Tempo Beverages Ltd.

Consolidated Financial Statements

As of December 31, 2022

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Contents

Consolidated Statement of Financial Position as at

	Note	December 31 2022 NIS thousands	December 31 2021 NIS thousands
Current assets			
Cash and cash equivalents		**19,342**	56,527
Trade receivables	4	**375,671**	320,220
Other receivables	5	**52,420**	31,353
Derivative instruments		**394**	-
Inventory	6	**395,439**	329,091
Current tax assets		**3,260**	4,778
Total current assets		**846,526**	741,969
Long-term loans and receivables	7	**28,252**	31,684
Fixed assets	9	**779,240**	783,703
Intangible assets	10	**14,565**	17,901
Investment in equity accounted investee companies	8	**84,821**	58,284
Investments measured at fair value		**11,272**	8,036
Inventory in process		**5,680**	6,747
Deferred tax assets	24	**10,686**	8,368
Total long-term assets		**934,516**	914,723
Total assets		**1,781,042**	1,656,692

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

Consolidated Statement of Financial Position as at

	Note	December 31 2022 NIS thousands	December 31 2021 NIS thousands
Liabilities			
Short-term credit from banks	11	**124,592**	35,901
Trade payables	12	**297,039**	288,230
Other payables	13	**125,639**	117,459
Derivative instruments		**-**	1,552
Current maturities of debentures	15	**62,814**	42,442
Current maturities of liabilities in respect of leasing	30	**32,819**	29,884
Current tax liabilities		**9,298**	14,167
Total current liabilities		**652,201**	529,635
Liabilities to banking institutions	14	**28,126**	44,342
Other long-term liabilities	14	**2,629**	2,548
Long-term liabilities in respect of leasing	30	**94,255**	100,110
Debentures	15	**152,106**	193,834
Deferred tax liabilities	24	**45,315**	33,682
Employee benefits	16	**9,343**	12,783
Total non-current liabilities		**331,774**	387,299
Total liabilities		**983,975**	916,934
Equity			
Non-controlling interest		**567**	680
Share capital		**1**	1
Share premium		**147,334**	147,334
Translation reserve		**(987)**	(6,353)
Retained earnings		**650,152**	598,096
Total equity attributable to equity holders of the Company	17	**796,500**	739,078
Total equity		**797,067**	739,758
Total liabilities and equity		**1,781,042**	1,656,692

Jacques Beer **Chairman of the Board**	**Daniel Beer** **CEO**	**Amir Bornstien** **Deputy Chairman of the Board**	**Eyal Tregerman** **CFO**

Date of approval of financial statements: March 30, 2023

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

Consolidated Statement of Income for the year ended December 31

	Note	2022 NIS thousands	2021 NIS thousands	2020 NIS thousands
Revenues from sales, net	18	**1,813,221**	1,698,544	1,385,960
Cost of sales	19	**1,200,267**	1,099,907	883,576
Gross profit		**612,954**	598,637	502,384
Selling and marketing expenses	20	**(360,992)**	(348,776)	(303,897)
General and administrative expenses	22	**(92,139)**	(83,051)	(79,611)
Other income	21	**6,807**	6,457	786
Other expenses	21	**(3,765)**	-	(1,798)
Operating profit		**162,865**	173,267	117,864
Financing income	23	**4,603**	6,118	389
Financing expenses	23	**(17,731)**	(16,858)	(19,453)
Financing expenses, net		**(13,128)**	(10,740)	(19,064)
Share in profits (losses) of equity-accounted investee companies	8	**(844)**	2,860	27
Profit before taxes on income		**148,893**	165,387	98,827
Taxes on income	24	**(35,696)**	(39,540)	(24,098)
Profit for the year		**113,197**	125,847	74,729
Profit (loss) attributed to:				
Equity holders of the Company		**113,310**	125,839	74,692
Non-controlling interest		**(113)**	8	37
		113,197	125,847	74,729

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

	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Profit for the year	**113,197**	125,847	74,729
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	**5,366**	(5,090)	1,023
Components of the other comprehensive income not carried to profit and loss:			
Defined benefit plan actuarial gains (losses), net of tax	**1,646**	(143)	601
Other comprehensive gains (losses), net of tax	**7,012**	(5,233)	1,624
Total comprehensive income for the year	**120,209**	120,614	76,353
Comprehensive income (loss) attributed to:			
Equity holders of the Company	**120,322**	120,606	76,316
Non-controlling interests	**(113)**	8	37
Total comprehensive income for the year	**120,209**	120,614	76,353

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, 2022							
Balance as at January 1, 2022	**1**	**147,334**	**(6,353)**	**598,096**	**739,078**	**680**	**739,758**
Dividend paid	**-**	**-**	**-**	**(62,900)**	**(62,900)**	**-**	**(62,900)**
Foreign currency translation differences in respect of foreign operations	**-**	**-**	**5,366**	**-**	**5,366**	**-**	**5,366**
Actuarial gains from defined benefit plan, net of tax	**-**	**-**	**-**	**1,646**	**1,646**	**-**	**1,646**
Profit for the year	**-**	**-**	**-**	**113,310**	**113,310**	**(113)**	**113,197**
Balance as at December 31, 2022	**1**	**147,334**	**(987)**	**650,152**	**796,500**	**567**	**797,067**
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

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

Statement of Cash Flows for the Year ended December 31

	2022 NIS thousands	2021 NIS thousands	2020 NIS thousands
Cash flows from operating activities			
Net income for the year	**113,197**	125,847	74,729
Adjustments:			
Depreciation and amortization	**144,820**	135,123	132,147
Share of Company in profits (losses) of equity-accounted investee companies	**844**	(2,860)	(27)
Profit on revaluation of investments, net	**(2,000)**	(2,578)	-
Financing expenses, net	**15,161**	13,695	14,926
Capital loss from sale of fixed assets, net	**4,204**	2,740	2,099
Tax expenses on income	**35,696**	39,540	24,098
	311,922	311,507	247,972
Change in inventory	**(64,296)**	(30,092)	(2,844)
Change in trade receivables and other receivables	**(72,536)**	(25,644)	58,374
Change in trade payables and other payables	**12,521**	76,633	3,922
Change in employee benefits	**1,506**	3,325	3,235
	(122,805)	24,222	62,687
Income tax paid	**(30,643)**	(25,832)	(7,893)
Net cash provided by operating activities	**158,474**	309,897	302,766
Cash flows from investing activities			
Investment in investee companies and partnerships	**(31,726)**	(20,289)	(1,283)
Payment of deferred consideration in respect of acquisition of subsidiary	**-**	(612)	(914)
Dividends received	**360**	2,950	3,161
Investments in companies measured at fair value	**(1,236)**	(3,758)	-
Proceeds from sale of fixed assets	**310**	797	313
Acquisition of fixed assets	**(85,500)**	(96,046)	(85,542)
Acquisition of intangible assets	**(2,823)**	(2,409)	(1,334)
Investment in long-term receivables	**(29,880)**	(28,924)	(21,072)
Receipts from investment in long-term receivables	**14,352**	11,409	20,255
Net cash used in investing activities	**(136,143)**	(136,882)	(86,416)

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

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

	2022 NIS thousands	2021 NIS thousands	2020 NIS thousands
Cash flows from financing activities			
Repayment of short-term credit, net	**91,134**	(11,021)	(291,529)
Distributed dividend	**(62,900)**	(35,000)	(25,000)
Issuance of debentures	**-**	-	198,120
Repayment of debentures	**(22,220)**	(41,743)	(31,524)
Repayment of long-term banks loans	**(18,662)**	(19,861)	(21,280)
Repayment of principle of liabilities in respect of leasing	**(32,846)**	(33,331)	(30,255)
Repayment of other long- term liabilities	**(140)**	(140)	(140)
Interest paid	**(14,076)**	(13,720)	(14,584)
Net cash used in financing activities	**(59,710)**	(152,816)	(216,192)
Net change in cash and cash equivalents	**(37,379)**	20,199	158
Cash and cash equivalents as at the beginning of the year	**56,527**	36,924	36,690
Impact of exchange rate fluctuations on balance of cash and cash equivalents	**194**	(596)	76
Cash and cash equivalents as at the end of the year	**19,342**	56,527	36,924

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, 2022 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 1B below, and Heineken International B.V. (40%). The Group engages in the manufacture, import, marketing and distribution of non-alcoholic beverages, light alcoholic beverages, alcoholic beverages, wines and hard drinks.

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

B. 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.

C. 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 30, 2023.

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

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.

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:

<u>Contingent liabilities</u>

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.

<u>Determining fair value</u>

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.

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

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.

Note 3 – Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

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

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.

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.

Note 3 – Significant Accounting Policies (cont'd)

C. Foreign currency (cont'd)

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.

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 (hereinafter – "Translation Reserve").

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.
The rest of the 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.

E. Fixed assets

(1) Recognition and measurement

Fixed asset items are measured at cost less accumulated depreciation and cumulative impairment losses
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.

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 – 10
• Motor vehicles and Boats	5 – 17
• Computers	3 – 4
• Selling equipment	3 – 5
• 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 (cont'd)

(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 pre-tax 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.

The liabilities to deposit in a defined deposit plan which are payable within more than twelve months following the end of the period in which the employees rendered the service are presented at their present value.

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.

<u>Variable consideration</u>

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)

Deferred taxes (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 not yet adopted

Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* and subsequent amendment: *Non-Current Liabilities with Covenants*

The Amendment, together with the subsequent amendment to IAS 1 replaces certain requirements for classifying liabilities as current or non-current. The Amendment and subsequent amendment are effective for reporting periods beginning on or after January 1, 2024 with earlier application being permitted.

The Group has been assessing the consequences of implementation of the Amendment.

Amendment to IAS 1, *Presentation of Financial Statements: "Disclosure of Accounting Policies."*

According to the amendment companies must provide disclosure of their material accounting policies rather than their significant accounting policies. Pursuant to the amendment, accounting policy information is material if, when considered with other information disclosed in the financial statements, it can be reasonably be expected to influence decisions that the users of the financial statements make on the basis of those financial statements.

The amendment to IAS 1 also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment also clarifies that immaterial accounting policy information need not be disclosed.

The amendment is applicable for reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

The Group is examining the effects of the amendment on the financial statements with no plans for early adoption.

Note 4 – Trade accounts receivable

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Trade accounts receivable(*)	**400,287**	352,325
Less; provision for impairment	**(24,616)**	(32,105)
	375,671	320,220

(*) See also Note 26A.

Note 5 - Other receivables

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Employees	**1,887**	2,006
Institutions	**3,835**	3,788
Advances to suppliers	**2,074**	3,547
Prepaid expenses	**4,330**	6,982
Income receivable	**18,053**	13,671
Other receivables	**22,011**	1,129
Current maturities of long-term receivables	**230**	230
	52,420	31,353

Note 6 - Inventories

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Raw and auxiliary materials	**26,206**	12,378
Packaging and other materials	**49,316**	45,883
Products in process	**111,327**	92,853
Finished and purchased goods	**208,590**	177,977
	395,439	329,091

Note 7 – Long-term loans and receivables

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Long-term liabilities	**48,869**	53,298
Less accumulated amortization	**(36,281)**	(34,570)
Amortized cost	**12,588**	18,728
Loans to others	**15,894**	13,186
Less: current maturities	**(230)**	(230)
Net balance	**15,664**	12,956
	28,252	31,684

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, 2022	% of ownership and voting December 31, 2021
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%**
Shapiro Brewery Ltd.	Israel	**50.1%**	**50.1%**
A. Seyman Trade Ltd.	Israel	**40%**	**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 of December 31, 2022, the liabilities of Barkan Wineries to these banks amounted to NIS 12 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, 2022 is NIS 2.9 million.

Subsequent to the date of the statement of financial position, on February 14, 2023, an agreement was signed between the Company and the other shareholders in Adir, whereby in return for a waiver of a suit against the Company, the Company would purchase the shares of Adir held by the other shareholders for an amount of NIS 50 million and an additional consideration to be paid on the basis of the profits of Adir in the years 2023 – 2024, but not to exceed NIS 10 million. Upon the consummation of the transaction the Company will hold all of the shares of Adir. The agreement set out pre-conditions that have not yet been met, including the approval of the Supervisor of Competition.

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.

Note 8 - Investee Companies (cont'd)

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").

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.

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.

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. As of December 31, 2022, there are no liabilities to the Bank.

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.

Note 8 - Investee Companies (cont'd)

F. Sumitz Holdings Ltd. (hereinafter – “Sumitz”) (cont’d)

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 of December 31, 2022 is NIS 2.1 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.

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, 2022, the partnership has no liabilities toward the bank.

H. Shapiro Brewery Ltd. (hereinafter – “Shapiro”)

On June 23, 2021, The Company acquired 50.1% of the shares of Shapiro. Shapiro is engaged in the production and marketing of Kraft Beer under the “Shapiro” brand name. The investment in Shapiro 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 Shapiro, whereby the Company will serve as the sole distributor of Shapiro products to retail customers in Israel, in return for the payment of a distribution commission for a period of ten 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.

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. On March 31, 2022, Tempo Food exercised the first option granted to it and purchased an additional 16% of the Seyman shares, thereby increasing its percentage in Seyman to 40%. As mentioned above, there are more options which cannot be exercised as of the reporting date and therefore, at this stage they are not viable.

Note 8 - Investee Companies (cont'd)

I. A. Seyman Trade Ltd. (hereinafter – "Seyman") (cont'd)

Concurrently, the Company and Tempo Marketing signed an agreement with Seyman whereby the Company would exercise distribution of Seyman products in Israel and in the Palestinian Authority, in return for the payment of distribution commissions for a period of 10 years.

J. Investments measured at fair value

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.

During 2022, a round of fundraising was conducted in Pigmentium, a company engaged in the production of taste and smelling material, and the Company revalued its investment 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, 2021	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
Additions	**23,963**	**41,315**	**1,620**	**5,189**	**5,266**	**4,705**	**6,283**	**88,341**
Additions to right-of-use assets	**11,101**	**-**	**739**	**21,631**	**-**	**-**	**-**	**33,471**
Disposals	**(1,980)**	**(1,529)**	**(6,719)**	**(23,860)**	**(5,591)**	**(15,295)**	**(12,821)**	**(67,795)**
Impact of changes in exchange rate	**137**	**-**	**-**	**620**	**97**	**237**	**48**	**1,139**
Balance as of December 31, 2022	**488,174**	**858,537**	**145,895**	**129,864**	**53,547**	**85,368**	**75,385**	**1,836,770**

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, 2021	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
Depreciation for the year	**17,119**	**43,567**	**7,675**	**1,722**	**5,168**	**7,032**	**6,222**	**88,505**
Depreciation in respect of right-of-use assets	**4,973**	**-**	**2,822**	**26,512**	**-**	**-**	**-**	**34,307**
Disposals	**(1,051)**	**(1,297)**	**(2,441)**	**(20,426)**	**(5,591)**	**(14,847)**	**(12,821)**	**(58,474)**
Impact of changes in exchange rate	**94**	**-**	**-**	**179**	**53**	**178**	**18**	**522**
Balance as of December 31, 2021	**211,712**	**586,639**	**43,342**	**63,300**	**35,757**	**76,260**	**58,958**	**1,075,968**
Carrying value-depreciated cost								
As of January 1, 2021	272,574	256,952	120,442	52,605	17,020	15,447	18,374	753,414
Payments 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
As of December 31, 2022	**276,462**	**271,898**	**102,553**	**66,564**	**17,790**	**9,108**	**16,427**	**760,8026**
Payment on account of fixed assets								**18,438**
								779,240

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, 2022 amounted to NIS 549 million (December 31, 2021 amounted to NIS 510 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, 2021	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
Impact of changes in the exchange rate	**58**	**-**	**58**
Acquisitions	**-**	**2,823**	**2,823**
Balance as of December 31, 2022	**79,591**	**45,677**	**125,268**
Amortization			
Balance as at January1, 2021	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
Amortization for the year	**3,773**	**2,444**	**6,217**
Balance as of December 31, 2022	**70,880**	**39,823**	**110,703**
Carrying value			
As of January 1, 2021	16,988	4,986	21,974
As of December 31, 2021	12,426	5,475	17,901
As of December 31, 2022	**8,711**	**5,854**	**14,565**

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 2022	December 31, 2022	December 31, 2021
	%	NIS'000	NIS'000
Short-term loans from banks	**4.25%-4.48%**	**108,376**	17,239
Current maturities of long-term loans		**16,216**	18,662
Total current liabilities		**124,592**	35,901

(*) Loans bearing variable annual interest at between the prime rate less 0.27%-0.5%.

Note 12 – Trade accounts payable

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Open debts	**297,039**	288,230

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, 2022	December 31, 2021
	NIS'000	NIS'000
Liabilities to employees and other liabilities in respect of payroll (*)	**45,377**	43,680
Government institutions	**20,418**	13,198
Advances from customers	**700**	800
Packaging deposits	**16,296**	15,338
Liabilities to related and interested parties	**9,305**	9,370
Other payables and accrued expenses	**33,403**	34,933
Current maturities of other long-term liabilities	**140**	140
	125,639	117,459

(*) 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 2022	December 31, 2022	December 31, 2021
	%	NIS'000	NIS'000
Loans from banks -			
In NIS (unlinked)	**2.35-4.85**	**44,342**	63,004
Other long term liabilities		**2,769**	2,688
		47,111	65,692
Less – current maturities		**(16,356)**	(18,802)
		30,755	46,890

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:

<u>Financial covenants</u> <u>Financial ratio</u>	**Results of calculation (as of December 31, 2022)**
Ratio of tangible shareholders' equity to total balance sheet shall be no less than 20%	47.21%
Tangible shareholders' equity shall not be less than NIS 180,000 thousand, linked to the ICPI	780,874
Ratio of net debt to the EBITDA shall not exceed 3.75	1.27

Note 15 – Debentures

A. Composition

	December 31,	
	2022	2021
	NIS’000	NIS’000
Debentures (including interest payable)	**214,920**	236,276
Less current maturities (including interest payable)	**(62,814)**	(42,534)
	152,106	193,834

B. 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 January 1, 2023 and on December 31 of each of the years 2023 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)

B. **<u>Debentures – Series B</u>** (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)

B. **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.

C. **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 seven equal payments, to be paid on March 31 of each of the years from 2023 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)

C. 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)

C. 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,	
	2022	2021
	NIS'000	NIS'000
Present value of the obligations	**16,141**	20,782
Fair value of plan assets*	**(6,798)**	(7,999)
	9,343	12,783

* 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,	
	2022	2021
	NIS’000	NIS’000
Obligation in respect of defined benefit plan as of beginning of period	**20,782**	17,233
Reclassified to short-term	**(2,808)**	(3,029)
Benefits paid and disposed	**(903)**	(641)
Current service costs and interest costs	**2,169**	6,894
Actuarial losses (gains) carried to other comprehensive income	**(3,099)**	325
Obligation in respect of defined benefit plan as of end of period	**16,141**	20,782

(2) Changes in plan assets

	Year ended December 31,	
	2022	2021
	NIS’000	NIS’000
Fair value of plan assets as of beginning of period	**7,999**	7,961
Benefits paid and disposed	**(677)**	(378)
Interest income	**437**	277
Actuarial gains (losses) carried to other comprehensive income	**(961)**	139
Fair value of plan assets as of end of period	**6,798**	7,999

(3) Expense carried to profit and loss

	Year ended December 31,		
	2022	2021	2020
	NIS’000	NIS’000	NIS’000
Current service costs	**1,437**	6,491	3,589
Interest costs	**732**	403	431
Interest income	**(437)**	(277)	(309)
	1,732	6,617	3,711

Note 16 – Employee benefits (cont'd)

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

	Year ended December 31,		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
Accumulated balance, beginning of period	**4,231**	4,417	3,637
Amounts recognized during period	**2,138**	(186)	780
Accumulated balance, end of period	**6,369**	4,231	4,417

(5) Actuarial assumptions and sensitivity analysis

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

	2022	2021	2020
	%	%	%
Discount rate, end of period	**2.9**	1.8	1.6
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, 2022		December 31, 2021	
	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	**1,678**	**(1,437)**	2,078	(1,759)
Discount rate	**(1,452)**	**1,712**	(1,777)	2,122

(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 2021 –the same).

(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		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
Amount recognized as an expense in respect of a defined deposit plan	**10,533**	9,449	9,023

Note 17 – Equity

A. Share capital

	December 31, 2022 and 2021
	NIS
Issued and paid in share capital	1,000
Authorized capital	100,000

B. Dividends

The following dividends were declared and paid by the Company:

	Year ended December 31,		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
	62,900	35,000	25,000

Note 18 – Revenues from sales, net

	Year ended December 31,		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
From Company production:			
Sales, net	**1,100,247**	978,706	927,645
Less excise tax	**189,110**	90,058	102,036
	911,137	888,648	825,609
From purchased goods:			
Sales, net	**890,641**	809,896	560,351
Distribution services	**11,443**	-	-
Total sales	**1,813,221**	1,698,544	1,385,960

Note 19 – Cost of sales

	Year ended December 31,		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
Use of materials	**364,195**	340,148	311,299
Payroll and related expenses	**53,381**	55,262	52,778
Depreciation	**64,881**	61,655	60,958
Other manufacturing expenses	**60,876**	55,158	50,517
	543,333	512,223	475,552
Purchases of purchased goods	**656,934**	587,684	408,024
	1,200,267	1,099,907	883,576

Note 20 – Selling and marketing expenses

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS'000	**NIS'000**	**NIS'000**
Payroll and related expenses	**178,870**	164,261	146,217
Advertising	**56,971**	58,180	49,512
Depreciation and amortization	**50,854**	54,111	54,088
Rent and building maintenance	**11,044**	11,388	9,211
Truck and forklift maintenance	**21,412**	17,266	14,366
Distribution commissions	**11,973**	11,566	10,570
Shipping	**6,725**	7,157	5,038
Other expenses	**23,143**	24,847	14,895
	360,992	348,776	303,897

Note 21 – Other expenses and income

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS'000	**NIS'000**	**NIS'000**
Income			
Revaluation of investment to fair value	**2,000**	4,278	-
Refund from insurance company	**3,300**	-	-
Gain on realization of fixed assets, net	**-**	233	-
Others	**1,507**	1,946	786
	6,807	6,457	786
Expenses			
Losses on realization of fixed assets, net	**3,757**	-	1,610
Others	**8**	-	188
	3,765	-	1,798

Note 22 – General and administrative expenses

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS'000	**NIS'000**	**NIS'000**
Payroll and related expenses	**48,310**	42,991	40,055
Management fees	**11,968**	12,066	7,222
Depreciation and amortization	**7,509**	7,178	7,962
Provision for expected credit losses	**-**	80	4,154
Other expenses	**24,552**	20,936	20,468
	92,339	83,251	79,811
Participation of parent company in general and administrative expenses	**(200)**	(200)	(200)
	92,139	83,051	79,611

Note 23 – Financing expenses, net

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS'000	**NIS'000**	**NIS'000**
Income			
Changes in fair value of financial derivatives	**3,726**	-	-
Exchange rate differences	**-**	5,176	-
Others	**877**	942	389
	4,603	6,118	389
Expenses			
Interest on debentures	**4,436**	5,348	5,767
Interest to banks	**6,254**	4,221	5,507
Exchange rate differences	**2,813**	-	2,546
Changes in fair value of financial derivatives	**-**	3,254	1,935
Interest expense in respect of leasing liabilities	**3,686**	3,675	3,698
Others	**542**	360	-
	17,731	16,858	19,453
Total financing expenses, net	**(13,128)**	(10,740)	(19,064)

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 2020 – 2022 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 2022 is NIS 2.40 per liter (in 2021 is NIS 2.34, in 2020 – NIS 2.35 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 2022 was NIS 87.04 per liter of alcohol (in 2021 was NIS 85.00, in 2020 – NIS 85.51 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. On January 1, 2023, the aforementioned taxes were raised by the increase in the Israeli Consumer Price Index in 2022, to NIS 1.07 per liter of drink and NIS 0.76 per liter of drink, accordingly.
Subsequent to the date of the statement of financial position, on March 30, 2023, a special order was issued whereby the aforementioned provisions would not become effective until December 31, 2023. Notwithstanding, if the State Budget Law for 2023 is not passed by May 31, 2023, the special order will expire on that date.

Note 24 - Income Tax (cont'd)

B. Composition of income tax income (expense)

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS'000	**NIS'000**	**NIS'000**
Current taxes			
Tax expenses in respect of the current year	**(26,873)**	(33,421)	(19,683)
Tax expenses in respect of prior years	**-**	-	(4,185)
	(26,873)	(33,421)	(23,868)
Deferred taxes:			
Recording and reversal of temporary differences	**(8,823)**	(6,119)	(4,587)
Taxes in respect of prior years	**-**	-	4,357
	(8,823)	(6,119)	(230)
Taxes on income	**(35,696)**	(39,540)	(24,098)

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

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS'000	**NIS'000**	**NIS'000**
Income before taxes on income	**148,893**	165,387	98,827
Primary tax rate of the Company	**23%**	23%	23%
Tax calculated according to the Company's primary tax rate	**34,245**	38,039	22,730
Additional tax (tax saving) in respect of:			
Neutralization of calculated tax in respect of the share of the Company in the losses (profits) of equity-accounted investee companies	**194**	(658)	(6)
Non-deductible expenses	**1,190**	1,378	1,228
Losses in respect of which deferred taxes were not recorded	**-**	462	-
Taxes in respect of prior years	**-**	-	(172)
Others	**67**	319	318
Taxes on income	**35,696**	39,540	24,098

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, 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)
Changes carried to profit and loss	**(7,297)**	**128**	**(1,779)**	**125**	**(8,823)**
Changes against other comprehensive income	**-**	**(492)**	**-**	**-**	**(492)**
Deferred tax asset (liability) as of December 31, 2022	**(49,445)**	**6,462**	**4,767**	**3,587**	**(34,629)**

	December 31, 2022	December 31, 2021
	NIS'000	NIS'000
Presented in the statement of financial position as part of deferred tax asset	**10,686**	8,368
Deferred tax liability	**(45,315)**	(33,682)
	(34,629)	(25,314)

(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.

Some of the consolidated companies have tax losses amounting to NIS 6,500 thousand. In respect of NIS 1 million of such losses, no deferred taxes were recorded.

E. Tax assessments

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 up to and including the 2017 tax year.

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	**346,979**	**5,270**	304,636	7,192
Arrears of 0 – 30 days	**18,729**	**177**	11,044	410
Arrears of 31 – 120 days	**8,875**	**29**	8,720	190
Arrears of more than 120 days	**24,704**	**19,140**	27,925	24,313
	400,287	**24,616**	352,325	32,105

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, 2022						
	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	**124,592**	**127,940**	**120,651**	**7,289**	-	-	-
Suppliers	**297,039**	**297,039**	**297,039**	-	-	-	-
Current maturities of debentures	**62,814**	**65,735**	**44,534**	**21,201**	-	-	-
Other payables	**125,639**	**125,639**	**125,639**	-	-	-	-
Long-term bank loans	**28,126**	**28,989**	-	-	**13,075**	**15,914**	-
Debentures	**152,106**	**159,808**	-	-	**44,299**	**47,249**	**68,260**
Other long-term liabilities	**2,629**	**2,629**	-	-	**140**	**280**	**2,209**
Total	**792,945**	**807,779**	**587,863**	**28,490**	**57,514**	**63,443**	**70,469**

	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

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, 2022				
	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	7,090	-	5,517	6,735	19,342
Trade accounts receivable	331,260	-	14,065	30,346	375,671
Other receivables	31,721	230	10,529	9,940	52,420
Derivative instruments	-	-	394	-	394
Non-current assets:					
Long-term loans and receivables	23,820	4,315	-	117	28,252
	393,891	4,545	30,505	47,138	476,079
Current liabilities:					
Overdrafts and short-term loans from banking institutions	124,241	-	-	351	124,592
Trade accounts payable	163,929	-	37,246	95,864	297,039
Other payables	94,492	27,558	-	3,589	125,639
Current maturities of debentures	62,814	-	-	-	62,814
Current maturities of leasing liabilities	655	30,821	574	769	32,819
Non-current liabilities					
Liabilities to banking institutions	28,126	-	-	-	28,126
Debentures	152,106	-	-	-	152,106
Liabilities in respect of leasing	11,315	72,034	9,750	1,156	94,255
Other long-term liabilities	-	2,629	-	-	2,629
	637,678	133,042	47,570	101,729	920,019
Total risk, net	(243,787)	(128,497)	(17,065)	(54,591)	(443,940)

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, 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)

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, 2022:

- The Company has forward contracts for the purchase of $3 million for an amount of NIS 10 million, for the period until December 2023.

Note 26 – Financial instruments (cont'd)

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

2. Derivatives (cont'd)

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.

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,	
	2022	2021
	Equity / gain (loss)	Equity / gain (loss)
	NIS'000	NIS'000
Increase in CPI of 1.5%	**(1,927)**	(1,699)
Increase in exchange rate of:		
US dollar of 5%	**(780)**	220
Euro of 5%	**(2,730)**	551

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,	
	2022	2021
	NIS'000	NIS'000
Financial liabilities at fixed interest	**259,262**	299,280
Financial liabilities at variable interest	**108,376**	17,239

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, 2022	December 31, 2021
	Equity/Loss	Equity/Loss
	Increase in interest	Increase in interest
	NIS'000	NIS'000
Instruments at variable interest rates	**(1,084)**	(172)

A decrease in interest of a similar rate as at December 31, 2022 and 2021 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, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
		NIS'000	NIS'000	NIS'000	NIS'000
Non-current liabilities:					
Debentures	***1**	**214,920**	**201,844**	236,276	242,153
Long-term bank loan	****3**	**44,342**	**42,532**	63,004	63,821
Long-term loans from others	**3**	**2,769**	**1,995**	2,688	1,840

(*) 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 – 3.55%-3.61% (2021 – 1.85%-2.36%).

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 was valid for five years, commencing on January 1, 2015 and it was to 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 was 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 2021. In addition, the territorial coverage of the agreement was broadened to include Cyprus as well.

F. Mei Eden

On September 21, 2022, the Company entered into an agreement with Mei Eden Ltd. (hereinafter: "Mei Eden") pursuant to which the Company will provide Mei Eden, in return for a distribution fee, sales and distribution services, on a non-exclusive basis, in respect of the water products of Mei Eden in bottles in the territories of the State of Israel and the Palestinian Authority (hereinafter - the "Agreement"). The period of the agreement is 6 years, beginning 18 months following the date on which Mei Eden gives notice to the current distributor of the products of the termination of their contract (hereinafter: - the "First Engagement Period"). At the end of the first engagement period, the engagement will be automatically extended for an additional period of 6 years, subject to the terms specified in the agreement. Notwithstanding the foregoing, at any time, each party has the right to give notice regarding the early termination of the Agreement, upon 18 months notice.

In addition, the agreement sets out mutual compensation clauses for failure to meet minimum objectives, insofar as such failure is not due solely to an act of commission and/or omission of the party entitled to such compensation, as well as an agreed-upon compensation clause for cancellation of the agreement by any of the parties prior to the date of its entry into force.

A pre-condition for the entry into force of the agreement is the receipt of the approval of the Supervisor of Competition to enter into the agreement. As of the date of this report, the parties have filed merger notices with the Antitrust Authority and the matter is under discussion.

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, 2021. 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, 2020 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 April 30, 2023, the Company will have sole distribution and marketing rights regarding the products.

Note 27 - Commitments (cont'd)

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.

J. Deposit on Beverage Bottles

According to the Beverage 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 beverage bottle. The deposit will be returned along with the return of the beverage bottle to the sale point, the manufacturer or the importer.

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 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.

During 2022, ELA notified the Company of the termination of its contract with the Company regarding the collection of beverage bottles, as of January 1, 2023. During the reporting year, the Company entered into contracts with two different entities, *inter alia*, to receive services for the collection and removal of empty beverage bottles from businesses in accordance with the provisions of the Deposit Law, transferring them to a recycling facility, refunding of the deposit amounts in respect of the Company's bottles to the extent required by law and execution of reports to the Ministry of Environmental Protection. The Company's engagement of one of the aforementioned entities began during the reporting year.

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 7,000 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 August 16, 2018, a suit was filed 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.

Note 28 - Contingent Liabilities, Guarantees and Pledges

A. Contingent liabilities (cont'd)

2. (Cont'd)

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.

3. The petitions to approve class action suits, as described in the financial statements as of December 31, 2021 in Note 28A.2 and 3 were dismissed.

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 161 million.

Note 29 – Related and interested parties

A. Benefits to interested parties

	Year ended December 31,					
	2022		2021		2020	
	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	**3**	**14,206**	2	11,705	2	7,435
Benefits to directors not employed by the Company	**3**	**497**	5	512	3	479

B. Balances with interested parties and related parties

	December 31,	
	2022	2021
	NIS'000	NIS'000
Trade accounts receivable	**2,903**	204
Suppliers	**43,920**	45,557
Other payables	**9,296**	9,370

Note 29 – Related and interested parties

C. Remuneration of key management executives

	Year ended December 31,					
	2022		2021		2020	
	NIS'000		NIS'000		NIS'000	
	No. of people	Amount	No. of people	Amount	No. of people	Amount
Payroll and related expenses	**11**	**15,518**	13	18,387	14	14,994

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

	Year ended December 31,		
	2022	2021	2020
	NIS'000	NIS'000	NIS'000
	Transaction amounts		
Revenues from distribution services	**11,443**	-	-
Purchases of purchased products	**152,801**	149,325	105,026
Production services	**5,808**	7,548	8,681
Other purchases	**237**	204	15
Other manufacturing expenses	**7,518**	6,073	5,465
Rent expenses	**2,714**	2,616	2,614
Participation of the parent company in general and administrative expenses	**200**	200	200
Sale of raw materials	**92**	92	128
Participation of investee companies in expenses	**3,055**	2,885	2,737
Financing income (expenses), net	**(42)**	1	113

E. Employment agreements with the chairman of the board, the CEO of the Company and the deputy chairman of the board

(1) 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 Bornstien (hereinafter – the "Management Services Agreement with Jacques Beer" and the "Management Services Agreement with Amir Bornstien", respectively).

*The following is a summary of the principal terms of the Management Services Agreement with Jacques Beer (*hereinafter *– "Mr. Beer"):*

Mr. Beer renders management services to the Company as its active chairman of the board of directors.

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.

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)

On January 14, 2014, the general meeting of the shareholders of the Company approved a change in a component of the grant of Mr. Beer, further to the approval of the board of directors and the remunerations committee and pursuant to the Company's remuneration policy, whereby Mr. Beer 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" 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 of 8%, neutralizing one-time or accounting events).

The total annual bonus to Mr. Beer shall not exceed 3% of the Company's pre-tax profit (based on the financial statements of the Company).

In addition, under no circumstances, shall the total bonus of Mr. Beer 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.

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 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.

The following is a summary of the principal terms of the Management Services Agreement with Amir Bornstien:

Mr. Amir Bornstien serves as a director of Tempo holdings, 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. Bornstien 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. Bornstien 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 Bornstien 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" 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 of 8%, after neutralizing one-time or accounting events).

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 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. Bornstien is entitled was re-approved, with no changes being made to its conditions.

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 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.

(2) On March 31, 2022, the appointment of Mr. Daniel Beer (who is the son of Mr. Jacques and Mrs. Rina Beer, among the controlling shareholders of the Company), who, until that date served as Deputy CEO, was approved as the Company's CEO as of April 1, 2022. The General Meeting, further to the approval of the Remuneration Committee and the Company's Board of Directors approved the Company entering into an updated employment agreement with Mr. Daniel Beer in his capacity as CEO of the Company, in force from that date.

The following are the main terms of Mr. Daniel Beer's tenure and employment under the said employment agreement:

His gross monthly salary is NIS 88,000 (hereinafter: the "salary"). Mr. Daniel Beer is entitled to social benefits as is customary for employees in management positions in the company, vacation days, sick leave and convalescence pay, including management insurance and workmen's compensation, as well as for vehicles and mobile phones. The employment agreement is for an indefinite period. Each party shall be entitled to terminate the agreement with 30 days' prior written notice to the other party. In addition, it was agreed that Mr. Daniel Beer will be entitled to an annual bonus in an amount of no more than 15 salaries, deriving from the Company's compliance with the pre-tax profit set by the Company's board of directors in relation to a certain calendar year.

Mr. Daniel Beer is entitled to an indemnification and exemption letter, worded in the Company's accepted format and will be insured by a policy for insuring officers of the Company as long as the Company maintains such a policy.

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

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.

Supply agreement

The Company entered into an agreement with Preforms Beverages Ltd. (hereinafter – "Preforms"), a subsidiary of Tempo Industries, 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 Preforms conversion services in connection with the manufacture of the polyethylene products for a fixed amount, as detailed in the supply agreement.

The Agreement, including all of its various appendices, was extended until March 31, 2023

Subsequent to the date of the statement of financial position, on March 30, 2023 and further to the approval of the relevant organs of the Company, an additional addendum to the supply agreement was approved until March 31, 2026. The prices of the products to be supplied by Preforms to the Company were updated in accordance with the updated price quote given by Preforms 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.

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

F. Transactions with controlling shareholders (cont'd)

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 have been borne by the Company since the inception of Tempo Cyprus, it was determined that Tempo Cyprus serves as a distributor of the Company and it will be entitled to an fixed operating margin based on the 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.

Note 30 – Leasing (cont'd)

(1) Information pertaining to material leasing agreements (cont'd)

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, 2021	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
Additions (*)	**11,101**	**739**	**21,631**	**33,471**
Disposals	**(225)**	**-**	**(3,466)**	**(3,691)**
Impact of changes in exchange rates	**16**	**-**	**125**	**141**
Depreciation in respect of right-of-usage assets	**(4,973)**	**(2,822)**	**(26,512)**	**(34,307)**
Balance as at December 31, 2022	**35,831**	**33,631**	**52,163**	**121,625**

(*) Including linkage differentials carried to the right of usage asset in an amount of NIS 5,149 thousand (2021 – NIS 2,328 thousand).

(3) Leasing liabilities

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

	December 31, 2022
	NIS'000
Up to one year	**32,819**
Between one and two years	**21,629**
Between two and four years	**22,284**
More than four years	**50,342**
Total	**127,074**

Note 30 – Leasing (cont'd)

(4) Additional information regarding leasing liabilities

Amounts recognized in profit and loss

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
	NIS'000	NIS'000	NIS'000
Interest expenses in respect of leasing liabilities	**3,686**	3,675	3,698

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 four segments:

- Light Alcoholic beverages – manufacture, import, marketing and distribution of light alcoholic beverages.
- Alcoholic beverages – 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.

	Year ended December 31, 2022					
	Light Alcoholic Beverages	Alcoholic Beverages	Barkan	Non-alcoholic Beverages	Other	Consolidated
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Segmental revenues	357,560	347,665	194,625	901,928	11,443	1,813,221
Segmental results	72,825	56,281	39,768	87,754	(2,666)	253,962
Unallocated expenses						(91,097)
Operating income						162,865
Net financing expenses						(13,128)
Share of Company in losses of equity-accounted investee companies						(844)
Taxes on income						(35,696)
Net income for the year						113,197
Depreciation and amortization	27,247	556	24,659	16,396		

Note 31 – Segment reporting (cont'd)

	Year ended December 31, 2021				
	Light-alcoholic Beverages	Alcoholic Beverages	Barkan	Non-alcoholic Beverages	Consolidated
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Segmental revenues	343,891	331,141	171,990	851,522	1,698,544
Segmental results	68,194	43,982	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	27,424	1,039	19,768	16,552	

	Year ended December 31, 2020				
	Light-alcoholic Beverages	Alcoholic Beverages	Barkan	Non-alcoholic Beverages	Consolidated
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Segmental revenues	301,377	240,450	169,396	674,737	1,385,960
Segmental results	60,345	27,411	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	29,346	1,039	20,455	17,631	

Note 32 – Subsequent events

Subsequent to the date of the statement of financial position, on March 30, 2023, the board of directors passed a resolution to distribute a cash dividend to the shareholders, in an amount of NIS 55, 000 thousand. The dividend will be distributed on April 27, 2023.

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