118**	389	1,927
Financing expenses	23	**(16,858)**	(19,453)	(21,813)
Financing expenses, net		**(10,740)**	(19,064)	(19,886)
Share in profits of equity-accounted investee companies	8	**2,860**	27	3,022
Profit before taxes on income		**165,387**	98,827	119,056
Taxes on income	24	**(39,540)**	(24,098)	(29,279)
Profit for the year		**125,847**	74,729	89,777
Attributed to:				
Equity holders of the Company		**125,839**	74,692	89,759
Non-controlling interest		**8**	37	18
		125,847	74,729	89,777

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

Consolidated Statement of Income and Loss and Other Comprehensive Income for the year ended December 31

	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Profit for the year	**125,847**	74,729	89,777
Components of the other comprehensive income after initial recognition were or will be carried to profit and loss:			
Foreign currency translation differences in respect of foreign operations	**(5,090)**	1,023	(4,463)
Components of the other comprehensive income not carried to profit and loss:			
Defined benefit plan actuarial gains (losses), net of tax	**(143)**	601	(428)
Other comprehensive gains (losses), net of tax	**(5,233)**	1,624	(4,891)
Total comprehensive income for the year	**120,614**	76,353	84,886
Comprehensive income attributed to:			
Equity holders of the Company	**120,606**	76,316	84,868
Non-controlling interests	**8**	37	18
Total comprehensive income for the year	**120,614**	76,353	84,886

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

Statement of Changes in Shareholders' Equity

	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
	Share Capital	Share Premium	Translation Reserve	Retained Earnings	Total		
	NIS thousands						
For the year ended December 31, 2021							
Balance as at January 1, 2021	**1**	**147,334**	**(1,263)**	**507,400**	**653,472**	**672**	**654,144**
Dividend paid	**-**	**-**	**-**	**(35,000)**	**(35,000)**	**-**	**(35,000)**
Foreign currency translation differences in respect of foreign operations	**-**	**-**	**(5,090)**	**-**	**(5,090)**	**-**	**(5,090)**
Actuarial losses from defined benefit plan, net of tax	**-**	**-**	**-**	**(143)**	**(143)**	**-**	**(143)**
Profit for the year	**-**	**-**	**-**	**125,839**	**125,839**	**8**	**125,847**
Balance as at December 31, 2021	**1**	**147,334**	**(6,353)**	**598,096**	**739,078**	**680**	**739,758**
For the year ended December 31, 2020							
Balance as at January 1, 2020	1	147,334	(2,286)	457,107	602,156	635	602,791
Dividend paid	-	-	-	(25,000)	(25,000)	-	(25,000)
Foreign currency translation differences in respect of foreign operations	-	-	1,023	-	1,023	-	1,023
Actuarial gains from defined benefit plan, net of tax	-	-	-	601	601	-	601
Profit for the year	-	-	-	74,692	74,692	37	74,729
Balance as at December 31, 2020	1	147,334	(1,263)	507,400	653,472	672	654,144
For the year ended December 31, 2019							
Balance as at January 1, 2019	1	147,334	2,177	402,776	552,288	617	552,905
Dividend paid	-	-	-	(35,000)	(35,000)	-	(35,000)
Foreign currency translation differences in respect of foreign operations	-	-	(4,463)	-	(4,463)	-	(4,463)
Actuarial losses from defined benefit plan, net of tax	-	-	-	(428)	(428)	-	(428)
Profit for the year	-	-	-	89,759	89,759	18	89,777
Balance as at December 31, 2019	1	147,334	(2,286)	457,107	602,156	635	602,791

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

Statement of Cash Flows for the Year ended December 31

	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities			
Profit for the year	**125,847**	74,729	89,777
Adjustments:			
Depreciation and amortization	**135,123**	132,147	134,310
Share of Company in profits of equity-accounted investee companies	**(2,860)**	(27)	(3,022)
Profit on revaluation of investments, net	**(2,578)**	-	-
Financing expenses, net	**13,695**	14,926	17,720
Capital loss from sale of fixed assets, net	**2,740**	2,099	1,322
Tax expenses on income	**39,540**	24,098	29,279
	311,507	247,972	269,386
Change in inventory	**(30,092)**	(2,844)	14,276
Change in trade receivables and other receivables	**(25,644)**	58,374	(22,268)
Change in trade payables and other payables	**76,633**	3,922	3,552
Change in employee benefits	**3,325**	3,235	4,263
	24,222	62,687	(177)
Income tax paid	**(25,832)**	(7,893)	(32,775)
Net cash provided by operating activities	**309,897**	302,766	236,434
Cash flows from investing activities			
Payment of deferred consideration in respect of acquisition of subsidiary	**(612)**	(914)	-
Acquisition of subsidiary, net of the acquired cash	**-**	-	7,585
Dividends received	**2,950**	3,161	3,770
Investment in investee companies and partnership	**(20,289)**	(1,283)	(4,250)
Investments in companies measured at fair value	**(3,758)**	-	-
Proceeds from sale of fixed assets	**797**	313	1,389
Acquisition of fixed assets	**(96,046)**	(85,542)	(86,117)
Acquisition of intangible assets	**(2,409)**	(1,334)	(1,931)
Investment in long-term receivables	**(28,924)**	(21,072)	(39,814)
Receipts from investment in long-term receivables	**11,409**	20,255	21,049
Net cash used in investing activities	**(136,882)**	(86,416)	(113,489)

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

Statement of Cash Flows for the Year ended December 31 (cont'd)

	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Cash flows from financing activities			
Repayment of short-term credit, net	**(11,021)**	(291,529)	(14,319)
Distributed dividend	**(35,000)**	(25,000)	(35,000)
Issuance of debentures	**-**	198,120	52,325
Repayment of debentures	**(41,743)**	(31,524)	(31,524)
Repayment of long-term banks loans	**(19,861)**	(21,280)	(27,772)
Repayment of principle of liabilities in respect of leasing	**(33,331)**	(30,255)	(27,141)
Repayment of other long- term liabilities	**(140)**	(140)	(140)
Interest paid	**(13,720)**	(14,584)	(18,146)
Net cash used in financing activities	**(152,816)**	(216,192)	(101,717)
Net change in cash and cash equivalents	**20,199**	158	21,228
Cash and cash equivalents as at the beginning of the year	**36,924**	36,690	15,674
Impact of exchange rate fluctuations on balance of cash and cash equivalents	**(596)**	76	(212)
Cash and cash equivalents as at the end of the year	**56,527**	36,924	36,690

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

Note 1 – General

A. The reporting entity

Tempo Beverages Ltd. (hereinafter – the "Company") is an Israeli-resident company which was incorporated in Israel. The official address of the Company is 2 Giborei Israel Street, Sapir Industrial Zone, Netanya. The consolidated financial statements of the Company as of December 31, 2021 include those of the Company and its subsidiaries (hereinafter together – the "Group"), and the rights of the Group in equity-accounted investee companies and partnership. The Company is held under the joint control of Tempo Holdings (2021) Ltd. (hereinafter – "Tempo Holdings") (60%), see Note 1C below, and Heineken International B.V. (40%). The Group engages in the manufacture, import, marketing and distribution of non-alcoholic drinks, alcoholic drinks, wines and hard drinks.

The debentures of the Company are listed for trade on the Tel Aviv Stock Exchange.

B. Significant events

During the first quarter of 2021, the customers of the Company in the On-Trade Channel gradually returned to activity, after having been prohibited from doing so during most of the months of the previous year as a result of the spreading of the Corona virus. The Company included in the 2020 financial statements a general provision for forecasted credit losses in respect thereof.

As of the date of approval of the financial statements, in view of the fact that we are dealing with a crisis that is characterized by uncertainty involving among other things the length of the crisis and the steps to be taken by the Government, if at all, the Company constantly monitors developments and possible effects on the financial statements.

C. Change in structure

On October 5, 2021, a change in structure was consummated, as part of which Tempo Beer Industries Ltd. transferred the shares of the Company which it held until that date (60%) to Tempo Holdings.

Tempo Holdings is a sister company to Tempo Beer Industries Ltd. and it is held by the same shareholders, at identical percentages to the percentage of their holdings in Tempo Industries.

Note 1 – General (cont'd)

D. Definitions

In these financial statements -

1. **The Company** – Tempo Beverages Limited.
2. **The Group** – Tempo Beverages Limited and its consolidated subsidiaries
3. **Consolidated companies / subsidiaries** – Companies, whose financial statements are fully consolidated, directly or indirectly, with those of the Company.
4. **Investee companies and partnership** – Companies and a partnership, including a joint venture, the investment of the Company in which is included, directly or indirectly, in the financial statements on the equity basis.
5. **Joint arrangements** – Arrangements in which the Group has joint control, achieved pursuant to a contractual agreement that requires unanimous consent regarding activities that significantly impact the yield from the arrangement.
6. **Parent Company / Tempo Holdings** – Tempo Holdings (2021) Ltd.
7. **Interested parties** – As defined in Paragraph (1) of the definition of an "interested party" in a company in Article 1 of the Securities Law – 1968.
8. **Related party** - As defined in International Accounting Standard 24 (2009), "Related Party Disclosures".

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance with IFRS

The consolidated financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared also in accordance with the Securities Regulations (Annual Financial Statements) - 2010.
The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 31, 2022.

B. Functional and presentation currency

These consolidated financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousand. The NIS is the currency that represents the principal economic environment in which the Company operates.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Derivative financial instruments measured at fair value through profit or loss;
- Deferred tax assets and liabilities;
- Assets and liabilities in respect of employee benefits;
- Inventory measured at the lower of cost and net realization value.
- Investments in affiliated companies / joint ventures
- Investments measured at fair value

For further information regarding the measurement and these assets and liabilities see Note 3 regarding significant accounting policies.

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

D. Use of estimates and judgments

Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires that management of the Company make assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year is presented in the following notes:

Contingent liabilities

Management of the Company assesses whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company and its investees based on, inter alia, the opinion of its legal counsel. For further information on the Company's exposure to claims see Note 28 regarding contingent liabilities.

Determining fair value

For purposes of preparing the financial statements, the Company must determine the fair value of certain assets and liabilities. Additional information pertaining to the determination of the fair value is included in Note 26 – Financial Instruments.

In determining the fair value of an asset or liability, the Group uses observed market data whenever possible. The measurement of fair value is divided into three levels in the fair value hierarchy, based on data used in the valuation, as follows:

- Level 1: quoted (unadjusted) data on an active market for identical instruments.
- Level 2: directly or indirectly observed, not included in Level 1.
- Level 3: data not based on observed market data.

E. Operating cycle

The ordinary operating cycle of the Company is one year. Current assets and current liabilities are items that are designated and expected to be realized within the Company's ordinary operating cycle. The operating cycles of the Barkan segment is mostly one to two years. As a result, current assets and current liabilities also include items the realization of which is intended and anticipated to take place within the operating cycle of these operations of up to two years.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements, and have been applied consistently by Group entities   In this note, in all places in which the Group elected accounting alternatives permitted by accounting standards and/or elected accounting policy regarding an issue for which there is no explicit provision in accounting standards, disclosure is set out in **bold** type. The bold type does not indicate that such accounting policy is more important than the non-bolded accounting policies.

A. Basis of consolidation

(1) Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taking into account when assessing control.

The Group recognizes goodwill as of the date of acquisition on the basis of the fair value of the consideration that was transferred and the fair value as of the date of acquisition of an equity right in the acquiree that was previously held by the Group, less the net amount that was allocated upon acquisition to identifiable assets that were acquired and to liabilities that were assumed. In a business combination that was achieved in stages, **the difference between the fair value as of the date of acquisition of the equity rights in the acquiree that were previously held by the Group and the carrying value as of the same date is carried to profit and loss as part of the item entitled "revenues" or "other expenses".**

(2) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(3) Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (e.g., ordinary shares), are measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Allocation of profit and loss and other comprehensive income to the shareholders

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Profit or loss and other comprehensive income are allocated to the owners of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.

Note 3 – Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

(3) Non-controlling interests (cont'd)

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. **Any difference between the consideration paid and the change in non-controlling interests is included in the owners' share in equity of the Company directly in retained earnings.**

(4) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

B. Investment in associate companies and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. There is a rebuttable presumption that significant influence exists when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.
Joint ventures are joint arrangements in which the Group has rights to the net assets of the arrangement. The investments in associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

C. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currency and measured in terms of historical cost are translated using the exchange rate at the date of the transaction.
Exchange rate differences, deriving from the translation to the functional currency are recognized in profit and loss.

2. Foreign operations

The assets and liabilities of the foreign operations were translated into shekels on the basis of the exchange rates that were in effect as of the reporting date. Expenses and revenues of the foreign operations were translated into shekels on the basis of the exchange rates that were in effect as of the date of the transactions.

Note 3 – Significant Accounting Policies (cont'd)

C. Foreign currency (cont'd)

2. Foreign operations (cont'd)

The exchange rate differentials in respect of the translation are recognized in other comprehensives income and are presented in equity under the item entitled "Foreign currency translation differences in respect of foreign operations'.

When the settlement of loans that were placed is not planned and is not expected in the foreseeable future, gains and losses on translation differentials that derive from these monetary items are included as part of the investment in the foreign operations, net, are recognized in other comprehensive income and are presented in equity as part of the translation reserve.

D. Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets
The Company initially recognizes trade receivables on the date that they are created. All other financial assets and liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus, in the event of financial assets or financial liabilities that are not presented at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Classification of financial assets into categories and the accounting treatment of each category
Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing only payments of principal and interest on the principal amount outstanding on specified dates.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the debt instrument give rise to cash flows representing only payments of principal and interest on the principal amount outstanding on specified dates.

Note 3 – Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

(1) Non-derivative financial assets (cont'd)

In certain cases, on initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent recognition and measurement of financial assets
The Group has balances of trade and other receivables that are held as part of a business model, the goal of which is the collection of contractual cash flows. Contractual cash flows in respect of such financial assets contain only payments of principle and interest that reflect consideration in respect of the time value of money and credit risk. Accordingly, these financial assets are measured at amortized cost.

Derecognition of financial assets
Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group classifies its financial assets according to the following categories:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost, less any impairment losses. Loans and receivables include cash and cash equivalents, trade accounts receivable, other accounts receivable and loans.

Cash and cash equivalents
Cash and cash equivalents consist of cash balances available for immediate use and call deposits. Cash equivalents consist of short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Note 3 – Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

(2) Derivative financial instruments

Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Derivatives are recognized initially at fair value. Attributable transaction costs are carried to profit and loss when incurred. **Changes in the fair value of derivatives are recognized immediately in profit or loss under financing income or expenses.**

(3) Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated.
Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.
Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.
Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.
The Group has non-derivative financial liabilities as follows: loans and credit from banks and others, debentures, and trade and other payables.
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legal enforceable right to offset the amounts recognized and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(4) CPI-linked assets and liabilities that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual increase/decrease in the CPI.

E. Fixed assets

(1) Recognition and measurement

Fixed asset items are measured at cost less accumulated depreciation.
Cost includes expenditures that are directly attributable to the acquisition of the asset and any cost that is directly attributable to bringing the asset to the location and working condition that enable it to operate in accordance with the intentions of Management.

When major parts of a fixed asset item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gains and losses on disposal of a fixed asset item are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized net within “other income” or “other expenses”, as relevant, in profit or loss.

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Note 3 - Significant Accounting Policies (cont'd)

E. Fixed assets (cont'd)

(2) Subsequent costs

The cost of replacing part of a fixed asset item and other subsequent costs are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

(3) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance lease agreements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably expected that the Group will obtain ownership of the asset at the end of the leasing period.

The estimated useful lives for the current and comparative periods are as follows:

	Years
• Lands under finance lease and buildings	20 – 50
• Machinery and equipment	10
• Office furniture and equipment	3 – 17
• Motor vehicles and Boats	5 – 17
• Computers	3 – 4
• Selling equipment	3 – 10
• Returnable packaging	2 – 10
• Vineyards	4 – 10

Depreciation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

F. Intangible assets

Intangible assets, including in respect of brand names, distribution rights and customer relations, acquired by the Group and having finite useful lives, are measured at cost, less amortization.

Goodwill generated as a result of the acquisition of subsidiaries is presented as part of intangible assets. For additional information on the measurement of goodwill upon initial recognition, see section A(1) above.
In succeeding periods, goodwill is measured at cost, less accrued impairment losses.

(1) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Note 3 - Significant Accounting Policies (cont'd)

F. Intangible assets (cont'd)

(2) Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset.

Amortization is recognized in profit or loss on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in each asset. Goodwill is not systematically amortized, rather it is checked at least once a year for impairment.

The estimated useful lives are as follows:

	Years
• Brand names	15
• Software	3 – 5
• Distribution rights	5 – 7
• Customer relations	3.5

The Group examines at least at the end of each year the estimates regarding the amortization method and the useful lives. When necessary, adjustments are made to these estimates.

The Group examines the useful life of an intangible asset that is not periodically amortized at least once a year in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

G. Inventories

Inventories are measured at the lower of cost and net realizable value. **The cost of raw material inventories is based on the "moving average" method**, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition.
In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

H. Impairment

(1) Non-derivative financial assets

Financial assets impaired by credit risk

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract such as a default or payments being past due;
- The restructuring of a loan or payment due to the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Note 3 - Significant Accounting Policies (cont'd)

H. Impairment

(1) Non-derivative financial assets (cont'd)

Financial assets impaired by credit risk (cont'd)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In respect of material financial assets, the Group assesses the need to record impairment losses on the basis of each asset separately. In respect of all of the other financial assets, the Group assesses the need to record an impairment loss on a collective basis, according to groups having similar credit risk characteristics.

All of the impairment losses are carried to profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

(2) Non-financial assets

The timing of impairment testing

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill, or intangible assets that have indefinite useful lives or are unavailable for use.

Measuring a recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset or cash-generating unit.

Recognition of an impairment loss

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit on a pro rata basis.

Note 3 - Significant Accounting Policies (cont'd)

H. Impairment (cont'd)

(3) Investments in associates and joint ventures

An investment in an associate or joint venture is tested for impairment when objective evidence indicates there has been impairment (as described in Paragraph (1) above).

If objective evidence indicates that the value of the investment may have been impaired, the Group estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price. In assessing value in use of an investment in an associate or joint venture, the Group either estimates its share of the present value of estimated future cash flows that are expected to be generated by the associate or joint venture, including cash flows from operations of the associate or joint venture and the consideration from the final disposal of the investment, or estimates the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount. An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate or in the joint venture.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

I. Employee benefits

(1) Post-employment benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or by central severance pay provident funds. They are classified as defined contribution plans and as defined benefit plans.

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group's obligations for contributions to a defined contribution plan are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

Note 3 - Significant Accounting Policies (cont'd)

I. Employee benefits (cont'd)

(1) Post-employment benefits (cont'd)

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is the yield at the reporting date on high-quality linked corporate debentures denominated in the shekel currency, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a net asset for the Group, an asset is recognized up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realized over the life of the plan or after settlement of the obligation.

When the benefits granted to employees by the plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized in profit or loss when the plan improvement or curtailment occurs.

Remeasurement of the net defined benefit liability (asset) including actuarial gains and losses, the return on plan assets (excluding interest) is recognized immediately directly in retained earnings through other comprehensive income.

Interest costs in respect of a defined benefit obligation and interest income on plan assets that were recognized in profit or loss are presented under financing income and expenses, respectively.

The Group offsets an asset relating to one benefit plan from the liability relating to another benefit plan only when there is a legally enforceable right to use the surplus of one plan to settle the obligation in respect of the other plan, and there is intent to settle the obligation on a net basis or to simultaneously realize the surplus of one plan and settle the obligation in the other plan.

(2) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Note 3 - Significant Accounting Policies (cont'd)

I. Employee benefits (cont'd)

(3) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Company expects the benefits to be fully settled.

J. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision is adjusted each period to reflect the time that has passed and is recognized as a financing expense.

Legal claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

K. Revenue

The Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the transfer of goods or services promised to the customer, other than amounts collected for third parties.

The model for recognizing revenue from contracts with customers includes five phases for analyzing transactions in order to determine the timing and amount of revenue recognition:

A. Identifying the contract
B. Identifying distinct performance obligations in the contract
C. Determining the price of the transaction
D. Allocating the transaction price to distinct performance obligations
E. Recognizing revenue upon the fulfillment of performance obligations

1. Identifying the contract

The Company accounts for a contract with a customer only when all of the following conditions are met:

(a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
(b) The Company can identify the rights of each party in relation to the goods or services that will be transferred;
(c) The Company can identify the payment terms for the goods or services that will be transferred;
(d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
(e) It is probable that the consideration, to which the Company is entitled to in exchange for the goods or services transferred to the customer, will be collected.

Note 3 - Significant Accounting Policies (cont'd)

K. Revenue (cont'd)
1. Identifying the contract (cont'd)

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Company has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

2. Identifying a performance obligation

On the contract's inception date the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:
(a) Goods or services (or a bundle of goods or services) that are distinct; or
(b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.
The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to ascertain whether a promise to transfer goods or services is separately identifiable, the Company examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

3. Determining the price of the transaction

The transaction price is the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Company takes into account the effects of all the following elements when determining the transaction price: variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to the customer.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties, claims and disputes and contract modifications, the consideration in respect of which has not yet been agreed by the parties.

The Company includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Company revises the amount of the variable consideration included in the transaction price.

4. Satisfaction of a performance obligation

Revenue is recognized when the Company satisfies a performance obligation by transferring control over promised goods or services to the customer.

Note 3 - Significant Accounting Policies (cont'd)

L. Financing income and expenses

Financing income includes interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains recognized in profit or loss. Interest income is recognized as it accrues.

Financing expenses include interest expenses on loans received, changes in the fair value of financial assets at fair value through profit or loss, losses in respect of exchange rate differentials, and impairment losses in respect of financial assets (except for losses in respect of a provision for expected credit losses presented as part of general and administrative expenses).

Credit costs not capitalized to qualifying assets are carried to profit and loss on the effective interest method.

In the statements of cash flows, dividends received are presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

M. Income tax expenses

Income tax expenses include current and deferred tax. Income tax expenses are recognized in profit or loss or in other comprehensive income in the event that they derive from items that are carried to other comprehensive income.

Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include changes in tax payments related to prior years.

Offset of current tax assets and liabilities

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and there is intent to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill,
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and
- Differences relating to investments in subsidiaries, joint arrangements and associates, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Note 3 - Significant Accounting Policies (cont'd)

M. Income tax expenses (cont'd)

A deferred tax asset is recognized in the accounting records in respect of carried forward losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets that were not recognized are reevaluated at each reporting date and recognized if it has become probable that future taxable profits will be available against which they can be utilized.

N. Discounts from suppliers

Discounts from suppliers which are not contingent on meeting certain targets are included in the financial statements when the Company makes the relative purchases that entitle it to the discount.

O. Leases

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and
(b) The right to direct the identified asset's use.

(2) Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease. Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used.
Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

(3) The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Note 3 - Significant Accounting Policies (cont'd)

O. Leases (cont'd)

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Vineyards 9-22 years
- Buildings 2-16 years
- Motor vehicles 3-7 years

(6) Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

P. New standards, amendments to standards and interpretations not yet adopted

Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current*

The Amendment replaces certain requirements for classifying liabilities as current or non-current. Thus for example, according to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period, this instead of the requirement that there be an "unconditional" right. According to the Amendment, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity. The Amendment is effective for reporting periods beginning on or after January 1, 2024 with earlier application being permitted. The Amendment is applicable retrospectively, including an amendment to comparative data. The Company has not yet commenced examining the effects of applying the Amendment on the financial statements.

Amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts*

According to the Amendment, when assessing whether a contract is onerous, the costs of complying with a contract that should be taken into consideration are costs that relate directly to the contract, which include as follows: an allocation of other costs that relate directly to complying with a contract (such as depreciation expenses for fixed assets used in fulfilling that contract and other contracts).The date of initial adoption of the Amendment was set for January 1, 2022, by way of adjusting retained earnings for the cumulative effects as of that date. The Amendment may impact the identification and measurement of onerous contracts in the Company which may be manifested in the creation of provisions which the Company is currently unable to evaluate. The Company is in the process of studying the Amendment and plans on implementing it on time.

Note 3 - Significant Accounting Policies (cont'd)

P. New standards, amendments to standards and interpretations not yet adopted (Cont'd)

Amendment to IAS 16, *Property, Plant and Equipment* – Costs directly attributable to Property, Plant and Equipment

The Amendment annuls the requirement by which in the calculation of costs directly attributable to fixed assets, the net proceeds from selling certain items that were produced while the Company tested the functioning of the asset should be deducted (such as samples that were produced when testing the equipment). The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment shall be applied on a retrospective basis, including corrections of comparative data, only with respect to fixed asset items that have been brought to the location and condition required for them to operate in the manner intended by management subsequent to the earliest reporting period presented at the date of initial application of the Amendment.
The Company has not yet started assessing the impact of the Amendment on the financial statements.

Amendment to IFRS 3, *Business Combinations*

The Amendment replaces the requirement to recognize liabilities from business combinations in accordance with the conceptual framework, the reason being that the interaction between those instructions and the guidance provided in IAS 37 regarding recognition of liabilities was unclear in certain cases. The Amendment adds an exception to the principle for recognizing liabilities in IFRS 3. According to the exception, contingent liabilities are to be recognized according to the requirements of IAS 37 and IFRIC 21 and not according to the conceptual framework. The Amendment prevents differences in the timing of recognizing liabilities that could have led to the recognition of gains and losses immediately after the business combination (day 2 gain or loss). The Amendment also clarifies that contingent assets are not to be recognized on the date of the business combination.. The Amendment will go into effect in reporting periods commencing on or after January 1, 2022.
The Company has not yet started assessing the impact of the Amendment on the financial statements.

Amendment to IAS 12, *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and/or liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration.

The Amendment will be implemented commencing from annual reporting periods commencing on January 1, 2023 by amending the opening balance of equity. Early adoption is permitted. The Company has not yet started assessing the impact of the Amendment on the financial statements.

Note 4 – Trade accounts receivable

	December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Trade accounts receivable(*)	**352,325**	322,575
Less; provision for impairment	**(32,105)**	(36,469)
	320,220	286,106

(*) See also Note 26A.

Note 5 - Other receivables

	December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Employees	**2,006**	1,640
Institutions	**3,788**	4,321
Advances to suppliers	**3,547**	550
Prepaid expenses	**6,982**	8,514
Income receivable	**13,671**	25,703
Other receivables	**1,129**	1,014
Current maturities of long-term receivables	**230**	1,055
	31,353	42,797

Note 6 - Inventories

	December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Raw and auxiliary materials	**12,378**	16,029
Packaging and other materials	**45,883**	41,988
Products in process	**92,853**	87,258
Finished and purchased goods	**177,977**	155,329
	329,091	300,604

Note 7 – Long-term loans and receivables

	December 31,	
	2021	2020
	NIS'000	NIS'000
Long-term liabilities	**53,298**	59,764
Less accumulated amortization	**(34,570)**	(38,974)
Amortized cost	**18,728**	20,790
Loans to others	**13,186**	11,431
Less: current maturities	**(230)**	(1,055)
Net balance	**12,956**	10,376
	31,684	31,166

Note 8 - Investee Companies

A. Details pertaining to the directly-held entities of the Group

	Incorporated and operates in	% of ownership and voting December 31, 2021	% of ownership and voting December 31, 2020
Consolidated companies			
Tempo Marketing (1981) Ltd. (hereinafter – "Tempo Marketing")	Israel	**100%**	**100%**
Aqua Nova Waters Ltd.	Israel	**100%**	**100%**
Barkan Wineries Ltd.	Israel	**100%**	**100%**
Tempo Beverages Cyprus Ltd.	Cyprus	**100%**	**100%**
Tempo Food Ltd.	Israel	**100%**	**100%**
Equity-accounted companies			
Adir R.Y. Trading Ltd.	Israel	**50%**	**50%**
Masterpiece Team Ltd.	Israel	**50%**	**50%**
Sumitz Holdings Ltd.	Israel	**30%**	**30%**
Sparks Foodtech Food Technologies L.P.	Israel	**25%**	**25%**
BFF 2 Pay Ltd.	Israel	**20%**	**20%**
Shapira Brewery Ltd.	Israel	**50.1%**	**-**
A. Seyman Trade Ltd.	Israel	**24%**	**-**

B. Barkan Wineries Ltd. (hereinafter – "Barkan Wineries")

Barkan Wineries is a private company, engaged primarily in the production, import, and marketing of wines and alcoholic beverages.

Tempo Marketing purchases and exclusively distributes the products manufactured and imported by Barkan Wineries Group in the State of Israel and the Palestinian Authority, this during a period of five years, commencing from the date on which the purchase and distribution agreement of Barkan Wineries went into effect (January 2005). At the end of the engagement period, the agreement is automatically renewed for additional periods of five years each.

Note 8 - Investee Companies (cont'd)

B. Barkan Wineries Ltd. (cont'd)

To secure the liabilities of Barkan Wineries to three banks, the Company furnished guarantees to each of the aforementioned banks. The guarantees amounted to NIS 120 million, NIS 70 million and NIS 40 million. Should the liabilities of Barkan Wineries to each of the banks fall below NIS 40 million, NIS 35 million and NIS 20 million, respectively, the Company has the right to cancel the guarantees. As at December 31, 2021, the liabilities of Barkan Wineries to these banks amounted to NIS 8 million.

Barkan Wineries undertook toward some of the banks that finance it that the Company would remain a controlling shareholder in Barkan Wineries.

C. Adir R.Y. Trade Ltd. (hereinafter – “Adir”)

In 2017 and 2016, the Company purchased 50% of the shares of Adir. Adir is a company engaged in, among other things, the import, marketing and distribution of soft drinks.

The Company and Adir signed a distribution agreement whereby the Company will serve as the sole distributer of Adir's products (hereinafter – the “Products”) in Israel and in the Palestinian Authority. In addition, the Company will render additional logistical services dealing with the distribution of the products for a period of 7 years.

In accordance with the terms set out in the agreement, decisions regarding certain activities will be made solely with the consent of all of the shareholders. Therefore, the investment constitutes a joint arrangement. The joint arrangement is treated as a joint venture, accounted for under the equity method.

The Company is a guarantor of the liabilities of Adir toward banking institutions which finance its activity, on the basis of the Company's relative share in the shares of Adir. The amount of the liabilities of Adir for which the Company is a guarantor as at December 31, 2021 is NIS 3.7 million.

D. Tempo Beverages Cyprus Ltd.

During March 2017, the Company inaugurated its activity in Cyprus, including marketing, sales and distribution of beverage products, including products sold by it in Israel. The activity is conducted through Tempo Beverages Cyprus Ltd., a wholly-owned subsidiary of the Company, which was incorporated under the laws of Cyprus (hereinafter – “Temp Cyprus”). Among other products, Tempo Cyprus sells and markets beers produced by Heineken and a variety of alcohol products under the Pernod Ricard label.

E. Masterpiece Team Ltd. (hereinafter – “Masterpiece”)

On August 9, 2018, an agreement went into effect, whereby the Company signed an agreement with Rotdan's Group Ltd., the importer of flavored vodka marketed under the "Van Gogh" brand name (hereinafter – the “Van Gogh agreement”, “Rotdan's” and the “Products”, respectively), whereby: (i) the Company acquired half of all of the rights pursuant to the agreement with the holder of the "Van Gogh" brand, for the marketing, sale and distribution of the Products within the borders of the State of Israel and the Palestinian Authority (hereinafter – the “brand owner”, the “franchise agreement”, and the “territory”, respectively); (ii) the Company and Rotdan's founded a company held jointly in equal shares (hereinafter – the “Joint Company”) and each one of them transferred to the joint company its share in the franchise agreement, against an allotment of shares in the joint company; and (iii) the joint company entered into an agreement with the brand holder for the marketing, sale and distribution of the products within the borders of the State of Israel for a period ending on February 28, 2025 (hereinafter – the “New Franchise Agreement”).

Note 8 - Investee Companies (cont'd)

E. Masterpiece Team Ltd. (cont'd)

The New Franchise Agreement set out minimum purchase targets of products from the brand holder, and if the joint company does not meet such targets, the brand holder has the right, within the restrictions set out in the New Franchise Agreement, to cancel the agreement. In addition, the franchise agreement sets the prices and the payment terms of the products, as well as causes for the cancellation of the agreement.

The Van Gogh Agreement contains provisions regarding the activity of the Joint Company, the management of the Joint Company and the rights and obligations of the parties as shareholders in the Joint Company – each party versus the other party.

The Joint Company is treated in the financial statements as a joint venture, pursuant to the equity method of accounting.

Concurrent with the above, a distribution agreement was signed between the Joint Company and the Company, whereby the Company will hold the sole rights to perform the sales and distribution activity of the products in the territory (hereinafter – the “Distribution Agreement”). The Distribution Agreement contains provisions regarding to, among other things, restrictions on the sale of products that compete with the "Products", minimum quantities in respect of which, if the Company does not meet, the Joint Company will have cause to cancel the Distribution Agreement, the distribution commission, marketing, sales promotion and running the operation dealing with the products.

The Company is guarantor for the liabilities of Masterpiece to the bank that finances its activity, on the basis of the relevant portion of the Company in the shares of Masterpiece. The amount of Masterpiece's liabilities for which the Company is guarantor as at December 31, 2021 is NIS 350 thousand.

F. Sumitz Holdings Ltd. (hereinafter – “Sumitz”)

On September 25, 2019, an agreement signed between the Company and Sumitz Ltd. went into effect (hereinafter – the “agreement”). Sumitz Ltd. is the holder of the franchise usage rights to import “Zumex” juice squeezing machines (hereinafter – the “franchise”) and, in addition, it sells, distributes and markets vegetables and fruit in cold storage for use in preparing juice.

Pursuant to the provisions of the agreement, (i) Sumitz was established and the intangible assets connected to operations were transferred to it from Sumitz Ltd, in return for an allotment of shares in accordance with article 104A of the Income Tax Ordinance; (ii) Sumitz acquired from Sumitz Ltd. and from the holder of shares in Sumitz Ltd fixed assets, inventory and the franchise; (iii) Sumitz allotted to the Company and to Adir, in equal parts, shares constituting 60% of its share capital in return for NIS 5.25 million; (iv) Sumitz entered into a new franchise agreement with the owner of the Zumex brand names, valid through December 31, 2024.

The Company guaranteed the liabilities of Sumitz toward the bank that finances its operations, in accordance with the relative holding of the Company in the shares of Sumitz. The amount of the Sumitz liabilities which are directly and indirectly guaranteed by the Company as at December 31, 2021 is NIS 2.3 million.

G. Sparks Foodtech Food Technologies Limited Partnership (hereinafter – “Sparks Foodtech”)

On June 11, 2019, the Innovation Authority decided that a consortium of investors, including the Company, the Tnuva Food Enterprise and the OurCrowd and Finestere Investment Funds (all in equal shares) won a tender to set up and operate a technology incubator in the field of foods (foodtech) previously issued by the Innovation Authority.

Note 8 - Investee Companies (cont'd)

G. Sparks Foodtech Food Technologies Limited Partnership (cont'd)

Pursuant to the terms of the tender, Sparks Foodtech was established in the Safed regional district for a period of eight years. Sparks Foodtech engages in locating promoters and startup companies in the foodtech industry, with an initial investment together with the Innovation Authority. In addition, Sparks Foodtech also engages in accompaniment and assistance to the portfolio companies in the initial life cycle stages of those companies. According to the business plan of the incubator, Sparks Foodtech invests in projects over the period of its operations, and according to the investment model, the State of Israel invests in those companies 85% of the amount of the investment, with Sparks investing the balance of the amount of the investment (15%).

Sparks Foodtech has the option of purchasing the share of the State of Israel in each portfolio company, in return for payment of the amount the State of Israel invested, plus interest, subject to the fulfillment of a number of different conditions.

The Company guaranteed the liabilities of Sparks Foodtech toward the bank that finances its operations, in accordance with the relative holding of the Company in the partnership. As at December 31, 2021, the partnership has no liabilities toward the Bank.

H. Shapira Brewery Ltd. (hereinafter – "Shapira")

On June 23, 2021, The Company acquired 50.1% of the shares of Shapira. Shapira is engaged in the production and marketing of Kraft Beer under the "Shapira" brand name. The investment in Shapira is accounted for under the terms of the shareholders agreement in accordance with the equity method of accounting. Concurrently, a distribution agreement was signed between the Company and Shapira, whereby the Company will serve as the sole distributor of Shapira products to retail customers in Israel, in return for the payment of a distribution commission for a period of ten years.

I. A. Seyman Trade Ltd. (hereinafter – "Seyman")

On November 9, 2021, Tempo Food Ltd. (a wholly-owned subsidiary of the Company) (hereinafter – "Tempo Food") signed an agreement to acquire 24% of the shares of Seyman, a company engaged in the import, marketing and sale of quality food products, including cheeses, butters and additional milk products, spreads, fruit delicacies and delicatessen products.

As part of the aforementioned acquisition agreement, Tempo food was awarded options to purchase additional shares of Seyman, up to a holding of 100% of the shares of Seyman. Subsequent to the date of the statement of financial position, on January 4, 2022, the Company notified Seyman and its shareholders that it was exercising the first option to purchase an additional 16% of the Seyman shares, contingent upon the fulfillment of preconditions which, as of the date of approval of the financial statements had not been met. In addition, there are more options which cannot be exercised as of the reporting date and therefore, at this stage they are not viable.

Concurrently, the Company and Tempo Marketing signed an agreement with Seyman whereby the Company would exercise sole distribution and would render sole sale services of Seyman products in Israel and in the Palestinian Authority, in return for the payment of distribution and sales commissions for a period of 10 years, to be extended subject to the right of each party to give advance notification that it would not be extended.

J. Re - Milk Ltd. (hereinafter – "Re-Milk")

The investments at fair value derive mainly from the investments of the Company in Re-Milk, a company engaged in the development of cultured milk. During the course of 2021, Re-Milk conducted an additional recruitment in which the Company also participated and the said investment was revalued accordingly.

Note 9 – Fixed assets

A. Composition and changes

	Land and buildings	Machinery, equipment & instruments	Vineyards	Vehicles and boats	Office furniture, equipment & computers	Selling equipment	Returnable packaging	Total
	NIS'000							
Cost:								
Balance as of January 1, 2020	428,843	746,172	151,383	104,329	50,553	102,670	100,847	1,684,797
Additions	10,868	60,348	2,839	1,465	6,064	5,692	8,109	95,385
Additions to right-of-use assets	5,568	-	(79)	16,026	-	-	-	21,515
Disposals	(854)	(44,823)	-	(10,833)	-	(1,448)	(20,206)	(78,164)
Impact of changes in exchange rate	42	-	-	106	38	52	14	252
Balance as of December 31, 2020	**444,467**	**761,697**	**154,143**	**111,093**	**56,655**	**106,966**	**88,764**	**1,723,785**
Additions	**11,551**	**61,894**	**419**	**1,651**	**5,200**	**5,070**	**4,971**	**90,756**
Additions to right-of-use assets	**1,026**	**-**	**2,725**	**44,095**	**-**	**-**	**-**	**47,846**
Disposals	**(2,059)**	**(4,840)**	**(7,032)**	**(29,722)**	**(7,831)**	**(15,919)**	**(11,773)**	**(79,176)**
Impact of changes in exchange rate	**(32)**	**-**	**-**	**(833)**	**(249)**	**(396)**	**(87)**	**(1,597)**
Balance as of December 31, 2021	**454,953**	**818,751**	**150,255**	**126,284**	**53,775**	**95,721**	**81,875**	**1,781,614**

Note 9 – Fixed assets (cont'd)

A. Composition and changes (cont'd)

	Land and buildings	Machinery, equipment & instruments	Vineyards	Vehicles and boats	Office furniture, equipment & computers	Selling equipment	Returnable packaging	Total
	NIS'000							
Depreciation								
Balance as of January 1, 2020	153,409	508,450	25,595	39,231	35,400	83,314	81,465	926,864
Depreciation for the year	14,026	39,187	5,495	1,576	4,220	9,153	9,128	82,785
Depreciation in respect of right-of-use assets	5,284	-	2,611	24,165	-	-	-	32,060
Disposals	(842)	(42,892)	-	(6,515)	-	(974)	(20,206)	(71,429)
Impact of changes in exchange rate	16	-	-	31	15	26	3	91
Balance as of December 31, 2020	**171,893**	**504,745**	**33,701**	**58,488**	**39,635**	**91,519**	**70,390**	**970,371**
Depreciation for the year	**14,600**	**42,570**	**4,652**	**1,174**	**4,408**	**7,509**	**6,947**	**81,860**
Depreciation in respect of right-of-use assets	**5,535**	**-**	**2,604**	**24,959**	**-**	**-**	**-**	**33,098**
Disposals	**(1,423)**	**(2,946)**	**(5,671)**	**(29,140)**	**(7,827)**	**(15,127)**	**(11,773)**	**(73,907)**
Impact of changes in exchange rate	**(28)**	**-**	**-**	**(168)**	**(89)**	**(4)**	**(25)**	**(314)**
Balance as of December 31, 2021	**190,577**	**544,369**	**35,286**	**55,313**	**36,127**	**83,897**	**65,539**	**1,011,108**
Carrying value-depreciated cost								
As of January 1, 2020	275,434	237,722	125,788	65,098	15,153	19,356	19,382	757,933
Payments on account of fixed assets								17,750
								775,683
As of December 31, 2020	272,574	256,952	120,442	52,605	17,020	15,447	18,374	753,414
Payment on account of fixed assets								7,907
								761,321
As of December 31, 2021	**264,376**	**274,382**	**114,969**	**70,971**	**17,648**	**11,824**	**16,336**	**770,506**
Payment on account of fixed assets								**13,197**
								783,703

Note 9 – Fixed assets (cont'd)

B. The group has assets that were fully depreciated but which are still in use. The original cost of these assets as at December 31, 2021 amounted to NIS 510 million (December 31, 2020 amounted to NIS 482 million).

C. Leases

The Company's property is leased under a capital lease from the Israel Lands Authority for leasing periods ending in 2048 and 2056.

D. For information pertaining to pledges, see Note 28(C).

Note 10 – Intangible assets

	Brands, trademarks and others	Software	Total
	NIS'000	NIS'000	NIS'000
Cost			
Balance as at January1, 2020	79,647	39,119	118,766
Impact of changes in the exchange rate	34	-	34
Acquisitions	-	1,334	1,334
Balance as of December 31, 2020	79,681	40,453	120,134
Impact of changes in the exchange rate	**(148)**	**(8)**	**(156)**
Acquisitions	**-**	**2,409**	**2,409**
Balance as of December 31, 2021	**79,533**	**42,854**	**122,387**
Amortization			
Balance as at January1, 2020	56,542	33,455	89,997
Amortization for the year	6,151	2,012	8,163
Balance as of December 31, 2020	62,693	35,467	98,160
Amortization for the year	**4,414**	**1,912**	**6,326**
Balance as of December 31, 2021	**67,107**	**37,379**	**104,486**
Carrying value			
As of January 1, 2020	23,105	5,664	28,769
As of December 31, 2020	16,988	4,986	21,974
As of December 31, 2021	**12,426**	**5,475**	**17,901**

Note 11 – Short-term bank credit

This note provides information pertaining to the contractual terms of the Group's interest-bearing loans and credit, measured at amortized cost. Additional information regarding the exposure of the Group to interest, currency and liquidity risks is provided in Note 26, Financial Instruments.

Current liabilities

	Interest rates December 2021	December 31, 2021	December 31, 2020
	%	NIS'000	NIS'000
Short-term loans from banks	**1.08**	**17,239**	28,267
Current maturities of long-term loans		**18,662**	19,861
Total current liabilities		**35,901**	48,128

(*) Loans bearing variable annual interest at between the prime rate less 0.52%.

Note 12 – Trade accounts payable

	December 31, 2021	December 31, 2020
	NIS'000	NIS'000
Open debts	**288,230**	234,883

For additional information pertaining to suppliers who are related and interested parties, see Note 29, Related and Interested Parties. For information regarding the exposure of the Group to currency and liquidity risks in respect of suppliers, see Note 26, Financial Instruments.

Note 13 – Other payables

	December 31, 2021	December 31, 2020
	NIS'000	NIS'000
Liabilities to employees and other liabilities in respect of payroll (*)	**43,680**	37,162
Government institutions	**13,198**	11,975
Advances from customers	**800**	700
Packaging deposits	**15,338**	10,499
Liabilities to related and interested parties	**9,370**	4,985
Other payables and accrued expenses	**34,933**	32,169
Current maturities of other long-term liabilities	**140**	140
	117,459	97,630

(*) Including a provision for vacation and convalescence pay.

For additional information pertaining to payables who are related and interested parties, see Note 29, Related and Interested Parties. For information regarding the exposure of the Group to currency and liquidity risks in respect of suppliers, see Note 26, Financial Instruments.

Note 14 – Long-term liabilities to banking institutions and others

A. Composition

	Interest rates December 2021	December 31, 2021	December 31, 2020
	%	**NIS'000**	**NIS'000**
Loans from banks -			
In NIS (unlinked)	**2.35-4.85**	**63,004**	82,865
Other long term liabilities		**2,688**	2,716
		65,692	85,581
Less – current maturities		**(18,802)**	(20,001)
		46,890	65,580

B. On June 25, 2013, a bank furnished the Company with a long-term loan in an amount of NIS 50 million. The loan was in lieu of short-term credit furnished by the bank to the Company in the past. The loan is unlinked, bears annual interest at a rate of 4.85% and is repayable in instalments until 2023 (average life span of 5.25 years). The Company undertook to comply with certain financial covenants, to be calculated on the basis of its financial statements. As of the date of the financial statements, the Company is in compliance with the financial covenants.

On February 25 and 26, 2018, the Company was furnished with loans from two banking institutions in amounts of NIS 75 million and NIS 25 million, respectively (hereinafter – the "Loans").

The loans were furnished to the Company in lieu of short-term credit furnished in the past to the Company by banking institutions in identical amounts, for purposes of the ongoing operations of the Company.

The loans are unlinked and bear annual interest at rates of 2.5% and 2.35%, respectively, and they are repayable in quarterly payments until 2026. To secure the repayment of the NIS 75 million loan, the Company extended its commitment to meet the abovementioned financial covenants, until the final repayment of this loan.

The Company reached an understanding with the lender bank whereby the aforementioned financial covenants will be calculated without taking into account the impact of IFRS 16, *Leasing*.

The following is a breakdown of the financial covenants undertaken by the Company:

Financial covenants / Financial ratio	Results of calculation (as of December 31, 2021)
Ratio of tangible shareholders' equity to total balance sheet shall be no less than 20%	47.18%
Tangible shareholders' equity shall not be less than NIS 180,000 thousand, linked to the ICPI	720,372
Ratio of net debt to the EBITDA shall not exceed 3.75	0.94

Note 15 – Debentures

A. Composition

	December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Debentures (including interest payable)	**236,276**	278,156
Less current maturities (including interest payable)	**(42,442)**	(42,534)
	193,834	235,622

B. **Debentures – Series A**

On March 10, 2010, the Company issued debentures (Series A) for an amount of NIS 120 million. On February 28, 2020, the debentures were repaid in full.

C. **Debentures – Series B**

On September 22, 2014, the Company issued series B Debentures in a total amount of NIS 111.9 million (NIS 110.7 million net of issuance costs). The debentures are unlinked and bear fixed annual interest at a rate of 3.2%.
On July 28, 2019, the Series B debentures were expanded by a total amount of NIS 52.8 million (a net amount of NIS 52.3 million after deducting issuance costs). The debentures were issued at a fixed annual rate of interest of 1.35%.
The interest on the debentures is paid in equal semi-annual installments on June 30 and December 31 of each of the years until 2024.
The balance of the debentures is repayable in three equal installments, to be paid on December 31 of each of the years 2022 through 2024.
The debentures are rated by Midroog Ltd. as A1 stable.

As part of the trust deed, the following provisions, among others, were set out:

Restrictions on the distribution of a dividend:

- In the event that the shareholders' equity after the distribution amounts to at least NIS 200 million, the Company will be entitled to make a distribution of the higher of up to 50% of the net income of the Company (consolidated) for that year, or at a rate of up to 50% of the distributable income pursuant to the Companies Law which derived commencing from the financial statements of the Company as of June 30, 3014 (inclusive) on which a distribution was not made.
- In the event that the shareholders' equity after the distribution amounts to less than NIS 200 million, the Company will be entitled to make a distribution of the higher of up to 30% of the net income of the Company (consolidated) for that year, or at a rate of up to 30% of the distributable income pursuant to the Companies Law which derived commencing from the financial statements of the Company as of June 30, 3014 (inclusive) on which a distribution was not made.
- The Company is not permitted to make a distribution in the event that, following the distribution, the shareholders' equity is less than NIS 170 million.
- At the date of the declaration of the dividend distribution, the Company is not in material breach of the provisions of the trust deed.
- The Company is not permitted to make a distribution if it is not in compliance with the financial covenants that require it to pay additional interest.
- The Company is not permitted to make a distribution of revaluation income that accrued commencing with the date of the first issuance of the debentures.

Note 15 – Debentures (cont'd)

C. **Debentures – Series B** (cont'd)

Restrictions on the distribution of a dividend: (cont'd)

- The Company is not permitted to make a distribution to its shareholders in the event that there exist at the Company any of the warning indicators (as that term is defined in the Securities Regulations (Periodic and Immediate Reports) – 1970). This restriction shall not apply in the event that any of the following warning indicators, in respect of which the board of directors of the Company stipulated that they do not indicate a liquidity problem at the Company: (a) a working capital deficit or a working capital deficit for a period of twelve months or continuous negative cash flow from current operations; (b) opinion or review report of the independent auditor of the Company as of the date of the financial statements that contain a clause drawing attention to the financial condition of the entity.

Interest adjustment mechanism:

- In the event that the shareholders' equity amounts to less than NIS 170 million, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the ratio of the shareholders' equity of the Company (including the minority interest) to the total balance sheet of the Company falls below 15%, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the financial debt to EBITDA ratio rises above 5, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the rating of the debentures by Midroog Ltd. or any other rating company that replaces Midroog falls to two rating levels below the rating of the debentures immediately prior to the issuance, (A2), the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.5% per annum above the interest rate set in the tender. In respect of every additional reduction in rating, the interest rate will increase by an additional 0.25%. The maximum additional interest pursuant to this mechanism shall not exceed 1% even if there is an additional reduction in the rating of the debentures.

The maximum additional interest to be granted in respect of breaches of financial covenants, together with the additional interest in respect of the aforementioned reduction in rating, shall not exceed in the aggregate 1.5% above the interest rate shareholders' equity in the tender.

Right to demand immediate repayment:

The trust deed contains a number of causes whereby the holders of the debentures have the right to demand immediate repayment, including:

- In the event that the shareholders' equity amounts to less than NIS 150 million for two successive quarters.
- If the ratio of shareholders' equity (including the minority interest) to the balance sheet falls below 14% for a period of two successive quarters.
- if the rating of the debentures falls below BBB- or an equivalent rating.
- If the debentures cease being rated for a period of at least 60 business days due to circumstances contingent solely on the Company.
- If the Company makes a distribution that does not comply with the obligations of the Company in connection with the restrictions on the distribution of a dividend, as above.

Note 15 – Debentures (cont'd)

C. **Debentures – Series B** (cont'd)

Right to demand immediate repayment (cont'd):

- If any of the following were presented for immediate repayment: (1) Another (or other) series of debentures issued by the Company: (2) Another (one or more) financial debt of the Company (except for a non-recourse debt of the Company), the unamortized balance (or accumulated balances) of which at the date of the demand for immediate payment exceeds the lower of NIS 80 million or an amount that constitutes 15% of the balance sheet of the Company based on its consolidated financial statements, on condition that the lender of the aforementioned debt (including holders of debentures) did not cancel his demand to present the debt for immediate repayment within 45 days of the date that it was presented for immediate repayment.
- If control in the Company was transferred in a manner that as a result thereof, the rating of the debentures was lowered when compared with the rating immediately preceding the transfer of control and such transfer was not approved by the meeting of the holders of the debenture with a regular majority.
- If a merger took place, as part of which the Company is either the receiving company or the target company, unless the company and/or the receiving company declared in a hearing that there is no reasonable concern that as a result of the merger, the merged company will not be able to meet its liabilities to the holders of the debentures.

As of the date of approval of the financial statements, the Company is in compliance with all of the terms of the trust deed.

D. **Debentures – Series C**

On January 23, 2020, the Company issued Debentures Series C in an amount of NIS 150 million (NIS 149 million net of issuance costs).

On May 17, 2020, the series C debentures were expanded in an amount of NIS 50 million (NIS 49 million net of issuance costs).

The debentures are unlinked and bear fixed annual interest at a rate of 1.58% (hereinafter – the “Base Interest”). The interest in respect of the debentures is paid semi-annually, on March 31 and September 30 of each of the years until 2029.

The balance of the debentures will be repaid in eight equal payments, to be paid on March 31 of each of the years from 2022 until 2029.

The debentures are rated by Midroog Ltd. as A1 stable.

The trust deed set out among other things the following provisions:

Restrictions regarding the distribution of a dividend:

- In the event that the shareholders' equity after the distribution amounts to at least NIS 725 million, the Company has the right to make a distribution at a rate of the higher of up to 75% of the annual net income of the Company (consolidated) in the same year, or up to 75% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company’s financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.

Note 15 – Debentures (cont'd)

D. **Debentures – Series C (cont’d)**

Restrictions regarding the distribution of a dividend (cont'd)

- In the event that the shareholders' equity after the distribution amounts to at least NIS 300 million, the Company has the right to make a distribution at a rate of the higher of up to 50% of the annual net income of the Company (consolidated) in the same year, or up to 50% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company’s financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.
- In the event that the shareholders' equity after the distribution amounts to less than NIS 300 million, the Company has the right to make a distribution at a rate of the higher of up to 30% of the annual net income of the Company (consolidated) in the same year, or up to 30% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company’s financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.
- The Company is prohibited from making a distribution in the event that the shareholders' equity after the distribution amounts to less than NIS 255 million.
- At the date of the declaration of the distribution, the Company is not in a material breach of the provisions of the trust deed.
- The Company is prohibited from making a distribution if the Company is not compliance of the financial covenants that require it to pay additional interest.
- The Company is prohibited from making a distribution of evaluation profits generated commencing from the date of the initial issuance of the debentures.
- The Company is prohibited from making a distribution shareholders in the event that any of the warning signs exist in respect of the Company (as the term is defined in the Securities Regulations (Periodic and Immediate Reports) – 1970.

Financial covenants and interest adjustment mechanism:

- If the shareholders' equity of the Company falls below NIS 300 million, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- If the ratio of the shareholders' equity of the Company (including minority rights) to the total balance sheet of the Company falls below 17.5%, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- If the ratio of the net financial debt to EBITDA increase to more than 5, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- In the event that the rating of the debentures by Midroog Ltd. or by any other rating company that replaces Midroog Ltd. falls by two ratings below the rating of the Company immediately prior to the issuance (A1), the annual interest in respect of the unamortized balance of the principal of the debentures shall increase by 0.5% per annum above the base interest rate. In respect of any further decrease in rating, the interest rate shall increase by an additional 0.25%. The maximum increase in interest pursuant to this mechanism shall not exceed 1%, even if there is an additional lowering of the rating of the debentures.

Note 15 – Debentures (cont'd)

D. **Debentures – Series C (cont'd)**

Financial covenants and interest adjustment mechanism (cont'd)

The maximum amount of the increase in interest to be granted in respect of a breach of financial covenants, together with the additional interest in respect of the aforementioned reduction in rating, shall not increase by an aggregate amount of more than 1.5% above the base interest rate.

The right to demand immediate repayment:

In addition to standard causes for demanding immediate repayment, including non-repayment or non-fulfillment of a material liability, a material impairment of the Company's business and a real concern regarding non-compliance with material liabilities toward holders of debentures, failure to issue financial statements, suspension or delisting of debentures, default events (freezing proceedings, an arrangement pursuant to article 350, a compromise or arrangement, liquidation, seizure of company assets (in whole or in part), receivership, etc.), various actions by the Sheriff's office against the Company, a merger subject to exceptions, a fundamental breach of the terms of the debentures, as well as a situation in which the Company ceases or declares its intention to cease repayment of its debts, etc., the debentures will be presented for immediate repayment in the following cases:

- If the shareholders' equity of the Company falls below NIS 250 million in two consecutive quarters.
- If the ratio of shareholders' equity (including minority rights) to the total balance sheet falls below 15% in two consecutive quarters.
- If the rating of the debentures falls below Baa3 or an equivalent rating.
- If the debentures cease being rated for a period of at least 60 business days, as a result of circumstances that are dependent solely upon the Company.
- If the Company executed a distribution that does not comply with the abovementioned obligations of the Company in connection with the restriction regarding the distribution of a dividend.
- If one of the following is presented for immediate repayment: (1) another or other series of debentures issued by the Company; (2) one or more financial debts of the Company (except for a non-recourse debt of the Company), the unamortized balance (or aggregate balances) of which as of the date of the demand for immediate repayment exceeds the lower of NIS 170 million or an amount that constitutes 12.5% of the balance sheet of the Company as presented in its consolidated financial statements, on condition that the lender of the aforementioned debt (including holders of debentures) did not cancel its demand for immediate repayment within 30 days following the date on which the debt was presented for immediate repayment.
- If the control over the Company was transferred and such transfer was not approved by the meeting of the holders of the debentures by a simple majority.
- If the Company records a "going concern warning" on its financial statements for a period of two consecutive quarters.
- If a change is made in the major operations of the Company.

As of the date of approval of the financial statements, the Company is in compliance with all of the terms of the trust deed.

Note 16 – Employee benefits

Employee benefits including post-employment benefits and other long-term benefits. Short-term benefits are presented as part of "Other payables".
Regarding post-employment benefits, the Group has defined benefit plans in respect of which it deposits amounts in central severance pay funds. Defined benefit plans entitle qualified employees to a one-time payment based on their employment agreements. In addition, the Company has a defined deposit plan in respect of some of its employees who are subject to article 14 of the Severance Pay Law – 1963.

	December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Present value of the obligations	**20,782**	17,233
Fair value of plan assets*	**(7,999)**	(7,961)
	12,783	9,272

* Plan assets consist of equity instruments in central severance pay funds.

(1) Changes in present value of liability in respect of defined benefit plans

	Year ended December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Obligation in respect of defined benefit plan as of beginning of period	**17,233**	18,278
Reclassified to short-term	**(3,029)**	(2,946)
Benefits paid and disposed	**(641)**	(1,250)
Current service costs and interest costs	**6,894**	4,020
Actuarial losses (gains) carried to other comprehensive income	**325**	(869)
Obligation in respect of defined benefit plan as of end of period	**20,782**	17,233

(2) Changes in plan assets

	Year ended December 31,	
	2021	**2020**
	NIS'000	**NIS'000**
Fair value of plan assets as of beginning of period	**7,961**	8,515
Benefits paid and disposed	**(378)**	(774)
Interest income	**277**	309
Actuarial gains (losses) carried to other comprehensive income	**139**	(89)
Fair value of plan assets as of end of period	**7,999**	7,961

(3) Expense carried to profit and loss

	Year ended December 31,		
	2020	2020	**2019**
	NIS'000	NIS'000	**NIS'000**
Current service costs	**6,491**	3,589	4,711
Interest costs	**403**	431	475
Interest income	**(277)**	(309)	(478)
	6,617	3,711	4,708

Note 16 – Employee benefits (cont'd)

(4) Actuarial gains and losses carried directly to other comprehensive income

	Year ended December 31,		
	2021	2020	**2019**
	NIS'000	NIS'000	**NIS'000**
Accumulated balance, beginning of period	**4,417**	3,637	4,193
Amounts recognized during period	**(186)**	780	(556)
Accumulated balance, end of period	**4,231**	4,417	3,637

(5) Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions as of the reporting date (weighted average):

	2021	**2020**	**2019**
	%	**%**	**%**
Discount rate, end of period	**1.8**	1.6	2.4
Future increase in salaries	**2.5**	2.5	2.5

The assumptions regarding future mortality rate are based on published statistical data and on accepted mortality tables.

Reasonable possible changes in one of the actuarial assumptions as at the reporting date, assuming that the rest of the assumptions remain unchanged, have the following impact on the liability in respect of the defined benefit:

	December 31, 2021		**December 31, 2020**	
	Increase (decrease) of liability		**Increase (decrease) of liability**	
	Increase of 1%	**Decrease of 1%**	**Increase of 1%**	**Decrease of 1%**
	NIS'000	**NIS'000**	NIS'000	NIS'000
Rate of future increase in salaries	**2,078**	**(1,759)**	1,860	(1,570)
Discount rate	**(1,777)**	**2,122**	(1,587)	1,897

(6) Impact of the plan on the Group's future cash flows

The Group's estimate of the life-span of the plan (based on weighted average) as at the end of the reporting period is 9.75 years (for 2020 –10 years).

(7) The Group has defined deposit plans in respect of some of its employees, under the scope of article 14 of the Severance Pay Law – 1963.

	Year ended December 31		
	2021	2020	2019
	NIS'000	**NIS'000**	**NIS'000**
Amount recognized as an expense in respect of a defined deposit plan	**9,449**	9,023	9,120

Note 17 – Equity

A. Share capital

	December 31, 2021 and 2020
	NIS
Issued and paid in share capital	1,000
Registered capital	100,000

B. Dividends

The following dividends were declared and paid by the Company:

	Year ended December 31,		
	2021	2020	2019
	NIS'000	NIS'000	NIS'000
	35,000	25,000	35,000

Note 18 – Revenues from sales, net

	Year ended December 31,		
	2021	2019	2019
	NIS'000	NIS'000	NIS'000
(1) From Company production:			
Sales, net	**978,796**	927,645	1,027,865
Less excise tax	**90,058**	102,036	115,045
	888,648	825,609	912,820
(2) From purchased goods:			
Sales, net	**809,896**	560,351	602,001
Total sales	**1,698,544**	1,385,960	1,514,821

Note 19 – Cost of sales

	Year ended December 31,		
	2021	2020	2019
	NIS'000	NIS'000	NIS'000
Use of materials	**340,148**	311,299	335,817
Payroll and related expenses	**55,262**	52,778	63,622
Depreciation	**61,655**	60,958	58,189
Other manufacturing expenses	**55,158**	50,517	52,031
	512,223	475,552	509,659
Purchases of purchased goods	**587,684**	408,024	436,093
Changes in inventory finished products	**-**	-	(690)
	1,099,907	883,576	945,062

Note 20 – Selling and marketing expenses

	Year ended December 31,		
	2021	2020	2019
	NIS'000	NIS'000	NIS'000
Payroll and related expenses	**164,261**	146,217	162,083
Advertising	**58,180**	49,512	67,618
Depreciation and amortization	**54,111**	54,088	51,408
Rent and building maintenance	**11,388**	9,211	10,255
Truck and forklift maintenance	**17,266**	14,366	19,577
Distribution commissions	**11,566**	10,570	11,848
Shipping	**7,157**	5,038	5,782
Other expenses	**24,847**	14,895	20,524
	348,776	303,897	349,095

Note 21 – Other expenses and income

	Year ended December 31,		
	2021	2020	2019
	NIS'000	NIS'000	NIS'000
Income			
Revaluation of investment to fair value	**4,278**	-	-
Gain on realization of fixed assets, net	**233**	-	-
Others	**1,946**	786	68
	6,457	786	68
Expenses			
Losses on realization of fixed assets, net	**-**	1,610	535
Others	**-**	188	55
	-	1,798	590

Note 22 – General and administrative expenses

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS'000	**NIS'000**	**NIS'000**
Payroll and related expenses	**42,991**	40,055	40,845
Management fees	**12,066**	7,222	9,419
Depreciation and amortization	**7,178**	7,962	7,635
Provision for expected credit losses	**80**	4,154	1,308
Other expenses	**20,936**	20,468	25,215
	83,251	79,811	84,422
Participation of parent company in general and administrative expenses	**(200)**	(200)	(200)
	83,051	79,611	84,222

Note 23 – Financing expenses, net

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS'000	**NIS'000**	**NIS'000**
Income			
Exchange rate differences	**5,176**	-	1,415
Others	**942**	389	512
	6,118	389	1,927
Expenses			
Interest on debentures	**5,348**	5,767	3,478
Interest to banks	**4,221**	5,507	10,133
Changes in fair value of financial derivatives	**3,254**	1,935	4,368
Interest expense in respect of leasing liabilities	**3,675**	3,698	3,723
Others	**360**	-	111
Exchange rate differences	**-**	2,546	-
	16,858	19,453	21,813
Total financing expenses, net	**(10,740)**	(19,064)	(19,886)

Note 24 - Income Tax

A. Details regarding the tax environment of the Group

(1) Corporate tax rate

The tax rate applicable to the Company in the years 2019 – 2021 is 23%.

The current taxes for the reported periods are calculated on the basis of the tax rates presented above.

(2) Industrial company

The Company qualifies as an "Industrial Company" as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly it is entitled, among other things, to increased depreciation expenses in respect of equipment used for its industrial activity.

(3) Excise tax

Alcoholic beverages that are either imported or manufactured in Israel, as well as certain raw materials, are subject to excise tax pursuant to the Excise Tax Law (Goods and Services) – 1952. There are periodic changes in the rates of this tax, with the resultant positive or negative impact on the business results of the Group.

a. Excise tax on beer products
Excise tax on imported and local beer products is a fixed amount per sold liter, calculated each year on the basis of the change in the Consumer Price Index. The excise tax on beer in 2021 is NIS 2.34 per liter (in 2020 is NIS 2.35, in 2019 – NIS 2.34 per liter).

b. Excise tax on alcoholic beverages
The excise tax applicable to alcoholic beverages is a fixed amount per liter of alcohol sold or imported and it varies from year to year, depending upon the change in the Consumer Price Index. The excise tax in 2021 was NIS 85.00 per liter of alcohol (in 2020 was NIS 85.51, in 2019 – NIS 85.25 per liter of alcohol).

c. Excise tax on sweet drinks
On October 20, 2021, the Customs Tariff Order and the Exemptions from Excise Tax on Goods (Amendment No. 4) – 2021 was publicized in the Official Gazette imposing, commencing from January 1, 2022, an excise tax on sweet drinks bottles, fruit juice containers, concentrates and powders for the preparation of sweet drinks. On sweet drinks containing a sugar ratio higher than or equal to 5 grams per 100 milliliter, the tax was set at NIS 1.02 per liter of drink. On sweet drinks containing a sugar ratio less than 5 grams per 100 milliliter, sweet drinks containing another sweetener as well as fruit juices, the tax was set at NIS 0.72 per liter of drink. In the opinion of Company Management, imposition of such tax is expected to have a material negative impact on the sales of the Company and on the results of its operations and it is presently assessing the consequences and the steps it will take in respect thereof.

Note 24 - Income Tax (cont'd)

B. Composition of income tax income (expense)

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS'000	**NIS'000**	**NIS'000**
Current taxes			
Tax expenses in respect of the current year	**(33,421)**	(19,683)	(27,599)
Tax expenses in respect of prior years	**-**	(4,185)	(570)
	(33,421)	(23,868)	(28,169)
Deferred taxes:			
Recording and reversal of temporary differences	**(6,119)**	(4,587)	(1,110)
Taxes in respect of prior years	**-**	4,357	-
	(6,119)	(230)	(1,110)
Taxes on income	**(39,540)**	(24,098)	(29,279)

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS'000	**NIS'000**	**NIS'000**
Income before taxes on income	**165,387**	98,827	119,056
Primary tax rate of the Company	**23%**	23%	23%
Tax calculated according to the Company's primary tax rate	**38,039**	22,730	27,383
Additional tax (tax saving) in respect of:			
Neutralization of calculated tax in respect of the share of the Company in the profits of equity-accounted investee companies	**(658)**	(6)	(696)
Non-deductible expenses	**1,378**	1,228	1,210
Losses in respect of which deferred taxes were not recorded	**462**	-	329
Taxes in respect of prior years	**-**	(172)	570
Others	**319**	318	483
Taxes on income	**39,540**	24,098	29,279

Note 24 - Income Tax (cont'd)

D. Deferred tax assets and liabilities

(1) Recognized deferred tax assets and liabilities

The deferred taxes were calculated on the basis of the tax rates expected to apply on the date of reversal, as detailed above.

Deferred tax assets and liabilities attributed to the following items:

	Fixed assets	Employee benefits	Provision for expected credit losses	Others	Total
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Deferred tax asset (liability) as of December 31, 2019	(32,297)	5,825	7,040	603	(18,829)
Changes carried to profit and loss	(3,109)	(279)	540	2,618	(230)
Changes against other comprehensive income	-	(179)	-	-	(179)
Deferred tax asset (liability) as of December 31, 2020	(35,406)	5,367	7,580	3,221	(19,238)
Changes carried to profit and loss	**(6,742)**	**1,416**	**(1,034)**	**241**	**(6,119)**
Changes against other comprehensive income	**-**	**43**	**-**	**-**	**43**
Deferred tax asset (liability) as of December 31, 2021	**(42,148)**	**6,826**	**6,546**	**3,462**	**(25,314)**

	December 31,	
	2020	2020
	NIS'000	NIS'000
Presented in the statement of financial position as part of deferred tax asset	**8,368**	9,448
Deferred tax liability	**(33,682)**	(28,686)
	(25,314)	(19,238)

(2) Tax losses and deductions carried forward to future years

The Company has losses from marketable securities which were not recognized for tax purposes in an amount of approximately NIS 1,200 thousand (adjusted). The losses will be deductible in future years only against income from marketable securities, if any exists in those years. In respect of the difference in real terms, no deferred taxes were recognized.

E. Tax assessments

1. Some of the Group companies were issued final tax assessments up to and including the 2018 tax year. In respect of the rest of the Group companies, tax assessments were deemed to be final through the year ended 2016.

2. Pursuant to a legal opinion obtained by the Company, it is entitled to a tax benefit under the Law for the Encouragement of Capital Investment – 1959 since it is in compliance with the terms of a "competitive enterprise" as the term is defined in the aforementioned law. The Israeli Tax Authorities dispute this opinion and, therefore, the Company was issued assessments under orders for the years 2011 – 2012, in respect of which the Company appealed to the District Court.

   Taking the above into consideration, that it is not possible to estimate the results of the assessment deliberations and the hearings on this matter, the Company included its tax expenses in respect of these years at the regular tax rates of 24% and 25%, respectively. Therefore, the aforementioned orders and the appeal do not have an effect on the financial statements of the Company.

Note 25 – Financial risk management

A. General

The Group is exposed to the following risks, deriving from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk and interest risk)

This note provides information pertaining to the exposure of the Group to each of the aforementioned risks, the objectives of the Group, and the policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is presented throughout these consolidated financial statements.

B. Credit risk

Trade and other accounts receivable

The exposure of the Group to credit risks is influenced primarily by the personal characteristics of each customer. Company Management set down a credit policy whereby each new customer undergoes a detailed examination regarding the quality of its credit before the Company offers the customer the Group's normal credit and shipping terms. The investigation performed by the Group includes third-party credit ratings. The Group sets purchase limits for each customer, reflecting the customer's maximum credit limit. Customers who do not meet the Group's criteria regarding credit quality can still purchase from the Group if they pay cash up front.

C. Liquidity risk

The approach of the Group in managing its liquidity risk is to ensure, to the extent possible, that it has enough liquid resources to meet its liabilities on time, in both normal times and in times of pressure, without incurring undesirable losses or damage to its reputation.

D. Market risks

Currency risk

The Group is exposed to currency risk in respect of purchases, raw materials and purchased goods, and loans denominated in various currencies of the functional currencies of the Group companies, primarily the dollar and the euro.

Interest risk

The Company has shekel loans that are linked to the Prime Rate. The Company does not hedge against the possibility of changes in interest rates and operates on the basis of market conditions to reduce the exposure and reduce its finance costs.

Note 26 – Financial instruments

A. Credit risk

The following table presents aging of customer debts:

	December 31, 2021		December 31, 2020	
	Gross	Impairment	Gross	Impairment
	NIS'000	NIS'000	NIS'000	NIS'000
Not in arrears	**304,636**	**7,192**	256,040	7,310
Arrears of 0 – 30 days	**11,044**	**410**	20,790	410
Arrears of 31 – 120 days	**8,720**	**190**	13,761	270
Arrears of more than 120 days	**27,925**	**24,313**	31,984	28,47
	352,325	**32,105**	322,575	36,469

Part of the credit to customers is insured with credit insurance and with various other collateral.

B. Liquidity risks

The following table presents the contractual maturity dates of the financial liabilities, including estimated interest payments.

	December 31, 2021						
	Carrying Value	Contractual Cash flow	Up to 6 months	6-12 months	1-2 years	2-4 years	More than 4 years
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Non-derivative financial liabilities							
Short-term overdrafts and loans from banks	**35,901**	**37,597**	**27,533**	**10,064**	**-**	**-**	**-**
Suppliers	**288,230**	**288,230**	**288,230**	**-**	**-**	**-**	**-**
Current maturities of debentures	**42,442**	**46,251**	**24,561**	**21,690**	**-**	**-**	**-**
Other payables	**117,459**	**117,459**	**117,459**	**-**	**-**	**-**	**-**
Long-term bank loans	**44,342**	**46,194**	**-**	**-**	**17,205**	**25,844**	**3,145**
Debentures	**193,834**	**205,084**	**-**	**-**	**45,275**	**68,099**	**91,710**
Other long-term liabilities	**2,548**	**2,548**	**-**	**-**	**140**	**280**	**2,128**
Total	**724,756**	**743,363**	**457,783**	**31,754**	**62,620**	**94,223**	**96,983**

	December 31, 2020						
	Carrying Value	Contractual Cash flow	Up to 6 months	6-12 months	1-2 years	2-4 years	More than 4 years
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Non-derivative financial liabilities							
Short-term overdrafts and loans from banks	48,128	50,503	40,163	10,340	-	-	-
Suppliers	234,883	234,883	234,883	-	-	-	-
Current maturities of debentures	42,534	47,227	25,050	22,177	-	-	-
Other payables	97,630	97,630	97,630	-	-	-	-
Long-term bank loans	63,004	66,450	-	-	20,256	30,280	15,914
Debentures	235,622	251,335	-	-	46,250	89,575	115,510
Other long-term liabilities	2,576	2,576	-	-	140	280	2,156
Total	724,377	750,604	397,726	32,517	66,646	120,135	133,580

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks

1. Exposure to CPI and foreign currency risk

The following table presents CPI and foreign currency risk, based on denominated values:

	December 31, 2021				
	NIS		Foreign Currency		
	Unlinked	Linked to the CPI	Dollar	Euro	Total
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Financial assets and financial liabilities					
Current assets;					
Cash and cash equivalents	31,474	-	12,421	12,632	56,527
Trade accounts receivable	285,323	-	8,243	26,654	320,220
Other receivables	11,865	230	8,541	10,717	31,353
Non-current assets:					
Long-term loans and receivables	31,623	-	-	61	31,684
	360,285	230	29,205	50,064	439,784
Current liabilities:					
Overdrafts and short-term loans from banking institutions	35,862	-	-	39	35,901
Trade accounts payable	184,317	-	38,702	65,211	288,230
Other payables	100,804	13,338	-	3,317	117,549
Derivative instruments	-	-	460	1,092	1,552
Current maturities of debentures	42,442	-	-	-	42,442
Current maturities of leasing liabilities	1,281	26,581	1,121	901	29,884
Non-current liabilities					
Liabilities to banking institutions	44,342	-	-	-	44,342
Debentures	193,834	-	-	-	193,834
Liabilities in respect of leasing	14,810	71,053	12,959	1,288	100,110
Other long-term liabilities	-	2,548	-	-	2,548
	617,692	113,520	53,242	71,848	856,302
Total risk, net	(257,407)	(113,290)	(24,037)	(21,784)	(416,518)

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks (cont'd)

1. Exposure to CPI and foreign currency risk (cont'd)

	December 31, 2020				
	NIS		Foreign Currency		
	Unlinked	Linked to the CPI	Dollar	Euro	Total
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Current assets;					
Cash and cash equivalents	23,381	-	5,740	7,803	36,924
Trade accounts receivable	251,110		10,761	24,235	286,106
Other receivables	12,882	530	15,968	13,417	42,797
Non-current assets:					
Long-term loans and receivables	30,481	350	-	335	31,166
	317,854	880	32,469	45,790	396,993
Current liabilities:					
Overdrafts and short-term loans from banking institutions	48,061	-	-	67	48,128
Trade accounts payable	142,232	-	24,111	68,540	234,883
Other payables	80,688	12,015	-	4,927	97,630
Derivative instruments	-	-	1,172	140	1,312
Current maturities of debentures	42,534	-	-	-	42,534
Current maturities of leasing liabilities	1,117	19,423	978	1,522	23,040
Non-current liabilities					
Liabilities to banking institutions	63,004	-	-	-	63,004
Debentures	235,622	-	-	-	235,622
Liabilities in respect of leasing	14,317	64,107	12,528	1,550	92,502
Other long-term liabilities	-	2,576	-	-	2,576
	627,575	98,121	38,789	76,746	841,231
Total risk, net	(309,721)	(97,241)	(6,320)	(30,956)	(444,238)

2. Derivatives:

The fair value of the forward contracts is based on their listed market prices when available. In the absence of such market prices, the fair value was estimated on the basis of the discounting of the difference between the forward price denominated in the contract and the current forward price in respect of the balance of the period of the contract to maturity, using an appropriate interest rate.

The following is a breakdown of the exposure of the Company to foreign currency risks in respect of derivative financial instruments:

As of December 31, 2021:

- The Company has forward contracts for the purchase of $9 million for an amount of NIS 28.4 million, for the period until June 2022.
- The Company has forward contracts for the purchase of €9 million for an amount of NIS 32.8 million for the period until June 2022.

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks (cont'd)

2. Derivatives (cont'd)

As of December 31, 2020:

- The Company has forward contracts for the purchase of $11 million for an amount of NIS 36.5 million, for the period until June 2021.
- The Company has forward contracts for the purchase of €3.5 million for an amount of NIS 14 million for the period until March 2021.

3. Sensitivity analysis

The weakening of the shekel against the following currencies and the increase in the Consumer Price Index would have increased (decreased) shareholders' equity and the profit and loss by the following amounts (without the tax effect). This analysis was performed under the assumption that all other variables, especially interest rates, remained constant:

	Year ended December 31,	
	2021	2020
	Equity / gain (loss)	Equity / gain (loss)
	NIS'000	NIS'000
Increase in CPI of 1.5%	**(1,699)**	(1,459)
Increase in exchange rate of:		
US dollar of 5%	**220**	2,741
Euro of 5%	**551**	(703)

The strengthening of the shekel by similar percentages against the aforementioned currencies, together with the decrease in the Israel Consumer Price Index by a similar percentage as at December 31 had a narrowing impact, albeit in an opposite direction, under the assumption that all of the other variables remained constant.

For additional information regarding the fair value hierarchy, see Note 2D.

D. Interest rate risk

1. The following is a breakdown of the types of interest of financial liabilities:

	December 31,	
	2021	2020
	NIS'000	NIS'000
Financial liabilities at fixed interest	**299,280**	361,021
Financial liabilities at variable interest	**17,239**	28,267

Note 26 – Financial instruments (cont'd)

D. Interest rate risk (cont'd)

2. Sensitivity analysis of the fair value of instruments at fixed interest

The Group's assets and liabilities at fixed interest are not measured at fair value through profit and loss. Therefore, a change in interest rates as of the balance sheet date is not expected to have any impact on profit and loss in respect of changes in the value of the assets and liabilities at fixed interest.

3. Cash flow sensitivity analysis regarding instruments at variable interest rates

A change of 1 percentage point in interest rates at the reporting date would increase or decrease the shareholders' equity and profit and loss by the following amounts (with the tax effect). This analysis was done under the assumption that the rest of the variables, especially foreign currency exchange rates, remained constant.

	December 31, 2021	December 31, 2020
	Equity/Loss	Equity/Loss
	Increase in interest	Increase in interest
	NIS'000	NIS'000
Instruments at variable interest rates	**(172)**	(283)

A decrease in interest of a similar rate as at December 31, 2021 and 2020 had an identical impact, although in opposing directions, under the assumption that all of the other variables remained constant.

E. Fair value

Financial instruments measured at fair value for disclosure purposes only

The carrying value of certain financial assets and liabilities, including cash and cash equivalents, trade accounts receivable, other receivables, bank overdrafts, short-term loans and credit, trade accounts payable and other accounts payable agree with or approximate their fair value.

The fair value of the rest of the financial assets and liabilities and the carrying value as presented in the financial statements are as follows:

	Fair Value Level	December 31, 2021		December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
		NIS'000	NIS'000	NIS'000	NIS'000
Non-current liabilities:					
Debentures	*1	**236,276**	**242,153**	278,156	286,077
Long-term bank loan	**3	**63,004**	**63,821**	82,865	84,319
Long-term loans from others	3	**2,688**	**1,840**	2,716	1,880

(*) Fair value of debentures is based on their stock market price.

(**) The interest rates used to discount the forecasted cash flow estimate based on the government yield curve, as at the reporting date, plus an appropriate fixed credit margin. The interest rates used to discount as at December 31, 2021 – 1.85%-2.36% (2020 – 1.85%-2.4%).

Note 27 - Commitments

A. Agreement with PepsiCo Inc. and with Seven Up International (hereinafter jointly – "PepsiCo")

On April 13, 2015, the Company renewed its agreements with Pepsico, whereby the Company was granted a franchise for the sole manufacture, market, sale and distribution in Israel of Pepsico's beverages, including Pepsi Cola, Pepsi Max, Diet Pepsi, Miranda, Seven Up and Diet Seven Up (hereinafter – the "Agreement").

The agreement is valid for five years, commencing on January 1, 2015 and it will be automatically extended for additional periods of five years each, subject to the right of either of the parties to terminate the agreement upon the period of advanced notification, as set out in the agreement.

On January 1, 2021, the agreement was renewed for a period of five additional years.

B. Agreement with Tradall S.A.

On April 14, 2019, the Company signed an addendum to the agreement with Tradall S.A., whereby the Company will continue to distribute Bacardi Breezer alcohol products, until March 31, 2022. In addition, the parties undertook to invest a minimum amount in marketing and promotion of products, minimum sales targets were set, and the purchase price was set by the Company.

This agreement will be extended automatically for two additional one-year periods, unless either of the parties elects not extend either of the extended periods, pursuant to a mechanism set out in the agreement.

C. Agreement with Aqua Minerale San Benedetto S.P.A.

The Company signed an agreement with Aqua Minerale San Benedetto S.P.A. (hereinafter – San Benedetto) whereby the Company will exclusively distribute in Israel and in the Palestinian Authority the mineral water manufactured by San Benedetto. In accordance with the provisions of the agreement the Company is not allowed to distribute mineral water of competitors of San Benedetto, but it is allowed to distribute mineral water manufactured in Israel subject to the conditions specified in the agreement.
The agreement is in effect from May 1, 2000 and will continue to be in effect until one of the parties cancels it upon advance notice of one year.

D. Agreement with Pernod Ricard Europe S.A.

On July 7, 2010, the Company entered into an agreement with Pernod Ricard Europe S.A. (hereinafter – the "agreement" and "Pernod" respectively) which was amended on July 5, 2012, regarding the exclusive marketing, sale and distribution in Israel of the alcoholic beverages manufactured and distributed by companies of the Pernod Group (hereinafter – the "Products"), including the "Absolut" vodka brand, and the whiskey brands "Jameson", "Chivas" and "Ballentines".

On March 27, 2018, the engagement between the parties was renewed, at terms that are similar to those in the agreement, for an additional period of seven years.

Note 27 - Commitments (cont'd)

E. Agreement with XL Energy Corp.

On September 2, 2009, the Company entered into an agreement with XL Energy Corp. (hereinafter – "XL") whereby the Company was granted the exclusive rights of marketing, selling, and distribution of XL products in Israel. The agreement period is 10 years, commencing on January 1, 2010 and it is automatically renewable for five additional years.

In consideration of the distribution agreement, XL is entitled to receive certain percentages of the profit, as defined in the agreement, of the Company as a result of distribution of the products. During 2011, the Company started producing the aforementioned products at its Netanya plant.

On January 26, 2017, the engagement was extended for an additional 10 years, commencing from 2020. In addition, the territorial coverage of the agreement was broadened to include Cyprus as well.

F. The Law for the Promotion of Competition in the Food Industry - 2014

On March 19, 2014, the Law for the Promotion of Competition in the Food Industry – 2014 was passed (hereinafter – the "Food Law"). The Food Law includes, among other things, the following provisions: (1) Prohibition of a vendor's involvement in setting the price to the consumer charged by the retailer in respect of a product of another vendor; (2) Prohibition of the involvement of the retailer regarding the price to the consumer charged by another retailer for a product; (3) Prohibitions of a vendor whose sales turnover to retailers (as the term is defined in the Food Law) exceeded NIS 300 million or a vendor which has a monopoly (hereinafter – a "large vendor"), including – restricting a large vendor in arranging products in the retailer's store (which has at least three stores and the sales turnover in all of its stores exceeds NIS 250 million) (hereinafter – a "large retailer"); prohibition of a large vendor's involvement in setting the price to the consumer charged by a retailer; prohibition of a large vendor's involvement in allotting selling space by a retailer; prohibition of a large vendor's involvement in the purchase of a product that the large vendor supplies in any volume out of the purchases of the retailer and its involvement in the purchase or sale of products supplied by a different vendor to the retailer; (4) Prohibition of a large retailer's being a party to an arrangement, the result of which is "prohibited costing", with a large vendor included in the list of large vendors and large retailers regarding which the Commissioner found that the definitions of "large vendor" and "large retailer" were met (as set out in this clause, paragraph 3 above). Regarding this matter, "prohibited costing" was defined as the sale of part of the units of the product at a price that is lower than the marginal cost of supplying the product to a large retailer or the sale of products, the total price of which is lower than or equal to the total price that the large vendor offers to the large retailer for the purchase of a smaller number of units of the same product; (5) Prohibition of a vendor's transferring payments to a large retailer, in money or in kind, except for a number of exceptions set out (the above does not prohibit the vendor from lowering the unit price of the product it supplies to the large retailer); (6) Granting authority to the Commissioner to give to a large retailer which sells a product of a large vendor, instructions regarding the steps it has to take in connection with the same product or with alternatives for the same product including in connection with shelf space; (7) Requiring the large vendor to report to the Commissioner, once a year, regarding its annual sales turnover to retailers, except where the large vendor declared that it meets the terms of a "large vendor"; (8) Prohibition of a large vendor's conditioning the sale of any of its products to a retailer on the purchase of another product of the same large vendor.

Note 27 - Commitments (cont'd)

G. Agreement with Stock International S.R.O.

Pursuant to agreements that were signed in June 2016 between Barkan Wineries and Stock International S.R.O. (hereinafter – "Stock"), the owner of the rights to the brand name of products in the alcoholic beverage industry, Barkan Wineries was granted a license to continue producing, marketing and selling the products in Israel, in return for variable royalties, until December 31, 2020. As part of these agreements, minimum sales targets were set, as well as product-specific variable royalty rates. As of the date of approval of the financial statements, the Company is trying to have the agreement renewed under similar terms.

H. Agreement with San Pellegrino

On July 17, 2016, an agreement was signed between San Pellegrino S.P.A. (hereinafter – "San Pellegrino") and the Group, pursuant to which the Group will continue being considered as the sole distributor in Israel for mineral water (plain and carbonated) produced by San Pellegrino. San Pellegrino undertook not to engage another distributor and/or not to market these products by itself within Israel. The agreement was renewed as from January 1, 2019 for an additional two years and it was automatically extended for an additional year.

On September 23, 2016, the Company entered into a marketing and distribution agreement with San Pellegrino, in respect of ice tea beverages under the "Nestea" brand (hereinafter – the "products" and the "agreement", respectively). According to the agreement, which was extended until the end of 2022, the Company will have sole distribution and marketing rights regarding the products

I. Agreement to purchase grapes

Barkan Wineries undertook to purchase grapes from vine growers each harvest year, in accordance with the terms set out in various agreements. including the following:

- Vineyards as part of Joint Activities with vine growers – Under transactions of this kind, Barkan Wineries undertakes the costs of purchasing the inputs to set up the vineyard and the grower undertakes the growing expenses until the first harvest (usually 3 – 4 years after the planting of the vineyard). Subsequently, the expenses of the vineyard are split equally between the Barkan Wineries and the grower (except for extraordinary expenses). The grape yield under these agreements between Barkan Wineries and the growers is divided equally. According to the provisions of such agreements, Barkan Wineries purchases the entire share of the grower in the grape yield. In addition, these agreements contain provisions regarding the manner in which the yield is to be planted and in which the fruit of the harvest are to be purchased.

- Agreements to work the vineyards – Under these agreements, Barkan Wineries renders to the right holders of the vineyards farming services and covers all of the expenses involved in working of the vineyard, in return for the entire yield of the vineyard.

Note 27 - Commitments (cont'd)

J. Deposit on Drink Bottles

According to the Drink Bottle Deposit Law - (1999) (hereinafter - the deposit law), a deposit in the amount of NIS 0.30 must be made on every sale of a drink bottle. The deposit will be returned along with the return of the drink bottle to the sale point, the manufacturer or the importer.

In February 2010, the Israeli parliament passed an amendment to the Deposit Law, placing on the beverage manufacturers the responsibility to collect and recycle the bottles they sell in accordance with the percentages set out in the amendment to the law. In addition, the amendment stipulated minimum rates of collection and recycling of large beverage bottles, i.e., beverage bottles of 1.5 liters or larger. In respect of such large drink bottles no deposit is charged, although the amendment stipulates: (i) a manufacturer or importer that does not meet the collection target stipulated in the law in respect of large drink bottles will pay a fine in respect of each large drink bottle it does not collect in accordance with the target; and (ii) if the beverage manufacturers do not meet the collection percentages set out in the amendment in connection with large drink bottles, then all of the provisions of the law in respect of all of the bottles shall also apply. In the opinion of Company Management, implementation of the amendment may cause an impairment in the financial results of the Company, in amounts that cannot currently be forecasted accurately.

Since 2010, the Company has been paying to ELA – Recycling Corporation LTD. (hereinafter – "Ela") a handling fee that was designed to assist the Ela to comply with the collection targets set out in the amendment to the Deposit Law, both regarding small bottles (up to 1.5 liters) and large bottles (between 1.5 – 5 liters).

On July 26, 2017, the Antitrust Court changed the agreed-upon outline which was reached between the Antitrust Commissioner and Ela, to approve the continued operation of Ela, subject to the Company's no longer being shareholder in Ela.
According to the agreed-upon outline, Ela will be allowed to continue its activity if the Company ceases being a shareholder in Ela. The continued operation of Ela was made contingent upon a number of agreed-upon conditions, including that each manufacturer or importer, including the Company, has the right to obtain services from Ela on equal terms and under agreements that are valid for up to one year.

On October 19, 2020, the Minister of Environmental Protection issued a notice in the Official Gazette regarding the failure to meet the collection target for large bottles in 2016 and, therefore, the requirement for a deposit on large bottles would apply. The Economics Committee approved the order and, commencing from December 1, 2021, the provisions of the Deposit Law were expanded to include also Large Drink Bottles with a volume of 1.5 to 5 liters.

For more information regarding a payment demand received by the Company from the Environmental Protection Ministry, in respect of failure to meet targets for the collection of large bottles in 2016, see Note 28A5.

Note 27 - Commitments (cont'd)

K. The Packaging Law

On March 1, 2011, the Law for the Handling of Packaging – 2011 went into effect (hereinafter – the "Packaging Law"). The objective of the Packaging Law is to regulate the manufacturing of packaging and the handling of packaging waste, so as to reduce the quantity of packaging waste, to avoid the need for burying the waste and to encourage recycling of packaging. The Packaging Law requires the manufacturers and importers of products sold in different forms of packaging to recycle the packaging waste of their products, at rates set out in the Packaging Law and the law also sets out penalties for failure to comply with the aforementioned recycling targets. In addition, the Packaging Law sets up mechanisms for carrying out the recycling through special entities to be set up for that purpose and which will be responsible for the financing of all of the costs needed for the handling of the packaging waste that was collected within the boundaries of the local authorities with which each entity entered into an agreement. On December 1, 2011, T.M.I.R. – the Israeli Manufacturers Recycling Corporation Ltd., the company founded by the Israeli Manufacturers Association was recognized as a "recognized entity" regarding the Packaging Law (hereinafter – "T.M.I.R"). As part of the founders agreement that was signed between T.M.I.R and the manufacturers and importers of packaging, including the Company, the Company was allotted a share that grants it 5.1% of the voting rights in the general meeting of T.M.I.R. In addition, as part of the agreement to render services between T.M.I.R. and the Company, the objective of which is the implementation of the provisions of the Packaging Law, it was stipulated that in return for the handling fee to be paid to T.M.I.R. by the Company, T.M.I.R. will render the services to the Company and will meet all of the obligations as set out in the Packaging Law, in order to meet the recycling targets set out in the Packaging Law.

L. Agreements with interested party companies

Regarding commitments with interested party companies, see Note 29.

Note 28 - Contingent Liabilities, Guarantees and Pledges

A. Contingent liabilities

1. In addition to the items set out below, suits and debt demands have been filed against the Company for a total amount of NIS 3,400 thousand. In the opinion of Company Management, based on its legal counsel, the Company will not incur any expenses in respect of the results of the suits beyond the provision that is included in the financial statements.

2. On September 19, 2017, a suit was filed against a wholly-owned grandchild subsidiary of the Company (hereinafter – the “Defendant”), together with a petition to approve the suit as a class action. The plaintiff claims that the Defendant manufactured and marketed "Tirosh Natural Grape Juice" and "Red Sweet Wine" in a manner that misleads and harms the consumer public that purchases these products.

   The Plaintiff alleges that the Defendant claims to represent the grape juice manufactured and marketed by it, "Tirosh Natural Grape Juice", as a product that is "100% natural" and, as such, it is manufactured from "grape juice" only, whereas the Defendant actually adds to the grape juice an additive of white sugar (Sucralose), in a manner that allegedly is in breach of the law and regulations.

   In addition, the Plaintiff claims that the Defendant adds to the "Red Sweet Wine", in violation of the law, an additive of white sugar (Sucralose) and does not note such additional sugar of the label of the product.

   The reliefs requested by the plaintiff are: (1) compensation in an amount of NIS 118,700 thousand to the entire Group of members which, according to the Plaintiff, were harmed by the acts of commission of the Defendant; (2) to instruct the Defendant to manufacture the grape juice and the red sweet wine in accordance with the provisions of the relevant law and regulations; (3) to correct the representations that appear on the labels that are pasted onto the grape juice and red sweet wine bottles, so as to correctly reflect the essence of the product; (4) to issue any necessary order under the circumstances of the matter which are under the jurisdiction of the District Court.

   On December 13, 2020, the parties filed a motion with the court to have a compromise agreement approved. As of the date of approval of the financial statements, the compromise agreement is still before the court, awaiting its approval.

   In the opinion of the management of the Defendant, based on its legal counsel, the chances of the motion to be sustained are less than 50%. Consequently, no provision in respect thereof was included in the financial statements.

3. On March 7, 2018, a suit was filed against the Company, together with a motion to recognize the suit as a class action.
   The Plaintiff alleges that as a long-standing consumer of the Pepsi Max product, manufactured and marketed by the Company, he has been recently suffering from leaks and a lack of gas from the product. According to the Plaintiff, the cap of the bottle in which the product is sold is not properly hermetically sealed, neither prior to opening the bottle nor after opening the bottle. The major relief being requested by the Plaintiff is compensation of NIS 306,000 thousand for the entire group which the Plaintiff alleges has been damaged as a result of the acts of commission of the Company.
   In the opinion of Company Management, based on its legal counsel, the chances of the suit being sustained are less than 50%. Therefore, no provision was set up in the financial statements in respect thereof.

Note 28 - Contingent Liabilities, Guarantees and Pledges (cont'd)

A. Contingent liabilities (cont'd)

4. On August 16, 2018, a suit was filed against Neni, together with a motion to recognize the suit as a class action. The Plaintiffs claimed that they consumed hot drinks from coffee machines that were imported and/or marketed by the Defendant, and the machines were defective, whereby they put into the hot drink cups quantities of lead that deviated from the quantities allowed under Israel law and standards. The Plaintiffs claimed that by doing so, the Defendant was allegedly harming their health.

   The major reliefs being requested by the Plaintiffs are as follows:

   1. To award compensation in an amount of NIS 540,000 thousand to all of the members of the Group which they alleged were harmed as a result of an act of commission on the part of the Defendant.
   2. To order the Defendant to remove the coffee machines from business in which the machines are still located.
   3. To order to set down procedures, whereby it will conduct examinations once every six months regarding the machines it markets, in order to ensure their safe operation and that they do not constitute a public health hazard.

   In the opinion of Company Management, based on its legal counsel, the chances of the motion being sustained are less than 50% and, therefore, no provision was set up in the financial statements.

5. On June 20, 2018, Tempo Marketing received from the Environmental Protection Ministry a payment demand in respect of its failure to meet the collection and recycling targets in respect of large bottles that were manufactured for Tempo Marketing by Aleh in 2016. The share of Tempo Marketing in this demand is NIS 6.7 million.

   Tempo Marketing and others appealed this sanction to the courts and on November 9, 2020, the court issued its decision whereby part of the claims of Tempo Marketing and the others were sustained. Both Tempo Marketing and the others and the State of Israel appealed this decision, On July 26, 2021, a ruling was issued by the District Court whereby the appeal of the State was sustained.

   Therefore, Tempo Marketing and the others have to pay the entire sanction imposed upon it. Accordingly, the Company included a provision in its financial statements.

6. On July 28, 2020, as a result of an audit conducted at Barkan Wineries in respect of the years 2017 – 2018, it was issued a payment demand from the Central Customs House in respect of a shortfall in payments of excise tax in an amount of NIS 3.7 million.
   On July 29, 2020, the Company contacted the Central Customs House and made it clear to customs that it disputed the shortfall demand and that it intended on filing an objection regarding the demand.

   In the opinion of Management of Barkan Wineriees, based on its legal counsel, there is a reasonable chance (of more than 50%) to have part of the amount of the shortfall demand reduced. Therefore, the amount of the provision that was included in the financial statements in respect of this demand is fair.

Note 28 - Contingent Liabilities, Guarantees and Pledges (cont'd)

B. Guarantees

For information pertaining to the guarantee to secure the liabilities of investee companies to banks, see Note 8.

C. Pledges

The Group has made the following pledges:

(1) Fixed and current pledges in favor of banks, unlimited in amount – on the assets of the Company, including goodwill and on the share capital not yet demanded or paid in.

(2) As of the reporting date, the amounts secured by pledges to banking institutions in respect of credit granted by them, including guarantees and letters of credit amounted to NIS 54 million.

Note 29 – Related and interested parties

A. Benefits to interested parties

	Year ended December 31,					
	2021		2020		2019	
	No. of people	Amount NIS'000	No. of people	Amount NIS'000	No. of people	Amount NIS'00
Benefits to interested parties employed by the Company	**2**	**11,705**	2	7,435	2	9,626
Benefits to directors not employed by the Company	**5**	**512**	3	479	3	517

B. Balances with interested parties and related parties

	December 31,	
	2021	2020
	NIS'000	NIS'000
Suppliers	**45,557**	18,545
Other creditors	**9,370**	4,634

C. Remuneration of key management executives

	Year ended December 31,					
	2021		2020		2019	
	NIS'000		NIS'000		NIS'000	
	No. of people	Amount	No. of people	Amount	No. of people	Amount
Payroll and related expenses	**13**	**18,387**	14	14,994	12	16,446

Note 29 – Related and interested parties (cont'd)

D. Transactions with related and interested parties – all transactions are at market terms

	Year ended December 31,		
	2021	2020	2019
	NIS'000	NIS'000	NIS'000
	Transaction amounts		
Purchases of purchased products	**144,340**	103,026	115,980
Purchases of raw materials	**-**	-	38
Production services	**7,548**	8,681	10,279
Other purchases	**204**	15	291
Other manufacturing expenses	**6,073**	5,465	6,116
Rent expenses	**2,616**	2,614	2,650
Participation of the parent company in general and administrative expenses	**200**	200	200
Sale of raw materials	**92**	128	109
Participation of investee companies in expenses	**2,885**	2,737	3,065
Financing income, net	**1**	113	203

E. Employment agreements with the chairman of the board and an interested party in the Company

On November 20, 2011, the general meeting of Tempo Industries ratified the renewal of the Company's management agreements with Messrs. Jacques Beer and Amir Borenstein (hereinafter – the "Management Services Agreement with Jacques Beer" and the "Management Services Agreement with Amir Borenstein", respectively).

(1) The following is a summary of the principal terms of the Management Services Agreement with Jacques Beer:

Mr. Jacques Beer renders management services to the Company as its active chairman of the board of directors. In addition, in accordance with the resolution of the board of directors of the Company passed on February 23, 2011, Mr. Beer serves as the CEO of the Company, at no additional cost to the Company.

The monthly remuneration in respect of the management services was set at $25,000, translated into shekels on January 1, 1997 and linked to the Consumer Price Index at that date. In addition, Mr. Beer is entitled to a company car, a cellular phone and a phone line at his home. Mr. Beer is also entitled to an annual bonus.

On January 14, 2014, the general meeting of the shareholders of the Company approved a change in a component of the grant of the chairman of the board and the CEO of the Company, further to the approval of the board of directors and the remunerations committee and pursuant to the Company's remuneration policy, whereby the chairman of the board and CEO will be entitled to an annual bonus to be paid at the end of each calendar year during the agreement period, at a rate of 4.2% of the Company's pre-tax profit (for this purpose, "pre-tax profit" for purposes of the measured bonus shall be calculated as the pre-tax profit appearing in the Company's consolidated financial statements, less a return on the shareholders' equity of the Company as at the beginning of each year during the course of the remunerations program (8%), neutralizing one-time or accounting events that increase the Company's profit, not as a result of a real increase in activity), subject to the fact that in the year or years prior to the year of payment, the Company did not record in its financial statements a pre-tax loss (hereinafter – the "prior years' losses"). In the event that prior years' losses were recorded, these losses will be offset against the pre-tax profit – in whole or in part, as applicable, for purposes of calculating the bonus.

Note 29 – Related and interested parties (cont'd)

E. Employment agreements with the chairman of the board and an interested party in the Company (cont'd)

(1) (cont'd)
The total annual bonus to the chairman of the board and CEO shall not exceed 3% of the Company's pre-tax profit (based on the financial statements of the Company).

In addition, in any event, the total bonus of the chairman of the board and the CEO shall not exceed an amount equal to 36 payments of monthly management fees.

On January 14, 2020, the compensation which Mr. Beer is entitled to receive was re-approved, without any changes in the conditions.

Subsequent to the date of the statement of financial position, on March 31, 2022, the Company announced the appointment of Mr. Daniel Beer, Mr. Jack Beer's son, to the position of CEO of the Company, commencing from April 1, 2022. Therefore, commencing on that date, Mr. Jack Beer will serve as Chairman of the Board. In addition, the general meeting, further to the approval of the remunerations committee and the Board of Directors of the Company, approved the updating of the annual variable bonus, whereby the bonus will be 3% of the pre-tax income, but in any event, it will not exceed the amount equal to 36 payments of the monthly management fee. With regard to this matter, the term "pre-tax income" refers to the amount of the pre-tax income appearing in the annual consolidated financial statements of the Company in respect of the relevant year, prior to the payment of the annual bonuses, neutralizing one-off events and/or or non-recurring income.

(2) The following is a summary of the principal terms of the Management Services Agreement with Amir Borenstein:

Mr. Amir Borenstein serves as a director of Tempo Industries, a director of the Company and a member of its management team, and as the active chairman of the board of directors of Barkan Wineries.

The monthly remuneration in respect of the services Mr. Borenstein renders was set at $20,000, translated into shekels on February 1, 1999 and linked to the Consumer Price Index at that date. In addition, Mr. Borenstein is entitled to a company car, a cellular phone and a phone line at his home.

On January 14, 2014, the general meeting of the shareholders of the Company approved the appointment of Mr. Amir Borenstein as the deputy chairman of the board of directors, and a change in the terms of his employment, to include a bonus component, further to the approvals of the board and the remunerations committee and pursuant to the Company's remunerations policy.

The deputy chairman of the board will be entitled to an annual bonus to be paid at the end of each calendar year during the agreement period, at a rate of 2.8% of the Company's pre-tax profit (for this purpose, "pre-tax profit" for purposes of the measured bonus shall be calculated as the pre-tax profit appearing in the Company's consolidated financial statements, less a return on the shareholders' equity of the Company as at the beginning of each year during the course of the remunerations program (8%), neutralizing one-time or accounting events that increase the Company's profit, not as a result of a real increase in activity), subject to the fact that in the year or years prior to the year of payment, the Company did not record in its financial statements a pre-tax loss (hereinafter – the "prior years' losses"). In the event that prior years' losses were recorded, these losses will be offset against the pre-tax profit – in whole or in part, as applicable, for purposes of calculating the bonus.

Note 29 – Related and interested parties (cont’d)

E. Employment agreements with the chairman of the board and an interested party in the Company (cont’d)

(2) (cont'd)

The total annual bonus to the deputy chairman of the board shall not exceed 2% of the Company's pre-tax profit (based on the financial statements of the Company).

In addition, in any event, the total bonus of the deputy chairman of the board shall not exceed an amount equal to 36 payments of monthly management fees.

On January 14, 2020, the remuneration to which Mr. Borenstein is entitled was re-approved, with no changes being made to its conditions.

Subsequent to the date of the statement of financial position, on March 31, 2022, the general meeting, further to the approval of the remunerations committee and the Board of Directors of the Company, approved the updating of the annual variable bonus, whereby the bonus will be 2% of the pre-tax income, but in any event, it will not exceed the amount equal to 36 payments of the monthly management fee. With regard to this matter, the term “pre-tax income” refers to the amount of the pre-tax income appearing in the annual consolidated financial statements of the Company in respect of the relevant year, prior to the payment of the annual bonuses, neutralizing one-off events and/or or non-recurring income.

F. Transactions with controlling shareholders

Local manufacture of Heineken beer in Israel

The Company entered into an agreement with a company of the Heineken Group regarding a concession to manufacture at, market, sell and distribute Lager beer from the Company's Netanya plant, under the brand name "Heineken" (hereinafter – the **"concession agreement"**). Under the agreement, Tempo Industries is granted an exclusive concession for a period of 20 years (hereinafter – the **"concession period"**) to be renewed for further five-year periods on each occasion (hereinafter – the **"extension periods"**), subject to each party's right to terminate the agreement by informing the other party 12 months before the end of the concession period or any of the extension periods.

In consideration of obtaining this exclusive concession, the Company shall pay Heineken annual royalties in respect of the sale of Heineken beer.
Heineken will provide the Company with technical advice in connection with the manufacture of Heineken beer, all according to an annual budget to be agreed upon each year between Heineken and the Company. The Company shall also be entitled to purchase from Heineken other services in connection with Heineken beer, for payment of the rates generally applied by Heineken.
The parties shall agree upon marketing plans for Heineken each year. In this context, the Company shall determine the pricing policy to be approved by Heineken.

The agreement includes restrictions regarding the importing and sale of products that compete with Heineken Beer.

On August 27, 2015, the board of directors of the Company approved an addendum to the franchise agreement. The addendum set out the rate of the annual royalties to be paid by the Company to Heineken in respect of the sales of Heineken beer products and the percentage of the marketing expenses for each calendar year out of the net sales receipts (as the term is defined in the updated agreement) of the Company in respect of the sales of products in the same calendar year and the mechanism for the participation of Heineken in the aforementioned marketing expenses. In addition, the definition of the territory in which the agreement applies was expanded so as to include Cyprus.

Note 29 – Related and interested parties (cont'd)

F. Transactions with controlling shareholders (cont'd)

Supply agreement

On May 7, 2015, the supply agreement between the Company and Preform Beverages Ltd. (hereinafter – "Preform"), a subsidiary of the parent company, was extended for a period of 5 years, commencing from December 1, 2014. The agreement was regarding the supply of polyethylene products required by the Company to produce the bottles for the beverages it manufactures.

According to the supply agreement, the Company purchases from third parties the raw materials used in the manufacture of polyethylene products, and it purchases from Preform manufacturing services in connection with the manufacture of the polyethylene products for a fixed amount, as detailed in the supply agreement.

On February 20, 2020, the general meeting of the shareholders of the Company approved (after the approval of the Audit Committee and the Board of Directors of the Company) an addendum to the supply agreement between the Company and Preform (hereinafter – the "Addendum to the Agreement"), whereby the agreement was extended for a one-year period, from December 1, 2019 through November 30, 2020 (hereinafter – the "extension period"). The prices of the products supplied by Preform to the Company during the extension period were updated in accordance with the updated offer given by Preform to the Company, based on negotiations that were conducted between the parties, as part of which the prices of preforms products were lowered. There were no other changes in the terms of the supply agreement.

Further to the approval of the relevant organs of the Company, an additional addendum to the supply agreement was approved whereby the agreement was extended until March 31, 2023 and the types of products to be bought from Preform will be limited to certain products out of all of the products bought pursuant to the supply agreement. In addition, the prices of the products to be supplied by Preform to the Company were updated in accordance with the updated price quote given by Preform to the Company on the basis of the negotiations conducted between the parties as part of which the prices of the products to be supplied were reduced a second time.

Rental agreements

- On May 24, 2010, the Company and the subsidiary, Tempo Marketing (1981) Ltd., entered into an agreement with Tempo Industries, regarding the rental by the Company and the subsidiary of 10 dunams of land leased by the parent company, adjacent to the plant of the Company in Netanya. The rental period is twenty four years and eleven months, commencing on January 1, 2010. The annual rental fees pursuant to the agreement amount to NIS 2,000 thousand, linked to the Consumer Price Index.
- On June 15, 2005, the Company entered into an agreement with Tempo Industries whereby the Company rents property in Migdal Ha'emek for an amount of $133 thousand per annum. The original agreement was for a period of 24 months, automatically renewed for additional 12-month periods, subject to the right of the Company to terminate the agreement upon advance notice of 30 days.

Transfer pricing

Pursuant to a transfer pricing study conducted in 2018 in connection with Tempo Cyprus, and taking into consideration that all of the operating and business risks in connection with the activities of Tempo Cyprus are have borne by the Company since inception of Tempo Cyprus, it was determined that Tempo Cyprus serves as a distributor of the Company.

In the fourth quarter of 2018, a new agreement was signed between the parties, whereby Tempo Cyprus will be entitled to receive a fixed operating margin, based on a transfer pricing study.

Note 30 – Leasing

The Company implements IFRS 16, *Leasing*. As part of leasing agreements, the Group leases the following items:

1. Vehicles
2. Property and office space
3. Vineyards.

(1) Information pertaining to material leasing agreements

a. The Group leases vehicles for periods of three years and from time to time, it changes the quantity of vehicles on the basis of its current needs. The leased vehicles are identified by their license plate numbers and the leasing companies are not allowed to replace the vehicles, except if vehicles are faulty. The leased vehicles are used by the employees of the headquarters of the Group, marketing and sales personnel and other employees who have employment contracts that contain provisions requiring the Group to place a vehicle at their disposal. In addition, the Company leases trucks from a number of leasing companies, for periods of up to seven years. The trucks are used by the Company's Logistics Department for shipping purposes.

b. The Company leases land in Netanya from the parent company, for a period up to 2034. The land covers an area of 10 dunams and is located near the Company's premises in Netanya. In addition, the Group leases offices and warehouses for use in its business activity, for periods of between two to fifteen years. These periods contain options to extend the leasing agreements and it is reasonable to assume that the options will be exercised.

c. Barkan Wineries leases vineyards from various landowners for use in growing grapes. The lease periods in the agreements range from between nine years to twenty two years and they include options to extend the leasing periods. It is reasonable to assume that such options will be exercised.

(2) Right-of-usage assets (presented as part of fixed assets)

Composition

	Property and office space	Vineyards	Vehicles	Total
	NIS'000	NIS'000	NIS'000	NIS'000
Balance as at January 1, 2020	35,028	38,730	54,373	128,131
Additions (*)	5,568	(79)	16,026	21,515
Disposals	(12)	-	(4,311)	(4,323)
Impact of changes in exchange rates	15	-	22	37
Depreciation in respect of right-of-usage assets	(5,284)	(2,611)	(24,165)	(32,060)
Balance as at December 31, 2020	35,315	36,040	41,945	113,300
Additions (*)	**1,026**	**2,725**	**44,095**	**47,846**
Disposals	**(638)**	**(447)**	**(647)**	**(1,732)**
Impact of changes in exchange rates	**(256)**	**-**	**(49)**	**(305)**
Depreciation in respect of right-of-usage assets	**(5,535)**	**(2,604)**	**(24,959)**	**(33,098)**
Balance as at December 31, 2021	**29,912**	**35,714**	**60,385**	**126,011**

(*) Including linkage differentials carried to the right of usage asset in an amount of NIS 2,328 thousand (2020 – linkage differentials deducted from the right of usage asset in an amount of NIS 499 thousand).

Note 30 – Leasing (cont'd)

(3) Leasing liabilities

Analysis of the maturity dates of the leasing liabilities of the Group

	December 31, 2021
	NIS'000
Up to one year	**29,884**
Between one and two years	**25,389**
Between two and four years	**24,291**
More than four years	**50,430**
Total	**129,994**

(4) Additional information regarding leasing liabilities

Amounts recognized in profit and loss

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
	NIS'000	NIS'000	NIS'000
Interest expenses in respect of leasing liabilities	**3,675**	3,698	3,723

Note 31 – Segment reporting

The accounting principles applied in the segment reporting are in agreement with the accepted accounting principles adopted for purposes of preparation and presentation of the consolidated financial statements of the Group.

Business segments
The Company is engaged in three segments:

- Alcoholic beverages – manufacture, import, marketing and distribution of alcoholic beverages.
- Non-alcoholic beverages – manufacture, import, marketing and distribution of various non-alcoholic beverages.
- Barkan segment – manufacture, importing and marketing of wine and alcoholic beverages.

The segmental results are the gross profit, less selling and marketing expenses.

The Company distributes alcoholic beverages produced and marketed by companies in the Pernod Richard Group. The income and expenses in connection with the distribution of these products are presented together with the activity of the Company in the area of light alcoholic beverages as part of the alcoholic beverage operating segment. In the opinion of Company Management, both operating segments can be merged into one operating segment due to the fact that the two operating segments have similar economic characteristics, such as profitability rates, and they are similar regarding the nature of their products and services, the nature of their production processes, types of customers and product distribution methods.

	Year ended December 31, 2021			
	Alcoholic Beverages	**Barkan**	**Non-alcoholic Beverages**	**Consolidated**
	NIS'000	**NIS'000**	**NIS'000**	**NIS'000**
Segmental revenues	**675,032**	**171,990**	**851,522**	**1,698,544**
Segmental results	**112,176**	**34,925**	**102,760**	**249,861**
Unallocated expenses				**(76,594)**
Operating income				**173,267**
Net financing expenses				**(10,740)**
Share of Company in profits of equity-accounted investee companies				**2,860**
Taxes on income				**(39,540)**
Net income for the year				**125,847**
Depreciation and amortization	**28,463**	**19,768**	**16,552**	

Note 31 – Segment reporting (cont'd)

	Year ended December 31, 2020			
	Alcoholic Beverages	**Barkan**	**Non-alcoholic Beverages**	**Consolidated**
	NIS'000	**NIS'000**	**NIS'000**	**NIS'000**
Segmental revenues	**541,827**	**169,396**	**674,737**	**1,385,960**
Segmental results	**87,756**	**31,522**	**79,209**	**198,487**
Unallocated expenses				**(80,623)**
Operating income				**117,864**
Net financing expenses				**(19,064)**
Share of Company in profits of equity-accounted investee companies				**27**
Taxes on income				**(24,098)**
Net income for the year				**74,729**
Depreciation and amortization	**30,385**	**20,455**	**17,631**	

	Year ended December 31, 2019			
	Alcoholic Beverages	**Barkan**	**Non-alcoholic Beverages**	**Consolidated**
	NIS'000	**NIS'000**	**NIS'000**	**NIS'000**
Segmental revenues	612,940	190,596	711,285	1,514,821
Segmental results	106,976	37,442	76,246	220,664
Unallocated expenses				(84,744)
Operating income				135,920
Net financing expenses				(19,886)
Share of Company in profits of equity-accounted investee companies				3,022
Taxes on income				(29,279)
Net income for the year				89,777
Depreciation and amortization	30,031	19,480	17,346	

Note 32 – Subsequent events

A. Subsequent to the date of the statement of financial position, on March 17, 2022, a demand was submitted to the chairman of the board of Adir, an investee company held 50% by the Company, to file suit against the Company and individuals who serve as officers of Adir on behalf of the Company (hereinafter - the "Demand"). The demand was served by the additional shareholders of the other 50% of Adir, including two shareholders who serve as the joint CEOs of Adir (hereinafter – the “Other shareholders” and the “Joint CEOs”, respectively), further to a dispute between the Company and the other shareholders. The demand claimed, inter alia, that the Company and the officers on its behalf in Adir took advantage of business opportunity of Adir and prevented Adir from realizing the opportunity. It was also claimed that the Company did not meet its obligations pursuant to the distribution agreement between it and Adir. The Demand claimed that the damages to Adir were estimated to be NIS 60 - 80 million.

   The demand was submitted after the negotiations to purchase the share of the other shareholders in Adir by the Company, in an attempt to conclude the dispute, were unsuccessful and after the directors on behalf of the Company in Adir made a decision to terminate the employment of the Joint CEOs by March 31, 2022.

   At this early stage, it is impossible to evaluate the chances of the suit (if filed) and its impact on the Company, if any.

B. Subsequent to the date of the statement of financial position, on March 31, 2022, the board of directors passed a resolution to distribute a cash dividend to the shareholders, in an amount of NIS 62, 900 thousand. The dividend will be distributed on April 27, 2022.

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