Rimon Consulting & Management Services Ltd.

Annual Report for 2021

Rimon Consulting & Management Services Ltd.

Annual Report for 2021

Contents

Auditors Report to the Shareholders of
Rimon Consulting & Management Services Ltd.

We have audited the attached Consolidated Statements of Financial Position of Rimon Consulting & Management Services Ltd. (hereinafter – the " Company") as of December 31, 2021 and the Consolidated Statements of Profit or Loss, of Comprehensive Income, of Changes in Shareholders' Equity and of Cash Flows for the year ended on that date. These Financial Statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

The Company's consolidated financial statements as of December 31, 2020 and for each of the two years in the period ended on that date were audited by the previous auditor, whose report thereon, dated July 14, 2021, included an unqualified opinion.

We have not audited the financial statements of consolidated companies, whose assets, which are included in the consolidation, constitute approximately 12.71% of the total consolidated assets as of December 31, 2021 and whose revenues, which are included in the consolidation, constitute approximately 18.43% of the total consolidated revenues for the year ended on that date. Furthermore, we have not audited the financial statements of an investee company, which is treated at equity, the investment in which was approximately NIS 5,218 thousand as at December 31, 2021, the Company's share of the profits of that company amounted to NIS 1,998 thousand for the year ended on that date. The financial statements of these companies have been audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to amounts that have been recorded in respect of those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes the examination, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the abovementioned financial statements present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2021 and the results of their operations, the changes in their shareholders' equity and their cash flows, for the year ended on that date, in conformity with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Haifa
March 30, 2022

Kesselman & Kesselman
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A Member Firm of PricewaterhouseCoopers International Limited

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Rimon Consulting & Management Services Ltd.
Consolidated Statements of Financial Position

	Note	As of December 31 2021	2020
		NIS thousands	
Assets			
Current assets:			
Cash and cash equivalents	4	297,838	63,201
Short-term investments		339	-
Financial assets at fair value though profit or loss	5A	1,203	1,125
Trade receivables and revenues receivable	6	185,927	136,469
Deferred tax assets	26B	4,955	3,019
Other receivables	7	26,416	13,438
Total current assets		516,678	217,252
Non-current assets			
Right of use asset	10B	5,610	7,938
Financial assets at fair value through profit or loss	5B	12,722	7,799
Contact assets and other receivables	8	19,457	17,906
Fixed assets	9	144,793	122,011
Investments treated at equity	11B	124,476	109,225
Goodwill	11A,11C	6,243	2,957
Intangible assets	11A,11C	9,104	-
Deferred taxes	26D	3,636	2,471
Total non-current assets		326,041	270,307
Total assets		842,719	487,559

The notes that are attached to the consolidated financial statements form an integral part thereof

Rimon Consulting & Management Services Ltd.
Consolidated Statements of Financial Position

		As of December 31	
		2021	2020
	Note	NIS thousands	
Liabilities and equity			
Current liabilities:			
Credit from banking corporations	14	119,012	97,031
Current maturities of long-term loans	14	9,417	8,335
Financial liabilities at fair value through profit and loss	11C	6,407	14,768
Current maturity of leasing liabilities	10	2,976	2,316
Current tax liability	26B	-	271
Trade payables	12	126,108	90,967
Other payables	13	49,047	10,838
Total current liabilities		312,967	224,526
Non-current liabilities			
Loans from banking corporations and other providers of credit	14	81,185	73,209
Leasing liabilities	10	2,755	5,715
Liabilities for financial guarantees	14C	7,500	7,500
Employee benefit liabilities, net		698	1,090
Deferred taxes		2,191	-
Total non-current liabilities		94,329	87,514
Equity			
Share capital	15	7,250	30
Share premium and capital reserves	15	312,541	72,940
Retained earnings		113,388	101,908
Total equity attributed to the shareholders in the Company		433,179	174,878
Non-controlling interests		2,244	641
Total equity		453,423	175,519
Total liabilities and equity		842,719	487,559

Date of the signing of the financial statements	Amit Ben Itzhak Chairman of the Board of Directors	Yossi Elmalem Chief Executive Officer	Keren Toltsis Chief Financial Officer

The notes that are attached to the consolidated financial statements form an integral part thereof

Rimon Consulting & Management Services Ltd.
Consolidated Statements of Profit and Loss

		For the year ended December 31		
		2021	2020	2019
	Note	NIS thousands		
Revenues from sales, from works and from services	16	291,871	255,094	198,693
Cost of sales, works and services	17	(255,972)	(215,690)	(173,950)
		35,899	39,404	24,743
Expenses:				
Selling and marketing expenses	18	(2,044)	(1,367)	(510)
Administrative and general expenses	19	(19,038)	(9,065)	(8,919)
The Company's shares of the results of investments treated at equity		5,804	5,634	4,966
Other income (expenses), net	20	13,970	183	(11,888)
		(1,308)	(4,615)	(16,351)
Operating income		34,591	34,789	8,392
Financing income	21	4,861	8,645	4,527
Financing expenses	22	(8,138)	(11,757)	(9,881)
Financing expenses, net		(3,277)	(3,112)	(5,354)
Income before taxes on income		31,314	31,677	3,038
Taxes on income	26C	(3,061)	(5,812)	(4,045)
Income (loss) for the year		28,253	25,865	(1,007)
Total income (loss) for the year attributed to:				
Shareholders in the Company		29,480	25,352	(1,065)
Non-controlling interest		(1,227)	513	58
Income (loss) for the year		28,253	25,865	(1,007)
Net income (loss) per share attributed to the shareholders in the Company (in NIS):				
Basic		0.93	0.89	(0.04)
Diluted		0.92	0.89	(0.04)
Weighted average share capital used in the calculation of the earnings per share (in thousands of shares)				
Basic	25	31,603	28,399	28,399
Diluted	25	32,060	28,519	28,402

The notes that are attached to the consolidated financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Consolidated Statements of Comprehensive Income (Loss)

	For the year ended December 31		
	2021	**2020**	**2019**
	NIS thousands		
Net income (loss) for the year	28,253	25,865	(1,007)
Amounts that will not be reclassified to profit or loss in the future, net of tax:			
Remeasurement of the net liability for a defined benefit, net of tax	263	(277)	(367)
Total	263	(277)	(367)
Amounts that may be reclassified to profit or loss if specific conditions are fulfilled:			
Adjustments deriving from the translation of the financial statements of foreign operations	(82)	-	-
Total	-	-	-
Total other comprehensive income (loss)	181	(277)	(367)
Total comprehensive income (loss) for the year	28,434	25,588	(1,374)
Total comprehensive income (loss) for year attributed to:			
Shareholders in the Company	29,661	25,075	(1,432)
Non-controlling interest	(1,227)	513	58
Income (loss) for the year	28,434	25,588	(1,374)

The notes that are attached to the consolidated financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Statements of Changes in Shareholders' Equity

	For the year ended December 31, 2021										
	Share capital	Share premium	Capital reserve on share bases payments	Capital reserve on transactions with non-controlling interests	Reserve on translation differences	Other capital reserves	Retained earnings	Total equity attributed to shareholders in the Company	Non-controlling interests	Total equity
	NIS thousands									
Balance as of January 1, 2021	30	69,480	4,261	228	-	(1,029)	101,908	174,878	641	175,519
Income for the year	-	-	-	-	-	-	29,480	29,480	(1,227)	28,253
Comprehensive loss for the year	-	-	-	-	(82)	263	-	181	-	181
Total comprehensive income (loss) for the year	-	-	-	-	(82)	263	29,480	29,661	(1,227)	28,434
Issuance of capital, less issuance expenses, net	7,220	236,535	-	-	-	-	-	243,755	-	243,755
Share based payment	-	-	2,885	-	-	-	-	2,885	-	2,885
Increase to control in an investee company	-	-	-	-	-	-	-	-	2,830	2,830
Dividend to shareholders in the Company	-	-	-	-	-	-	(18,000)	(18,000)	-	(18,000)
Balance as of December 31, 2021	7,250	306,015	7,146	228	(82)	(766)	113,388	433,179	2,244	435,423

The notes that are attached to the financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Statements of Changes in Shareholders' Equity

	For the year ended December 31, 2020								
	Share capital	Share premium	Capital reserve on share bases payments	Capital reserve on transactions with non-controlling interests	Other capital reserves	Retained earnings	Total equity attributed to shareholders in the Company	Non-controlling interests	Total equity
	NIS thousands								
Balance as of January 1, 2020	30	69,480	2,994	228	(752)	88,396	160,376	128	160,504
Income for the year	-	-	-	-	-	25,352	25,352	513	25,865
Comprehensive loss for the year	-	-	-	-	(277)	-	(277)	-	(277)
Total comprehensive income (loss) for the year	-	-	-	-	(277)	25,352	25,075	513	25,588
Share based payment	-	-	1,267	-	-	-	1,267	-	1,267
Dividend to shareholders in the Company	-	-	-	-	-	(11,840)	(11,840)	-	(11,840)
Balance as of December 31, 2020	30	69,480	4,261	228	(1,029)	101,908	174,878	641	175,519

The notes that are attached to the financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Statements of Changes in Shareholders' Equity

	For the year ended December 31, 2019								
	Share capital	Share premium	Capital reserve on share bases payments	Capital reserve on transactions with non-controlling interests	Other capital reserves	Retained earnings	Total equity attributed to shareholders in the Company	Non-controlling interests	Total equity
	NIS thousands								
Balance as of January 1, 2019	30	69,480	-	159	(385)	93,863	163,147	139	163,286
Income for the year	-	-	-	-	-	(1,065)	(1,065)	58	(1,007)
Comprehensive loss for the year	-	-	-	-	(367)	-	(367)	-	(367)
Total comprehensive income (loss) for the year	-	-	-	-	(367)	(1,065)	(1,432)	58	(1,374)
Acquisition of additional shares in a consolidated company	-	-	-	69	-	-	69	(69)	-
Share based payment	-	-	2,994	-	-	-	2,994	-	2,994
Dividend to shareholders in the Company	-	-	-	-	-	(4,402)	(4,402)	-	(4,402)
Balance as of December 31, 2019	30	69,480	2,994	228	(752)	88,396	160,376	128	160,504

The notes that are attached to the financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Consolidated Statements of Cash Flows

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Cash flows from operating activities:			
Net income (loss) for the year	28,253	25,865	(1,007)
Adjustments required to present cash flow from operating activities:			
Expenses (income) not involving cash flows:			
Financing expenses, net	3,277	3,112	5,354
Depreciation and amortization	14,526	9,534	7,417
The Company's share of the results of affiliated companies and joint ventures	(5,804)	(5,634)	(4,966)
Dividends from affiliated companies	1,850	1,700	2,710
Gain on the increase to control in an investee companies	(15,718)	-	-
Provision for impairment in value for a loan that has been provided to an affiliated company	1,811	-	-
Other expenses (income)	(63)	(183)	11,888
Share based payment	2,885	1,267	2,994
Taxes on income	3,061	5,812	4,045
Change in employee benefit liabilities, net	(130)	4	(285)
	5,695	15,612	29,157
Changes in asset and liability items (changes in working capital)			
Decrease (increase) in trade receivables	(38,367)	(25,636)	6,516
Decrease (increase) in other receivables, including long-term	(3,384)	9,847	(11,109)
Increase (decrease) in trade payables	28,577	2,828	(3,431)
Increase (decrease) in other payables	34,001	2,449	4,442
	20,827	(10,512)	(3,582)
Cash paid and received during the year for:			
Tax receipts	4,269	2,120	-
Interest paid	(7,885)	(5,882)	(3,670)
Interest received	720	232	214
Taxes paid	(7,779)	(9,461)	(7,039)
	(10,675)	(12,991)	(10,495)
Net cash generated by operating activities	44,100	17,974	14,073

The notes that are attached to the consolidated financial statements form an integral part thereof.

Rimon Consulting & Management Services Ltd.
Consolidated Statements of Cash Flows

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Cash flows from investment activities			
Advances on account of fixed assets	(3,020)	-	-
Investment in an affiliated company	-	(2,204)	-
Investment in long-term projects, net	(7,723)	(13,933)	(19,437)
Increase in charged deposit and restricted cash	(2,023)	-	(540)
Consideration from the disposal of (investment in) financial assets, net	5	2	(72)
Loans to affiliated companies and joint ventures	(24,551)	(8,633)	(14,431)
Acquisition of a subsidiary company (see Note 11A3)	(7,076)	-	-
Increase to control in an investee company (see Note 11A3)	4,350	-	-
Provision of other loans	(1,201)	(6,321)	-
Investment in other fixed assets	(16,360)	(16,063)	(18,946)
Consideration from the sale of fixed assets	232	56	-
Net cash absorbed by investment activities	(57,367)	(47,096)	(53,426)
Cash flows from financing activities			
Consideration from the issuance of shares, net	243,755	-	-
Repayment of principal of leasing liabilities	(3,021)	(1,990)	(1,717)
Distribution of dividends	(18,000)	(11,840)	(4,402)
Receipt of short-term loans from banking corporations, net	20,323	26,327	10,520
Receipt of long-term loans from banking corporations	9,197	10,542	43,505
Repayment of long-term loans from banking corporations	(9,510)	(6,402)	(5,899)
Repayment of loans from other providers of credit	(897)	-	(946)
Receipt of loans from other providers of credit	7,237	-	-
Net cash generated by financing activities	249,084	16,637	41,061
Losses from changes in exchange differences on cash and cash equivalents	(1,180)	-	-
Change in cash and cash equivalents	234,637	(12,485)	1,708
Balance of cash and cash equivalents at the beginning of the year	63,201	75,686	73,978
Balance of cash and cash equivalents at the end of the year	297,838	63,201	75,686

Significant non-cash activity

	2021	2020	2019
Investment in long-term projects against credit	751	1,245	72
Increase in right of use assets against liability for right of use assets	3,802	6,534	2,677

The notes that are attached to the consolidated financial statements form an integral part thereof.

Note 1:- General

A. General description of the Company and its operations

Rimon Consulting & Management Services Ltd. (hereinafter – the "Company" was incorporated in March 1997 and commenced its operations in August 1997. The Company's offices are located in Caesarea. The Company is engaged in entrepreneurial activity, management and performance in the water infrastructures field and in the fields of energy and gas.

The Group's principal operations include the performance of projects for commissioners of work within the framework of the performance of infrastructures in Israel field, and including large scale water and energy infrastructure projects in Israel and globally and the initiation, performance and operation of large scale projects in the entrepreneurial energy field and in the entrepreneurial water field, under a range of economic models, including BOT (build, operate and transfer) projects, BOO (build, operate and own) projects, turn-key projects and etcetera.

On July 27, 2021, the Company completed an initial public offering of 7,220,000 regular shares without a par value. The overall consideration in the floatation for the allocation of shares that were allocated to the public amounted to NIS 250,534 thousand. As a result of this the shares that were offered were listed for trading on the Stock Exchange together with 28,399,000 regular shares that existed in the Company's issued and paid-up share capital, and accordingly the Company became a public company (see also Note 15).

At present, the Company operates in four fields of activity, which are reported as reportable segments (see also Note 27):

- Performance of infrastructures in Israel.
- Entrepreneurial water based activity
- Entrepreneurial energy based activity
- Performance of infrastructures abroad

B. The implications of the Coronavirus (Covid-19):

Since 2019, an event having macro-economic implications, which is sourced in the outbreak of the Coronavirus in countries across the globe (hereinafter – the "Coronavirus" or the "event") has been affecting the world. In the wake of this event, many countries, including Israel, have taken significant steps in an attempt to prevent the spread of the virus, such as restrictions on the movement of citizens, gatherings, restrictions on the transportation of passengers and goods, the closure of international borders and etcetera.

The Company's management is continuing to monitor the changes and the developments regarding the impacts of the outbreak of the Coronavirus on the Company's business operations. As of the time of the approval of the financial statements, this event has not had a significant impact on the Group's financial statements. All the same, the Company is continuing to monitor the developments in the event.

However, the continuation of the crisis could cause delays in the supply of imported equipment and raw materials, an increase in the prices of raw materials and haulage, difficulties in identifying sources of financing, an increase in the financing expenses, a decrease in the number of workers and etcetera.

Furthermore, the Corona crisis is continuing to make the Group's international operations more difficult and slower, and in countries in Western Africa in particular, especially opposite its customers in Africa, international financing bodies and suppliers. The restrictions on aerial transport that apply in numerous countries across the globe and in Israel in particular, are also slowing down the pace of the performance and the closing of transactions.

Note 1:- General (Continued)

C. The impacts of the security situation between Russia and the Ukraine.

Since the end of February 2022 and as of the time of the approval of the financial statements, fighting is taking place between Russia and the Ukraine. This security situation is leading and/or may lead to impacts on the Group's operations, as follows:

Macro-economic impacts, including fluctuations in the exchange rates and the interest rates, which may affect the Company's operations. See --- for details regarding the manner in which the Company is handling the changes in the exchange rates. The prices of gas and petroleum have jumped as a result of the security situation and the importance of an accelerated transition to the use of renewable energy and the removal of the dependency on energy that is sourced in gas and petroleum has risen.

Russia and the Ukraine are significant producers in the field of the production of iron and steel. The abovementioned security situation is having an adverse impact on the supply of these raw materials, and is leading to a sharp increase in prices, which are estimated at approximately 30% since the outbreak of the security crisis.

As a result of the security situation, there are significant increases in prices of the haulage of containers, at a rate of between 300% and 500%. It is possible that the price rises will continue to rise significantly in the near future as a result of the security situation and the sanctions that have been imposed on Russia by Western nations. The Company is monitoring the events in order to continue to be prepared for the impacts of the fighting on its operations.

D. Definitions in these financial statements.

The Company's consolidated financial statements as of December 31, 2021, include the financial statements of the Company and of the companies and partnerships that are under its control (the Company, the companies and the cooperative societies and partnerships that are under its control will hereinafter be called – the "**Group**"). Any reference to the term the "**Company**" in this report should be taken as meaning the Company directly and/or indirectly by means of one of the entities in the Group. The following are additional definitions that are relevant to the report:

Ofek Atarim 10	-	Ofek Atarim 10 Ltd. and all of the subsidiary companies that are held and consolidated by it.
Interested parties	-	Within the meaning of that term in Paragraph (1) of the definition of interested parties in a corporation in Section 1 of the Securities Law, 1968.
The Company	-	As defined in Note 1A. Any reference to the term the "**Company**" in this report should be taken as meaning the Company directly and/or indirectly by means of one of the entities in the Group.
The Group	-	As defined above in this Note. See Note 11 for details of the investee companies.
Consolidated companies/ subsidiary companies	-	Companies, including partnership, whose financial statements are consolidated fully, directly or indirectly with the Company’s financial statements.
Investee companies	-	Consolidated companies and companies, including partnerships or joint ventures, the Company's investment in which, directly or indirectly, is included in the financial statements based on their equity value (see also Note 3A).
Index	-	The Consumer Prices Index, which is published by the Central Bureau of Statistics

Note 1:- General (Continued)

D. Definitions in these financial statements (Continued)

The Electricity Authority	-	The Public Services Authority – Electricity, which is a government authority that is responsible for the regulation of electricity in Israel.
The Water Authority	-	The Government Water and Sewage Authority, which is responsible for supervision, regulation, secondary legislation and the setting of tariffs for the water sector.
The natural gas distribution network	-	Pipelines for the transmission of natural gas under low pressure and the related gas facilities, from the natural gas transmission system to the gas measurement meter.

Note 2:- The basis for the preparation of the financial statements

A. Declaration of compliance with International Financial Reporting Standards

The Group's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (hereinafter – "IFRS") and the interpretations thereto, which have been published by the International Accounting Standards Board (IASB).

The financial statements have also been prepared in conformity with the Securities Regulations (Annual Financial Statements), 2010.

B. Functional and presentation currency

The financial statements of each of the Group companies have been prepared in the currency of the main economic environment in which it operates, which is the New Israeli Shekel (NIS) (hereinafter - the "Functional currency"), except for two companies in the Group, whose functional currency is the euro. For the purpose of the consolidation of the financial statements, the results and the financial position of each of the companies in the Group have been translated into NIS, which is the Company's functional currency.

C. The operating cycle period

The Group's operating cycle period is 12 months.

D. The use of estimates and the exercise of judgment

In the preparation of the financial statements in conformity with the IFRS Standards, the Company's management is required to exercise judgment is assessments, estimates and assumptions, which affect the implementation of the policy and the amounts at which the assets and the liabilities, the revenues and the expenses are stated. It should be clarified that the actual results may be different from these estimates. When formulating the accounting estimates, which are used in the preparation of the Group's financial statements, the Company's management is required to assume assumptions regarding events involving significant uncertainty. When exercising its judgment in the determination of the estimates, the Company's management bases itself on past experience, various facts, external factors and on reasonable assumptions in accordance with the circumstances that are appropriate for each estimate.

The estimates and the assumptions on which they are based, which are used in the preparation of the financial statements, are reviewed routinely. Changes in accounting estimates are recognized in the period in which the estimates are corrected and in any future period that is affected.

See Note 2U for additional details.

Note 2:- The basis for the preparation of the financial statements (Continued)

E. The determination of fair value

For the purpose of the preparation of the financial statements, the Group is require to determine the fair value of certain assets and liabilities. Additional information regarding the assumptions that have been used in the determination of the fair value is included in Note 29 on the subject of financial instruments.

In the determination of the fair value of an asset or a liability, the group uses data that is observed in the market insofar as is possible. The measurement of fair value is divided into three levels on the fair value hierarchy based on the data that are used in the assessment, as follows:

Level 1: Quoted prices (unadjusted) in an active market for identical assets.

Level 2: Observable either directly or indirectly observable data that are not included in level 1 above.

Level 3: Data that are not based on observable market data.

F. Exchange rates and the linkage basis

Balances, which are denoted in foreign currency or which are linked thereto, are recorded in the financial statements in accordance with the representative exchange rates that have been published by the central banks in the countries in which the Company operates as of the reporting date.

Balances that are linked to the Consumer Prices Index are presented in accordance with the last known index at the end of the reporting period (the index for the month preceding the month of the date of the financial statements) or in accordance with the index for the last month of the reporting period (the index for the month of the date of the financial statements), in accordance with the terms of the relevant transaction.

Note 3:- Principal accounting policies

The accounting policies, which are set forth below, have been implemented consistently for all of the reporting periods that are presented in these consolidated financial statements.

A. Consolidated financial statements:

(1) General

The Group's consolidated financial statements include the financial statements of the Company and of entities that are controlled by the Company, directly and indirectly. An investing company controls an investee company where it is exposed to or where it has rights to the varying yields deriving from its holding in the investee and where it has the ability to influence those yields by virtue of its power in the investee. This principal applies to all investees, including structured entities.

Potential voting rights are deemed to be substantive where the Group has the practical ability to exercise them. When substantive potential voting rights exist exists, such as: convertible instruments, options and forward contracts in the investee, which are held by the Company or by other parties that have holdings in the investee, the exercise of which will increase or decrease the level of the entity's voting rights in the investee, the Group examines whether the existence of these substantive potential voting rights together with the other voting rights that exist in the investee lead to the existence of control.

The operating results of investee companies, which have been acquired or which have been realized in the course of the reporting period are included in the Company's consolidated statements of profit or loss from the time at which control is achieved and up to the time at which control is discontinued, as the case may be.

The financial statements of the consolidated companies, which have been prepared other than in accordance with the Group's accounting policies have been adjusted to the accounting policies that have been implemented by the Group, before their consolidation.

Note 3:- Principal accounting policies (Continued)

A. Consolidated financial statements (Continued):

(1) General (Continued)

All of the inter-company transactions, balances, revenues and expenses have been eliminated for the purposes of the consolidation.

See Note 3T(f) regarding the revision to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in affiliated companies and joint ventures" (regarding the sale or transfer of assets between an investor and an affiliated company or a joint venture).

(2) Non-controlling interests

The non-controlling interests' share of the net assets of subsidiary companies that have been consolidated is presented as a separate item in the Group's equity. Non-controlling interests include the amount of those rights at the time of the business combination (see below) and the non-controlling interests' share in changes that have occurred in the equity of the consolidated company after the time of the business combination.

The losses of consolidated companies, which are attributed to the non-controlling interests, exceed the non-controlling interests' share in the equity of the consolidated company, they are allocated to the non-controlling interests whilst ignoring the holders of those rights' obligations and ability to make additional investments in the consolidated company.

The results of transactions with non-controlling interests, the subject matter of which is the realization of part of the Group's investment in a consolidated company, with control being retained, are reflected under equity attributed to the shareholders in the parent company.

In transactions with non-controlling interests, the subject matter of which is the acquisition of an additional share in a consolidated company, after the time at which control is achieved, the surplus of the cost of the acquisition over the carrying value of the non-controlling interests at the time of the acquisition is reflected under equity attributed to the shareholders in the parent company.

(3) Business combinations

The acquisition of operations and consolidated companies that constitute a business are measured using the acquisition method. The cost of a business combination is measured at the cumulative fair value (at the time of the exchange) of the assets that have been provided, the liabilities that have been incurred and the capital instruments that have been issued by the Group in consideration for the achievement of control in the acquiree, the fair value of the Group's holdings in the acquiree entity prior to the business combination and the additional value deriving from the exchange of a share based payment arrangement that is attributed to the cost of the business combination.

Transaction costs, which are connected directly to the business combination, are reflected in profit or loss as incurred.

The identified assets and liabilities of the acquiree business, which fulfill the conditions for recognition in accordance with IFRS 3 (Revised) "Business combinations", are recognized in accordance with their fair value at the time of the acquisition, apart from a number of types of assets, which are measured in accordance with the provisions of the relevant standards.

Goodwill deriving from a business combination is measured at the level of the surplus of the cost of the acquisition over the Company's share of the net fair value of the identified assets, liabilities and contingent liabilities of the consolidated company, which have been recognized at the time of the acquisition. If, after a reappraisal the sum of the Group's rights in the net fair value of the identified assets, liabilities and contingent liabilities of the consolidated company, which have been recognized, exceeds the cost of the business combination, the surplus is recognized immediately in profit or loss.

Non-controlling interests in the acquiree are measured initially at the time of the business combination at the level of their share of the fair value of the assets, liabilities and contingent liabilities of the acquiree entity apart from their share of goodwill.

Note 3:- Principal accounting policies (Continued)

A. Consolidated financial statements (Continued):

(3) Business combinations (Continued)

Non-controlling interests, which do not afford current ownership rights, such as options warrants, are presented at fair value. See Note 3A(2) above regarding the accounting policy regarding non-controlling interests.

In business combination, in which control is achieved after a number of acquisitions (acquisition in stages), the assets, liabilities and contingent liabilities of the acquiree are measured at fair value at the time at which control is achieved, with the difference between the carrying value of the Company's holdings in the acquiree prior to the business combination and their fair value at the time of the business combination being reflected in profit or loss.

(4) Joint arrangements

Joint arrangements are arrangements in which the Group and other parties perform economic activity that is subject to joint control. Joint control exists where the contractual arrangement includes a requirement that decisions relating to the business' financial and operational strategy shall be made by unanimous agreement by the parties that jointly control the joint arrangement.

There are two types of joint arrangements. The type of the arrangement is dependent upon the rights and the obligations of the parties to the arrangement.

A "Joint venture" is a joint arrangement in which the parties have rights in the net assets that are attributed to the joint arrangement.

In joint arrangements that constitute a joint venture, the Group recognizes the joint venture as an investment and treats it under the equity method of accounting. See section 6 below regarding the equity method.

A "Joint operation" is a joint arrangement in which the parties have rights in the assets and obligations for the liabilities, which are attributed to the arrangement.

In joint arrangements, which constitute a joint operation, the Group recognizes its relative share of the assets and the liabilities of the joint operation, including assets and liabilities that are held jointly, in the Group's statement of financial position. The statement of profit or loss includes the Group's relative share of the revenues and expenses of the joint operation, including revenues that have been produced and expenses that have been incurred jointly.

In a joint operation, which the Group is a party to and in which owns rights to assets and obligations for the liabilities that are attributed to that operation, however it does not have joint control over it, the Group's rights in the joint operation are presented in the financial statements similarly to a joint operation in which the Group has joint control.

Transactions between Group companies and joint operations that are held by the Company are recognized at the level of the other parties share in the joint operation.

(5) Investments in affiliated companies and joint ventures

An affiliated company is an entity in which the Group has significant influence and which is not a subsidiary company or a joint arrangement. Significant influence is the power to participate in decision making regarding the financial and operational policy of the investee company, but it does not constitute control or joint control over that policy. Potential voting rights, which can be exercised or converted into shares in the investee entity immediately, are taken into account when testing for the existence of significant influence.

Where substantive potential voting rights such as: call options that are held by other parties, which hold an investment, the exercise of which will reduce the level of the Group's voting rights in the investee, exist, the Group tests whether the existence of these substantive potential voting rights together with the other voting rights that exist tin the investee lead to the existence of control or joint control.

Note 3:- Principal accounting policies (Continued)

A. Consolidated financial statements (Continued):

(5) Investments in affiliated companies and joint ventures (Continued)

The financial statements of affiliated companies and joint ventures, which have been prepared other than in accordance with the Group's accounting policies have been adjusted to the accounting policies that have been implemented by the Group, before their inclusion in the Group's financial statements.

The results, assets and liabilities of affiliated companies and joint ventures are recorded in these financial statements under the equity method, unless the investment in the affiliated company or the joint venture, or part thereof, is classified as held for sale pursuant to IFRS 5 regarding non-current assets that are held for sale and discontinued operations. In such a case, the Group classifies the part of the investment that is not classified as held for sale as a non-current asset.

In accordance with the equity method of accounting, investments, investment in affiliated companies and joint ventures are recorded in the consolidated statement of financial position at cost as adjusted for post-acquisition changes that have occurred in the Group's share of the net assets, including capital reserves, less impairment in value, if any has occurred, in the value of the affiliated company or the joint venture. The losses of an affiliated company or a joint venture, which exceed the Group's rights in the affiliated company or the joint venture (including any long-term rights whatsoever, which by their substance form part of the Group's net investment in the affiliated company or the joint venture) are not recognized unless there the Group has a legal or implicit obligation to pay or to make payments on behalf of the affiliated company or the joint venture. See Section H below regarding the testing for impairment in the value of the investment of affiliated companies and joint ventures.

The surplus of the cost of the acquisition of an affiliated company or a joint venture over the Group's share of the fair value of the identified assets, liabilities and contingent liabilities of the affiliate or the joint venture, which were recognized at the time of the acquisition, is recognized as goodwill. The goodwill is included in the carrying value of the investment in the affiliated company or in the joint venture in the accounting records and is tested for impairment in value as part of the investment. Any surplus whatsoever in the Group's share of the fair value of the identified assets, liabilities and contingent liabilities over the cost of the acquisition of the affiliated company or the joint venture, after a reappraisal, is recognized immediately in the statement of profit or loss.

Gains or losses arising from transactions that are executed between the Company, its consolidated companies and its joint ventures and an affiliated company or a joint venture of the Group, is eliminated in accordance with the Group's share in the rights in the relevant affiliated company or joint venture. Gains or losses arising from the provision of performance services between the Group and companies that are treated under the equity method, which recognize and intangible asset in their financial statements in respect of concession arrangements pursuant to IFRIC 12, the Group recognizes the full amount of such gain or loss.

The Group discontinues the use of the equity method as from the time at which the investment ceases to be an affiliated company or the joint venture (or where the investment is classified as held for sale as mentioned above, if earlier). Upon the loss of significant influence, any remaining investment whatsoever after the disposal is measured at fair value. The difference between the carrying value of the remaining investment in the accounting records and its fair value is reflected in profit and loss. Furthermore, the amounts that have been recognized in other comprehensive income in relation to that investment are treated in the same manner that would be required were the investee entity were to realize the related assets or settle the related liabilities by itself.

Investments, which are treated under the equity method, have made commitments under concession-based arrangements for the planning, establishment, deployment and operation of gas infrastructures. These arrangements are treated pursuant to the provisions of IFRIC 12, as an intangible asset, a license, which reflects the right that exists for the investment that is treated under the equity method to collect payment, which is not assured by the granter of the concession, in accordance with the use made by the users of the gas infrastructure. The asset is recognized in the establishment period in accordance with the fair value of the establishment services.

Note 3:- Principal accounting policies (Continued)

A. Consolidated financial statements (Continued):

(5) Investments in affiliated companies and joint ventures (Continued)

Revenues from concession arrangement for the provision of services in investments that are treated under the equity method

In the establishment period for assets under concession arrangements for the gas infrastructures, the investee companies recognize revenues in accordance with the value of the establishment services against the recognition of an intangible asset.

In the operational period for assets under concession arrangements for the gas infrastructures, the investee companies recognize revenues from the operation of the assets over the period of the provision of services and customers receive and consume the benefits that are produced by the performance of the investee companies, which they may produce, simultaneously.

In investments that are treated under the equity method, in which advances are received, which are deducted from the consideration that they will be entitled to at the end of the period of the license, the advances are measured as liabilities, which are recognized at their present value in accordance with the market interest rate under similar conditions, where the difference between the carrying value in the accounting records from such measurement and the consideration that has been received constitute government grants that are attributed to the intangible assets.

Furthermore, establishment grants, which the Company receives, which are treated under the equity method, upon the fulfillment of the conditions that provide entitlement to the receipt of the establishment grant, will not be returned to the State and are deducted from the cost of the establishment of the intangible asset.

See Note T below regarding the revision of IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in affiliated companies and joint ventures" (regarding the sale or the transfer of assets between an investor and an affiliated company or a joint venture).

B. The functional currency and the presentation currency:

(1) Translation of transactions other than in the functional currency

In the preparation of the financial statements of each of the Group companies, transactions that have been executed in currencies that are different from the functional currency of that company (hereinafter: "Foreign currency") are recorded in accordance with the exchange rates that are in effect at the times of the transactions. At the end of each reporting period, monetary items, which are denoted in foreign currency are translated in accordance with the exchange rate in force at that time; non-monetary items that are measured at fair value and which are denoted in foreign currency are translated in accordance with the exchange rate at the time of at which the fair value is determined; non-monetary items that are measured in historical cost terms are translated in accordance with the exchange rates in force at the time of the execution of the transaction in connection with the non-monetary item.

(2) The manner of the recording of translation differences

Exchange differences are recognized in profit or loss in the period in which they arise, apart from monetary items receivable or payable from foreign operations, the settlement of which is not planned or expected to occur and accordingly they form part of the net investment in the foreign operations, which are recognized in other comprehensive income under "exchange differences in respect of the translation of foreign operations".

Note 3:- Principal accounting policies (Continued)

B. The functional currency and the presentation currency (Continued):

(3) Translation of the financial statements of investee companies whose functional currency is different from the Company's functional currency:

For the purpose of the presentation of the consolidated financial statements, the assets and the liabilities of the foreign operations are presented in accordance with the exchange rates in effect at the end of the reporting period.

Revenue and expense items are translated in accordance with the average exchange rates in the reporting period, unless there has been a significant fluctuation in the exchange rates in the course of the reporting period. In this case, the translation of these items is done in accordance with the exchange rates at the time of the execution of the transactions.

The translation differences are recognized in other comprehensive income under "exchange differences on the translation of foreign operations". These exchange differences are reclassified to profit or loss in their entirety at the time of the realization of the entire foreign operation for which the translation differences have arisen and at the time of the partial realization of the foreign operation, which involves the loss of control or on the transition from an investment that is treated at equity to a financial asset.

C. Financial instruments:

(1) Non-derivative financial assets:

(a) General:

Financial assets are recognized in the statement of financial position where the Group becomes a party to the contractual terms of the instrument.

Investments in financial assets are recognized initially in accordance with their fair value, with the addition of transaction costs, except for financial assets that are classified under the category of at fair value through profit and loss, which are recognized initially at their fair value. Transaction costs in respect of financial assets at fair value through profit or loss are reflected immediately as an expense through profit or loss.

After the initial recognition, financial assets are to be measured at amortized cost or at fair value in accordance with their classification.

(b) Classification of financial assets:

Debt instruments are measured at amortized cost where the following two conditions are met:

- The Group's business model is to hold the assets with the objective of collecting the contractual cash flows, and
- The contractual terms of the asset determine exact dates at which the contractual cash flows, that constitute solely payments of principal and interest, will be received.

All other financial assets are measured at fair value though profit and loss.

(c) Financial assets that are measured at amortized cost and the effective interest method:

The amortized cost of a financial asset is the amount at which the financial asset was measured at the time of the initial recognition less payments of principal, with the addition or with the deduction of cumulative amortization, using the effective interest method, of any difference whatsoever between the initial amount and the amount of the repayment, as adjusted for any impairment in value that has occurred.

The effective interest method is a method that is used to cost the cost of the amortization of a debt instrument and the allocation thereof and for the recognition of interest income in profit or loss over the relevant period.

Note 3:- **Principal accounting policies (Continued)**

C. Financial instruments (Continued):

(1) Non-derivative financial assets (Continued):

(c) Financial assets that are measured at amortized cost and the effective interest method (Continued):

The effective interest rate is the rate that discounts the forecast flow of future cash flows over the expected lifetime of the financial assets to their gross carrying value in the accounting records.

Interest income is calculated using the effective interest rate. The calculation is performed by implementing the effective interest rate to the gross carrying value of the financial asset in the accounting records.

(d) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are measured at their fair value at the end of each reporting period. Any gain or loss deriving from changes in the fair value, including those that are sourced in changes in exchange rates, is recognized in profit or loss in the period in which the change occurs (apart from those that are used in hedging relationships). The net gain or loss that is recognized in profit or loss includes within it any dividend or interest that has arisen for the financial asset. See Note 2E above regarding the manner of the determination of the fair value.

A financial asset is held for trading where:

(a) The asset has been acquired primarily with the objective of selling it in the short-term;

(b) At the time of the initial recognition, the asset forms part of a portfolio of identified financial instruments, which are managed together and for which there is evidence of an updated pattern of activity for the production of profits in the short term; or

(c) The asset is a derivative (apart from a derivative that is a financial guarantee contract of an effective designated hedging instrument).

Financial assets that are held for trading include options for the purchase of shares in subsidiary company as the cost of an exercise price that is based in a multiple of EBITDA.

(e) The de-recognition of financial assets:

The Group only de-recognizes a financial asset where the contractual rights to the cash flows from the financial asset have expired, or where the Group transfers substantially all of the risks and the benefits that derive from the ownership of the financial asset.

(2) Financial liabilities:

(a) Classification as a financial liability or as a capital instrument:

Liabilities and capital instruments that have been issued by the Group are classified as a financial liability or as a capital instrument in accordance with the substance of the contractual arrangements and the definition of a financial liability and a capital instrument.

(b) Capital instruments:

A capital instrument is any contract evidencing a residual right in the Group's assets after the deduction of all of its liabilities. Capital instruments that have been issued by the Group are recorded in accordance with the consideration from their issue less the costs that are attributed directly to the issuance of these instruments.

Note 3:- Principal accounting policies (Continued)

C. Financial instruments (Continued):

(2) Financial liabilities (Continued):

(b) Capital instruments (Continued):

Option warrants for the purchase of shares in the Company and/or in a consolidated company:

Receipts for the issuance of option warrants for the purchase of shares in the Company and/or in a consolidated company, which afford their holders the right to purchase a set number of regular shares in consideration for a set amount of cash, are presented under equity under "payments on account of option warrants". For this purpose, if the exercise amount varies in accordance with the timing of the exercise, but the exercise price at every possible exercise time can be determined already at the time of the issue, it is deemed to be a fixed amount.

Receipts for the issuance of option warrants for the purchase of shares in the Company and/or in a consolidated company, which afford their holders the right to purchase a set number of regular shares in consideration for a variable amount of cash, are presented under liabilities and are classified as liabilities at fair value through profit or loss. For this purpose, if the exercise price is linked to the Consumer Prices Index or to foreign currency, it will be deemed to be a variable amount.

Despite this, option warrants that have been issued within the framework of a rights issue to all of the existing shareholders, where their exercise price is denoted in foreign currency, are not considered to be options that are settled with consideration in a variable amount for this purpose. See Section (c) below regarding the treatment of financial liabilities at fair value thought profit or loss.

(c) Financial liabilities:

Financial liabilities are presented and measured in accordance with the following classification:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

Financial liabilities at fair value though profit or loss:

A financial liability is classified at fair value through profit or loss if it constitutes conditional consideration that has been created in a business combination, which is not classified as equity or if it is held for trading or it has been designated as a financial liability at fair value through profit or loss.

The financial liabilities that are held for trading include options for non-controlling interests for the purchase of shares in subsidiary companies, with an exercise price that is based on a multiple of EBITDA and derivative instruments on capital instruments of companies that are treated at equity.

A financial liability is classified as held for trading purpose if:

- It was created primarily for the objective of re-purchase in the near future; or
- At the time of the initial recognition it forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of an updated pattern of activity for the production of profits in the short term; or
- It is a derivative (apart from a derivative that is a financial guarantee contract of an effective designated hedging instrument).

Note 3:- Principal accounting policies (Continued)

C. Financial instruments (Continued):

(2) Financial liabilities (Continued):

(c) Financial liabilities (Continued):

Financial liabilities at fair value though profit and loss are presented in accordance with their fair value, where any gains or losses whatsoever deriving from changes in the fair value are recognized in profit or loss. The net gain or loss that is reflected in profit or loss contains within it the interest that has been paid on the financial liabilities and is recorded under financing expenses in the statement of profit or loss.

See Note 2(E) regarding the manner of the determination of the fair value.

Financial liabilities at amortized cost:

Financial liabilities at amortized cost are recognized initially at fair value after deducting transaction costs. After the time of the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The effective interest rate method is a method for calculating the amortized cost of a financial liability and for the allocation of interest expenses over the relevant credit period. The effective interest rate is the rate that discounts the forecast flow of future cash flows over the expected lifetime of the financial liability to their amortized cost in the accounting records.

(d) The de-recognition of financial liabilities:

The Group only de-recognizes a financial liability where the financial liability is settled, is cancelled or expires. The difference between the carrying value of the financial liability that has been settled or the consideration that has been paid is recognized in profit or loss.

(3) Offsetting of financial instruments:

A financial asset and a financial liability are offset and the amounts are presented net in the statement of financial position where the Group has a currently enforceable legal right to offset the amounts that have been recognized and there is an intention to settle the asset and the liability on a net basis or to realize the asset and to settle the liability simultaneously.

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

The values of index-linked financial assets and liabilities, which are measured at amortized cost, are revalued in each period in accordance with the rate of the actual increase or decrease in the index.

D. Cash and cash equivalents:

Cash and cash equivalents include cash that can be realized immediately, deposits that can be withdrawn immediately and fixed term deposits, the use of which is unrestricted and the redemption amount of which, at the time of their investment, does not exceed three months. Cash, the use of which is restricted by the Group in respect of credit amounts, or where their use is restricted for projects alone within the framework of accompaniment accounts for these projects, are presented in the statement of financial position as non-current receivables.

Note 3:- Principal accounting policies (Continued)

E. Fixed assets:

(1) General:

A fixed asset is a tangible item, which is held for the purpose of use in production or in the supply of goods or services, or for rental to others, which is forecast to be used in more than one period.

Fixed asset items (investments in projects including waste treatment facilities, cogeneration facilities, drilling machinery and engineering equipment, motor vehicles, office furniture and equipment and leasehold improvements) are presented in the statement of financial position in accordance with their cost (less investment grants that have been received), less accumulated depreciation and less accumulated impairment losses. The cost includes the cost of the acquisition of the asset as well as the costs that are attributable directly to brining the asset to the location and to the state that are required in order to operate it in the manner intended by management. The cost of qualifying assets also includes credit cards that are to be capitalized, as stated in Section F below. See Section H below regarding testing for impairment in the value of the fixed assets.

The cogeneration facilities are located in the area of the plants and are owned by the Company during the period of the agreement (which is for approximately 15 to 20 years), it controls access to the use of the facilities and enjoys the benefits that the facilities produce from the sale of electricity and gas to plants in accordance with the plant's consumption. The Company can sale the electricity and the gas in excess of the plant's consumption to others. Accordingly, the cogeneration facilities are treated as fixed assets of the Company, without any significant residual value.

(2) Subsequent costs:

The cost of the replacement of a fixed asset item, which can be estimated reliably, is recognized as an increase in the carrying value in the accounting records as incurred, if it is expected that the future economic benefits that are attributed to the item will flow to the entity. Routine maintenance costs are reflected in profit or loss as incurred.

(3) Depreciation of fixed assets:

The depreciation of fixed assets is performed separately for each component of a depreciable fixed asset item having a cost that is significant on relation to the cost of the item. The depreciation is performed systematically under the straight-line method over the expected useful lifetime of the components of the items from the time at which it is ready for use, whilst taking the expected residual value at the end of the useful lifetime into account.

The estimated useful lifetime and the depreciation rates that have been used in the calculation of the depreciation are as follows:

	Useful lifetime	Depreciation method
Cogeneration and other facilities	15 – 20 years	Straight line
Machinery and engineering equipment	6 – 15 years	Straight line
Motor vehicles	6 years	Straight line
Office furniture and equipment	3 – 14 years (primarily 11 years)	Straight line
Leasehold improvements	The lower of 10 years and the length of the rental period	Straight line

(3) Depreciation of fixed assets:

The residual values, the depreciation methods and the useful lifetime of the asset are reviewed by the Company's management at the end of each financial year. Changes are treated prospectively as a change in an estimate. A gain or a loss arising as a result of a sale or from the taking out of use of a fixed asset item is determined in accordance with the difference between the receipts from its sale and its carrying value in the accounting records at the time of the sale or the taking out of use, is reflected in profit or loss.

Note 3:- Principal accounting policies (Continued)

F. Capitalization of credit costs:

Credit costs that are attributable directly to the purchase, establishment or production of qualifying assets (cogeneration facilities), the preparation of which for their intended use or for their sale takes a considerable period of time, are capitalized to the cost of those assets up to the time at which the assets are ready essentially for their intended use or sale.

The Company capitalizes credit costs that cannot be attributed directly in an amount that does not exceed the amount of the costs that have been incurred in practice in that period.

All other credit costs are recognized in profit or loss as incurred.

In the statement of cash flows, the Group classifies cash flows for interest payments that are capitalized on qualifying assets indirectly with the other expenditures of payments for those assets.

G. Intangible assets and goodwill:

(1) Intangible assets:

Intangible assets are identifiable non-monetary assets that lack a physical substance. Intangible assets that have an indefinite useful lifetime are not amortized, and are checked for the purpose of testing for impairment in value once a year, or at any time at which a sign exists, indicating the possibility that an impairment in value has occurred, pursuant to the provisions of IAS 36. The estimate of the useful lifetimes of intangible assets having an indefinite useful lifetime, is tested at the end of every reporting year. Any change in the estimated useful lifetime of an intangible assets, which changes from indefinite to defined, is treated prospectively.

Intangible assets have a defined useful lifetime are amortized on a straight line over their estimated useful lifetimes subject to testing for impairment. A change in the estimate of the useful lifetime of an intangible asset having a defined lifetime is treated prospectively.

See Note 3G(2) regarding the accounting treatment of goodwill.

Intangible assets, which have been acquired within the framework of a business combination, are recognized separately from goodwill, where they meet the definition of an asset and are identifiable. Intangible assets are identifiable where they can be separated or derive from contractual or other legal rights. Such intangible assets are to be recognized at their fair values at the time of the business combination.

In periods subsequent to the initial recognition, intangible assets that have been acquired within the framework of a business combination are presented at cost less accumulated amortization and impairment losses. The amortization of intangible assets having a defined useful lifetime are calculated on a straight-line basis over their estimated useful lifetimes.

The estimate of the useful lifetime and the amortization method are tested at the end of every reporting year, where the impact of a change in an estimate is treated prospectively.

(2) Goodwill:

Goodwill that derives from the acquisition of a business is measured at the level of the surplus of the cost of the acquisition over the Company's share of the net fair value of the identified assets, the liabilities and the contingent liabilities of the consolidated company, which have been recognized at the time of the acquisition. The manner of the measurement of the goodwill, pursuant to the alternatives that are set forth above, is determined specifically for each business combination.

Goodwill is recognized as an asset initially at cost and is measured in subsequent periods at cost less accumulated impairment losses.

Note 3:- Principal accounting policies (Continued)

G. Intangible assets and goodwill:

(2) Goodwill (Continued):

For the purpose of testing for impairment in value, goodwill is allocated to each of the group's cash generating units, which are expected to benefit from the synergy produced by the business combination. Cash-generating units to which goodwill has been allocated are tested for the purpose of testing for impairment in value each year or at a higher frequency where signs exist evidencing possible impairment in value of such a unit.

Where the recoverable amount of a cash-generating unit is lower than its carrying value of that unit in the accounting records, the impairment loss is allocated initially to the writing down of carrying value of any goodwill whatsoever that is attributed to the cash-generating unit. Thereafter, any remaining balance of the loss is allocated to other units of the cash-generating unit, proportionately to their carrying value in the accounting records. An impairment loss on goodwill may not be cancelled in subsequent periods.

H. Impairment in value

(1) Non-derivative financial assets

The Group implements the lenient approach to the measurement of the provision for impairment in value in accordance with the probability of insolvency over the lifetime of the instrument for trade receivables. Forecast credit losses over the lifetime of the instrument are forecast credit losses deriving from all possible default events over the forecast lifetime of the financial instrument.

The testing of whether to recognize a provision for impairment in value in accordance with the forecast credit losses over the entire lifetime of the instrument is based on the risk of default from the time of the initial recognition and not only where objective evidence of impairment in value exists at the reporting date or where the default has actually occurred.

Measurement and recognition of forecast credit losses:

The measurement of the expected credit losses is a function of the probability of the occurrence of a default, the level of the default in the case of the occurrence of a default and the maximal exposure to a loss in a default event. The estimate of the probability of the occurrence of a default and the level of the loss is based on historical data as adjusted using forward-looking information.

Regarding financial assets, the maximal exposure to a loss in a default event is the gross carrying value of the financial asset in the accounting records at the reporting date. Forecast credit losses are the difference between all of the forecast cash flows that the Group is entitled to in accordance with the contract and the cash flows that the Group expects to receive, discounted using the original effective interest rate. The Group recognizes an impairment loss (gain on the cancellation of an impairment loss) in profit or loss for all of the financial instruments against the adjustment of their carrying value in the accounting records by means of a provision for impairment in value.

(2) Non-financial assets:

The carrying value of the Group's non-financial assets in the accounting records, other than deferred taxes, is checked at every reporting date in order to determine whether signs indicating impairment in value exist. If such signs exist, an estimate of the recoverable amount of the asset is calculated.

The recoverable amount of an asset is the higher of the value in use and the fair value, less disposal costs. In the determination of the value in use, the Group discounts the forecast future cash flows in accordance with a pre-tax discount rate, which reflects market participant's assessment regarding the time value of money and the specific risks that are attributed to the asset, for which the expected future cash flows from the asset have not been adjusted.

Impairment losses are recognized where the carrying value of an asset in the accounting records exceeds its recoverable amount and are reflected in profit and loss.

Note 3:- Principal accounting policies (Continued)

H. Impairment in value (Continued)

(3) Impairment in value of investments treated at equity:

The Group tests for the existence of signs of impairment in the value of investments that are treated at equity. Such impairment in value exists where there is objective evidence that the future cash flows that are expected from the investment have been affected adversely.

Testing for impairment in the value of the investment is performed in relation to the investment as a whole. Accordingly, a loss that is recognized on impairment in the value of the investment is not attributed to the assets that comprise the investment, including goodwill, but rather it is attributed to the investment as a whole and accordingly the Group recognizes the reversal of losses that have been recognized in respect of investments that are treated at equity, where their recoverable amount has risen.

The recoverable amount of the investment is estimated with the objective of determining the amount of the loss that has arisen from impairment in value, if any. The recoverable amount is the higher of the fair value of the investment less realization costs and its value in use. In the determination of the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows that are expected from the operations of the affiliated company and from the disposal thereof.

The Group implements the provisions of IFRS 9, including the impairment in value model in respect of long-term rights in an affiliated company or a joint venture, which constitutes part of the net investment, but which are not measured under the equity method (these rights include long-term loans for which no repayment time has been set and the repayment of which is not expected in the foreseeable future). When implementing the provisions of IFRS 9, the Group does not take any adjustments whatsoever to the carrying value of the long-term rights deriving from the implementation of IAS 28, such as adjustments deriving from the allocation of the losses of the affiliated company or the joint venture, into account.

I. Employee benefits:

(1) Post-employment benefits:

The Group's post-employment benefits include pensions and the liability for severance pay. The Group's post-employment benefits are in part defined contribution plans and in part defined benefit plans. Expenses in respect of the Group's commitment to contribute funds within the framework of a defined contribution plan are reflected in profit or loss at the time of the provision of the labor services for which the Group makes the contribution. The difference between the amount of the contribution that is payable and the amount of the contributions that have been paid is presented as a liability under employee benefit liabilities.

The Group recognizes an asset where the amount of the contributions that have been paid exceeds the contribution that is required for the services that have been provided up to the date of the statement of financial position and this surplus will lead to a reduction in the future deposits or a refund.

Expenses in respect of defined benefit plan are reflected in profit or loss using actuarial appraisals that are performed at the end of each reporting period, The present value of the Group's obligation for a defined benefit plan as at December 31, 2021 and 2020 is determined by means of discounting the expected future cash flows for the plan using a discount rate that is appropriate for the market yields on high-quality corporate bonds that are denoted in the currency in which the benefits under the plan will be paid, and with redemption periods that are approximately identical to the forecast settlement timings for the plan. In accordance with the Group's accounting policy, the net interest cost is included in expenses in the statement of profit or loss.

Note 3:- Principal accounting policies (Continued)

I. Employee benefits (Continued):

(1) Post-employment benefits (Continued):

Actuarial gains and losses are reflected in other comprehensive income as they arise. Past service costs, reductions or settlements are recognized in profit or loss at the earlier of the time of the amendment of the plan or at the time of the recognition of the costs in respect of related structural changes pursuant to IAS 37 or in severance benefits. Actuarial gains or losses that have been reflected in other comprehensive income may not be reclassified to profit or loss at a later time.

The plan assets are measured at fair value. Interest income on the plan assets is determined based on the discount rate for the obligation at the beginning of the period and are reflected in profit or loss as part of the net interest cost. The difference between the interest income on the plan assets and the overall yield on the plan assets is reflected under other comprehensive income and may not be reclassified to profit or loss at a later time.

The Group's liability for the benefit plan that is presented in the statement of financial position includes the present value of the obligation for the defined benefit less the fair value of the plan assets. The net asset, which arises from the said calculation, is restricted to the level of the future economic benefits that are available to the Group in the form of a reduction in the future deposits or a refund, whether directly to the Group and whether indirectly to another plan that is in a deficit (hereinafter: "The amount of the ceiling").

(2) Short-term employee benefits

Short-term employee benefits, both benefits that are expected to be settled in full within 12 months from the end of the year in which the entitling service is provided by the employee.

Short-term employee benefits in the Group included the Group's liability for short-term absences and payments of bonuses or salary. These benefits are reflected in profit or loss as incurred. The benefits are measured on a non-discounted basis, which the Company expects to pay. The difference between the level of the short-term benefits to which the employee is entitled and the amount that has been paid for them is recognized as an asset or as a liability.

(3) Benefits on termination of employment:

The benefits for termination are benefits that are payable as a result of the Group's decision to dismiss employees before they reach the regular retirement age or as a result of the employee's decision to resign voluntarily in consideration for these benefits.

The Group's liability is reflected in profit or loss at the earlier of the time at which the Group does not have the possibility of retracting the offer or the time of the recognition of the costs in respect of a structural change pursuant to IAS 37, which includes the payment of termination benefits.

J. Concession arrangements for the provision of services:

Concession arrangements for the provision of services are arrangements in which the State and/or some other public body makes a commitment under a contract with a body in the private sector (hereinafter – "The concession holder") in which that concession holder undertakes to plan, to build, to finance and to operate some property or the infrastructure whatsoever to serve the public, and in consideration for the establishment of the property the concession holder receives a concession from the State to operate the property for a defined period and also to provide ancillary services that are connected to the property. At the end of the period of the concession, the operator returns the property to the State and/or to some other public body.

The Group has made committed itself under concession-based arrangements under the BOT (Build, Operate, and Transfer) method of the DBOT (Design, Build Operate, Transfer) method for the establishment, construction and operation of water distribution type infrastructure facilities.

Note 3:- Principal accounting policies (Continued)

J. Concession arrangements for the provision of services (Continued):

These arrangements are treated pursuant to the provisions of IFRIC 12. Pursuant to IFRIC 12, the infrastructure that has been established is not recognized as a fixed asset in the financial statements of the operator (the Group). The Group has arrangements for the establishment of facilities for the distribution of water, which are treated as a financial asset. The Group's rights in respect of the concession are recognized as a financial asset since the Group has an unconditional right to receive assured receipts from the body that granted the concession, as consideration for the use of the infrastructure. The asset is recognized in the construction period in accordance with the fair value of the construction services. After the initial recognition, interest income is recognized during the period of the arrangement under the effective interest method.

The financial asset reflects the unconditional payments that will be received from the public body, which are not conditional upon the extent of the use of the infrastructure by the users and it is measured taking the appropriate risk interest rate that has been set in accordance with the commissioner's and the project's risk.

The Group's right to receive consideration for the establishment services constitutes a contract asset.

K. Provisions:

A provision is recognized where the Group has an obligation, whether legal or implicit, in the present, as a result of an event that has occurred in the past, where it is more likely than not that negative flows of economic resources will be required in order to settle it, so long as it is possible to make a reliably estimate of the amount of the obligation that is to be settled.

Provision for lawsuits:

A provision for lawsuits is recognized where the Group has a legal obligation or an implicit obligation in the present as a result of an event that has occurred in the past, where it is more likely than not that negative flows of economic resources will be required in order to settle it, so long as it is possible to make a reliably estimate of the amount of the obligation that is to be settled.

L. Recognition of revenues:

(1) Revenues from contracts with customers:

a) The measurement of revenues

The Group's revenues are measured in accordance with the amount of the consideration that the Group expects to be entitled to in consideration for the transfer of goods or services that have been promised to the customer, apart from amounts that have been collected for third parties, such as certain sale taxes. The revenues are presented net of VAT.

If the consideration that has been assured for the customer includes a variable amount (for example, as result of discounts or entitlement to a refund), the Group estimates the amount that it will be entitled to in consideration for the transfer of the goods or the services that have been promised to the customer within the framework of the transaction, and it only includes any amount of the variable consideration, or its share thereof, in the price of the consideration, if it is highly probably that a significant cancellation of the amount of the cumulative revenues that have been recognized will not occur, when the uncertainty relating to the variable consideration becomes clarified at a later time.

At the end of every reporting period, the Group updates the price of the transaction that has been estimated in order to present fairly the circumstance that exist at the end of the reporting period and the changes in the circumstances in the course of the reporting period.

Note 3:- Principal accounting policies (Continued)

L. Recognition of revenues:

(1) Revenues from contracts with customers (Continued):

a) The measurement of revenues

Furthermore, the Group adjusts the amount of the consideration that has been assured for the impacts of the time value of money, if the timing of the payments that has been agreed between the Group and the customer provides the customer or the Group with a significant financing benefit in connection with the transfer of the goods or the services to the customer (i.e., where the contract includes a significant financing component).

The Group does not adjust the amount of the consideration that has been assured for the impacts of significant financing components if the Group expects, at the time of the commitment under the contract, that the period between the time at which the customer pays for these goods or this service will be one year or a period of less than one year.

b) The timing of the recognition of revenues

The Group recognizes revenue where the customer achieves control over the goods or the service that has been assured within the framework of the contract with the customer. At the time of the commitment under the contract, the Group determines whether it fulfills the performance obligation over time or at a point of time, for each performance obligation.

A performance obligation is fulfilled over time if one of the following criteria is met: (a) the customer received and consumes the benefits that are provided by the Group's performance simultaneously; (b) the Company's/ the Group's performance creates or improves an asset that is controlled by the customer while creating or improving it; or (c) the Group's performance does not create an asset or an alternative use for the Group and the Group has an enforceable right to payment for the performance that has been completed up to that time.

If the performance obligation is not fulfilled over time, it is fulfilled at a point in time.

c) The types of the Group's revenues:

(1) Revenues from the sale of electricity, steam and water:

Revenues from the sale of electricity, steam and water are reflected in the statement of income as they accrue over the supply period.

(2) Revenues from the establishment of performance infrastructures

The Group is engaged in the establishment of water and gas infrastructures, water and sewage pumping stations and water treatment infrastructures and it sells to public and private bodies. The establishment of a facility/ infrastructure includes warranty, which cannot be purchased separately and which serves as assurance that the products that are sold meet the specifications that have been agreed upon. Accordingly, the warranty is treated in accordance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets", see Section K above.

Where it is possible to estimate the result of work in accordance with a performance contract reliably, the revenues and the costs are recognized in accordance with the stage of the completion of the work, as of the end of the reporting period. The completion rate is measured, generally, based on the completion of the engineering stages. Changes in the extent of the work, payments of claims and incentives are included in the revenues from the performance contract, if they have been agreed upon with the commissioner of the work. Where it is not possible to estimate the result of work in accordance with a performance contract reliably, revenues are recognized up to the level of the costs that have arisen for the performance of the contract, which are expected to be recovered. Costs associated with the fulfillment of a contract are recognized as an expense in the period in which they are incurred.

Note 3:- **Principal accounting policies (Continued)**

L. Recognition of revenues (Continued):

(1) Revenues from contracts with customers (Continued):

c) The types of the Group's revenues (Continued):

(3) Revenues from the supply of maintenance and operating services

The Group provides maintenance services. These services constitute a performance obligation, which is fulfilled over time since the customer receives and consumes the benefits that are provided by the Group's performance, insofar as the Group may perform, simultaneously and therefore the Group recognizes the revenues over the length of the service period.

d) Assets and liabilities for contracts with customers

Where each of the parties to a contract performs its obligations, the Group presents the contract in the statement of financial position as an asset for a contract with a customer or as a liability for a contract with a customer, in accordance with the relationship between the Group's performance and the customer's payments. An asset for a contract with a customer is the Group's right to consideration for goods or services that the Group has transferred to the customer. A liability for a contract with a customer is the Group's obligation to provide goods or services to a customer for which the Group has received consideration (or an amount of the consideration that is due for payment) from the customer.

M. Leasing:

The Group as a lessee:

The Group habitually leases buildings and motor vehicles in the regular course of business.

The Group assesses whether a contract is a lease (or includes a lease) at the time of the commitment under a contract. The Group recognizes a right of use asset on the one hand and a leasing liability on the other hand for every leasing contract in which it is the lessee, except for short-term leases (for a period of up to 12 years) and the leasing of assets having a low value, in which the Group recognizes the leasing payments as an operating expense on a straight-line basis over the period of the lease.

Determination of the period of the lease:

The period of the lease is the period that is non-cancellable, for which the lessee has the right to use the leased asset together with periods that are covered by an option to extend the lease if it is reasonably certain that the lessee will exercise that option. The probability of the exercise of the extension option is tested, taking significant capital investments that have been made by the Group in the leased property, where it is expected that they will have a significant economic benefit for the Group in the extension period, costs that are attributed to the termination of the lease, the location of the leased asset and the availability of appropriate alternatives into account.

Right of use asset:

A right of use asset is measured in accordance with the cost model and is amortized on a straight-line over the shorter of the period of the lease and the useful lifetime. The cost of a right of use asset at the time of the inception of the lease is determined in accordance with the amount of the initial measurement of the leasing liability (see below), any leasing payments whatsoever that have been executed at the time of the inception of the lease or beforehand and initial direct expenses. Thereafter, the right of use asset is measured at cost less accumulated depreciation and impairment losses.

The depreciation of the asset is recorded as a depreciation expense from the time of the inception of the lease, which is the time at which the lessor makes the base asset available for use by the lessee. The useful lifetimes of the assets that are leased by the Group are 3 – 10 years.

Note 3:- Principal accounting policies (Continued)

M. Leasing (Continued):

Right of use asset (Continued):

Right of use assets are presented as a separate item in the statement of financial position.

The Group implements the provisions of IAS 36 "Impairment of assets" in order to determine whether a right of use asset has been impaired and for treating any impairment loss whatsoever that has been identified. See Section H above.

Leasing liabilities:

A leasing liability is presented under long-term leasing liabilities in the statement of financial position. Liabilities that are to be settled within the next 12 months are presented under current maturities of leasing liabilities in the statement of financial position.

The leasing payments that are included in the measurement of the leasing liability are comprised of the following payments:

- Fixed payments;
- Variable leasing payments, which are dependent on an index, which are measured initially by using the index that exists at the time of the inception of the lease.

The leasing liability is measured initially at the time of the inception of the lease in accordance with the present value of the leasing payments other than the payments at the time of the inception of the lease, discounted using the lessee's incremental discount interest rate, since the discount rate that is inherent in the lease cannot be determined readily.

The lessee's incremental interest rate is defined as the interest rate that the lessee would be required to amount in order to borrow the amounts that are required in order to obtain an asset with a similar value to the right of use asset in a similar economic environment for a similar period with similar collateral.

After the initial measurement, the leasing liability will be measured by increasing the carrying value in the accounting records in order to reflect the interest on the leasing liability under the effective interest method and by reducing the carrying value in the accounting records in order to reflect the leasing payments that have been executed.

The Group remeasures the leasing liability (against the adjustment of the right of use asset) where:

- A change has occurred in the period of the lease. In this case, the leasing liability is measured by discounting the updated leasing payments using an updated discount rate.
- The Group remeasures the leasing liability (against the adjustment of the right of use asset) using the original interest rate for the lease where a change has occurred in the future leasing payments relating to a change in the index that is used for determining these payment.

Variable leasing payments, which are not dependent on an index or a rate (for example: leasing payments that are determined as a percentage of the production of electricity in facilities that are installed on leased assets), are not included in the measurement of the leasing liability and the right of use asset. These leasing payments are recognized as an expense in the statement of profit or loss in the period in which the event or the condition that operates these payments occurs. The range of discount rates that has been used in the measurement of the leasing liability ranges between 3.4% and 5%. This range is affected by differences in the length of the period of the lease and the type of the lease.

Note 3:- Principal accounting policies (Continued)

N. Financing income and expenses:

Financing income includes income from interest on amounts that have been invested and changes in the fair value of financial assets that are presented at fair value through profit and loss.

Interest income is recognized as it accrues, using the effective interest method. Changes in the fair value of financial assets that are presented at fair value through profit and loss include also income from interest.

Financing expenses include bank commissions and interest expenses on loans that have been received, leasing liabilities and changes in the fair value of financial assets that are presented at fair value through profit and loss.

Credit costs, which are not capitalized to qualifying assets, are reflected under financing expenses in the statement of income under the effective interest method. Gains and losses from exchange differences on financial assets and liabilities are reported net as financing income or expenses, dependent upon the fluctuations in the exchange rates.

O. Taxes on income:

(1) General:

Tax expenses on income (tax benefits) include the amount of the current taxes, as well as the amount of the change in the deferred tax balances, except for deferred taxes deriving from transactions that have been reflected directly under equity, and for business combination transactions.

(2) Current taxes:

The current tax expenses are calculated based on the chargeable income of the Company and the consolidated companies for tax purposes during the reporting period. The chargeable income is different from the income before taxes on income, as a result of the inclusion of income and expense items that are chargeable to taxation or allowable as a deduction in different reporting periods, or which are not chargeable to taxation or which are not allowable as a deduction. Assets and liabilities in respect of current taxes have been calculated based on the tax rates and the tax laws that have been legislated or whose legislation has been completed effectively up to the date of the statement of financial position.

Current tax assets and liabilities are presented as an offset where the entity has a legal, enforceable right to offset the amounts that have been recognized and there is an intention to settle them on a net basis or to realize the asset and to settle the liability simultaneously.

(3) Deferred taxes:

The Group companies record deferred taxes for temporary differences between the values of assets and liabilities for tax purposes and their carrying values in the financial statements. Deferred tax balances (an asset or a liability) are calculated in accordance with the tax rates that are expected to apply at the time of their realization, based on the tax rates and the tax rates and the tax laws that have been legislated or the legislation of which has been completed effectively, up to the date of the statement of financial position. Deferred tax liabilities are recognized, generally, for all temporary differences between the values of assets and liabilities for tax purposes and their carrying values in the financial statements. Deferred tax assets are recognized for all deductible temporary differences up to the amount at which it is expected that there will be chargeable income against which it will be possible to utilize the deductible temporary difference.

The Group has not created deferred taxes for temporary differences deriving from the initial recognition of goodwill, and from the initial recognition of an asset or a liability within the framework of a transaction other than a business combination, where at the time of the transaction, the initial recognition of the asset or the liability it does not affect the accounting profit or the chargeable income (the loss for tax purposes).

Note 3:- **Principal accounting policies (Continued)**

O. Taxes on income (Continued):

(3) Deferred taxes (Continued):

Taxes that would apply in the event of the realization of investments in investee companies are not taken into account in the calculation of the deferred taxes, if in the Group's management's assessment the temporary differences that are the subject matter of these deferred taxes are not under the Group's control and are not expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are presented as an offset where the entity has a legal enforceable right to offset current tax assets against current tax liabilities, and where they relate to taxes on income, which are imposed by the same tax authority, and the Group intends to settle the tax assets and liabilities on a net basis.

P. Earnings per share:

The Company calculates the amounts of the basic earnings per share for the profit or loss that is attributed to the shareholders in the Company by dividing the profit or loss, which is attributed to the holders of the regular shares in the Company by the weighted average number of regular shares that are in circulation in the course of the reporting period. For the purpose of the calculation of the diluted earnings per share, the Company adjusts the profit or the loss, which is attributed to the holders of the regular shares, and the weighted average of the number of shares in circulation, for the impacts of all of the potential dilutionary shares.

Q. Transactions with the controlling interest:

Assets and liabilities for which a transaction has been executed with the controlling interest are measured at fair value at the time of the transaction. The difference between the fair value and the consideration for the transaction is reflected directly under equity.

R. Classification of interest, dividend and taxes that have been paid/ received in the statement of cash flows:

The Group classifies the cash flows for interest and dividends that have been received by it and cash flows from interest that has been received by it as cash flows that have been absorbed or generated by operating activities, as compared with credit costs that have been paid and which have been capitalized to qualifying assets, which are presented as a fixed assets, which are presented under cash flows from investing activities, consistently with the rest of the expenditure that has been paid for those assets. The cash flows for taxes on income and indirect taxes are classified, generally as cash flows absorbed by operating activities, except for those that are identifiable readily with cash flows that have been absorbed by investment of financing activity. Dividends that have been paid by the group are classified as cash flows from financing activities.

S. Government grants:

Government grants are not recognized up to the time at which there is reasonable assurance that the Group will fulfill the conditions that are ancillary to them and that the grants will be received.

Government grants whose main term is the purchase, establishment or obtaining of non-current assets by the Group in some other way, are presented as a deduction from the carrying value of the asset that is the subject of the grant. The amount of the grant is reflected in profit or loss on a reasonable systematic basis over the lifetimes of the related assets.

Note 3:- Principal accounting policies (Continued)

T. New International Financial Reporting Standards, revisions to standards and new interpretations:

The following are details of new standards and interpretations that have been adopted in the reporting period and those that have not been adopted yet, which are relevant to the Group and which may have an impact on the financial statements

(1) New Standards and revisions to existing standards, which are not in effect and with the Group has not elected to implement by way of early implementations:

(a) Revision to International Accounting Standard 1 "Presentation of financial statements" (hereinafter: "Revision to IAS 1")

The Revision to IAS 1 clarifies the guidance regarding the classification of liabilities as current or as non-current in the statement of financial position. The Revision clarifies, inter alia, that:

i. A liability is to be classified as a non-current liability of the entity has a substantive right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

Furthermore, the revision clarifies that the entity's intention regarding the exercise of the right is not relevant for the purpose of the classification of the liability, and it cancels the way in which the Standard related to the existence of an unconditional right.

ii. Such a substantive right exists only if the entity meets the relevant conditions as of the date of the statement of financial position.

iii. "Settlement" of a liability includes settlement by way of a payment in cash, in other economic resources or in the entity's capital instruments. However, a conversion right in respect of a capital instrument that is classified to equity does not affect the classification of the liability for the instrument.

The Revision to IAS 1 is to be implemented retrospectively for annual periods commencing on January 1, 2023 or thereafter. Pursuant to the provisions of the Revision, its earlier implementation is possible.

The Company is examining the impact of the Revision to IAS 1 on the Group's consolidated financial statements.

(b) Revision to International Financial Reporting Standard 3 "Business combinations" (hereinafter: "Revision to IFRS 3")

The revision updates IFRS 3, such that it will refer to the related to the conceptual framework for financial reporting, as published in 2018, for the purpose of determining which of the assets that have been acquired and the liabilities that have been taken on fulfill the definitions of assets and liabilities. Prior to the Revision, the Standard related to the conceptual framework for financial reporting, which was published in 2001.

Furthermore the Revision adds a requirement to IFRS 3, pursuant to which for events to which IAS 37 or IFRIC 21 apply, an acquirer is to implement the provisions of IAS 37 in order to determine whether an obligation exists in the present at the time of the acquisition, as a result of events in the past, or the provisions of IFRIC 21, in order to determine whether the binding event that gives rise a liability to pay the level has occurred up to the time of the acquisition (respectively) instead of the provisions of the conceptual framework.

In addition, the Revision clarifies and adds an explicit expression to IFRS 4, pursuant to which the acquirer is not to recognize conditional assets, as defined in IAS 37, at the time of the acquisition.

Note 3:- Principal accounting policies (Continued)

T. New International Financial Reporting Standards, revisions to standards and new interpretations (Continued):

(1) New Standards and revisions to existing standards, which are not in effect and with the Group has not elected to implement by way of early implementations (Continued):

(b) Revision to International Financial Reporting Standard 3 "Business combinations" (hereinafter: "Revision to IFRS 3") (Continued)

The Revision to IFRS 3 is to be implemented for annual periods commencing on January 1, 2022 or thereafter. The Revision is to be implemented for business combinations, were the timing of the acquisition occurs in annual reporting periods commencing on January 1, 2022 or thereafter. Pursuant to the provisions of the Revision, the earlier implementation is possible, and on condition that the entity has implemented all of the other revisions to the international financial reporting standards, regarding references to the conceptual framework as it was in 2018 at the time of the initial implementation of the Revision or prior to this.

The initial implementation of IFRS 3 is not expected to have a significant impact on the Group's consolidated financial statements.

(c) Revision to International Accounting Standard 1 "Presentation of financial statements" (hereinafter: "Revision to IAS 1")

The Revision to IAS 1 requires companies to disclosure their significant accounting policies rather than their significant accounting policies. Pursuant to the Revision, information on the accounting policies is material if, where it is taken into account together with other information that is provided in the financial statements, it can be expected reasonably that it will influence the decision of the main users of the financial statements, which are made based on those financial statements.

The Revision also clarifies that information of the accounting standards is expected to be material if, without it, the users of the financial statements would be denied the possibility of understanding other material information in the financial statements. In addition, the revision clarifies that there is no need to disclose information on immaterial accounting policies. However if such information is provided, it would be appropriate for it not to divert attention from the material information on the accounting policies.

The Revision to IAS 1 is to be implemented prospectively for annual periods commencing on January 1, 2023 or thereafter. Pursuant to the provisions of the Standard, its earlier implementation is possible.

The Company is examining the impact of the Revision to IAS 1 on the Group's consolidated financial statements.

(d) Revision to International Accounting Standard 8 "Accounting policies, changes in accounting estimates and errors" (hereinafter: "Revision to IAS 8")

The Revision to IAS 8 clarifies how entities must differentiate between changes in accounting policies and changes in accounting estimates. This distinction is significant, since in accounting estimates are implemented prospectively, for transactions and other events in the future, whereas changes in accounting policies are, generally, implemented retrospectively for transactions and other events in the past, as well as events and transactions in the current period.

The Revision to IAS 8 is to be implemented prospectively for annual periods commencing on January 1, 2023 or thereafter. Pursuant to the provisions of the Standard, its earlier implementation is possible.

The Company is examining the impact of the Revision to IAS 1 on the Group's consolidated financial statements.

Note 3:- Principal accounting policies (Continued)

T. New International Financial Reporting Standards, revisions to standards and new interpretations (Continued):

(1) New Standards and revisions to existing standards, which are not in effect and with the Group has not elected to implement by way of early implementations (Continued):

(e) Revision to International Accounting Standard 12 "Taxes on income" (hereinafter: "Revision to IAS 12")

The Revision to IAS 12 clarifies that the exemption from the recording of deferred taxes deriving from the initial recognition of an asset or a liability in a transaction other than a business combination, does not affect the accounting profit at the time of the transaction and neither does it affect the chargeable income or the loss for tax purposes at the time of the transaction (the initial recognition exemption) cannot be implemented for transactions in which the initial recognition gives rise to temporary differences that are chargeable to taxation and temporary differences that are deductible, in equal amounts.

Such transactions include, for example, leasing transactions, where at the time of the initial recognition the lessee recognized a right of use asset in an identical amount to the balance of the leasing liability; and situation such as the recognition of a liability for decommissioning, removal and dismantling, which is recognized against the cost of a fixed asset.

The revision to IAS 12 is to be implemented for annual periods commencing on January 1, 2023 or thereafter. Pursuant to the provisions of the Revision, the earlier implementation is possible. The Revision is to be implemented for all transactions as from the start of the earliest reporting period that is presented in the financial statements in which the Revision is implemented initially. Furthermore, within the framework of the financial statements in which the Revision is implemented initially, the entity is to recognize the following at the start of the earliest reporting period that is presented:

a) A deferred tax asset, up the level at which it is expected that there will be chargeable income against which it will be possible to utilize the deductible temporary difference, as well as a deferred tax liability for all of the deductible temporary differences and tax receivables in connection with:

- A right of use asset and a leasing liability; and
- A liability for decommissioning, removal and dismantling and similar liabilities, as well as the amount of the receipt, which will be recognized as part of the cost of the cost of the related asset.

b) The cumulative impact of the initial implementation as an adjustment of the opening balance of the retained earnings (or some other component of equity, if relevant) at that time.

The Company is examining the impact of the Revision to IAS 1 on the Group's consolidated financial statements.

(f) Revisions to International Financial Reporting Standard 10 "Consolidated financial statements" (hereinafter: "IFRS 10") and revision to International Accounting Standard 29 "Investments in affiliated companies and joint ventures" (hereinafter: "IAS 28").

The Revisions deal with the sale or contribution of assets between an investor and an affiliated company or a joint venture, and they come to solve the inconsistency that exists between IFRS 10 and IAS 28. Pursuant to the Revisions, where the assets that have been transferred constitute a "business", within the definition of that term in International Financial Reporting Standard 3 "Business combinations", the gain or the loss is to be recognized in full, whereas in a case in which the assets that have been transferred do not constitute a business, the investor is only to recognize a gain or a loss at the level of the unrelated investors' share in the affiliated company or in the joint venture.

Note 3:- Principal accounting policies (Continued)

T. New International Financial Reporting Standards, revisions to standards and new interpretations (Continued):

(1) New Standards and revisions to existing standards, which are not in effect and with the Group has not elected to implement by way of early implementations (Continued):

(f) Revisions to International Financial Reporting Standard 10 "Consolidated financial statements" (hereinafter: "IFRS 10") and revision to International Accounting Standard 29 "Investments in affiliated companies and joint ventures" (hereinafter: "IAS 28") (Continued)

In December 2015, it was decided to defer the time of the implementation of the Revisions to an unknown date. However, pursuant to the provisions of the Revisions, their earlier implementation is possible.

The Company is examining the impact of the Revisions on the Group's consolidated financial statements.

U. Judgments in the implementation of the accounting policies and key factors behind uncertainty in the estimates:

(1) General:

In the implementation of the Group's accounting policy, which is described in this Note 3, in certain cases, the Company's management is required to exercise broad accounting judgment regarding estimates and assumptions in connection with the carrying values of assets and liabilities in the accounting records, which are not necessarily to be found from other sources. The estimates and the related assumptions are based on past experience and other factors, which are deemed to be relevant. The actual results may be different from these estimates.

The estimates and the assumptions on which they are based are examined routinely by the management. Changes in the accounting estimates are recognized only in the period in which the change is made in the estimate, if the change affects solely that period or they are recognized in the said period and in future periods in cases in which the change affects both the current period and also the future periods.

(2) Judgments in the implementation of the accounting policy:

The following description relates to critical judgments, apart from those that are involved in estimates that have been made by the management in the course of the implementation of the Group's accounting policy, and which have the most significant impact on the amounts that have been recognized in the financial statements.

- **The existence of control or joint control in the wake of potential rights at particular timings**

  Regarding the acquisition of control in an investee company (see Note 11C(3)), in 2021 the Company examined whether the call option that it holds is substantive. Based on this examination, the investee company has been presented as a consolidated company.

- **Revenue from works pursuant to establishment contracts**

  Revenue from works pursuant to establishment contracts is recognized, inter alia, where the revenues and the costs that are involved in the performance of the works are known or can be estimated reliably. The determination of the estimates of the revenues and the costs in respect of establishment contracts requires management to make detailed forecasts of the future cash flows that are expected to be received from the commissioner of the work and of the future costs that are forecast to be paid by the Company in order to finance the performance of the work. See Section L(2) regarding the need to determine the completion rate.

Note 4:- Cash and cash equivalents

A. The movements in investments are as follows:

	Interest rate as of December 31	As of December 31	
	2021	2021	2020
	%	NIS thousands	
Cash and bank balances		48,170	22,335
Short-term deposits in banking corporations	0.01% - 0.15%	249,668	40,866
		297,838	63,201

B. The Group has an exposure to credit risk, interest rate risk and currency risk for financial assets. See Note 29 regarding financial instruments.

Note 5:- Financial assets at fair value through profit and loss

A. Short-term:

	As of December 31	
	2021	2020
	NIS thousands	
Investment in marketable securities (level 1)	1,203	1,125

B. Information regarding the affiliated companies:

	As of December 31	
	2021	2020
	NIS thousands	
Financial derivatives (*)	12,722	7,799

(*) See Notes 11C(1) and 11C(3).

Note 6:- Trade receivables and revenues receivable from customers

A. Composition (*):

	As of December 31	
	2021	2020
	NIS thousands	
Open debts	24,368	15,067
Checks receivable	548	3,417
Revenues receivable (**)	161,011	117,985
	185,927	136,469

(*) The percentage of open debts from the State of Israel and from other public bodies as of December 31, 2021 is approximately 56% of the overall composition of the trade receivables (approximately 50% as of December 31, 2020). See Section B below for details regarding the main customers.

(**) Including the balance for related parties – see Note 23.

B. The management of the credit risk, (*):

Credit risk relates to the risk that the counterparty will not fulfill its commitments and that this will cause a financial loss to the Group.

The Company assesses that since the majority of the Group's revenues are from public and government bodies, which have a high level of financial strength, its credit risks are low.

Apart from this, the Group does not have a significant exposure to credit risk in respect of a particular customer or group of customers having similar characteristics. The Group defines customers as having similar characteristics if they are related entities.

The average credit period in the sale of goods/ the provision of services is EOM + 90 – 120 days.

The Group measures the provision for credit losses in respect of trade receivables in accordance with the probability of insolvency over the lifetime of the instrument, see also Note 3H(1).

C. The Group's main customers: (**)

	For the year ended December 31		
	2021	2020	2019
	% of the turnover		
Customer A (an investee company that is treated at equity)	(*)	22%	21%
Customer B	17%	20%	10%
Customer C	13%	(*)	10%

(*) Less than 10%

(**) The revenues from customers that are presented above are presented within the framework of the infrastructures performance in Israel segment.

Note 7:- Other receivables

Comprise:

	As of December 31	
	2021	2020
	NIS thousands	
Institutions	2,155	2,956
Advances from suppliers	3,853	126
Prepaid expenses	3,986	1,309
Related parties (*)	11,555	8,923
Others	4,867	124
	26,416	13,438

(*) Constitutes balances of current accounts bearing interest are a rate of approximately 3% (see also Note 23.

As of December 31, 2021, also includes the balance of a debtor in an amount of NIS 7,522 thousand (as of December 31, 2020: NIS 6,321 thousand).

Note 8:- Contract assets and other receivables

Comprise:

	As of December 31	
	2021	2020
	NIS thousands	
Restricted deposit	2,563	540
Contract assets	5,399	6,223
Prepaid expenses	6,116	7,394
Others	5,379	3,749
	19,457	17,906

Note 9:- Fixed assets:

A. Composition and movement

	Cogeneration facilities	Facilities	Machinery and engineering equipment	Motor vehicles	Furniture and Equipment	Leasehold improvements	Total
	NIS thousands						
Cost							
Balance as of January 1, 2021	54,566	37,417	46,256	2,682	3,458	3,042	147,421
Additions in the year	5,754	1,725	16,379	334	261	229	24,682
Other changes (*)	-	10,804	4,648	-	651	130	16,233
Derecognitions in the year	-	-	(90)	(232)	-	-	(322)
Balance as of December 31, 2021	60,320	49,946	67,193	2,784	4,370	3,401	188,014
Accumulated depreciation:							
Balance as of January 1, 2021	3,437	6,664	9,503	1,601	2,614	1,591	25,410
Additions in the year	2,674	2,093	5,027	421	322	271	10,808
Other changes (*)	-	6,745	-	-	295	37	7,077
Derecognitions in the year	-	-	(20)	(54)	-	-	(74)
Balance as of December 31, 2021	6,111	15,502	14,510	1,968	3,231	1,899	43,221
Net book value:							
Balance as of December 31, 2021	54,209	34,433	52,695	815	1,139	1,502	144,793

(*) The additions relate to the acquisition of shares in Asik Infrastructure Ltd. (see Note 11A(3) below) and an increase to control in Mey-Ram Electricity Infrastructure Ltd. (see Note 11C(3) below).

Note 9:- Fixed assets (Continued):

A. Composition and movement (Continued)

	Cogeneration facilities	Facilities (**)	Machinery and engineering equipment	Motor vehicles	Furniture and Equipment	Leasehold improvements	Total
	NIS thousands						
Cost							
Balance as of January 1, 2020	48,306	29,770	30,653	2,547	3,147	2,815	117,238
Additions in the year	6,260	7,647	15,603	528	311	227	30,576
Derecognitions in the year	-	-	-	(393)	-	-	(393)
Balance as of December 31, 2020	54,566	37,417	46,256	2,682	3,458	3,042	147,421
Accumulated depreciation:							
Balance as of January 1, 2020	1,401	5,540	5,962	1,438	2,525	1,332	18,198
Additions in the year	2,036	1,124	3,541	417	89	259	7,466
Derecognitions in the year	-	-	-	(254)	-	-	(254)
Balance as of December 31, 2020	3,437	6,664	9,503	1,601	2,614	1,591	25,410
Net book value:							
Balance as of December 31, 2020	51,129	30,753	36,753	1,081	844	1,451	122,011

(**) Includes an amount of NIS 488 thousand in respect of credit costs that have been capitalized to systems under construction in the reporting period, of which IIS 265 thousand have been capitalized for non-specific credit

B. Impairment in the value of goodwill

In 2019, the Group recognized impairment in value in an amount of approximately NIS 11.2 million in respect of Rimon Renewable Energies, which was recorded under the energy and gas segment. The impairment loss was recognized in profit or loss under other expenses. The impairment in loss, in the full amount of the investment, was caused as a result of the loss of the right to establish a wind turbines farm in the area of Ramat Sirin, following a decision on the subject by the National Planning and Construction Committee. See Note 28A (the Shadmot Dvora Claim) for additional details.

Note 11:- Leases

A. General:

The Group is in the habit of leasing buildings and vehicles for the purpose of its business activity. The useful lifetimes of the assets that are leased by the Group are 3 to 10 years.

B. Right of use assets:

	Buildings	Motor vehicles	Total
		NIS thousands	
Cost:			
Balance as of January 1, 2021	5,688	4,624	10,312
Additions	1,368	2,435	3,803
De-recognitions	(3,430)	-	(3,430)
Balance at the end of the year	3,626	7,059	10,685
Accumulated depreciation:			
Balance as of January 1, 2021	484	1,890	2,374
Depreciation expenses	1,161	1,877	3,038
De-recognitions	(337)	-	(337)
Balance at December 31, 2021	1,308	3,767	5,075
Net book value as of December 31, 2021	2,318	3,292	5,610
Cost:			
Balance as of January 1, 2020	5,714	3,463	9,177
Additions	4,117	2,417	6,534
De-recognitions	(4,143)	(1,256)	(5,399)
Balance at December 31, 2020	5,688	4,624	10,312
Accumulated depreciation and impairment in value:			
Balance as of January 1, 2020	1,020	1,793	2,813
Depreciation expenses	730	1,353	2,083
De-recognitions	(1,266)	(1,256)	(2,522)
Balance at December 31, 2020	484	1,890	2,374
Net book value as of December 31, 2020	5,204	2,734	7,938

See Note 29 regarding financial instruments for details regarding leasing liabilities.

Note 10:- Leasing assets (Continued)

C. Amounts that have been recognized in profit and loss and in the statement of cash flows:

	For the year ended December 31		
	2021	**2020**	**2019**
	% of the turnover		
Depreciation expenses on right of use assets	3,038	2,083	1,785
Interest expenses on leasing liabilities	322	254	214
Total negative cash flows for leasing	3,359	2,244	1,931

(*) The expenses that relate to short-term leases are not significant to the results of the Company's operations in each of the reporting periods.

D. Leasing liabilities:

	As of December 31	
	2021	**2020**
	NIS thousands	
Leasing liabilities for buildings	2,378	5,283
Leasing liabilities for vehicles	3,353	2,748
	5,731	8,031

The forecast repayment times of the leasing liabilities as of December 31, 2021 (in discounted amounts) are as follows:

	As of December 31	
	2021	**2020**
	NIS thousands	
In the first year – current liabilities	2,976	2,316
In the second year	1,525	1,458
In the third year	497	853
In the fourth year and thereafter	733	3,404
	5,731	8,031

Note 11:- Investments in investee companies

A. Subsidiary companies:

(1) Details regarding consolidated companies:

(a) The following is a list of the Company's subsidiary companies and consolidated partnerships:

				The Company's ownership rights in the company/ partnership	
				For the year ended December 31	
				2021	2020
	Principal location of the company/ partnership's business	Field of activity	Date of acquisition/ establishment	The Company's share	The Company's share
Bikat Hanadiv Water – Aquaculture Cooperative Society Ltd.	Israel	Energy projects	8/2007	100%	100%
Ofek Atarim 10 Ltd. (*)	Israel	Performance of infrastructures in Israel	2/2009	-	100%
Ofek Atarim 10 Ltd. (formerly Merimon Water Solutions Ltd.) (*)	Israel	Performance of infrastructures in Israel and water projects	1/2013	100%	100%
Rimon Renewable Energies Ltd.	Israel	Energy projects	11/2011	100%	100%
Rimon Energy Ltd.	Israel	Energy projects	2/2014	100%	100%
Southern Brines for Green Environment Ltd.	Israel	Energy projects	3/2015	100%	100%
Rimon Drilling Ltd.	Israel	Performance of infrastructures in Israel	1/2016	80%	80%
Mey-Ram Tech Ltd.	Israel	Energy projects	5/2019	100%	100%
Mey-Ram Electricity Infrastructures Ltd. (**)	Israel	Energy projects		50%	-
Asik Infrastructures Ltd.	Israel	Performance of infrastructures in Israel	8/2021	100%	-
Tagal Systems and Water Treatments Ltd. (***)	Israel	Water projects	8/2021	100%	-
Acoustic Ltd. (***)	Israel	Water projects	8/2021	100%	-
Rimon Togo	Togo	Water projects abroad	7/2021	100%	-
Rimon Switzerland	Switzerland	Water projects abroad	3/2021	100%	-

(*) See Section C1 below for details regarding the merger of Ofek and Merimon Water Solutions.

(**) Up to March 2021, the investment was treated at equity in light of the existence of the options that are described in Section C(3) below. As from the said time, the Company has risen to control in Mey-Ram Electricity Infrastructures Ltd.

(***) Wholly owned by Asik Infrastructures Ltd.

Note 11:- Investments in investee companies (Continued)

A. Subsidiary companies:

(1) Details regarding consolidated companies:

(b) The following are details regarding loans that have been provided to the Group's subsidiary companies and consolidated partnerships by the Company:

	Interest rate	As of December 31	
		2021	2020
	%	NIS thousands	
Merimon Water Solutions	3%	-	2,640
Mey-Ram Tech	3%	2,347	2,225
Rimon Energy	3%	15,667	11,820
Southern Brines	3%	5,488	6,512

(1) Significant restrictions on the transfer of resources between entities within the Group:

The project companies are required to comply with generally accepted financial covenants pursuant to the financing agreements. See Note 14 for the conditions and additional details.

(2) The acquisition of Asik:

On March 14, 2021, the Company submitted an offer for the acquisition of Asik Infrastructures Ltd. (hereinafter: "Asik Infrastructures"), within the framework of an application for the convening of meetings of creditors, pursuant to Part J of the Insolvency and Economic Rehabilitation Law, 2018. Asik Infrastructures specializes in projects for the performance of infrastructure and civil engineering works with a countrywide deployment, which holds high contractor classifications (inter alia, a C5 unrestricted classification permit in the roads and infrastructure and development sector and a C3 classification in the construction sector). Within the framework of the offer, Asik Infrastructures was acquired together with two investee companies that are held by it, Tagal Systems and Water Treatments Ltd., which is engaged in the provision of operational and maintenance services for water and wastewater facilities, and Acoustic Ltd., which is engaged in the recycling of building waste. On March 16, 2021, a competitive process was conducted for the acquisition of Asik Infrastructures, which was conducted by the special administrator, within the framework of which the Company won the process with an offer of NIS 8.2 million. On March 21, 2021, approval for a creditors' arrangement and for the Company's offer was given by meetings of creditors and on March 31, 2021, the proposed creditors' arrangement was approved by the Court.

Several crucial terms were set within the framework of the proposal for the acquisition, which was submitted by the Company, which have been fulfilled entirely: the sale or transfer of all of the excluded assets by Asik Infrastructures or the subsidiary companies without any indebtedness or warranty, including a tax liability; the receipt of confirmation in writing from the Municipality of Afula regarding the extension of the operation and maintenance agreement for the transit station for building waste, which had been signed between it and Asik Infrastructures; the receipt of approval from the Competition Commissioner; the receipt of approval from the relevant registrars and authorities, including the Registrar of Contractors; the receipt of approval from the meeting of creditors for the creditors arrangement (which has been received as stated above); and receipt of the orders that were enumerated in the offer by the authorized Court,

On July 13, 2021, a substantive approval was given by the Court for the receipt of the orders and a formal order and an abstract of a verdict were received in August 2021.

In August 2021, the Company transferred an amount of NIS 7.7 million to the manager of the Asik arrangement.

Note 11:- Investments in investee companies (Continued)

A. Subsidiary companies (Continued):

(1) Details regarding consolidated companies:

(b) The following are details regarding loans that have been provided to the Group's subsidiary companies and consolidated partnerships by the Company (Continued):

(2) The acquisition of Asik (Continued):

The amounts that were recognized for assets and liabilities at the time of the acquisition:

	NIS thousands
Current assets	5,226
Fixed assets	4,648
Intangible assets	3,124
Current liabilities	(3,960)
Long-term loans	(1,085)
Deferred taxes	(719)
Goodwill	552
Total	7,786

The following is the fair value of the consideration that was transferred as of the time of the acquisition:

The consideration for the consideration as NIS 7,786, which was paid in full.

Cash flows in the acquisition:

The net cash flows in the acquisition are comprised on the balance of the cash that was held by Asik at the time of the business combination less the consideration that was paid for the acquisition, amounting to NIS 7,450 thousand.

The temporary determination of the fair value:

The initial accounting treatment of the acquisition of Asik Infrastructures Ltd., as presented in these financial statements, is temporary. Up to the time of the publication of the financial statements, the Company has not yet completed the allocation of the acquisition cost to the assets, the liabilities and the contingent liabilities of Asik Infrastructures Ltd., and the consideration that was transferred in the business combination.

(3) Mey-Ram Electricity:

See Note 11C(3) below regarding the acquisition of control in Mey-Ram Electricity Ltd.

Note 11:- Investments in investee companies (Continued)

B. Investments in companies treated at equity

(1) The following are details regarding the Company's investments that are treated at equity:

	Principal location of the partnership's business	Extent of the investment in the investee company (*)		The Company's rights in equity	
		As of December 31		As of December 31	
		2021	2020	2021	2020
		NIS thousands		The Company's share	
E.T.G.R. Water Infrastructure Limited Partnership	Israel	1,690	1,433	50%	50%
Gderot Water Cooperative Agricultural Water Society Ltd.	Israel	5,500	5,756	50%	50%
Hefer Wells - Cooperative Agricultural Water Society Ltd.	Israel	5,520	4,220	50%	50%
Palmachim Water - Cooperative Agricultural Water Society Ltd.	Israel	233	193	30%	30%
Shoket Water - Cooperative Agricultural Water Society Ltd.	Israel	(1,187)	(1,246)	50%	50%
Clear Water in Northern Sharon, Limited Partnership	Israel	1,627	1,745	50%	50%
Merimon Natural Gas North Ltd.	Israel	13,845	13,128	50%	50%
Rotem Natural Gas Ltd.	Israel	4,800	4,147	50%	33%
Mey-Ram Electricity Infrastructures Ltd. (**)	Israel	-	3,020	-	90%
Belgra S.A.R. d.o.o.	Serbia	-	-	50%	50%
Ofek – Eurohinca Sorek 2 Limited Partnership	Israel	1,094	329	50%	50%
Hulata – Mey-Ram	Israel	118	-	33%	-
Mey-Ram Hamadia	Israel	158	-	50%	-
Orot Hanita	Israel	21	-	25%	-
Lahav Rimon Solar Reservoir, Limited Partnership	Israel	-	-	50%	-

(*) The extent of the investment in an investee company is calculated as a net amount of the amount of the assets less the amount of the liabilities of the investee company, which is attributed to the shareholders in the Company, as presented in the Company's consolidated financial statements.

(**) Up to March 2021, the investment was treated at equity in light of the existence of the options that are described in Section C(3) below. As from the said time, the Company has risen to control in Mey-Ram Electricity Infrastructures Ltd. See also Note 11C(3).

Note 11:- Investments in investee companies (Continued)

B. Investments in companies treated at equity (Continued)

(2) The following are details regarding loans that have been provided to the Group's subsidiary companies and consolidated partnerships by the Company:

	Interest rate	As of December 31	
		2021	2020
	%	NIS thousands	
Shoket Water	3.5%	41,308	41,075
Merimon Natural Gas	4%	37,194	18,282
Mey-Ram Electricity	3%	-	8,093
Palmachim Water	2.5%	2,009	2,009
Rotem Natural Gas	4%	9,726	5,207
Belgra S.A.R. d.o.o. (*)	-	-	1,634
Asik Infrastructures	-	1,120	-
Hefer Wells	3%	-	200

(*) The Company has recorded a provision for impairment in the value of the loan in an amount of NIS 2,083 thousand in 2021, see also Note 11C(2)d.

(3) Abbreviated financial information in respect of joint ventures that are significant to the Group (*):

Merimon Natural Gas North Ltd.

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Revenues	49,353	109,563	55,844
Depreciation and amortization	(1,510)	(1,263)	(477)
Interest income	57	-	-
Interest expenses	(5,448)	(2,244)	(2,092)
Taxes on income – expenses	(409)	(1,678)	(825)
Net income	1,434	5,378	2,764
The Company's share of the net income and comprehensive income	1,434	5,378	2,764
	717	2,689	1,382

(*) As recorded in the joint venture's financial statements and not in accordance with the Group's relative share.

Note 11:- Investments in investee companies (Continued)

B. Investments in companies treated at equity (Continued)

(3) Abbreviated financial information in respect of joint ventures that are significant to the Group (*) (Continued):

Merimon Natural Gas North Ltd. (Continued)

	As of December 31	
	2021	2020
	NIS thousands	
Current assets	32,474	7,722
• Including balance of cash and cash equivalents	11,954	3,179
Non-current liabilities	279,952	272,691
Current liabilities	(31,396)	(34,653)
• Including the balance of current financial liabilities	(31,396)	(34,653)
Non-current liabilities	(265,798)	(231,962)
• Including the balance of non-current financial liabilities	(261,359)	(227,950)
The carrying value of the joint venture in the accounting records (**)	51,039	31,410

(*) As recorded in the joint venture's financial statements and not in accordance with the Group's relative share.

(**) As recorded in the Group's financial statements, including investment by way of loans.

Significant restrictions on the ability of the joint ventures to execute transfers of funds:

In one of the gas distribution companies, the Company is restricted in the withdrawal of profits in the stage of the establishment of the project and when the establishment is completed and has reached the operational stage, the Company has the possibility of withdrawing profits subject to fulfillment of financial covenants as set in the financing agreement between the parties.

C. Description of the Group's main activity:

(1) The performance of infrastructures in Israel

Within the framework of the performance of infrastructures in Israel the Group performs complex infrastructure projects including: water and sewage water transportation system, reservoirs and operational pools, horizontal drillings, integral drillings and tunneling for flow-based infrastructures; pumping stations (for sewage, water and treated water), drilling for pumping and the establishment of water wells; desalination facilities and water treatment plants; as well as pipeline infrastructures and natural gas distribution facilities. This activity is performed primarily by the subsidiary company Ofek and its consolidated company Rimon Drilling Ltd. ("Rimon Drilling"), in which Ofek has a holding of 80%, as follows:

On November 24, 2014, Ofek Atarim and a company from the Spanish partner's group (as amended on November 28, 2018) for cooperation in the field of pipe jacking and the performance of horizontal drillings (HDD) through Rimon Drilling (which is held at the rates of 80% and 20%, respectively). Within the framework of the amendment to the agreement, the parties agreed to the granting of two call options, as set forth below: (1) Ofek Atarim will be entitled to acquire all of the Spanish partner's holdings (i.e. 20% of Rimon Drilling), in consideration for the value of the share in the acquiree pursuant to the EBITDA multiple that has been agreed between the parties, the repayment of the shareholder's loans, which the Spanish partner has provided and the cancellation of the call option that has been granted to the Spanish partner; and (2) the Spanish partner will be entitled to acquire all of Ofek Atarim's shares, in consideration for the value of the share in the acquiree pursuant to the EBITDA multiple that has been agreed between the parties, the provision of additional shareholder's loans (pro-rata), which the Spanish partner has provided to Rimon drilling and the cancellation of the call option that has been granted to Ofek Atarim.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(1) The performance of infrastructures in Israel (Continued)

On December 31, 2021, the value of Ofek's and the Spanish partner's call options was approximately NIS 7.7 million and approximately NIS 6.4 million, respectively (as of December 31, 2020: approximately NIS 7.8 million and approximately NIS 6.7 million, respectively).

Pursuant to the agreement, the decisions in Rimon Drilling's Board of Directors are made by a regular majority (except for decisions, for which it has been determined that they are to be made unanimously, including a change in a field of activity, the allocation of shares, transactions other than in the regular course of business and etcetera), where each 20% of holding affords the right to appoint a director (i.e., as of the time of the approval of the financial statements, Ofek Atarim has four directors, including the Chairman of the Board of Directors and the Spanish partner has one director). The division of the profits will be done pro-rata to the shareholders' relative shares in Rimon Drilling, where it was determined in the agreement that Rimon Drilling will distribute at least 50% of its distributable profits as a dividend to its shareholders. Generally accepted conditions were set in the agreement in connection with the transfer of shares in Rimon Drilling, the right of first refusal and the right to tag along.

The following are the Group's significant policies in the performance of infrastructures in Israel field of activity:

(a) On September 30, 2020, Ofek Atarim and a company in the Spanish partner's group (hereinafter, together: the "Contractor") made a commitment under an agreement with Sorek Desalination Facility 2 LP (hereinafter: the "Commissioner") (the commissioner is performing the work of the body that won the tender for the establishment of the Sorek 2 project), within the framework which the Contractor will serve as the performance contractor, which will perform the pipe laying works over a length of approximately 9 Km. from the sea to the "Sorek 2" desalination plant (hereinafter, in this Section: the "Agreement" and the "Work", as the case may be). In support of the performance of the project within the framework of the agreement, Ofek Atarim and the Spanish partner have set up a limited partnership, which is held in equal shares, including in the partnership's general partner, which will perform the activity in connection with the project through professional managers, appropriate manpower, equipment and raw materials, which will be supplied and financed by them. Pursuant to the partnership agreement, the partnership will be managed under a unanimous decision making mechanism, and each partner will be required to provide financing by way of a shareholder's loan and to bear the partnership's liabilities in equal shares. Furthermore, a pro-rata profits distribution mechanism has been set, in accordance with milestones that were set in the agreement.

Within the framework of the agreement, the Contractor has provided an advance guarantee in a generally acceptable amount (against the payment of such amount to the Contractor). In addition, each of the parties has guaranteed the compliance of the Contractor's obligations vis-à-vis the commissioner, up to a rate of 50% of the amount of such obligations, and this for a period of 24 months from the time at which the main milestones that have been set in the agreement have been fulfilled.

The commissioner is entitled to terminate the agreement on the occurrence of generally accepted cases, such as a fundamental breach of the agreement, the cessation of the performance of the work for the period that is set in the agreement, a change in control in the Contractor, the imposition of attachments or the appointment of officials to the Contractor, a breach of representations in the agreement and etcetera, and in addition, agreed compensation has been set for the commissioner at a rate of 0.25% of the consideration per week in respect of delays in the fulfillment of milestones for the performance of the work and this up to an overall extent of 10% of the consideration. However, if the Contractor fulfills the significant milestones that have been set then the agreed compensation that has been paid by it up to the time that the significant milestones were met by it will be refunded to it.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(1) The performance of infrastructures in Israel (Continued)

(a) Continued)

The Contractor can bring the agreement to an end in the event that the commissioner does not pay it an amount exceeding 15% of the consideration for the agreement. Furthermore, an arbitration agreement for the settlement of disputes is included in the agreement.

(b) The Igudan – Q – South agreement – on November 17, 2020, Ofek Atarim won a tender, further to which it made a commitment with Igudan Environmental Infrastructures (hereinafter, in this section: "Igudan" or the "Commissioner") for the purpose of the performance of rehabilitation and renewal works for Igudan's main transportation line within the boundaries of the Municipality of Bat Yam (hereinafter, in this section: the "Project").

Within the framework of the project, pipe jacking works will be performed on the sewage transportation line and the existing transportation line will be rehabilitated under a planning method, in addition to which ancillary works to this will be performed (the cancellation of the existing line, the rehabilitation of landscaping and the moving of infrastructures to a new location). The period for the performance of the project is 34 months from the time at which the start of work order is received (i.e. up to November 3, 2023).

The consideration for the project, which constitutes less than 10% of the Company's revenues in annual terms, will be paid in part on a fixed price payment and in part based on the measurement of quantities for actual performance, subject to milestones that have been set (hereinafter, in this section: the "Consideration for the agreement"). Within the framework of the agreement, two types of generally accepted agreed compensation were set, in relation to non-compliance with timetables for the various stages of performance and in relation to non-compliance with the final timing that has been set for the completion of the works.

Within the framework of the tender, Ofek Atarim has made an advance guarantee available in an amount of NIS 4 million and an autonomous banking performance guarantee available as collateral for the fulfillment of Ofek Atarim's commitments within the framework of the agreement, in an amount of approximately NIS 10 million. The performance guarantee is linked to the Residential Building Inputs Index, and it is in effect until December 31, 2023.

Pursuant to the agreement, Ofek Atarim will be required to provide an autonomous banking checking guarantee available at the level of 5% of the overall consideration that is denoted in the final account, to be in effect until the end of the checking period, which has been set for 24 months from the receipt of the works by the commissioner (which may be extended for an additional period of 24 months for any defects that may be revealed in the course of the period).

Within the framework of the agreement, Ofek Atarim is required to receive all of the licenses and the approval that are required for the performance of the project, for the supply of the equipment and the materials for the performance of the works and also to comply with the quality conditions that have been set. Furthermore, Ofek Atarim is required to purchase the generally accepted insurances, including contractor works insurance, product liability insurance, professional liability insurance, all risks insurance and motor vehicle insurance.

The commissioner is entitled to terminate the agreement in generally accepted cases, such as fundamental breaches of the agreement, the imposition of attachment or the appointment of an official for Ofek Atarim or a breach of representations in the agreement.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(1) The performance of infrastructures in Israel (Continued)

(c) The Sabha Eilat project – on December 21, 2021, the significant condition that is required for the commitment under a joint venture of the Company's subsidiary company, as set forth below, was fulfilled, in an agreement for the planning and the establishment of a new sea-water intake system for the Sabha desalination plant in the city of Eilat (hereinafter: the "Agreement" and the "Project", respectively), within the framework of the joint venture's win in a tender that was published by the Mekorot Water Company Ltd. (hereinafter: the "Commissioner" and the "Tender", as the case may be, all of which as set forth below.

The joint venture belongs to Ofek Atarim 10 Ltd. (hereinafter: "Ofek") together with a third party (hereinafter: the "Joint venture"). Within the framework of the project, the joint venture is expected to perform maritime pipe-jacking works, horizontal drilling and to establish pumping stations. Pursuant to the terms of the agreement, the timing for the completion of the performance of the project has been set for January 2024.

Pursuant to the terms of the tender, after the receipt of notification of the win on November 24, 2021, Ofek has taken action for the receipt of approval from the Industrial Cooperation and Promotion of Foreign Investments Authority (hereinafter: "ICPFIA"), for the reciprocal procurement plan that the joint venture has submitted on behalf of a foreign supplier, which is expected to provide performance services to the joint venture for some of the works in the project (hereinafter: the "Foreign supplier"), which is a significant condition for making a commitment under a binding agreement in connection with the project. On December 21, 2021, the significant crucial condition relating to the receipt of notification from the ICPFIA that in light of the extent of the foreign supplier's work in the project, the IDPFIA's approval for the reciprocal procurement plan is not required.

As of the time of the approval of the financial statements, additional crucial conditions that are required to be fulfilled within 90 days have not been fulfilled yet. For the purpose of the commitment under the agreement, the Company has received an extension until the middle of April 2022, which are generally accepted conditions that exist in additional agreements in which Ofek has participated. In the Company's assessment, the joint venture is expected to fulfil the remaining crucial conditions within the framework of the timetables that were set in the tender agreement.

Pursuant to the agreement, the consideration for the joint venture for the performance of the project works is a fixed overall amount of approximately NIS 125 million (with the addition of VAT as required by law) and the payment is subject to the fulfillment of milestones in accordance with the agreement, and is linked to the Residential Building Inputs Index and the Road Laying and Bridging Inputs Index, as is customary in works of this type.

Pursuant to the terms of the tender, the joint venture has provided an offering guarantee in an amount of NIS 150 thousand and it is expected to provide a performance guarantee and a quality guarantee, each of which will constitute an amount of 5% of the consideration for the project.

(d) The establishment of infrastructure for a gas distribution network for the distribution companies – in accordance with the distribution network, the distribution companies have an exclusive right to establish and to operate a natural gas distribution network. Most of the works involved in the establishment of the natural gas distribution network is done by the Group's performance companies. It should be mentioned that the performance companies perform numerous projects for the distribution companies and there is no one project that constitutes a significant project.

The Company has provided an owner's guarantee in an amount of NIS 60 million in support of Merimon Natural Gas in support of the financing banks.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(1) The performance of infrastructures in Israel (Continued)

(d) (Continued)

At the end of the establishment period, the guarantee will be reduced to an amount of NIS 40 million. In addition, the Company has provided a guarantee as collateral for Rotem Natural Gas's debts at a level of the lower of 50% of the amounts that are assured or NIS 25 million. As of the reporting date, the level of the guarantees for Rotem Natural Gas amount to approximately NIS 13 million.

(e) On December 3, 2020, the Company, Merimon Water Solutions Ltd. and Ofek Atarim (which were held in their entirety by the Company at that time, hereinafter, in this section: the "Absorbing company" and the "Company being transferred", respectively), made a commitment under an agreement for the transfer of shares and a merger between companies (hereinafter: the "Structural change agreement"), the objective of which was the creation of synergetic value for a merger between the absorbing company and the company being transferred (the main point of which is the establishment of water infrastructure, the establishment of a water treatment system and the supply thereof to consumers under one entity), which will lead to a saving in management costs and increased efficiency in their common business development (hereinafter: the "Structural changes").

Within the framework of the structural change, and in light of the fulfillment of all of the crucial terms (which are set forth below in this section), the following activity has been performed: (1) all of the shares in the company being transferred, which were held by the Company, have been transferred to the absorbing company, in consideration for the allocation of shares, pursuant to Section 104A of the Income Tax Ordinance [New Version], 1961 (hereinafter: the "income Tax Ordinance" and the "Shares transfer", as the case may be); and thereafter (2) the absorbing company and the company being transferred were merged pursuant to and subject to the provisions of the First Part and the Eighth Part of the Companies Law and pursuant to the provisions of Section 103A of the Income Tax Ordinance (hereinafter: the "Merger").

Upon the completion of the structural change, all of the assets the rights and the liabilities of the company being transferred were transferred to the absorbing company, with effect from December 31, 2020 and on June 24, 2021, the Company being transferred was liquidated without dissolution.

The structural change has been completed as of the time of the approval of the financial statements, in addition to which all of the main crucial conditions have been fulfilled, as follows: all of the regulatory approvals that are required under the law, including the approval of the Taxes Authority that the transfer of the shares and the merger comply with the provisions of the relevant sections of the Income Tax Ordinance; approval from the Competition Authority (if required under the law); approval from the Registrar of Contractors; approval of the Registrar of Companies for the merger pursuant to the provisions of Section 323 of the Companies Law; and the receipt of the approvals from the financing bodies and the customers, if required (hereinafter, together: the "Crucial conditions for the structural change").

On July 27, 2021, the Registrar of Companies approved the changing of the name of Merimon Water Solutions Ltd. to Ofek Atarim 10 Ltd.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(2) Entrepreneurial water projects

(a) Within the framework of the entrepreneurial water activities, the Group provides its customers with comprehensive water solutions, which include the initiation, planning, establishment and operation of various projects, which provide solutions for the production, treatment and supply of water, treated waste water and effluents, which include, inter alia, the establishment and operation of pipeline infrastructures for the transportation of water, drilling for water, the treatment of water both above ground and ground water (including the establishment of pumping stations) and the supplier thereof to the agricultural sector and for drinking water, the treatment of effluents and recycling for agricultural use (treated waste water), the treatment and recovery of industrial waste water (brine), projects for municipal customers, the agricultural sector and national infrastructures. The projects in the field of activity are performed on a turnkey basis and also based on long-term commitments (such as BOO and BOT). As of the reporting date:

- The Company and the water entities are operating more than 40 water wells across the country.
- Within the framework of the government authorities' assistance program for water and sewage, treated wastewater recovery facilities have been established by water unions or private entrepreneurs. As of the reporting sate, the Company is operating in the field of the recovery of treated wastewater and it holds eight facilities in Israel. The rate of the water that is recovered by the Company relative to the total quantity of treated wastewater that are recovered and which are supplied in Israel is approximately 6.5%.
- The Company (including by means of water entities) operates more than 20 specialist facilities, which contain advanced monitoring equipment, which monitors the proper functioning and the efficiency of the treatment of the water. The Company and the water entities operate facilities for treating water from wells, briny water and salty water, in an extent of approximately 13 million cubic meters. These projects are established under various financial structures, such as BOT, BOO or turnkey.

The Company has provided an owner's guarantee in an amount of NIS 4 million in support of Palmachim Water as collateral for the financing to banks.

The following are the amounts of the grants that the Group has received for its investments in fixed assets, which have been offset from the cost of the assets in the consolidated companies.

Within the framework of the State's policy for assistance for the establishment of treated wastewater recovery facilities, in accordance with milestones and subject to the fulfillment of various requirements, in 2021 and 2020, the Company and the water entities received grants in the overall amounts of approximately NIS 4.9 million and approximately NIS 12.3 million, respectively.

(b) Ayalon Water – on August 16, 2021, the Company made a commitment under a founders' agreement (hereinafter: the "Founders' agreement") with Ayalon Water Agricultural Cooperative Association Ltd. (hereinafter: "Ayalon Water"), for the establishment of a society that will be held by the parties in equal parts (hereinafter: the "Association"), and which will be engaged in the operation of storage systems, supply, sale and transportation systems for irrigation water and the operation and establishment of Ayalon Water's recovery facilities for treated waste water from the Ayalon waste water treatment facility, in an extent, which is expected to amount to more than 20 million cubic meters a year in the coming years, after the completion of the establishment.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(2) Entrepreneurial water projects

(b) (Continued)

Within the framework of the founders' agreement, it has been determined that the Association will have an exclusive usage and operation right over all of Ayalon Water's assets and that the operation and establishment of the project will be performed through it.

The overall extent of the establishment activity is expected to amount to approximately NIS 230 million, of which approximately 70% will be provided as a grant by the Water Authority (as of the reporting date, the Water Authority has issued a letter of commitment to Ayalon Water for grants in an amount of approximately NIS 5 million) and the balance of the financing, at a rate of approximately 30%, will be provided by the Company (through the obtaining of financing for the association or the provision of an owner's loan by the Company).

It should be emphasized that as of the time of the approval of the financial statements, there is no certainty that the projects will be executed, inter alia, because of the fact that these projects are subject to the receipt of various approval, where there is no certainty that they will be received (including grants from the Water Authority).

(c) In 2017, the Company made a commitment under an agreement under the BOO (Build, Operate and Own) method, within the framework of which Southern Brines for Green Environment Ltd. (hereinafter: "Southern Brine") has established and is operating lines for a period of 20 years, for the purpose of the removal of brine from a plant owned by a large international technology company (hereinafter: the "Current agreement" and the "Technology company", respectively).

On November 9, 2021, the parties to the current agreement made a commitment for the planning, establishment, upgrading and expansion of additional infrastructures for the removal of brine and additional water and storage infrastructure facilities at the international technology company's site (hereinafter: the "Expansion agreement").

Within the framework of the expansion agreement, Southern Brine will take action for the planning and establishment of the infrastructure that is required for the expansion of the removal of brine and additional water and storage facilities, including the bearing of the establishment costs and the receipt of the permits and the approvals that are required in accordance with the provisions of the agreement.

The expansion agreement includes conditions that are generally acceptable in agreements of this sort, including generally accepted grounds for the termination of the agreement subject to repair periods, compliance with milestones, agreed compensation in the event of a delay in establishment, liability and indemnification mechanisms and etcetera,

Pursuant to the expansion agreement, Southern Brine will provide guaranteed in support of the technology company, as are generally acceptable in agreements of this sort, in an amount of approximately NIS 50 million, including a guarantee for an advance that was provided to Southern Brine in an amount of approximately NIS 35 million as well as a guarantee by the Company for the fulfillment of Southern Brine's commitment pursuant to the agreement.

Within the framework of the expansion agreement, it has been determined that the parties are to take action for a commitment under an updated operating and maintenance agreement, which will include all of the activity involved in the removal of the brine, both from the current agreement and also from the expansion agreement, for a period of 20 years from the time of the operation of the expansion project (i.e., the operating period for the project by virtue of the current agreement has been extended by an additional approximately 6 years).

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(2) Entrepreneurial water projects

(c) (Continued)

In the Company's assessment, the overall extent of the revenues from the expansion agreement, both from the increasing of its extent and also from the addition of lines in the establishment stage and also from the operation over the lifetime of the expansion agreement, may be approximately NIS 260 million, and this in addition to the revenues in respect of the operation of the current agreement. The consideration will be paid subject to the fulfillment of milestones, which have been set in the agreement, where the Company is expected to receive fixed annual payments for the operation and a variable payment (in accordance with the extent of the actual through flow), as is customary in agreements of this sort.

(d) Belgra S.A.R. d.o.o. – the Group has a groundwater treatment facility and the supply for a district in Serbia, where the extent of the investment in the project is by way of a loan that has been provided to S.A.R. by Rimon in an amount of approximately NIS 2 million. In light of the submission of proceedings for the liquidation of the project company in the Court in Serbia, the Company has decided to recognize a provision for impairment in the value of the loan, which is even thought the legal proceedings are in their initial states. It should be clarified that beyond the writing off the investment, as mentioned above, and the payment of expenses for the conducting of the legal proceedings, no additional impact on the Company is expected.

(3) Entrepreneurial energy projects

Within the framework of the field of activity, the Group provides its customers with comprehensive energy solutions, which include the initiation, planning, financing, establishment and operation of various project for the distribution of natural gas, the production of electricity with green energy using various technologies in Israel and abroad: cogeneration, bio-gas facilities, wind turbine farms and photo-voltaic technology (solar energy); and the management of electricity grids, including by means of diversified production, storage and smart grid management (micro-grids). Furthermore, the Group is examining the integration of storage systems in the various technological applications. The projects in the field of activity are performed both on a turnkey and also based on long-term commitments (such as BOO and BOT).

The natural gas distribution activity

The activity is performed through affiliated companies, which are treated at equity, natural gas distribution companies: Merimon Natural Gas and Rotem Natural Gas, both of which are held by the Company at a rate of 50% as of December 31, 2021 (hereinafter, together: the "Distribution companies"), which plan and establish BOT type infrastructure projects for the establishment of natural gas distribution infrastructures, which operate at low pressures, including terminal facilities, connections to consumers, pressure reduction facilities and control and command systems (SCADA).

The Group operates in the field through two distribution licenses pursuant to the Natural Gas Sector Law, which have been awarded for a period of 25 years, in the Northern region of the Country and in the Jerusalem region. Pursuant to the distribution license, the distribution companies have undertaken to establish a natural gas distribution network, which will connect consumers who wish to be connected to the natural gas distribution network in the region where they distribute. In consideration for the connection of the consumers to the natural gas distribution network, the distribution companies are entitled to both revenues from non-recurring connection fees and distribution fees, where the tariffs that are collected vary in accordance with the extent of the supply to the customer, in accordance with a mechanism that has been set in the distribution agreement.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(3) Entrepreneurial energy projects

In addition, pursuant to the terms of the license, the Company is to make a commitment with Israel Natural Gas Lines Ltd. under agreements for the financing the establishment of PRMS stations, where the with Israel Natural Gas Lines Ltd. will be responsible for the stations, but with financing from the Company in accordance with the costs that are set in the license.

Pursuant to the terms of the license, in the event of the non-extension of the license at the end of the period of 25 years, the assets of the natural gas distribution network are to be transferred into the ownership of the State in consideration for their market value, as will be determined in accordance with a mechanism that will be set by the State three years before the time at which the license ends.

In recent years, there has been significant government support by means of the granting of grants to distribution companies, the objective of which is to accelerate the deployment of the distribution network and to increase the distribution network's capacity.

It should be mentioned that the distribution companies that have been held by Company and which are treated at equity have had grants approved as follows (the amounts include VAT):

(a) Establishment grants – in an amount of NIS 50 million in Merimon Natural Gas North Ltd. (hereinafter: "Merimon Natural Gas") and in an amount of NIS 60 million in Rotem Natural Gas North Ltd. (hereinafter: "Rotem Natural Gas").

(b) Acceleration and upgrading grants – within the framework of the agreements that the distribution companies have signed upon, Merimon Natural Gas and Rotem Natural Gas are entitled to acceleration and upgrading grants (subject to their compliance with milestones and timings) in the amounts of approximately NIS 166 million and approximately NIS 18 million, respectively.

The amounts that will be paid by the Ministry of Energy as grants within the framework of the appeals will be deducted from the consideration that each of the distribution companies will be entitled to at the end of the period of the license, pursuant to the provisions of the distribution license.

(c) In addition, Rotem Natural Gas Ltd. is entitled to a remote consumer grant in an amount of approximately NIS 6 million.

As of the reporting date, Rotem Natural Gas is entitled to grants of approximately NIS 53 million and Merimon Natural Gas is entitled to grants of approximately NIS 4.5 million.

Commitment to invest – Pursuant to the terms of the license, Merimon Natural Gas North Ltd. is required to invest an amount of approximately NIS 225 million (exclusive of VAT) in the establishment of the distribution network, which is linked to a basket of indices (as defined in the license), which is to be done by the end of the seventh years from the time of the grant of the license, in accordance with milestones that have been set in the license. No investment requirements have been set pursuant to the terms of Rotem Natural Gas' distribution license.

Guarantees - For the purpose of fulfilling the terms of the license, Merimon Natural Gas and Rimon Natural gas have provided an unconditional autonomous banking guarantee available in support of the State in the amounts of NIS 10 million and of NIS 6 million, respectively, which are being amortized over the course of the period of the license in accordance with a formula that has been set in the license.

The guarantee is in effect throughout the period of the license and until the passage of a period of two years from the time of the cancellation or the end of the period of the license, (the period can be extended by the Director in the event of any existing debts that may be due from the distribution company).

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(3) Entrepreneurial energy projects

The Director is entitled to forfeit the guarantee, in whole or in part, in cases that were set in the license. In the event of the forfeiture of the guarantee, the distribution company will be required to top-up the said balance, which is to be done up to the lower of: (1) a cumulative amount of NIS 20 million in the course of the entire period of the license; or (2) an amount equivalent to 25% of the amount of the guarantee at the time of the forfeiture of the guarantee.

As of the reporting date, there has been a certain delay in the deployment of the network by comparison to the assumption regarding the pace of the deployment on which the terms of the license are based, which derives primarily from regulatory, statutory and engineering changes. As a result of this delay, the Natural Gas Authority has made an approach for the updating and the increasing of the severity of the conditions in the distribution license. To the best of the Company's knowledge, the appeal to the Supreme Court of Justice, which has been submitted by distribution companies (which are not held by the Group) against the Natural Gas Authority against this background, has been deferred until March 2021.

Electricity production using green energy activity

This activity is performed through the Company and the consolidated companies Rimon Energy Ltd. (hereinafter: "Rimon Energy") and Mey-Ram Tech Ltd. (hereinafter: "Mey-Ram Tech"), which initiate, plan, establish and operated electricity production projects, that use various technologies: cogeneration, bio-gas facilities, wind turbine farms and photo-voltaic technology (solar energy)

(a) The Group, operating through Rimon Energy, establishes electricity production facilities that are based on cogeneration.

(b) Rimon Energy's customers are communal villages and industrial plants, which consume or are going to consumer natural gas in a manner in which it is possible to connect the cogeneration plant on their premises. This is done using the BOT model for a period of 15 to 20 years, where each of the stages of the project are performed by Rimon Energy, including the planning of the project, the performance and financing of the project and the maintenance of the facility, which is held in its entirety by Rimon Energy over the entire lifetime of the agreement.

As of the reporting date, Rimon Energy has established and operated three cogeneration facilities by virtue of BOT agreements, with an overall allocation of approximately 12 Megawatts. See section 2(E)(1) for details regarding the accounting policy.

Inter alia, a requirement has been set within the framework of the cogeneration arrangement, for the provision of a guarantee in an amount of NIS 50 per installed Kilowatt, in support of the Electricity Authority until a positive response is received from a distributor, and as from that time a guarantee is to be provided to the distributor (the Electric Corporation). As of December 31, 2021, Rimon is providing guarantees as mentioned above in an amount of approximately NIS 1.2 million.

In March 2022, Rimon Energy has received a license for the supply of electricity without means of production.

(c) The Group, operating through Rimon Energy and Mey-Ram Tech, is operating in the initiation and establishment of photovoltaic electricity production facilities. As of the reporting date, Mey-Ram Electricity is operating on a scale that is insignificant from the Group's perspective.

Furthermore, as of the reporting date, the Company is establishing two biogas facilities for a third party. The facilities that are being established have a capacity of 630 Kilowatts each, on a cumulative monetary scale of approximately NIS 25 million.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(3) Entrepreneurial energy projects (Continued)

In January 2021, Rimon Energy Ltd., together with a third party (hereinafter: the "Partner"), established a partnership for the establishment of a solar project on a reserve (a solar reserve belonging to the Lahav – Rimon Limited Partnership (hereinafter: the "Partnership"), which is treated at equity (50%). Within the framework of the partnership agreement, an electricity production facility has been located on water reservoirs that are located on the partner's land, in an extent of 9 Megawatts, which are based on Rimon Energy's know-how, expertise and experience in the establishment, operation and maintenance of photo-voltaic facilities and the obtaining of the finance that is required for them, and on the Group's ability to maintain water reservoirs (insofar as may be required).

The overall extent of the project is expected to be approximately NIS 32 million (the Company's share of which is 50%). The partnership has signed on an agreement for the receipt of financing at a rate of 100% with an Israeli bank in order to finance the project.

Electricity network management activity

Mey-Ram Electricity Infrastructures Ltd. (hereinafter: "Mey-Ram Electricity"), which provides outsourcing services as a historical distributor of electricity in 10 communal villages under an outline of the Electricity Authority and which provides management, consultancy, software and collection services to approximately 25 communal villages, which are independent electricity distributors. As of December 31, 2020, the Company's holding rate in Mey-Ram Electricity was 90%.

A third party, Meshek Energy Agricultural Cooperative Society Ltd. (hereinafter: "Meshek Energy"), which as of December 31, 2020 held 10% of the shares in Mey-Ram Electricity, gave notification on October 14, 2020 regarding its intention to exercise the option that it holds such that after its exercise it will have a holding of 50% in Mey-Ram Electricity, which will be done in consideration that is based on the value of the Company in accordance with an EBITDA multiple that was set in the agreement between the Company and Meshek Energy (hereinafter: the "Agreement"), which will be provided as a shareholder's loan by Meshek Energy to Mey-Ram Electricity. The exercise of the option was executed by Meshek Energy on March 16, 2021.

On March 16, 2021, the Company was granted an option to acquire the balance of the shares and the shareholders' loans, which are held by Meshek Energy in Mey-Ram Electricity, for consideration that is based on the value of the Company in accordance with an EBITDA multiple that has been determined by the parties.

The option will be exercisable by the Company up to December 31, 2030 (and its exercise may be required if generally acceptable regulatory conditions are fulfilled, which are similar to the following terms, in accordance with the provisions of the law). The option will expire automatically if the Company's holding rate in the shares in Mey-Ram Electricity becomes lower than 50%.

The agreement for the exercise of the option entry into effect on March 16, 2021 was conditional upon the fulfillment of the following crucial conditions): (1) the approval of the Electricity Authority; (2) the approval of the Competition Commissioner; and (3) that no legal impediment to the execution of the transaction arises. All of the crucial conditions for the transaction have been fulfilled. Accordingly, as from March 2021, Meshek Energy has a holding of 50% in Mey-Ram Electricity and the company holds the additional option, which is described above.

The option that the Company holds for the purchase of the balance of the shares that are held by Meshek Energy in Mey-Ram, as described above, is a substantive option, which is exercisable at any time, since the exercise price is in the money and the regulatory conditions are substantively technical.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(3) Entrepreneurial energy projects (Continued)

Accordingly, in March 2021, the Company consolidated the financial statements of Mey-Ram Electricity and as a result of this the Company recognized a gain of approximately NIS 15.7 million, which derives from the realization of its investment and its increase to control. The gain was reflected under other income in the year ended December 31, 2021.

At the time of the combination of the acquiree company, its identified assets, identifiable intangible assets and identified liabilities were recorded in the consolidated statement of financial position at the time of the business combination in accordance with their fair value, as required in accordance with International Financial Reporting Standard 3 "Business combinations" (IFRS 3), and based on the information that was held by the Group's management and the acquiree at a time close to the time of the acquisition of the operations and in reliance, inter alia, on appraisals on this matter.

The value of the option for the acquisition of entire share capital of Mey-Ram Electricity is approximately NIS 5 million as of December 31, 2021 and it constitutes a financial derivative at fair value through profit and loss.

The amounts that were recognized in respect of assets and liabilities at the time of the acquisition:

	NIS thousands
Current assets	11,791
Non-current assets	259
Fixed assets and operating and service contract assets	4,508
Intangible assets	6,570
Current liabilities	(6,474)
Long-term liabilities	(9,326)
Deferred taxes	(1,668)
Goodwill	2,735
Total	8,395

The following is the fair value at the time of the acquisition in accordance with the consideration that was transferred:

The consideration for the acquisition is the fair value of the shares in Mey-Ram Electricity that were held by the Company prior to the receipt of the option (the Company's share is 50%). The fair value of the investment in Mey-Ram Electricity prior to the business combination was NIS 5,565 thousand.

The cash flows on the acquisition:

The net cash flows on the acquisition is the balance of the cash that was held by Mey-Ram Electricity as of the time of the business combination and which amounted to NIS 4,350 thousand.

The impacts of the business combination on the Group's results:

The revenues that are attributed to the operations that have been acquired, which have been recognized in the Company's financial statements for the year 2021 amount to NIS 23,617 thousand. Furthermore, the Group's profit for the year 2021 includes a profit of NIS 5 million, which is attributed to the operations that have been acquired.

If the acquisition has been executed on January 1, 2021, the amount of the Group's revenues from the consolidation of Mey-Ram would have amounted to NIS 299,811 thousand, and the Group's profit from the consolidation of Mey Ram Electricity would have amounted to NIS 28,134 thousand.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(3) Entrepreneurial energy projects (Continued)

Non-controlling interests:

The amounts of the non-controlling interests in Mey-Ram Electricity (50%), which was recognized at the time of the acquisition is NIS 2,830 thousand. The non-controlling interests were estimated at the level of their fair value of the assets, the liabilities and the contingent liabilities of the acquiree entity, apart from their share of the goodwill.

(4) The performance of infrastructures abroad

(a) On July 23, 2020, the Company made a commitment with the government of Togo, in West Africa, under an EPC type agreement, (hereinafter, in this section: the "Commissioner" and the "Agreement, respectively) as amended from time to time, for the establishment of facilities for the supply of water to rural areas, for consideration that constitutes less than 10% of the Company's revenues in 2021 (hereinafter, in this section: the "Consideration for the agreement", pursuant to milestones that have been set in the agreement.

Within the framework of the transaction, the Company is organizing the banking accompaniment that is required for the commissioner for the purpose of recruiting the financing for the payment of the consideration for the agreement to the Company, such that the commissioner will take up a loan at the level of 100% of the consideration for the agreement from an Israeli bank. The loans are secured against cases involving insolvency at a rate of 80% by Ashra The Israel Foreign Trade Risks Insurance Corporation Ltd., which is a company that is owned by the government of Israel, with an additional 15% being insured by various insurance companies.

It should be clarified that the Company is not a party to the said financing agreement and the credit insurance is being provided in support of the lending bank (and not in support of the Company), however the Company is required to comply with the minimum requirements for Israeli content in the procurement for the project.

The financing agreement between the parties was signed in March 2021.

The Company started the performance of the project in 2021.

(b) On November 20, 2020, an EPC type agreement was signed between the Company and the government of the Ivory Coast, in West Africa (hereinafter, in this section: the "Agreement" and the "Commissioner", respectively) for the establishment of water supply facilities in 111 villages in the Ivory Coast, for consideration of 160 million euros (hereinafter, in this section: "The consideration for the agreement") in accordance with milestones that were set in the agreement.

Within the framework of the project, water infrastructure works will be performed, which include the planning and performance of water supply systems, the drilling of wells, water treatment, water storage, the laying of pipelines and distribution networks to the villages.

The Company is required to provide performance guarantees and quality guarantees in generally acceptable amounts, in support of the commissioner and it will be responsible for the obtaining of the approvals that are required for the performance of the works within the framework of the agreement.

Pursuant to the agreement, it has been determined that the performance of the works in the project will be performed within a period of 36 months from the time of the start of the works.

Note 11:- Investments in investee companies (Continued)

C. Description of the Group's main activity (Continued):

(4) The performance of infrastructures abroad (Continued)

(b) (Continued)

Furthermore, generally accepted conditions were set within the framework of the agreement for the termination of the agreement by the Company, including the occurrence of force majeure events (on the passage of a period that was set); a change in the timetables for the performance by the commissioner; in cases in which economic sanctions have been imposed on the commissioner of the work or the financing body by the Office of Foreign Assets Control, the American Department of the Treasury, the European Union, the French Republic and additional international bodies; and non-payment by the government.

Within the framework of the transaction, the Company is arranging the financing for the payment of the consideration for the agreement to the Company for the commissioner, such that the commissioner will take up a loan at the level of the full consideration for the agreement from a European bank. The loan will be secured against cases involving insolvency, by European credit insurers from the governments of Switzerland and the Netherlands (the main insurer and the re-insurer), with cover of 160 million euros.

It should be clarified that the Company is not a party to the said financing agreement and the credit insurance is being provided in support of the lending bank (and not in support of the Company), however duties apply to it opposite the insurers, including in connection with the establishment of local companies in the insurer's country (which are in the process of being established as of the reporting date) and the performance of the activity in the project through them, as well as the performance of local procurement in those countries and in the destination countries.

The provision of the financing constitutes a crucial term for the performance of the works pursuant to the agreement. As of the reporting date, the project is in the process of financial closure.

Note 12:- Trade payables

Comprise:

	As of December 31	
	2021	2020
	NIS thousands	
Trade payables	26,756	26,158
Expenses payable	88,281	49,949
Checks payable	11,071	14,860
	126,108	90,967

Note 13:- Other payables

Comprise:

	As of December 31	
	2021	2020
	NIS thousands	
Institutions	499	-
Advances from customers	32,760	4,277
Employees and institutions for salary including short-term employee benefits	5,026	3,906
Related parties	4,326	66
Other payables	6,436	2,589
	49,047	10,838

Note 14:- Loans and credit from banking corporations and other liabilities

A. The following are details regarding the composition of the credit from banking corporations:

		As of December 31, 2021			As of December 31, 2020		
	Annual interest rate	Current maturities and short-term credit (*)	Long-term loans	Total	Current maturities and short-term credit (*)	Long-term loans	Total
	%	NIS thousands					
Short-term credit from banking corporations	Approx. 1.65%	119,012	-	119,012	97,031	-	97,031
Long-term loans from banking corporations	Approx. 3%	9,417	67,202	76,619	8,335	67,484	75,819
Loans from other providers of credit (**)	3.05%	-	13,983	13,983	-	5,725	5,725
Total credit from banking corporations and other providers of credit		128,429	81,185	209,614	105,366	73,209	178,575

(*) NIS 38,270 thousand out of the short-term credit in 2021 and NIS 17,200 thousand out of the short-term credit in 2020 was for the establishment of projects and is expected to be rescheduled as long-term.

(**) See Note 23 regarding a loan from a controlling interest.

Note 14:- Loans and credit from banking corporations and other liabilities (Continued)

B. The following are details regarding the significant financing agreements for the projects as of December 31, 2021:

Identity of the borrower	Description	Time at which the credit was taken up	Original amount of the credit	Linkage basis	Interest rate	Timing of the payment of the principal	Additional significant terms	Carrying value as of December 31	
								2021	2020
								NIS thousands	
Rimon Consultancy Services	Shoket Water	January 2019	NIS 15,000 thousand	Unlinked	3%	2019 - 2033	The loan is repayable monthly (a monthly amount of NIS 72 thousand) throughout the period of the loan, from January 31, 2019 and up to October 31, 2033.	12,480	13,346
Ofek Atarim 10	Engineering equipment	September 2021	NIS 8,000 thousand	Unlinked	2.71%	2021 - 2031	The loan is repayable monthly (a monthly amount of NIS 200 thousand) throughout the period of the loan, from December 20, 2021 and up to September 21, 2031.	7,807	-
Ofek Atarim 10	Engineering equipment	July 2020	NIS 9,614 thousand	Unlinked	2.9%	2021 - 2031	The loan is repayable monthly (a monthly amount of NIS 80 thousand) throughout the period of the loan, from January 7, 2021 and up to January 7, 2031.	8,664	9,502
Ofek Atarim 10	Engineering equipment	January 2019	NIS 9,000 thousand	Unlinked	3.35%	2019 - 2027	The loan is repayable monthly (a monthly amount of NIS 272 thousand) throughout the period of the loan, from October 2, 2019 and up to September 30, 2027.	6,273	7,364
Rimon Energy	Cogeneration	December 2016	NIS 18,500 thousand	Unlinked	2.85%	2020 - 2034	The loan is repayable monthly (a monthly amount of NIS 310 thousand) throughout the period of the loan, from February 25, 2021 and up to December 5, 2034.	16,088	17,310
Rimon Energy	Cogeneration	April 2019	NIS 11,600 thousand	Unlinked	2.85%	2021 - 2036	The loan is repayable monthly (a monthly amount of NIS 187 thousand) throughout the period of the loan, from December 5, 2021 and up to December 5, 2034.	11,240	10,632
Less current maturities								(6,089)	(6,930)
Total significant loans in the Company								56,463	51,224

Note 14:- Loans and credit from banking corporations and other liabilities

C. Guarantees that have been provided:

Within the framework of the Company's activity as a performance contractor, the Group is required, from time to time, to provide various guarantees is support of commissioners of work. Accordingly, a "tender guarantee" is generally attached to an offer that is submitted in a tender in support of the compliance with the offer in the tender. Afterwards, when the tender is won, the tender guarantee is replaced with a "performance guarantee" as collateral for the fulfillment of the commitments pursuant to the contract.

Upon the completion of the performance, this performance guarantee is replaced with a "checking guarantee", for the check period and the warranty, as determined in the contract. In addition, the Group is required to provide an "advance guarantee" to the commissioner against the receipt of an advance.

As of the reporting date, the guarantees that are set forth above amount to approximately NIS 151.5 million.

Furthermore, the Company has provided guarantees for affiliated companies in support of the provision of credit, in an amount of approximately NIS 84 million as of the reporting date. The Company has recorded a liability for these guarantees, which amounted to approximately NIS 7.5 million as of December 31, 2021.

D. Liens

The Group has provided the following liens as collateral for the financial liabilities opposite the banking bodies for the project that the Company is performing and the equipment that has been acquired:

The Company is required to create a reserve fund for covering

(1) A fixed lien on all of the equipment for which the financing was taken up.

(2) A fixed lien on insurance payments, up to the level of the unsettled amount of the loan at any time.

(3) A fixed lien and endorsement by way of the lien on the rights that are due to the Group by virtue of a contract with consumers.

(4) A fixed lien on the bank account in which the loan was taken up.

(5) As collateral for the Group's liabilities to banks, commitments have been signed not to create a floating lien on the generality of the assets.

The Company is required to provide a reserve fund to cover the debt within the framework of the financing agreements that have been signed opposite the banks. The fund amounts to approximately NIS 2.6 million as of the reporting date (NIS 0.5 million as of December 31, 2020).

All of the abovementioned estimates are specific liens for projects and/or equipment that has been purchased.

E. Financial covenants

(1) Within the framework of the commitments made by a subsidiary company to a banking corporation, the subsidiary company is required to comply with a debt service ratio, which may not be less than 1.2 for each of the projects for which it has taken up the financing, the cover ratio is calculated as the operational cash flows from the project divided by the cumulative amount of the financing expenses in accordance with the annual financial statements, with the addition of the amount of the payments of the current maturities for the long-term loans that the Company is supposed to pay in the following period, as appears in the financial statements.

(2) As of the reporting date and as of the time of the approval of the financial statements, the Group is in compliance with all of the financial covenants.

Note 15:- Share capital and reserves

A. The following is the composition of and the movement in the Company's share capital in nominal shekels:

		As of December 31	
		Registered	Issued and paid-up
Date	Details	Regular shares with no par value	
As of January 1, 2019	**Closing balance**	32,700,000	28,399,000
In 2019	Movement	-	-
As of December 31, 2019	**Closing balance**	32,700,000	28,399,000
In 2020	Movement	-	-
As of December 31, 2020	**Closing balance**	32,700,000	28,399,000
In 2021	Movement (*)	50,000,000	7,220,000
As of December 31, 2021	**Closing balance**	82,700,000	35,619,000

(*) In July 2021, upon the success of the issuance of shares to the public and before the listing for trading, the par value of the Company’s shares was cancelled, the Company's share capital was slit and the registered share capital was increased, such that each share was split into 100 shares.

The presentation of the data, as set forth above, is effective retrospectively and reflects the split that was made in July 2021.

B. Share based payment:

See Note 24 for details regarding the option warrants that were granted to employees in the years 2019 – 2021.

C. Exercise and expiration of options:

No exercises of non-marketable option warrants were executed by the employees in the reporting year and no options expired.

D. Distribution of dividends:

On March 5, 2021, the Company's Board of Directors decided to pay a dividend in an amount of NIS 18,000 thousand. The dividend was paid to the shareholders on June 1, 2021.

In 2020, the Company declared and paid a dividend of NIS 11,840 thousand. In 2019, the Company declared and paid a dividend of NIS 4,402 thousand.

E. The issuance of capital:

On July 27, 2021, the Company completed an initial public offering of 7,220,000 regular shares with no par value in the Company to institutional investors by virtue of a prospectus for an initial public offering, which also constitutes the Company's shelf prospectus of July 14, 2021 (hereinafter: the "Prospectus"). The overall (gross) consideration in the issue for the allocation of the shares that were offered to the public pursuant to the prospectus amounted to NIS 250,534 thousand. As a result of this, the shares being offered were listed for trading on the Stock Exchange, together with 28,399,000 regular shares, which existed in the Company's issued and paid-up share capital, and accordingly, the Company became a public company, within the definition of that term in the Companies Law, and a reporting entity, within the definition of that term in the Securities Law.

Note 16:- Revenues

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Revenues from the performance of projects	225,842	212,665	167,725
Revenues from the sale of energy and water	66,029	42,429	30,968
	291,871	255,094	198,693

Note 17:- Cost of revenues, works and services

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Operating expenses	214,559	186,215	149,809
Salaries and social benefits (*)	25,951	19,288	15,953
Depreciation and amortization	12,381	8,220	6,241
Other	3,081	1,967	1,947
	255,972	215,690	173,950

(*) Including share-based payments.

Note 18:- Selling and marketing expenses

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Salaries and social benefits	1,453	490	180
Advertising and sales promotion	451	731	209
Depreciation and amortization	66	59	77
Other	74	87	44
	2,044	1,367	510

Note 19:- Administrative and general expenses

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Salaries and social benefits (*)	6,977	3,533	3,601
Management fees	1,561	265	342
Professional services	1,530	976	1,065
Maintenance, levies and office expenses	2,496	1,460	999
Depreciation and amortization	2,079	1,255	1,099
Expenses relating to the issuance of the Company's shares	1,678	-	-
Other	2,717	1,576	1,813
	19,038	9,065	8,919

(*) Including share-based payments.

Note 20:- Other income (expenses)

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Loss on the derecognition of capitalized initiation costs	-	-	11,232
Other capital gains (loss)	(63)	(183)	656
Impairment of a loan to an investee company (*)	1,811	-	-
Gain on increase to control in an investee company (**)	(15,718)	-	-
	(13,970)	(183)	11,888

(*) See also Note 11C(2) for additional details.

(**) See also Note 11C(3) for additional details.

Note 21:- Financing income

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Exchange differences	888	22	27
Gain on financial assets that are measured at fair value through profit and loss	334	5,250	1,690
Interest on loans provided (*)	3,156	3,137	2,596
Interest from institutions	280	-	-
Interest on deposits in banks, deposits and marketable securities	203	236	214
	4,861	8,645	4,527

(*) Including interest income of NIS 2,913 thousand in 2021 in respect of loans that have been provided to affiliated companies that are treated at equity (2020: NIS 2,996 thousand, 2019: NIS 2,457 thousand).

Note 22:- Financing expenses

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Loss on financial liabilities measured at fair value through profit and loss	108	5,324	5,161
Commissions	2,446	1,532	1,416
Interest on loans	5,242	4,340	2,755
Exchange differences	14	222	316
Financing expenses on finance leases	323	254	214
Other finance expenses	5	85	19
	8,138	11,757	9,881

Note 23:- Transactions with related parties and interested parties

A. The Company and the Group companies rent their officers, which are located in the Caesarea Industrial Park, from private companies, which are owned by Mr. Yossi Elmalem, one of the controlling interests in the Company, as follows:

(1) Offices with an area of 850 square meters:

On January 1, 2017, the Company and Elmalem Properties and Investments Ltd., a company that is held by Mr. Yossi Elmalem and Ms. Tali Elmalem, Mr. Yossi Elmalem's wife (hereinafter, in this Note: the "Lessor"), under a rental agreement for premises at 11 Bareket Street in the Caesarea Industrial Park, with an area of 850 square meters, which is used for office space (hereinafter, in this section: the "Leased property").

The rental period began on January 1, 2017 and its ends at the earlier of December 31, 2021 or the timing of the Company's notification as set forth below (hereinafter, in this section: the "Rental period"). The Company will be entitled to extend the rental period for an additional period of five years, subject to compliance with the provisions of the rental agreement.

The Company will pay rental fees to the lessor in an amount of NIS 50 per square meter (exclusive of VAT) for each square meter in the leased property. In the event of the exercise of the extension option, as from the end of the fifth year, the rate of the increase in the monthly rental fees will be set at 5% at the most, all of which in accordance with the agreements that the parties my reach. The rental fees will be linked to the Consumer Prices Index.

The Company has provided generally accepted collateral to the lessor within the framework of the rental agreement.

On October 26, 2020, the Company and the company that is held by Mr. Yossi Elmalem, one of the controlling interests in the Company, and Ms. Tali Elmalem, Mr. Yossi Elmalem's wife (hereinafter, in this section: the "Lessor"), made a commitment under a rental extension agreement, pursuant to which the rental period was updated and the lessor will lease the Company 850 square meters in a building that is owned by the lessor at 11 Bareket Street in the Caesarea Industrial Park, which is used as office space (hereinafter, in this section: the "Leased property") from January 1, 2021 and up to the earlier of December 31, 2031, which was extended on April 1, 2021 to March 31, 2023 or the timing of the Company's notification, as set forth below (hereinafter, in this section: the "Rental period").

The lessor will be entitled to terminate the agreement by giving notification 7 days in advance in the event of non-payment after 30 days have passed from the time of warning about the breach, the transfer of the Company's rights in the leased property without the lessor's approval or the management of a business that is not defined in the agreement.

The Company will pay rental fees to the lessor in an amount of NIS 50 per square meter (exclusive of VAT) for each square meter in the leased property.

See Note 23A3 below regarding the commitment by Group companies in the property.

Note 23:- Transactions with related parties and interested parties (Continued)

A. (Continued)

(2) Offices with an area of 1,500 square meters:

On October 27, 2020 , 2017, the Company and Elmalem Properties and Investments Ltd., a company that is held by Mr. Yossi Elmalem and Ms. Tali Elmalem, Mr. Yossi Elmalem's wife (hereinafter, in this Note: the "Lessor"), made a commitment under a rental agreement for premises at 8 Shaham Street in the Caesarea Industrial Park, with an area of 1,500 square meters, which is used for office space and as a storage area (hereinafter, in this Note: the "Leased property"), in accordance with the following division:

- An area of 500 square meters, in respect of which the agreement was amended to an area of 585 square meters on April 1, 2021;
- An area of 1,000 square meters (hereinafter, in this section: the "Additional area"), will be transferred to the Company by December 31, 2021, which was extended to April 1, 2023 on April 1, 2021, in coordination with the lessor and after adaption works, which are the lessor's responsibility have been performed. If the adaption works end before April 1, 2023, the lessor will provide the Company with notification regarding when it will be possible to lease the additional area, and the Company will lease the additional area as from that time.

The rental period (except in respect of the additional area, which will begin at the time that possession is handed over to the Company), will be from November 1, 2020 and end on December 31, 2024 (hereinafter, in this section: the "Rental period").

The Company will be entitled to extend the rental period for an additional period of 5 years, subject to compliance with the provisions of the rental agreement.

The lessor will be entitled to terminate the agreement by giving notification 7 days in advance in the event of non-payment after 30 days have passed from the time of warning about the breach or the transfer of the Company's rights in the leased property without the lessor's.

The Company will pay rental fees to the lessor in an amount of NIS 55 per square meter (exclusive of VAT) for each square meter in the leased property, as well as rental fees at an identical level for each square meter of the additional area, as from the time at which the lessee starts to make use of it.

If the lessee may decide to designate part of the additional area for storage purposes, the rental fees will be paid at a rate of NIS 35 per square meter for each square meter of storage space (exclusive of VAT) (instead of the rental fees that are set forth above).

In the event of the exercise of the extension option, as from the end of the fifth year, the rate of the increase in the monthly rental fees will be set at 5% at the most, all of which in accordance with the agreements that the parties my reach. The rental fees will be linked to the Consumer Prices Index.

As part of the adaption works that will be performed in the leased property, as mentioned above, there is a possibility that it will be necessary to demolish the building in which the leased property is located, in its entirety. If it may be decided to demolish the building in its entirety, and subject to 60 days notification being given in advance, the rental period will be suspended, and the Company undertakes to vacate the leased property and to make it available to the lessor, and this throughout the entire period of the demolition and reconstruction of the building (hereinafter: the "Building construction period").

At the end of the building construction period, the Company will return to leasing the leased property and the agreement and all of its conditions will be renewed.

Further to what is stated above, as of the reporting date, the Company has vacated the property for the purpose of the adaption works and the rental agreement has been frozen during the refurbishment period.

Note 23:- Transactions with related parties and interested parties (Continued)

A. (Continued)

(3) Commitments of investee companies of the Company, which are treated at equity

On October 22, 2020, Merimon Natural Gas North Ltd. and Rotem Natural Gas Ltd., investee companies of the Company, which are treated at equity (hereinafter, in this section: the "lessee") and Elmalem Properties and Investments Ltd., a company that is held by Mr. Yossi Elmalem, one of the controlling interests in the Company and Ms. Tali Elmalem, Mr. Yossi Elmalem's wife (hereinafter, in this section: the "Lessor"), made a commitment under a rental agreement as set forth below:

Mr. Yossi Elmalem, one of the controlling interests in the Company, has a personal interest, which derived from a corporation that is under his control being a party to the commitment.

Within the framework of the rental agreement, the lessor will lease an area of 391 square meters, which is owned by the lessor at 11 Bareket Street in the Caesarea Industrial Park, which will be used as office space (hereinafter, in this section: the "Leased property").

Upon the lessee's entry into the leased property, the lessee has an option, at its exclusive discretion, to increase or to decrease the leased property by a rate of up to 20%.

The rental period will be from November 1, 2021 and until December 31, 2026 and on April 1, 2021, these timings were amended such that the rental period will be from April 1, 2023 and until March 31, 2028 (hereinafter, in this section: the "Rental period").

The Company will be entitled to extend the rental period for an additional period of 5 years, subject to compliance with the provisions of the rental agreement.

The Company will pay rental fees to the lessor in an amount of NIS 55 per square meter (exclusive of VAT) for each square meter that is included in the leased property.

In the event of the exercise of the extension option, as from the end of the fifth year, the rate of the increase in the monthly rental fees will be set at 5% at the most, all of which in accordance with the agreements that the parties my reach. The rental fees will be linked to the Consumer Prices Index.

The Company will be entitled to extend the rental period for an additional period of 5 years, subject to compliance with the provisions of the rental agreement.

The Company has provided generally accepted collateral to the lessor within the framework of the rental agreement.

Furthermore, on October 22, 2020, Merimon Natural Gas North Ltd. and Rotem Natural Gas Ltd., investee companies of the Company, (hereinafter, in this section: the "lessee") and Elmalem Properties and Investments Ltd., a company that is held by Mr. Yossi Elmalem, one of the controlling interests in the Company and Ms. Tali Elmalem, Mr. Yossi Elmalem's wife (hereinafter, in this section: the "Lessor"), made a commitment under a rental agreement as set forth below:

\Within the framework of the rental agreement, the lessor will lease an area of 300 square meters, which is owned by the lessor at 11 Bareket Street in the Caesarea Industrial Park, which will be used as office space (hereinafter, in this section: the "Leased property").

Upon the lessee's entry into the leased property, the lessee has an option, at its exclusive discretion, to increase or to decrease the leased property by a rate of up to 20%.

The rental period will be from November 1, 2021 and until December 31, 2026 and on April 1, 2021, these timings were amended such that the rental period will be from April 1, 2023 and until March 31, 2028 (hereinafter, in this section: the "Rental period").

The Company will be entitled to extend the rental period for an additional period of 5 years, subject to compliance with the provisions of the rental agreement.

Note 23:- Transactions with related parties and interested parties (Continued)

A. (Continued)

(3) Commitments of investee companies of the Company, which are treated at equity (Continued)

The lessor will be entitled to terminate the agreement by giving notification 7 days in advance in the event of non-payment after 30 days have passed from the time of warning about the breach or the transfer of the Company's rights in the leased property without the lessor's approval or the management of a business that is not defined in the business.

The Company will pay rental fees to the lessor in an amount of NIS 55 per square meter (exclusive of VAT) for each square meter that is included in the leased property.

In the event of the exercise of the extension option, as from the end of the fifth year, the rate of the increase in the monthly rental fees will be set at 5% at the most, all of which in accordance with the agreements that the parties my reach. The rental fees will be linked to the Consumer Prices Index.

The Company has provided generally accepted collateral to the lessor within the framework of the rental agreement.

(4) **The Chairman of the Board of Directors**

Megar – Information Systems Granot Agricultural Cooperative Society Ltd. (hereinafter: "Megar Granot") provides the services of the Chairman of the Board of Directors to the Company, at the extent of 20% of a full time position (hereinafter, in this section: the "Services"). As from May 13, 20154, the services are provided through Mr. Amit Ben Itzhak. In consideration for the provision of the services, Megar Granot is entitled to monthly management fees of NIS 17,500 a month. As from the time of the completion of the floatation, the monthly management fees have been updated to an amount of NIS 30 thousand. As from June 1, 2022, the monthly management fees will be updated to NIS 35 thousand. The said amounts are paid against a tax invoice with the addition of VAT in accordance with the law and are linked to the increase in the Consumer Prices Index.

See Section E below regarding exemption, indemnification and insurance.

B. Other transactions with the controlling interest or in which the controlling interest has a personal interest

The Company has a commitment under which the controlling interests have received bookkeeping and office services on an immaterial scope from the Company up to December 31, 2021.

C. Commitment with the Company's CEO

(1) Pursuant to an agreement between the Company and Mr. Yossi Elmalem, in consideration for this service as the Company's CEO, Mr. Elmalem is entitled to a monthly salary of NIS 66 thousand (gross), which is linked to the Consumer Prices Index, from which all of the payments that are required by law are deducted. In addition, Mr. Yossi Elmalem is entitled to the following terms: (a) annual vacation of 24 days a year; (b) recuperation pay and sick leave in accordance with the law; (c) payment in an amount of NIS 10 thousand for a Company ca, which is paid directly to a Company that is owned by Mr. Yossi Elmalem; (d) a bonus of 4 monthly salaries; (e) a computer and a mobile telephone, the entire costs of the holding of which are borne by the Company; (f) a telephone line, which will be installed in his home, the entire costs of the holding of which are borne by the Company; (g) contributions (at a level of 7.5% of the salary) to a further education fund and up to the ceiling of the amount that is exempt from income tax, as set in the law; (h) contributions to a pension fund/ managers insurance at Mr. Elmalem's election as well as incapacity to work insurance; (i) a period of notification in advance of 3 months and in addition a period of 3 months for acclimatization. The agreement also includes a commitment to maintain confidentiality as well as a non-competition condition for a period of twelve months.

Note 23:- Transactions with related parties and interested parties (Continued)

C. Commitment with the Company's CEO (Continued)

(1) (Continued)

On March 25, 2021 and on May 26, 2021, the Company ratified the commitment under an agreement with a private company that is owned by Mr. Yossi Elmalem (hereinafter, in this section: the "Management company" and "Elmalem", respectively), the subject matter of which is the provision of the services of a CEO through him. This agreement replaces the existing agreement.

The period of the agreement and extent of the position – the commitment is for an indeterminate period as from June 1, 2021, which would enter effect at the time of the issue, for a full time position.

The consideration for the agreement – In consideration for the provision of the services, the Company will pay:

a. **A fixed payment –** a monthly amount of NIS 96,400 (including an amount of NIS 80,000, hereinafter: the "Basic management fees), which is linked to the Consumer Prices Index, and an additional amount of NIS 10,000 for a company car. These amounts will be paid against a tax invoice with the addition of VAT in accordance with the law.

b. **Ancillary terms –** in addition, Mr. Elmalem (through the management company) is entitled to the following terms: (a) 24 days of absence a year without offsetting from the contribution that is provided for the services; (b) the instillation of a refueling device and the reimbursement of fuel expenses; (c) a computer and a mobile phone, a landline phone in his home, a daily newspaper, medical checks once a year, the entire cost of which will be borne by the Company.

c. **Grants –**

(i) **A measurable bonus -** an annual payment of a measurable bonus at the level of up to 3 batches of basic management fees, which will be payable subject to the meeting of targets, which may be determined by the Remuneration Committee and the Board of Directors at the beginning of the year (and no later than at the end of the first quarter of each year). The level of the amount will be determined in tandem with the approval of the periodic reports for the relevant year and will be paid shortly thereafter.

(ii) **A reducible bonus -** an annual payment at the level of up to 6 batches of basic management fees, which the Remuneration Committee will be entitled to reduce (fully or partially), at its exclusive discretion. The level of the amount will be determined in tandem with the approval of the periodic reports for the relevant year and will be paid shortly thereafter.

(iii) **A retention bonus** – a payment at the level of up to 4 batches of basic management fees, which accumulated linearly as from the start of the second year from the time of the flotation and up to the end of the fourth year, against a commitment by Mr. Elmalem to provide the CEO services in that period (the accumulated retention grant is at the level of the last tranche of basic management fees, and it will be paid at the end of his period of office). In a case in which the Company is the party that decided to terminate his period of office as CEO in the course of the said accumulation period, he will be entitled to a proportionate part of the amount that has accumulated up to the end of his period of office, as previously mentioned.

d. **Reimbursement of expenses –** the reimbursement of reasonable expenses, as is customary in the Company against receipts.

e. **Capital remuneration –** Subject to the success of the floatation, 5,680 non-marketable options were allocated to the management company and/or to Mr. Elmalem, on a track under Section 3(I) of the Income Tax Ordinance, at an exercise price at the level of the share price in the floatation.

Note 23:- Transactions with related parties and interested parties (Continued)

C. Commitment with the Company's CEO (Continued)

(1) (Continued)

e. Capital remuneration (Continued)

The options are exercisable for a period of 6 years from the time of their allocation, subject to a vesting period within the framework of which the options will vest over a period of 3 years as from the time that the Company signs on the allocation document, where 33% will vest at the end of the first year from the time that the Company signs on the allocation document, 33% will vest at the end of the second year from the time that the Company signs on the allocation document and the balance will vest at the end of the third year from the time that the Company signs on the allocation document. In accordance with the Company's estimate, the value of the capital benefit in accordance with the Black & Scholes model is approximately NIS 5.7 million. The expenses that have been recorded in the Company's financial statements in the year 2021 in respect of these options amounts to approximately NIS 2 million.

f. **Exemption, insurance and indemnification –** Elmalem and/or the management company, as the case may be, will be entitled to an exemption, officer's liability insurance and indemnification, see Section E below.

g. **The termination of the commitment and payment for notification in advance –** Each party is entitled to terminate the commitment by giving 6 months of notification in advance (in writing) in the course of which he will continue to fill his position, if and insofar as the Company may demand this, and (at the Company's demand) he will hand over his position in an orderly manner to whoever may be selected by the Company to replace him in his position. In the course of the notification period, Elmalem will receive the full remuneration that he is entitled to, as set forth in this section whether or not he may continue in his position. Despite the aforesaid, the Company may bring the agreement to an immediate conclusion in the following cases: (1) a breach of a fiduciary duty vis-à-vis the Company and/or the performance if a transgression that bears inequity and/or the fundamental breach of commitments by Mr. Elmalem and/or the management company vis-à-vis the Company; (2) if a petition for the appointment of a receiver and/or a liquidator and/or a creditors arrangement and/or any other similar petition has been submitted against the management company and/or against any of its shareholders; (3) in the event of the termination of the commitment between Mr. Elmalem and the management company, or if Elmalem ceases to be the owner and the sole and exclusive controlling interest in the management company; (4) in the event that Elmalem is prevented from providing the services that are set forth in the agreement to the Company for a reason relating to his state of health or for any other reason, for a period exceeding 180 days.

In a case in which the management companies end the services without giving notification in advance and not for a reason that derives from Elmalem's state of health or that of a first ranking member of his family, the Company will be entitled to deduct an amount from any amount that may be due to the management company at the level of the consideration for the agreement in the period of advance notification in which the management services were not provided.

Final accounting – Upon the completion of the issue and in light of the transition to management fees, final accounting has been conducted with Mr. Elmalem in connection with the termination of employee – employer relationships.

Note 23:- Transactions with related parties and interested parties (Continued)

D. Commitment with the CEO of the Performance Division

Pursuant to an agreement between the Company and Mr. Avi Elmalem, in consideration for his service as CEO of the Performance Division, Mr. Elmalem is entitled to a monthly (gross) salary of NIS 50 thousand, from which all of the payments that are required by law are deducted.

The salary is for six days of work a week on Sundays to Fridays and in addition, Mr. Elmalem is entitled to the following terms: (a) 24 days of absence a year; (b) recuperation pay and sick leave in accordance with the law; (c) a company car, the maintenance costs of which will be borne by the Company; (d) payment at the level of 2 monthly salaries, which the Remuneration Committee will be entitled to reduce (fully or partially), at its exclusive discretion; (e) a measurable bonus at the level of up to 2 monthly salaries, which will be payable subject to the meeting of targets, which may be determined by the Remuneration Committee and the Board of Directors at the beginning of the year (and no later than at the end of the first quarter of each year). The level of the amount will be determined in tandem with the approval of the periodic reports for the relevant year and will be paid shortly thereafter; (f) a computer and a mobile phone, the entire cost of which will be borne by the Company; (g) contributions (at a level of 7.5% of the salary) to a further education fund and up to the ceiling of the amount that is exempt from income tax, as set in the law; (h) contributions to a pension fund/ managers insurance at Mr. Elmalem's election as well as incapacity to work insurance; (i) a period of notification in advance as determined in the Notification in Advance Law.

The agreement also includes a commitment to maintain confidentiality as well as a non-competition condition for a period of twelve months. In addition is entitled to two additional monthly salaries (13th and 14th monthly salaries), which will be paid at the time of the payment of the last salary at the end of each calendar year. Mr. Avi Elmalem will be entitled to an exemption, officer's liability insurance and indemnification.

In June 2019, 2,414 non-marketable options were allocated to a trustee for Mr. Elmalem, which are convertible into 2,414 regular shares in the company with an additional payment of NIS 1,232 per share being payment on exercise, where the options were allocated on a track under Section 3(I) of the Income Tax Ordinance, and they will be exercisable in a period of 10 years from the time of their allocation, subject to the vesting period in the first plan.

In April 2020, 426 additional non-marketable options were allocated to a trustee for Mr. Elmalem, which are convertible into 426 regular shares in the company and they will be exercisable in a period of 10 years from the time of their allocation, subject to the vesting period in the first plan.

On March 25, 2021, a bonus for the floatation process in an amount of NIS 70 thousand was approved for Mr. Elmalem, subject to the completion of the floatation.

E. Commitment with the Company's CEO

(1) Directors and officers insurance

As of the reporting date, the Company has a directors and officers insurance policy for a period of 12 months, with limits of liability of 19.5 million dollars per event and per period, with the addition of reasonable legal expenses beyond the limit of liability. The current insurance policy covers all of the directors and officers in the Company. The cost of the annual premium is 118,500 dollars a year and the level of the self-deductible, which the Company will pay, is 50,000 dollars per claim (75,000 dollars in claims against the Company in the securities field with a self-deductible of 150,000 dollars).

(2) Remuneration for directors

As of the reporting date, the directors receive remuneration for participation in meetings of the Board of Directors in accordance with the Companies Regulations (Principles regarding remuneration and expenses for an external director). The amounts of the remuneration for the directors in the years 2019 to 2021 were immaterial.

Note 23:- Transactions with related parties and interested parties (Continued)

F. Remuneration for the Company's key managerial personnel who are employed in the Group

	Number of recipients			For the year ended December 31		
	2021	2020	2019	2021	2020	2019
				NIS thousands		
Directors' fees (*)	7	3	3	152	11	16
Employee benefits	8	9	8	6,393	6,152	4,626
Share based payment	6	5	5	2,442	1,267	2,994
				8,987	7,430	7,636

In the reporting period, there were no benefits for key managerial personnel who are not employed in the Company, except for remuneration for directors as set forth above.

(*) Following the listing of the Company's shares for trading in the Tel-Aviv Stock Exchange, four additional directors were appointed for the Company after the floatation.

G. Additional information regarding balances and transactions with related parties

(1) Balances opposite related parties

	As of December 31	
	2021	2020
	NIS thousands	
Current assets		
Trade receivables and other receivables (*)	51,253	43,677
Non-current assets		
Other receivables – loans to companies treated at equity	93,291	77,049
Current liabilities		
Other payables	4,326	66
Non-current liabilities		
Other liabilities	4,826	4,826

(*) Including a balance of revenues receivable for the provision of services to companies that are treated at equity of NIS 39,198 thousand as of December 31, 2021 (NIS 35,799 thousand as of December 31, 2020).

Note 23:- Transactions with related parties and interested parties (Continued)

G. Additional information regarding balances and transactions with related parties (Continued)

(2) Transactions with related parties

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Management fees to the parent company	273	210	210
Management fees/ salaries and social benefits for interested parties who are employed in the Company	4,723	2,824	3,452
Number of people to whom the benefit relates	2	2	2
Revenues from the provision of services to companies treated at equity	48,521	73,158	53,440
Financing revenues from companies treated at equity	3,270	2,996	2,457
Depreciation and financing expenses from leasing assets and liabilities	851	594	519
Management fees from companies treated at equity	1,278	1,176	1,350

H. Transactions with a controlling interest

(1) Loan from a controlling interest

In 2018, within the framework of the Company's investment in Mey-Ram Electricity, a loan that had been provided to Mey-Ram Electricity by Megar Granot (within the framework of an investment by shareholders) in an amount of NIS 8,326 was endorsed to the Company. The Company repaid part of the loan in 2018, such that the balance of the loans is NIS 4,826 thousand as of December 31, 2021. The loan is unlinked and bears interest at a rate of 3.05% a year.

Pursuant to the loan agreement, the repayment of the balance of the loan is to be executed in accordance with a mechanism pursuant to which the Company is to repay an amount to Megar Granot, which is equivalent to 58% of the amount that the Company has actually received from Mey-Ram Electricity, and this until the repayment of the full unsettled balance of the loan, with the addition of interest in accordance with the terms of the loan, but inly from the future amounts that the Company may receive from the following sources: (1) amounts from the distribution of profits in cash by Mey-Ram Electricity; (2) consideration from the repayment of shareholders' loans by Mey-Ram Electricity; (3) consideration from the sale of shares and/or shareholders' loans in Mey-Ram Electricity.

(2) Agreement for the establishment of cogeneration facilities

On November 11, 2013, April 28, 2014 and June 30, 2020, Rimon Energy Ltd. Ltd (hereinafter, in this section: the "Supplier"), which is held by the Company, made a commitment with three corporations (hereinafter, in this section: the "Commissioner"), which are held directly and indirectly, as the case may be, by Granot Regional Cooperative Organization Central Agricultural Cooperative Society Ltd., which is the controlling interest in Megar – Information Systems Granot Agricultural Cooperative Society Ltd., one of the controlling interests in the Company, under agreements for the establishment of three cogeneration facilities with a cumulative capacity of 12 Megawatts.

The supplier will plan, finance, establish and operate a cogeneration facility (the production of electricity and steam, based on natural gas), for the commissioner, which will provide the commissioner's plants with electricity and steam (as the case may be).

Note 23:- Transactions with related parties and interested parties (Continued)

H. Transactions with a controlling interest (Continued)

(2) Agreement for the establishment of cogeneration facilities (Continued)

Furthermore, the supplier is required to obtain all of the approvals pursuant to the law and to hold all of the approvals pursuant to the law, which are relevant and in effect and to comply with their terms.

The following provisions have been determined in two of the agreements: the commissioner has undertaken to purchase electricity in regular and peak hours as well as steam, exclusively from the facility (subject to the restrictions on production capacity that are included in the agreement). In cases where there is consumption in excess of the facility's maximum production capacity, the electricity will be provided by means of the electricity grid, with financing from the commissioner, and the steam will be supplied by the commissioner's own facilities.

The Commitment is a BOT type agreement by its substances, within the framework of which the facility will be transferred into the commissioner's ownership at the end of the agreement.

The agreement is for a period of 20 years, as from the time of the commercial operation of the facility (the completion of the acceptance tests and the successful passing of the acceptance tests by the facility), and in any case, no later than 24 years from the time of the signing of the agreement.

The parties are entitled to terminate the agreement in generally accepted cases (a breach of the agreement, force majeure events, the appointment of a liquidator, an arrangement with creditors or a voluntary liquidation), the supplier is also entitled to terminate the agreement in cases of non-payment of amounts that have been determined in the agreement and the commissioner is also entitled to terminate the agreement (subject to a repair period) in the following cases: non-compliance with timetables and milestones, which have been set for the establishment of the facility; the non-obtaining of the approvals that are required for the establishment and for the operation of the facility; the cancellation of licenses or permits; the non-supply of electricity and/or thermal energy pursuant to the terms of the agreement.

Without detracting from the aforesaid, as from the time of the commercial operation, the commissioner is entitled to terminate the agreement, without having a reason, by giving at least three months of notification in advance in writing to the supplier.

In the event of the termination of the agreement by the commissioner, the facility will be transferred into the commissioner's ownership, and the supplier will be entitled to payment of the redemption price (which reflects the price of the facility, as defined in the agreement, less amounts that have been determined), and less additional costs, the subject matter of which is the transfer of ownership and the execution of the early repayment of the banking financing (if required).

In consideration for the supply of the electricity, the commissioner will make monthly payments to the supplier in accordance with the energy demand management tariff for high voltage, where in regular hours and in peak hours, a discount at generally accepted rates will be deducted from the said tariff at generally accepted rates (except for the supply of electricity from the electricity grid in the periods that have been set in the agreement, in which no discount will apply).

Furthermore, the commissioner will pay generally accepted monthly amounts for each ton of steam that may be supplied (depending on the types of periods that have been set in the agreement) where in two of the agreements, the commissioner has undertaken to purchase minimal quantities of steam.

In addition, it has been determined that the commissioner will bear fines imposed by the Electric Corporation, in addition to which mechanisms for bearing the costs of payments to the Electric Corporation that are derived from the availability rate to which the supplier has committed, have been determined.

Note 23:- Transactions with related parties and interested parties (Continued)

H. Transactions with a controlling interest (Continued)

(2) Agreement for the establishment of cogeneration facilities (Continued)

The supplier is responsible for compliance with the timetables and the milestones for the establishment of the facility (which have been fulfilled in relation to the facilities that were established prior to the date of the prospectus), and generally accepted provisions relating to acceptance checks and the receipt of the approval that are required for the establishment and the operation of the facility. Furthermore, the agreements contain crucial conditions (which have been fulfilled in relation to two of the agreements), which include the receipt of approval for a distributor and the receipt of the permits for the establishment of the facility, within 48 months of the time of the signing of the agreement (if it is not possible to receive a permit within 24 months for reasons that are not connected to the supplier, the supplier is entitled to cancel the agreement).

The supplier will be responsible for the costs of purchasing and transmitting natural gas.

The commissioner has given the supplier a right of use on land (in consideration for the payment of monthly rental fees in an amount that is not significant). The supplier has undertaken to supply the commissioner with electricity and steam in an orderly manner and with minimal availability for the supply of electricity, as determined in the agreement.

Pursuant to the agreement, the supplier is entitled to sell the surplus electricity production capacity, which has not been consumed by the commissioner, to the Electric Corporation and to other customers subject to the supply to the commissioner not being damaged and to the commissioner having priority in the supply of electricity.

In order to collateralize the supplier's commitments, the Company has provided collateral to the commissioner, in an amount of NIS 2 million, and it has committed to top it up if it is exercised, Furthermore, the supplier will be responsible for damages vis-à-vis the commissioner and it undertakes to purchase generally accepted insurances.

A generally accepted mechanism has been set in the agreement for arbitration in order to settle disagreements. The Company has undertaken that it will continue to hold all of the shares in the supplier during the period of the agreement.

In relation to an agreement dated June 30, 2020, which is not under the BOT model, it has been determined that towards the end of the agreement, the commissioner will be given an option to purchase the facility from the supplier as well as all of the equipment in connection with the facility (as is) subject to notification to the supplier up to one year before the end of the agreement, for consideration that was set in the agreement.

(3) Agreements for the establishment of a photovoltaic facility

On September 15, 2020 and on July 14, 2021, Mey-Ram Tech Ltd. (hereinafter, in this section: "Mey-Ram Tech"), which is held by the Company, made commitments with three corporations (each of which, in this section: the "Partner"), which is held indirectly by Granot Regional Cooperative Organization Central Agricultural Cooperative Society Ltd., which is the controlling interest in Megar – Information Systems Granot Agricultural Cooperative Society Ltd., one of the controlling interests in the Company, under agreements for the establishment of four photo-voltaic facilities with a cumulative capacity of approximately 2.3 Megawatts.

Mey-Ram Tech made a commitment with the partner for the performance of a joint venture at rates of 40% and 60%, respectively (in relation to the agreement of July 14, 2021 – in equal shares) (hereinafter, in this section: the "joint operations"), within the framework of which a photo-voltaic facility will be established for the production of electricity on roofs, which is owned by the partner. The joint operation bears the establishment, the operational and the maintenance costs for the project, and the decisions regarding the project are made unanimously. The agreement is in effect throughout the entire period that covers the arrangement, but not for more than 24 years and 11 months from the time of the commercial operation of the facility.

Note 23:- Transactions with related parties and interested parties (Continued)

H. Transactions with a controlling interest (Continued)

(3) Agreements for the establishment of a photovoltaic facility (Continued)

In the agreements dated September 15, 2020, the partner will be entitled to discontinue the operations at any time by giving notification one month in advance and each of the parties will be entitled to terminate the agreement upon the liquidation of or the transfer of control in the other party.

In such cases, the facility will be transferred into the partner's full ownership (or that of some party acting on its behalf), after the distribution of all of the cash balances to the parties in accordance with their shares, the repayment of all of the loans and the unpaid share capital and against ta payment that is equivalent to 40% of the net book value of the facility as recorded in the partner's accounting records (the overall cost of the establishment of the project less the relative portion of its value as calculated for the entire period of the agreement).

It was determined in the agreements of September 15, 2020 that the distribution of the profits between Mey-Ram Tech and the partner will be done pro-rata, after the return of expenses and current liabilities, the repayment of debt to the financing bodies and the repayment of shareholders' loans (if such loans have been provided by Mey-Ram Tech itself by way of shareholder's loans, in support of the interim period or pursuant to a demand by a financing body). The partner will be entitled to monthly usage fees for the use of the roofs, where the usage period will be for 24 years and 11 months from the time of the handing over of the possession of the roofs. It is further determined that Mey-Ram Tech will take action to obtain financing in the extent that is mentioned in the agreement, and it will provide shareholders' equity by way shareholders' loans insofar as may be required.

It was determined in the agreement of July 14, 2021 that the balance of the flow of free receipts (including taking expected expenses into account), will be divided into equal shares between Mey-Ram Tech and the Partner. Mey-Ram Tech will bear 50% of the financing costs for the project incurred by the partner until the time of the signing of the agreement, and insofar as additional financing may be required for the purpose of the project, the financing will be provided by the parties in equal shares.

Within the framework of the agreements of September 15, 2020, the partner will make the roofs available in support of the joint activity, in consideration for which it will receive usage fees from the time that the facility is connected to the Electric Corporation's electricity grid. Within the framework of the July 14, 2021 agreement, the partner will charge the project with a payment for the management of the maintenance in an amount that is not material.

In the agreements of September 15, 2020, Mey-Ram Tech is responsible for the performance of the monitoring of the facility, the monitoring of its output and for monitoring the electricity balance sheet in the partner in support of maximizing the revenues from the project. In the agreements of July 14, 2021, the parties will make a commitment with a third party for the performance of monitoring, maintenance and cleaning services for the facilities.

The project by virtue of the agreements of September 15, 2020, is conditional upon the receipt of the approval for the entrance into an allocation for the arrangement, and the transfer of the surpluses to the grid from the Electric Corporation to the facility and on the signing on an agreement with the Electric Corporation.

I. Remuneration policy

On May 26, 2021 and on July 14, 2021, the Company's Board of Directors and the general meeting of the Company's shareholders approved the remuneration policy for the officers in the Company, pursuant to the provisions of the Companies Law.

Note 24:- Share based payment

A. The following are the remuneration plans for officers that are in effect as of December 31, 2021

	Number of recipients	Number of option warrants granted to the officers	Economic value at the time of the grant in NIS thousands	Balance of options in effect at the reporting date	Additional payment on exercise in NIS	Expiration date
March 25, 2021	3(*)	85,200	1,130	85,200	34.7	25/3/2031
May 26, 2021	1	568,000	5,663	568,000	34.7	26/5/2031

(*) As of the time of the approval of the financial statements, one of the abovementioned recipients of the options has ended his employments in the Company and the options have been forfeited.

B. The parameters that were used in the calculation of the benefit that is inherent in the option warrants (1)

Plan	2021 (2), (3)
Share price (in NIS)	34.7
Exercise price (in NIS)	34.7
Weighted expected fluctuations (2) (according to 6 years)	28.23%
Weighted expected fluctuations (2) (according to 10 years)	28.10%
Lifetime of the options (in year) (3)	6/10
Risk free interest rate (according to 6 years)	0.76%
Risk free interest rate (according to 10 years)	0.17%
Expected dividend rate	-
Overall benefit (in NIS thousands)	6,793
Amount of the expenses that were recognized in 2021 (in NIS thousands)	2,885

(1) The parameters that are presented are for the options that were allocated in 2021. See Note 24 to the annual consolidated financial statements for the year 2020 for additional information regarding the previous options.

(2) The fluctuations that are expected are a weighted probability of the spread of yields around the average. In option pricing models, the index for the calculation of the fluctuations is the forecast standard deviation of the base assets.

(3) The exercise period represents the forecast lifetime of the option warrants, the options warrants will be exercisable (subject to vesting times) up to 6 years from the time of the grant for the Company's CEO. For the other offerees, the option warrants will be exercisable up to 10 years from the time of the grant.

C. The following are the developments in the option warrants that have been granted to officers in the Company and its employees.

	2021		2020	
	Number of option warrants	Weighted average exercise price	Number of option warrants	Weighted average exercise price
Balance as of January 1	667,400	11.12	624,800	11.12
Grants in the year	653,200	34.70	42,600	11.12
Forfeitures in the year	(14,200)	34.70	-	-
Exercise in the year	-		-	-
Balance as of December 31	1,306,400	22.65	667,400	11.12
Exercisable option warrants as of December 31	667,400		667,400	

Note 25:- Earnings (loss) per share

Comprise:

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Income attributed to the shareholders in the parent company			
Income (loss) for the year used in the calculation of the basic and the diluted earnings (loss) per share	29,480	25,352	(1,065)
Weighted average number of regular shares used for the purpose of the calculation of the basic and diluted earnings per share from continuing operations			
Balance as the beginning of the year	28,399,000	28,399,000	28,399,000
Impact of the shares issued in the period	3,204,493	-	-
Weighted average for the year ended December 31	31,603,493	28,399,000	28,399,000
Dilutionary impact of options granted in the period	456,816	120,211	-
Diluted weighted average for the year ended December 31	32,060,309	28,519,211	28,399,000

Note 26:- Taxes on income

A. Details regarding the tax environment in which the Group operates

The Company's and its investee corporation's provisions for current taxes in Israel are determined taking the provisions of the Income Tax Ordinance (New Version), 1961 (hereinafter: the "Ordinance") into account.

In respect of the Company's share of investee partnerships, pursuant to the provisions of Section 63 of the Income Tax Ordinance (New Version), 1961, the share of the partnership's income, that each partner is entitled to in the tax year will be deemed to be the partner's income and it will be included in its tax report.

B. The tax rates that apply to the group:

Country	Corporate income tax rate
Israel	23%

The current taxes for the reporting period have been calculated in accordance with the tax rates that are presented in the above table,

The tax balances that are presented in the statement of financial position:

	As of December 31	
	2021	2020
	NIS thousands	
Current assets (liabilities)		
Current tax assets	4,955	3,019
Current tax liabilities	-	(271)
Total	4,955	2,748
Non-current assets (liabilities		
Deferred tax assets	3,636	2,471
Deferred tax liabilities	(2,191)	-
Total	1,445	2,471

Note 26:- Taxes on income (Continued)

C. Composition of the tax expenses (tax benefits) on income

	For the year ended December 31		
	2021	**2020**	**2019**
	NIS thousands		
Current tax expenses (benefits)			
For the current year	5,539	7,410	4,083
Taxes for prior years, net	(1,242)	(61)	(59)
	4,297	7,349	4,024
Deferred tax expenses (income)			
Creation and reversal of temporary differences	(1,236)	(1,537)	21
Total taxes on income from continuing operations	3,061	5,812	4,045

D. Deferred taxes

The deferred tax balances as of December 31, 2021 and 2020 have been calculated in accordance with the tax rates that are expected to apply at the time of the reversal.

The following is the composition and the movement in deferred taxes for the years ended December 31, 2021 and 2020:

	As of December 31, 2020	Reflected in profit or loss	Reflected in other comprehensive income	Entry to consolidation	As of December 31, 20221
	NIS thousands				
For the year 2021					
Loss carried forward for tax purposes	1,475	1,031	-	-	2,506
Employee benefits	619	18	(79)	-	558
Other	-	-	-	(*) (2,183)	(2,183)
Amortization of surplus cost	35	70	-	-	105
For the current year	-	136	-	-	136
Taxes for prior years, net	342	(19)	-	-	323
Balance of deferred tax recorded under non-current assets	2,471	1,236	(79)	(2,183)	1,445

(*) The provision for tax that is attributed to the surplus cost.

Note 26:- Taxes on income (Continued)

D. Deferred taxes (Continued)

	As of December 31, 2020	Reflected in profit or loss	Reflected in other comprehensive income	As of December 31, 2020
	NIS thousands			
For the year 2020				
Loss carried forward for tax purposes	-	1,475	-	1,475
Employee benefits	465	72	82	619
Amortization of surplus cost	38	(3)	-	35
Taxes for prior years, net	349	(7)	-	342
Balance of deferred tax recorded under non-current assets	852	1,537	82	2,471

E. Theoretical tax

	For the year ended December 31		
	2021	2020	2019
	NIS thousands		
Income before taxes on income	31,314	31,677	3,038
The Company's principal tax rate	23%	23.0%	23.0%
	7,202	7,286	699
Additional tax liability (tax saving) for"			
Disallowed expenses	(2,296)	309	4,223
Creation of deferred taxes for losses for which deferred taxes were not recorded in the past	-	(664)	-
Utilization of losses for which deferred taxes were not recorded	(48)	(195)	(297)
The Company's share of the results of companies treated at equity	(562)	(891)	(472)
Taxes for prior years	(1,219)	(61)	(59)
Provisions at different tax rates	(14)	-	-
Other differences	(2)	28	(49)
Tax expenses on income from continuing operations	3,061	5,812	4,045

F. Deferred tax liabilities that have not been recognized

As of December 31, 2021 and 2020, a deferred tax liability attributed to affiliated and subsidiary companies, in the amounts of NIS 33,990 thousand and of NIS 32,667 thousand, respectively, have not been recognized since the decision whether to sell those companies is held by the Group and it does not intend to realize them in the foreseeable future.

Note 26:- Taxes on income (Continued)

G. Tax assessments

The Company has tax assessments that are deemed to be final up to and including the 2015 tax year.

The Company is currently in the midst of tax assessment hearings opposite the tax authorities for the years 2016 – 2019.

H. Losses carried forward

As of the reporting date, the Company has losses of approximately NIS 6 million carried forward, for which deferred tax assets have not been recorded. Furthermore, consolidated companies have losses of approximately NIS 12.4 million carried forward. Deferred tax assets have been recognized in respect of losses in an amount of NIS 11.9 million.

Note 27:- Information regarding operating segments

A. General

As of the reporting date, the Group has four reportable segments: performance of infrastructures in Israel, the entrepreneurial water field, the entrepreneurial energy field and the performance of infrastructures abroad field, see also Note 1(A).

The segments are identified based on the internal reporting regarding the components of the Group, which are reviewed routinely by the Group's Chief Operational Decision Maker for the purpose of the allocation of resources and the assessment of the operating segments' resources.

The business units contain different characteristics, both in their entrepreneurial and operational characteristics and the complexity of their operations. The Chief Operational Decision Maker and the Company's management reviews the internal managerial reports of each of the strategic business units at least once a quarter: the results of the investee companies and corporations under joint control, are reviewed by the Chief Operational Decision Maker in accordance with the Company’s share of the rights therein (proportional consolidation in accordance with the holdings in the said rights). See Note 11(C) for a description of the activities for each of the four reporting segments.

Note 27:- Information regarding operating segments (Continued)

	For the year ended December 31, 2021						
	Performance of infrastructures in Israel	**Water entrepreneurship**	**Energy and gas entrepreneurship**	**Performance of infrastructures abroad**	**Total reportable segments**	**Adjustments (*)**	**Total consolidated**
	NIS thousands						
Revenues from sales, works and services	162,926	61,486	84,121	14,784	323,317	(70,705)	252,612
Inter-segmental revenues	39,871	-	-	-	39,871	(612)	39,259
Total segmental revenues	202,797	61,486	84,121	14,784	363,188	(71,317)	291,871
Gross profit	**16,401**	**16,480**	**11,247**	**4,695**	**48,823**	**(12,924)**	**35,899**
Selling and marketing expenses						(2,044)	(2,044)
Administrative and general expenses						(19,038)	(19,038)
The Company's share of the results of affiliates and joint ventures						5,804	5,804
Other income (expenses)						13,970	13,970
Operating income							**34,591**
Financing income						5,287	5,287
Financing expenses						(8,564)	(8,564)
Taxes on income						(3,061)	(3,061)
Net income (loss)							**28,253**

(*) The adjustments are for eliminations on partial consolidation in accordance with the holding rate.

Note 27:- Information regarding operating segments (Continued)

Additional information: Revenues

	For the year ended December 31, 2021						
	Performance of infrastructures in Israel	**Water entrepreneurship**	**Energy and gas entrepreneurship**	**Performance of infrastructures abroad**	**Total reportable segments**	**Adjustments (*)**	**Total consolidated**
	NIS thousands						
Revenues from the performance of works (1)	202,797	26,832	3,612	14,784	248,025		
Revenues from the sale of water and energy and the distribution of gas (2)	-	34,654	47,804	-	82,458		
Revenues from the supply of services (2)	-	-	2,531	-	2,531		
Revenues from the establishment of infrastructures under concession arrangements (1)	-	-	30,174	-	30,174		
Total revenues	**202,797**	**61,486**	**84,121**	**14,784**	**363,188**	**(71,317)**	**291,871**
Depreciation and amortization expenses	**6,881**	**4,303**	**4,616**	**-**	**15,800**	**(3,419)**	**12,381**

(1) Revenues that are recognized over time.

(2) Revenues that are recognized at a point in time.

Note 27:- Information regarding operating segments (Continued)

	For the year ended December 31, 2020 (Audited)					
	Performance of infrastructures in Israel	**Water entrepreneurship**	**Energy and gas entrepreneurship**	**Total reportable segments**	**Adjustments (*)**	**Total consolidated**
	NIS thousands					
Revenues from sales, works and services	144,934	41,596	103,839	290,369	(106,824)	183,545
Inter-segmental revenues	74,093	-	-	74,093	(2,544)	71,549
Total segmental revenues	219,027	41,596	103,839	364,462	(109,368)	255,094
Gross profit	**34,595**	**8,348**	**9,627**	**52,570**	**(13,166)**	**39,404**
Selling and marketing expenses					(1,367)	(1,367)
Administrative and general expenses					(9,065)	(9,065)
The Company's share of the results of affiliates and joint ventures					5,634	5,634
Other income (expenses)					183	183
Operating income						**34,789**
Financing income					8,645	8,645
Financing expenses					(11,757)	(11,757)
Taxes on income					(5,812)	(5,812)
Net income (loss)						**25,865**

(*) The adjustments are for eliminations on partial consolidation in accordance with the holding rate.

Note 27:- Information regarding operating segments (Continued)

Additional information: Revenues

	For the year ended December 31, 2020 (Audited)					
	Performance of infrastructures in Israel	Water entrepreneurship	Energy and gas entrepreneurship	Total reportable segments	Adjustments (*)	Total consolidated
	NIS thousands					
Revenues from the performance of works (1)	219,027	15,013	132	234,172		
Revenues from the sale of water and energy and the distribution of gas (2)	-	26,583	41,858	68,441		
Revenues from the supply of services (2)	-	-	2,855	2,855		
Revenues from the establishment of infrastructures under concession arrangements (1)	-	-	58,994	58,994		
Total revenues	**219,027**	**41,596**	**103,839**	**364,462**	**(109,368)**	**255,094**
Depreciation and amortization expenses	**4,630**	**3,307**	**3,527**	**11,464**	**(3,244)**	**8,220**

(1) Revenues that are recognized over time.

(2) Revenues that are recognized at a point in time.

Note 27:- Information regarding operating segments (Continued)

	For the year ended December 31, 2019 (Audited)					
	Performance of infrastructures in Israel	Water entrepreneurship	Energy and gas entrepreneurship	Total reportable segments	Adjustments (*)	Total consolidated
	NIS thousands					
Revenues from sales, works and services	112,904	35,754	71,264	219,922	(74,669)	145,253
Inter-segmental revenues	56,547	-	-	56,547	(3,107)	53,440
Total segmental revenues	169,451	35,754	71,264	276,469	(77,776)	198,693
Gross profit	**19,151**	**11,188**	**6,978**	**37,317**	**(12,574)**	**24,743**
Selling and marketing expenses					(510)	(510)
Administrative and general expenses					(8,919)	(8,919)
The Company's share of the results of affiliates and joint ventures					4,966	4,966
Other income (expenses)					(11,888)	(11,888)
Operating income						**8,392**
Financing income					4,527	4,527
Financing expenses					(9,881)	(9,881)
Taxes on income					(4,045)	(4,045)
Net income (loss)						**(1,007)**

(*) The adjustments are for eliminations on partial consolidation in accordance with the holding rate.

Note 27:- Information regarding operating segments (Continued)

Additional information: Revenues

	For the year ended December 31, 2019 (Audited)					
	Performance of infrastructures in Israel	Water entrepreneurship	Energy and gas entrepreneurship	Total reportable segments	Adjustments (*)	Total consolidated
	NIS thousands					
Revenues from the performance of works (1)	169,451	7,601	2,741	179,793		
Revenues from the sale of water and energy and the distribution of gas (2)	-	28,153	35,026	63,179		
Revenues from the supply of services (2)	-	-	2,584	2,584		
Revenues from the establishment of infrastructures under concession arrangements (1)	-	-	30,913	30,913		
Total revenues	**169,451**	**35,754**	**71,264**	**276,469**	**(77,776)**	**198,693**
Depreciation and amortization expenses	**3,847**	**2,975**	**1,892**	**8,714**	**(2,473)**	**6,241**

(1) Revenues that are recognized over time.

(2) Revenues that are recognized at a point in time.

Note 28:- Contingencies

(1) At the end of 2020, the Company began an arbitration process with Shadmot Dvora Cooperative Workers Settlement Ltd. (hereinafter: "Shadmot Dvora") in light of Shadmot Dvora's non-fulfillment of its commitments under an irrevocable option agreement that had been signed between the parties in 2012, and the addition, the subject matter of which is cooperation for the purpose of the establishment and operation of a wind turbines farm, and the various actions that have been taken by Shadmot Dvora in order to frustrate the possibility of executing the establishment of the wind turbines farm. Within the framework of the arbitration process, Rimon has submitted a statement of claim, within the framework of which it is suing Shadmot Dvora for monetary remedies in an amount of NIS 61,486 thousand. As of the time of the approval of the financial statements, it is no yet possible to assess the chances of the arbitration process. Shadmot Dvora has submitted a statement of claim on its behalf and as of the reporting date, advanced stages of the arbitration process are being conducted between the parties.

(2) In May 2020, a lawsuit was submitted by Negev Ecology Agricultural Cooperative Society Ltd. against the Company in an amount of approximately NIS 4.12 million, alleging that the Company had breached the agreement between the parties for the performance of planning works and the establishment of an organic wastewater treatment facility in Kibbutz Mishmar Ha'Negev. The Company has submitted a statement of claim on its behalf, in tandem with which it submitted a statement of counter claim in an amount of approximately NIS 4.32 million. Negev Ecology has submitted a statement of defense to the statement of counter claim and the Company has submitted a statement of response on its behalf. As of the reporting date, the parties have completed the preliminary proceedings and a date has been set for the submission of evidentiary affidavits on behalf of the parties. Based on an opinion from its legal advisors, there is a probability of more than 50% that the Court will dismiss the plaintiff's lawsuit.

(3) On August 30, 2020, the Company was attached as a respondent in an appeal to the Supreme Court of Justice on behalf of two out of six holders of gas distributor licenses against the Director of the Natural Gas Authority and the Minister of Energy, to which all of the holders of distribution licenses were attached, including the Company, regarding a series of decisions that had been made by the Director of the Natural Gas Authority, the subject matter of which was the manner of the submission of applications for the updating of the timetables for the connection of the consumers and for the deployment of the distribution networks by the holders of the licenses. On March 17, 2021, a hearing was held on the appeal, which was dismissed at that time, and accordingly the Director of the Natural Gas Authority's requirements, in relation to which the appeal relates, remain in effect. Within this framework, the distribution companies will be required to submit additional applications for the updating of the timetables for the connection of consumers once every six months. In addition, pursuant to the decisions by the Director of the Natural Gas Authority, it will not be possible to submit applications retrospectively for the connection of consumers.

Note 29:- Financial instruments

A. General

The Group's financial instruments include primarily cash and cash equivalents, charged deposits, trade receivables, derivatives, other receivables, other payables, trade payables, short-term credit, loans, leasing liabilities and other long-term liabilities. The Group is of the opinion that the carrying values of the abovementioned financial assets and liabilities in the financial statements accords with or approximates to their fair value, except for leasing liabilities, See Note 29B(3)(b) for additional details.

The composition is as follows:

	As of December 31	
	2021	2020
	NIS thousands	
Current financial assets	501,728	235,291
Non-current financial assets	105,415	88,182
Current financial liabilities	(306,048)	(230,388)
Non-current financial liabilities	(93,357)	(78,924)
	207,738	14,161

B. Financial risks and the management thereof

The Group's operations expose it to risks that are connected to various financial instruments, such as:

- Credit risks;
- Liquidity risks;
- Market risks (including foreign currency risk, exposure to changes in the market prices of electricity, index risk and interest risk, fair value risk in respect of interest rates and cash flow in respect of interest rates.

The Group's risks management program, focuses on activity to reduce the possible negative impacts of the Company's exposures to financial risks on the Group's shareholders' equity, the operating results and cash flows. The management of the risks is the responsibility of the Company's managements, and it is performed as part of the management of the Group's operating activity. In the event of exceptional developments in the currency and interest markets, the data are examined by them.

The following is information regarding risks that are connected to the financial instruments and the manner in which they are managed:

(1) Credit risks

Credit risk is the risk of a financial loss that may be caused to the Group if a customer or a counter party to a financial instrument does not fulfill its contractual commitments, and it derives primarily from customers' debts and other receivables and from loans that have been provided to third parties.

The full theoretical exposure to credit risk amounts to NIS 305,200 thousand as of December 31, 2021 (2020: NIS 233,159 thousand).

In the Company's management's assessment, the Group's credit risk as of the reporting date is low, which is for the following reasons:

- A considerable part of the Group's revenues from the establishment of water and gas infrastructures and from the sale of water are received from the State of Israel and from other public bodies.
- Cash and cash equivalents and deposits that are held in banks and financial institutions, which in the Company's management's assessment have a high level of financial stability.

Note 29:- Financial instruments (Continued)

B. Financial risks and the management thereof (Continued)

(2) Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in fulfilling obligations that are connected to its financial liabilities, which are settled by the delivery of cash or some other financial asset. The Group's approach to the management of its liquidity risks is to ensure, insofar as is possible, a sufficient level of liquidity in order to fulfill its commitments on time, under regular conditions and under conditions of stress, without it being caused undesirable losses or damage to its goodwill.

The cash surpluses that are held by the Group companies, which are not required for financing the operating activity, are invested in interest-bearing investment channels such as short-term deposits. These investment channels are selected by the Company's management in accordance with forecasts of the future in respect of the Group companies' cash requirements for fulfilling their commitments. The forecast of the cash flows is determined both at the level of the various entities in the Group and also at the consolidated level. The Company examines current forecasts of its cash flow requirements in order to verify that it holds sufficient cash for the operation needs and for future growth, with stringent attention being paid to ensuring that at all times there shall be unutilized credit facilities such that the Company will not exceed the credit facilities that have been set for it and the financial covenants that it is obligated to comply with.

The Group's objective is to maintain the existing ratio between the receipt of ongoing financing and the flexibility that exists by means of the use of credit.

Note 29:- Financial instruments (Continued)

B. Financial risks and the management thereof (Continued)

(2) Liquidity risks (Continued)

Analysis of the forecast repayment times for the financial liabilities:

The following table presents the forecasts for the financial liabilities (principal and forecast interest) in undiscounted amounts, which do not constitute derivative financial instruments in accordance with their forecast settlement times:

		As of December 31, 2021				
		Forecast cash flows				
	Interest rate	Carrying value	Up to 1 year	2 to 3 years	More than 3 years	Total
	%	NIS thousands				
Trade payables and other payables	-	174,645	174,645	-	-	174,645
Long-term liabilities	3.1	13,983		15,302	-	15,302
Leasing liabilities	3.4 – 5	5,731	3,167	2,150	782	6,099
Short-term credit from banking corporations	1.8	119,012	119,171	-	-	119,171
Long-term credit from banking corporations (including current maturities	2.9	76,619	11,716	19,610	57,763	89,089
		390,340	309,049	37,062	58,545	404,306

		As of December 31, 2020				
		Forecast cash flows				
	Interest rate	Carrying value	Up to 1 year	2 to 3 years	More than 3 years	Total
	%	NIS thousands				
Trade payables and other payables	-	124,980	124,980	-	-	124,980
Long-term liabilities	3.1	5,725	-	6,265	-	6,265
Leasing liabilities	3.4 – 5	8,031	2,570	2,623	3,775	8,968
Short-term credit from banking corporations	3.2	97,031	97,277	-	-	97,277
Long-term credit from banking corporations (including current maturities	2.9	75,819	10,365	18,882	59,134	88,381
		311,586	235,192	27,770	62,909	325,871

Note 29:- Financial instruments (Continued)

B. Financial risks and the management thereof (Continued)

(3) Market risks

Market risks is the risk that a change in the market prices to which the Group is exposed, such as: the exchange rates of foreign currency, interest rates and the Consumer Prices Index will affect the Group's revenues or on the value of its holdings in financial instruments. The objective in the management of the market risks is to manage and to supervise the exposure to market risks by means of generally accepted parameters, whilst maximizing the yield.

The following are the types of market risks:

(a) Foreign currency risk

Foreign currency – the Group is exposed to foreign currency risk as a result of changes in the exchange rates of foreign currencies – the dollar and the euro. The foreign currency risk derives from the execution of transactions that are denoted in foreign currency as well as from the existence of financial assets and financial liabilities that are denoted in foreign currency, which is different from the Company's functional currency and reporting currency (NIS)

As mentioned above, the period from the time of the purchase of the equipment to the time at which it is paid for in full is very limited.

The following is an analysis of the Group's sensitivity to foreign currency.

The impact of a change of 5% in the exchange rate on the profit and loss is as follows:

	As of December 31, 2021		
	Increase of 5%	Carrying value	Decrease of 5%
	NIS thousands		
Sensitivity to foreign currency (*) – a change of 5%			
Current assets	351	7,010	(351)
Non-current assets	47	933	(47)
Current liabilities	(437)	(8,738)	437
Non-current liabilities	(46)	(922)	46

(*) Primarily the euro

	As of December 31, 2020		
	Increase of 5%	Carrying value	Decrease of 5%
	NIS thousands		
Sensitivity to foreign currency (*) – a change of 5%			
Current assets	495	9,898	(495)
Non-current assets	82	1,634	(82)
Current liabilities	(99)	(1,989)	99
Non-current liabilities	(45)	(899)	45

(*) Primarily the euro

Note 29:- Financial instruments (Continued)

B. Financial risks and the management thereof (Continued)

(3) Market risks (Continued)

(b) Interest risk

Fair value risk – the Group has investments in financial instruments, which bear interest at a fixed rate and financial liabilities that are classified as long-term loans, which bear interest at a fixed rate. The Group does not have an exposure to risk in respect of the fair value of these financial instruments, which would affect the Group's profit and loss or its shareholders' equity, since these financial instruments are measured at amortized cost.

As of December 31, 2021, the Group has loans in an amount of NIS 20,144 thousand, which bear interest at a fixed rate, accordingly there is no such interest rate risk in respect of them. The fair value of the loans at the reporting date (which are measured at level 2 of the fair value hierarchy) approximates to their carrying value in the accounting records.

Cash flows risk – financial liabilities, which bear interest at variable rates, expose the Group to cash flows risk in respect of changes in interest rates.

The following table details the impact of an addition or a reduction of 1% in the prime interest rate on the profit and loss in respect of financial liabilities, which are exposed to cash flows risk in respect of a change in the interest rate (before the impact of taxation):

	As of December 31, 2021		As of December 31, 2020	
	Carrying value	Change of 1% Profit and loss	Carrying value	Change of 1% Profit and loss
	NIS thousands			
Loan bearing interest at a variable rate	195,201	1,952	171,912	-

(4) Financial instruments that are presented at fair value in the financial statements

For the purpose of the measurement of the fair value of financial instruments, the Group classified the financial instruments, which are measured at their fair value in the statement of financial position.

Note 29:- Financial instruments (Continued)

C. Change in liabilities deriving from financing activities

The following table details the changers in the Group's liabilities deriving from financing activities, including both changes deriving from cash flows as well as non-cash changed. The liabilities deriving from financing activities are liabilities for which the cash flows have been classified or the future cash flows will be classified as cash flows from financing activities in the statement of cash flows.

	Balance as of January 1, 2021	Cash flows from financing activities (*)	Other changes	Balance as of December 31, 2021
	NIS thousands			
Short-term credit from banking corporations	97,032	20,323	1,658	119,013
Loans from banking corporations	75,819	313	1,113	77,245
Other non-current liabilities	5,725	7,236	1,022	13,983
Liabilities for finance leases	8,031	(3,021)	721	5,731
	186,607	24,851	4,514	215,972

	Balance as of January 1, 2020	Cash flows from financing activities (*)	Other changes	Balance as of December 31, 2020
	NIS thousands			
Short-term credit from banking corporations	70,705	26,327	-	97,032
Loans from banking corporations	71,539	4,140	140	75,819
Other non-current liabilities	5,702	-	23	5,725
Liabilities for finance leases	6,530	(1,990)	3,491	8,031
	154,476	28,477	3,654	186,607

(*) The cash flows from financing activities include the net cash flows that are presented in the statement of cash flows as cash flows deriving from financing activities

Note 30:- Additional information on events after the reporting date

(1) On February 3, 2022, the Company made a commitment with a private company, which was incorporated in Spain, which is part of the Spanish Terratest Group S.L. (hereinafter: the "Acquiree company" and "Terratest", respectively) under a memorandum of understanding for the acquisition of the entire (100%) share capital of the acquire company and all of Terratest's jacking activity, with all of the relevant assets (hereinafter, together: the "Acquisition transaction" and the "Memorandum of understanding", as the case may be).

The acquire company has more than 20 years of experience in the jacking field and it is an expert in the performance in performing tunneling work through various types of ground, it is a world leader in especially complex maritime infrastructures projects for desalination facilities and other on-shore facilities and it specializes in the field of on-land and maritime tunneling and jacking across the world, which is a supplementary and synergetic field to the Company's operations. It should be mentioned that Terratest's jacking activity, including that performed through the acquire company, are performed on five different continents – South America, Central America, Asia, Africa and Europe.

Note 30:- Additional information on events after the reporting date

(1) (Continued)

It should be mentioned that the Company and additional companies in the Terratest Group, including the acquire company, are performing a cooperating in a project for the laying a pipeline by jacking and the performance of horizontal drillings in Israel.

Pursuant to the memorandum of understanding, the signature on a detailed agreement between the parties and the completion of the acquisition transaction by virtue thereof, are subject to the fulfillment of a number of conditions, inter alia, the completion of a legal, financial taxation, business technical and operational due diligence check by the Company, to its satisfaction and at its absolute discretion (hereinafter: the "Due diligence check"), the receipt of the approval from the Company's Board of Directors and the execution of the structural and personnel changes that are required.

The price of the acquisition is estimated at approximately NIS 67.5 million euros, before the lowering of the existing financial debt and the execution of the adjustments that are required, based on the information that has been provided to the Company. It should be clarified that both the price of the acquisition transaction and the execution of the transaction as a whole, are subject to the performance of a due diligence check by the Company, as mentioned above.

Within the framework of the memorandum of understanding, Terratest and the acquire company have undertaken not to conduct negotiations and not to respond to any offer from any party, which related directly or indirectly to the acquisition (No Shop). This commitment is in effect until May 31, 2022.

(2) On January 30, 2022, Ofek, the subsidiary company, received notification from Mekorot Water Company Ltd. (hereinafter: the "Commissioner") that it had won a tender, which had been published by the commissioner for the performance of procurement and the laying of a steel pipeline with a diameter of 80 inches for the connection of the Western Galilee Desalination Plant to the national water grid (hereinafter: the "Tender" and the "Project", respectively.

Within the framework of the project, Ofek has undertaken to perform the works involved in the laying of the pipeline, including the procurement of a steel pipeline with a diameter of 80 inches and the pipe jacking works, where pursuant to the terms of the tender, the timing for the completion of the performance of the works has been set for June 1, 2023. In order to perform part of the works in the project, Ofek has made a commitment with a foreign supplier, which will be the main sub-contractor on its behalf.

As of the time of the approval of these financial statements, not all of the crucial conditions for the purpose of the parties' commitment under an agreement for the performance of the project (hereinafter: the "Agreement") and which are generally acceptable conditions that exist in additional tenders in which Ofek participates, have been fulfilled. Pursuant to the agreement, the consideration for the performance of the works in the project is an overall amount of approximately NIS 200 million (with the addition of VAT in accordance with the law) and it is payable in accordance with a quantities list and subject to the meeting of milestones pursuant to the agreement.

Pursuant to the terms of the tender, Ofek has provided an offer guarantee in an amount of NIS 200 thousand in support of the commissioner, and it is expected to provide a performance guarantee in an amount equivalent to 10% of the consideration for the project and a quality guarantee in an amount equivalent to 5% of the consideration for the project

(3) On March 30, 2022, the Company's Board of Directors decided to distribute a dividend of NIS 15,000 thousand.