

Translated from the Hebrew Original

Alrov Properties and Lodgings Ltd.
Consolidated Financial Statements
As of December 31, 2023

The information contained in these financial statements constitutes an unofficial translation of the financial statements published by the Company in Hebrew. The Hebrew version is the binding version. This translation was prepared for convenience purposes only.



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**Auditors' Report to the Shareholders of Alrov Properties and Lodgings Ltd.
Regarding the Audit of Internal Control Components over Financial
Reporting in accordance with paragraph 9b(c) of the Israeli Securities
Regulations (Periodic and Immediate Reports), 1970**

We have audited internal control components over financial reporting of Alrov Properties and Lodgings Ltd. and its subsidiaries (hereinafter "the Company") as of December 31, 2023. These control components were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the Company's internal control components over financial reporting accompanying the periodic report as of the above date. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit. We did not audit the effectiveness of internal control components over financial reporting of certain consolidated subsidiaries whose assets and revenues constitute approximately 19% and approximately 22% of the total consolidated assets and revenues, respectively, included in the consolidated financial statements as of December 31, 2023 and for the year then ended. The effectiveness of those companies' internal control components over financial reporting was audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the effectiveness of internal control components over financial reporting of such companies, is based solely on the reports of the other auditors.

Audited internal control components over financial reporting were determined in accordance with Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components over Financial Reporting" (hereinafter "Auditing Standard (Israel) 911"). These components are: (1) Entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls; (2) controls over the investment property process; (3) controls over treasury of cash management and debt management; (4) controls over hotels income process; (5) controls over the payroll process in hotels (all these are named together "audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. This standard requires us to plan and perform the audit to identify the audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit, regarding those control components, also included performing such other procedures as we considered necessary in the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to mutual effects between audited control components and non audited control components, therefore our opinion does not take into account these possible effects. We believe that our audit, and the reports of the other auditors, provide a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and internal control components in particular, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



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In our opinion, based on our audit and on the reports of the other auditors, the Company maintained, in all material respects, effective audited control components as of December 31, 2023.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and our report dated March 24, 2024 expressed an unqualified opinion on those financial statements based on our audit and the reports of other auditors.

Somekh Chaikin
Somekh Chaikin
Certified Public Accountants (Isr.)

March 24, 2024



Somekh Chaikin
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Auditors' Report to the Shareholders of Alrov Properties and Lodgings Ltd.

We have audited the accompanying consolidated statements of financial position of Alrov Properties and Lodgings Ltd. (hereinafter "the Company") as of December 31, 2023 and 2022 and the consolidated income statements, statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. 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.

We did not audit the financial statements of certain consolidated subsidiaries whose assets included in consolidation constitute approximately 19% and 22% of total consolidated assets as of December 31, 2023 and 2022, respectively, and whose revenues included in consolidation constitute approximately 22%, 18% and 13% of total consolidated revenues for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of December 31, 2023 and 2022 and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023 in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) - 2010.

Key audit matters

The key audit matters described hereunder are matters that were communicated or were required to be communicated to the Company's Board of Directors and which, according to our professional judgement, were very material to the current period audit of the consolidated financial statements. These matters include, inter alia, any matter that: (1) Relates, or may relate, to accounts or disclosures that are material to the financial statements; and (2) Involved especially challenging, subjective, or complex auditor judgment. A response to these matters is provided in the framework of our audit and the preparation of our opinion on the consolidated financial statements as a whole. Communication of the matters indicated hereunder does not change our opinion on the consolidated financial statements as a whole and does not constitute a separate opinion on these matters or on the accounts or disclosures to which they relate.



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Fair value estimate of investment property and properties classified as fixed assets (other than properties under construction)

Why this matter is a key audit matter

As described in Notes 3, 4, 13 and 14 of the consolidated financial statements, the Company measures investment property in accordance with the fair value model pursuant to IAS 40 *Investment Property* and the properties classified as fixed assets (other than properties under construction) in accordance with the revaluation model pursuant to IAS 16 *Property, Plant and Equipment* (hereinafter together: **revalued properties**).

The value of the investment property and aforesaid fixed assets that was recognized in the consolidated statement of financial position as at December 31, 2023 is NIS 10,752 million and NIS 5,375 million, respectively. The decrease in the net fair value of investment property for the year ended December 31, 2023 that was recognized in the consolidated income statement amounted to NIS 228 million, and the net decrease in the fair value of the aforesaid fixed assets for the year ended December 31, 2023 that was recognized in the consolidated statement of other comprehensive income net of tax amounted to NIS 46 million.

In the process of estimating the fair value of these assets, management of the Company relies on, *inter alia*, external valuations that are performed by independent experts. The valuation of the revalued properties requires management and the independent experts to exercise judgement and use significant estimates.

Management of the Company and its experts examine various inputs and assumptions in order to estimate the fair value of the revalued properties, including:

Specific information regarding each property and its characteristics such as location, rental income, occupancy rates, discount rates, operating profitability of the hotels, etc.

Observable inputs for similar properties and recent comparable transactions on the market.

The fair value estimate of the revalued properties is a key audit matter in view of the materiality of these properties and in view of the significant judgement related to determination of the principal assumptions and estimates used in the fair value estimate. A change in these assumptions and estimates may have a material effect on the fair value of the revalued properties presented in the Company's financial statements. The audit of the fair value of the revalued properties involves significant auditor judgement as well as knowledge and experience for examining reasonableness of the assumptions and inputs that were used by management to determine the fair value of the revalued properties.

The response provided for addressing the key audit matter

The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:

We examined the Company's process for calculating the fair value estimate and the design and operating effectiveness of certain internal controls that are related to determining the fair value estimate, including controls related to the following matters:

- The process applied by management for transferring the inputs to the valuers and regarding management's review of the value estimated by the external valuers;
- The examination by management of the Company of sample base inputs and principal assumptions that were used for calculating the fair value estimate;



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Audited internal control components over financial reporting were determined in accordance with Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components over Financial Reporting" (hereinafter "Auditing Standard (Israel) 911"). These components are: (1) Entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls; (2) controls over the investment property process; (3) controls over treasury of cash management and debt management; (4) controls over hotels income process; (5) controls over the payroll process in hotels (all these are named together "audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. This standard requires us to plan and perform the audit to identify the audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit, regarding those control components, also included performing such other procedures as we considered necessary in the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to mutual effects between audited control components and non audited control components, therefore our opinion does not take into account these possible effects. We believe that our audit, and the reports of the other auditors, provide a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and internal control components in particular, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



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We performed substantive procedures for examining reasonableness of the fair value of the revalued properties, both in and outside of Israel, on the basis of representations we received. These procedures included, inter alia:

- Assessing the skills, independence and integrity of the independent experts that were appointed by the Company;
- Obtaining the valuations of the revalued properties and inquiring with management and the valuers acting on its behalf as regards material valuations so as to assess the reasonableness and consistency of principal assumptions regarding trends in the relevant market;
- Engaging external experts on our behalf for assessing the reasonableness of material valuations including reasonableness of the methodology that was used for measuring the value, principal assumptions and the results of the valuation as a whole;
- Comparing the final values of the valuations of the revalued properties with the values in the consolidated financial statements;

It is noted that part of the procedures indicated above were performed by other auditors in the Group.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "An Audit of Components of Internal Control Components over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 24, 2024 included an unqualified opinion on the effective maintenance of those components.

Somekh Chaikin
Somekh Chaikin
Certified Public Accountants (Isr.)

March 24, 2024

Consolidated Statements of Financial Position as at December 31

		2023	2022
	Note	NIS thousands	NIS thousands
Assets			
Cash and cash equivalents	6	111,814	158,557
Securities at fair value through profit or loss	7	785,565	781,549
Trade receivables	8	34,576	43,956
Other receivables, including derivative instruments	9	180,664	47,447
Current tax assets		1,874	4,290
Hotelier inventory	10	24,940	23,920
Total current assets		1,139,433	1,059,719
Investments in equity accounted investees	12	609	590
Other investments at fair value through profit or loss	19	6,124	5,370
Long-term receivables, including derivative instruments	34C, 33D-1	77,609	115,740
Investment property	13	10,751,991	9,864,665
Fixed assets at cost	14	102,769	117,074
Fixed assets at revalued amount	14	5,374,835	5,253,972
Intangible assets	25	182,949	171,156
Total non-current assets		16,496,886	15,528,567
Total assets		17,636,319	16,588,286


Alfred Akirov – Chairman of the Board


Shmuel Ben-Moshe – CEO


Meir Elhakham – Financial Manager

Date of approval of the financial statements: March 24, 2024

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

Consolidated Statements of Financial Position as at December 31

	Note	2023 NIS thousands	2022 NIS thousands
Credit from banks	15	272,053	-
Current maturities of loans from banks	18	1,286,188	506,075
Current maturities of debentures	18	109,161	417,149
Short-term employee benefits		18,617	17,684
Trade payables	16	76,837	76,322
Other payables, including derivative instruments	17	361,658	319,956
Current tax liabilities		15,153	23,857
Total current liabilities		2,139,667	1,361,043
Loans from banks	18	5,591,047	5,372,403
Debentures	18	1,044,943	939,980
Other financial liabilities, including derivative instruments	20	175,654	73,120
Employee benefits	21	12,352	11,009
Deposits	22	20,104	18,945
Deferred tax liabilities	30	1,559,958	1,510,020
Total non-current liabilities		8,404,058	7,925,477
Total liabilities		10,543,725	9,286,520
Equity	23		
Share capital		32,669	36,106
Share premium		-	232,451
Capital reserve from merger		202,778	279,426
Revaluation reserve for fixed assets, net of tax		1,474,443	1,520,049
Translation reserve from foreign operations		237,852	(14,140)
Reserve from transactions with non-controlling interests		(105,547)	(105,547)
Retained earnings		3,717,268	3,931,829
Equity attributable to owners of the Company		5,559,463	5,880,174
Non-controlling interests		1,533,131	1,421,592
Total equity		7,092,594	7,301,766
Total equity and liabilities		17,636,319	16,588,286

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

Consolidated Income Statements for the Year Ended December 31

	Note	2023 NIS thousands	2022 NIS thousands	2021 NIS thousands
Revenues				
Hotel operations		775,315	697,434	278,334
Rent and housing for the elderly		459,398	380,511	371,585
Maintenance – housing for the elderly		-	1,543	5,860
Income from property management		50,692	52,193	42,667
Gain from securities at fair value through profit or loss and other income	26	3,406	9,298	288,681
Increase in fair value of investment property, net	13	-	227,512	435,639
The Company's share of profits of equity accounted associates	12	-	10	36
		1,288,811	1,368,501	1,422,802
Expenses				
Hotel operations	27	601,571	484,039	255,134
Closing of hotels	27	3,665	-	4,756
Hotel depreciation	14	117,719	107,771	114,210
Total expenses from hotel operations		722,955	591,810	374,100
Operation of assets		37,251	29,234	28,790
Maintenance of housing for the elderly		-	2,149	7,770
Property management expenses		45,004	47,709	38,295
Depreciation general and administrative	14	13,503	13,693	14,817
General and administrative	28	113,166	106,372	72,581
Loss from securities at fair value through profit or loss and other expenses	26	-	221,277	-
Decrease in fair value of investment property	13	228,240	-	-
Company's share of losses of associates, net of tax		17	-	-
		1,160,136	1,012,244	536,353
Operating profit		128,675	356,257	886,449
Financing costs				
Financing income		47,868	100,289	78,555
Financing expenses		(392,346)	(172,870)	(237,531)
Financing expenses, net	29	(344,478)	(72,581)	(158,976)
Profit (loss) before taxes on income		(215,803)	283,676	727,473
Income tax expenses	30	(7,228)	(76,811)	(134,263)
Net profit (loss) for the year		(223,031)	206,865	593,210
Attributable to:				
The owners of the Company		(209,127)	147,854	528,465
Non-controlling interests		(13,904)	59,011	64,745
Net profit (loss) for the year		(223,031)	206,865	593,210
Net earnings (loss) per share - in NIS				
Basic and diluted	24	(9.93)	6.41	22.92

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

Consolidated Statements of Comprehensive Income for the Year Ended December 31

	<u>Note</u>	2023 NIS thousands	2022 NIS thousands	2021 NIS thousands
Net profit (loss) for the year		(223,031)	206,865	593,210
Other comprehensive income (loss) items that after initial recognition in comprehensive income will be transferred to profit or loss				
Foreign currency translation differences for foreign operations	23B	433,680	331,184	(141,453)
Total other comprehensive income (loss) for the year that after initial recognition in comprehensive income will be transferred to profit or loss		433,680	331,184	(141,453)
Other comprehensive income (loss) items that will not be transferred to profit or loss, net of tax				
Remeasurement of defined benefit plan, net of tax	30F	(471)	1,229	561
Revaluation of fixed assets, net of tax	30F	(46,530)	595,866	217,696
Total other comprehensive income (loss) for the year that will not be transferred to profit or loss		(47,001)	597,095	218,257
Total comprehensive income for the year		163,648	1,135,144	670,014
Total comprehensive income (loss) attributable to:				
Owners of the Company		(2,796)	939,643	638,799
Non-controlling interests		166,444	195,501	31,215
Total comprehensive income for the year		163,648	1,135,144	670,014

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

Consolidated Statements of Changes in Equity for the Year Ended December 31

	For the year ended December 31, 2023										Non-controlling interests NIS thousands	Total equity NIS thousands		
	Share capital NIS thousands	Share premium NIS thousands	Capital reserve from merger NIS thousands	Translation reserve from foreign operations NIS thousands	Reserve from transactions with non-controlling interests NIS thousands	Revaluation reserve for fixed assets, net of tax NIS thousands	Retained earnings NIS thousands	Total NIS thousands						
								Attributable to the owners of the Company						
Balance at January 1, 2023	36,106	232,451	279,426	(14,140)	(105,547)	1,520,049	3,931,829	5,880,174		1,421,592	7,301,766			
Comprehensive income (loss) for the year:														
Loss for the year	-	-	-	-	-	-	-	(209,127)	(209,127)	(13,904)	(223,031)			
Items of other comprehensive income (loss):														
Re-measurement of defined benefit plan, net of tax	-	-	-	-	-	-	(55)	(55)	(55)	(416)	(471)			
Revaluation of fixed assets, net of tax	-	-	-	-	-	(45,606)	-	-	(45,606)	(924)	(46,530)			
Foreign currency translation differences for foreign operations	-	-	-	-	251,992	-	-	-	251,992	181,688	433,680			
Total comprehensive income for the year	-	-	-	-	251,992	-	(45,606)	(209,182)	(2,796)	166,444	163,648			
Transaction with owners that were recognized directly in equity:														
Acquisition of treasury shares (see Note 23E)	(3,437)	(232,451)	(76,648)	-	-	-	-	-	(312,536)	-	(312,536)			
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	483	483			
Dividend	-	-	-	-	-	-	(5,379)	(5,379)	(5,379)	-	(5,379)			
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	-	(55,388)	(55,388)			
Balance at December 31, 2023	32,669	-	202,778	237,852	(105,547)	1,474,443	3,717,268	5,559,463		1,533,131	7,092,594			

The balances at December 31, 2023 of share capital, share premium and capital reserve from merger include a repurchase of the Company's shares in the total amount of NIS 588,866 thousand.

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

Consolidated Statements of Changes in Equity for the Year Ended December 31

	For the year ended December 31, 2022									Non-controlling interests NIS thousands	Total equity NIS thousands		
	Share capital NIS thousands	Share premium NIS thousands	Capital reserve from merger NIS thousands	Translation reserve from foreign operations NIS thousands	Reserve from transactions with non-controlling interests NIS thousands		Revaluation reserve for fixed assets, net of tax NIS thousands	Retained earnings NIS thousands	Total NIS thousands				
					Attributable to the owners of the Company	Non-controlling interests							
Balance at January 1, 2022	36,106	232,451	279,426	(241,640)	(290)	962,308	3,815,454	5,083,815		496,202	5,580,017		
Comprehensive income (loss) for the year:													
Profit for the year	-	-	-	-	-	-	-	147,854	147,854	59,011	206,865		
Items of other comprehensive income (loss):													
Re-measurement of defined benefit plan, net of tax	-	-	-	-	-	-	758	758	758	471	1,229		
Revaluation of fixed assets, net of tax	-	-	-	-	-	590,504	-	-	590,504	5,362	595,866		
Foreign currency translation differences for foreign operations	-	-	-	200,527	-	-	-	-	200,527	130,657	331,184		
Total comprehensive income for the year	-	-	-	200,527	-	590,504	148,612	939,643		195,501	1,135,144		
Transaction with owners that were recognized directly in equity:													
Acquisition of treasury shares (see Note 12C)	-	-	-	26,973	(105,353)	-	-	-	(78,380)	734,172	655,792		
Transaction with non-controlling interests	-	-	-	-	96	-	-	-	96	639	735		
Dividend	-	-	-	-	-	-	(65,000)	(65,000)	-	(65,000)	-		
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,922)	(4,922)		
Realization of revaluation reserve for fixed assets	-	-	-	-	-	(32,763)	32,763	-	-	-	-		
Balance at December 31, 2022	36,106	232,451	279,426	(14,140)	(105,547)	1,520,049	3,931,829	5,880,174		1,421,592	7,301,766		

The balances at December 31, 2022 of share capital and share premium include a repurchase of the Company's shares in the total amount of NIS 276,328 thousand. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity for the Year Ended December 31 (cont'd)

	For the year ended December 31, 2021									Non-controlling interests NIS thousands	Total equity NIS thousands	
			Capital reserve from merger NIS thousands	Translation reserve from foreign operations NIS thousands	Reserve from transactions with non-controlling interests NIS thousands	Revaluation reserve for fixed assets, net of tax NIS thousands	Retained earnings NIS thousands	Total NIS thousands				
	Share capital NIS thousands	Share premium NIS thousands										
Attributable to the owners of the Company												
Balance at January 1, 2021	36,115	233,099	279,426	(133,825)	4,567	744,612	3,286,536	4,450,530		464,393		4,914,923
Comprehensive income (loss) for the year:												
Profit for the year	-	-	-	-	-	-	-	528,465	528,465	64,745		593,210
Items of other comprehensive income (loss):												
Re-measurement of defined benefit plan, net of tax	-	-	-	-	-	-	453	453		108		561
Revaluation of fixed assets, net of tax	-	-	-	-	-	217,696	-		217,696	-		217,696
Foreign currency translation differences for foreign operations	-	-	-	(107,815)	-	-	-	(107,815)		(33,638)		(141,453)
Total comprehensive income for the year	-	-	-	(107,815)	-	217,696	528,918	638,799		31,215		670,014
Transaction with owners that were recognized directly in equity:												
Acquisition of treasury shares (see Note 23E)	(9)	(648)	-	-	-	-	-	(657)		-		(657)
Transaction with non-controlling interests	-	-	-	-	(4,857)	-	-	(4,857)		4,857		-
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-		(4,263)		(4,263)
Balance at December 31, 2021	36,106	232,451	279,426	(241,640)	(290)	962,308	3,815,454	5,083,815		496,202		5,580,017

The balances at December 31, 2021 of share capital and share premium include a repurchase of the Company's shares in the total amount of NIS 276,328 thousand.

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

Consolidated Statements of Cash Flows for the Year Ended December 31

	Note	2023 NIS thousands	2022 NIS thousands	2021 NIS thousands
Cash flows from operating activities				
Net profit (loss) for the year		(223,031)	206,865	593,210
Adjustments:				
Depreciation	14	131,222	121,464	129,027
Decrease (increase) in fair value of investment property		228,240	(227,512)	(435,639)
Amortization of costs of raising loans and debentures		444	5,734	1,907
Erosion of deposits, net		172	129	(557)
The Company's share of (profits) losses of equity accounted investees	12	17	(10)	(36)
Loss (gain) from securities and other investments	26	(3,106)	221,277	(286,492)
Financing costs, net		346,638	69,915	156,507
Interest paid		(273,941)	(124,975)	(125,078)
Income tax paid		(34,160)	(26,030)	(55,693)
Income tax expense	30	7,228	76,811	134,263
Receipt of housing for the elderly deposits		-	614	20
Repayment of housing for the elderly deposits		-	(1,295)	(717)
Proceeds from sale of apartment inventory	11	-	-	30,178
Capital gain from sale of fixed assets and investment property		-	(908)	-
		179,723	322,079	140,899
Change in trade receivables and other receivables		(2,339)	(14,512)	(6,840)
Change in long-term receivables		(6,587)	3,241	(6,596)
Change in current liabilities		261	31,946	68,580
Change in hotelier inventory		66	482	374
Change in employee benefits		683	1,776	(2,099)
		(7,916)	22,933	53,419
Net cash from operating activities		171,807	345,012	194,318
Cash flows from investing activities				
Proceeds from sale of marketable securities	7	-	43,664	240,160
Investment in marketable securities	7	(6,933)	(188,155)	(416,469)
Proceeds from sale of investment property		-	57,977	
Proceeds from sale of fixed assets		-	37,523	
Receipts (payment) for derivatives, net		951	(9,244)	61,863
Dividends received		5,405	1,633	5,223
Investment in fixed assets		(22,525)	(18,447)	(6,423)
Investment in investment property		(151,378)	(145,535)	(321,818)
Change in long-term receivables, net		(249)	106	-
Change in deposits		(106,044)	-	-
Receipts (payments) of VAT on investment property and fixed assets, net		-	998	(732)
Net cash used in investing activities		(280,773)	(219,480)	(438,196)

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

Consolidated Statements of Cash Flows for the Year Ended December 31 (cont'd)

	2023 NIS thousands	2022 NIS thousands	2021 NIS thousands
Cash flows from financing activities			
Credit from banks, net	259,182	(211,254)	413,606
Receipt of long-term loans from banks, less raising expenses	1,039,776	600,364	251,721
Repayment of long-term loans from banks	(595,386)	(1,131,750)	(816,888)
Proceeds from issuance of debentures (less issuance expenses)	184,610	103,610	648,191
Repurchase of own shares	(312,536)	-	(657)
Repayment of credit from suppliers in respect of construction	(35,420)	(18,796)	(24,334)
Repayment of own debentures including repurchase	(423,889)	(55,184)	(229,161)
Issuance of subsidiary, Note 12C	-	655,792	-
Dividend paid	(5,379)	(65,000)	-
Payment of principal of lease liabilities	(5,983)	(5,291)	(5,178)
Change in rent deposits, net	194	1,322	504
Dividend distributed to non-controlling interests	(55,388)	(4,597)	(3,509)
Net cash from (used in) financing activities	49,781	(130,784)	234,295
Decrease in cash and cash equivalents			
	(59,185)	(5,252)	(9,583)
Cash and cash equivalents at beginning of year	158,557	120,097	139,063
Effect of exchange rate fluctuations on cash and cash equivalents	12,442	43,712	(9,383)
Cash and cash equivalents at end of year	111,814	158,557	120,097

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

Note 1 - General

A. Reporting entity

Alrov Properties and Lodgings Ltd. (hereinafter - "the Company") is an Israeli resident company that was incorporated in Israel and its address of record is 46 Rothschild Blvd., Tel Aviv. The consolidated financial statements of the Group as at December 31, 2023 include those of the Company and its subsidiaries (hereinafter collectively - "the Group"), as well as the interests of the Group in associate companies. The Company is controlled by Mr. Alfred Akirov through companies that he owns. The Group operates primarily in the hotel sector in Israel and overseas as well as in the investment property sector by way of development or acquisition of income generating property, particularly shopping centers and offices.

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

B. Definitions

In these financial statements –

- (1) The Company - Alrov Properties and Lodgings Ltd.
- (2) The Group - Alrov Properties and Lodgings Ltd. and its consolidated companies.
- (3) Consolidated companies/subsidiaries – Companies, including a partnership, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (4) Investee companies – Consolidated companies and companies, including a partnership or joint venture, the Company's investment in which is stated, directly or indirectly, on the equity basis.
- (5) Related party - Within its meaning in IAS 24 (2009), "Related Party Disclosures".
- (6) Interested parties – Within their meaning in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law, 1968.

C. Effect of "Iron Swords" war

The "Iron Swords" war began on October 7, 2023 following an attack of the Hamas terrorist organization on the communities surrounding the Gaza strip. As a result of the brutal attacks on Israel the government declared a state of war, there was a large mobilization of army reserves, people were evacuated from their homes, businesses were closed and employees were placed on unpaid leave by certain employers. As a result of the war there was a decrease in economic and business activity in the country. The security situation has led, *inter alia*, to a disruption in the chain of supply and production, a decrease in the volume of national transportation, a shortage in manpower, a rise in the exchange rate of foreign currencies in relation to the shekel and more. As a result, there was a significant decrease in the Company's operations and revenues from the lodging in Israel segment. It is noted that the lodging in Israel segment includes two hotels in Jerusalem and in view of the declaration of a state of war as aforesaid, the occupation rate being minimal and the shortage of workers, the Mamilla Hotel was closed and the David Citadel Hotel operated on a partial basis.

Note 1 - General (cont'd)

C. Effect of “Iron Swords” war (cont'd)

It is noted that in the fourth quarter of the reporting year, the Company's hotels in Jerusalem contributed to operating profit before depreciation an amount of NIS 3 million compared with NIS 52 million in the fourth quarter of last year. As at the date of issuing the financial statements both of the hotels in Jerusalem are open.

As regards the commercial boulevard in Mamilla, the tenants were granted concessions. The effect of these concessions on the Company's revenues in the reporting year was immaterial.

As regards office buildings in Israel – the Iron Swords war has no effects on the office buildings.

At this time the Company assesses, on the basis of the information it has as at the date of approval of the financial statements, that the current events and the escalation in security in Israel, may have a material effect on the operating profit of the lodging in Israel segment. Since this is an event that is not under the control of the Company, and matters such as the fighting continuing or stopping may affect the Company's assessments, as at the reporting date the Company is unable to assess the extent of the effect of the war on its business activities and on the business activities of its subsidiaries, and on their medium and long term results. The Company is continuing to regularly follow developments on the matter and is examining the effects on its operations and the value of its assets.

The Company has examined the effects of the aforesaid and on the basis of several scenarios that were examined, has reached the conclusion that the Company is able to continue paying its liabilities in the foreseeable future. The Company has examined several possible scenarios concerning compliance with its financial covenants and the timing and manner of returning to normal hotel activity in Israel. In this examination, the Company relied on forecasts and on the liquid assets at its disposal and unutilized credit facilities.

D. Financing of the Group's operations

As to the resolution of the Company to prefer financing with short-term credit over financing with long-term credit and its policy in the management of the liquidity risk, see Note 32C.

Note 2 - Basis of Preparation

A. Statement of compliance

The consolidated financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (hereinafter: “IFRS”).

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

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 24, 2024.

Note 2 - Basis of Preparation (cont'd)

B. Functional and presentation currency

These consolidated financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousand.

The NIS is the currency that represents the principal economic environment in which the Company operates.

C. Basis of measurement

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

- Financial instruments measured at fair value through profit or loss.
- Deferred tax assets and liabilities.
- Assets and liabilities for employee benefits.
- Investment property measured at fair value.
- Provisions.
- Fixed assets accounted for using the revaluation model.
- Investments in equity-accounted associate companies.
- Inventories measured at the lower of cost or net realizable value.

For further information regarding the measurement of these assets and liabilities, see Note 3, Significant Accounting Policies.

D. Operating cycle

The Group has two operating cycles. As regards the entrepreneurial real estate sector, the operating cycle of the Group is longer than one year and ranges from two to three years. As regards the Group's other operations, the operating cycle is one year. As a result, current assets and current liabilities include items the realization of which is intended and anticipated to take place within the operating cycle of these operations.

E. Classification of expenses recognized in the statement of income

The classification of expenses recognized in the statement of income is based on the nature of the expense. This method of classification is appropriate for understanding the business of the Company, which provides a wide range of services.

F. Use of estimates and judgments

In preparing the consolidated financial statements in conformity with IFRS, management of the Company is required to exercise judgment and use assessments, estimates and assumptions that affect the application of the accounting policies and the amounts of assets and liabilities, revenues and expenses. It is hereby clarified that actual results may differ from such estimates.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Note 2 - Basis of Preparation (cont'd)

F. Use of estimates and judgments (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Estimate	Principal assumptions	Possible effects	Reference
Fair value measurement of investment property	The expected yield and income on the investment property asset.	Gain or loss from a change in the fair value of investment property	See Note 13, "Investment Property".
Fair value measurement of fixed assets	Anticipated operating profit, anticipated occupancy rates, discount rate	Other comprehensive income or loss in respect of a change in the fair value of fixed assets	See Note 14, "Fixed Assets".

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 25, on intangible assets from subsidiaries
- Note 13, on investment property
- Note 14, on fixed assets
- Note 33, on financial instruments

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the assessment, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

G. Capital management - objectives, procedures and processes

Management's policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating so that it may provide a return on capital to its shareholders, benefits to other holders of interests in the Company, such as credit providers and employees of the Company, and sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total share capital, excluding non-controlling interests. The Board of Directors also monitors the amounts of dividends to the ordinary shareholders. As to the capital requirements that are imposed on the Company and its subsidiaries, see Note 18H.

Note 2 - Basis of Preparation (cont'd)

H. Initial application of new standards

Amendment to IAS 1

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

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

The amendment is initially applied in the annual financial statements for 2023. As a result of applying the Amendment, the extent of the accounting policy disclosure provided in the financial statements for 2023 compared to that provided in prior periods was reduced and adjusted according to the Company's specific circumstances.

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

The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and/or liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration.

The Amendment is applied for annual periods beginning on or after January 1, 2023. For deferred taxes arising from leases and decommissioning and restoration liabilities, the Amendment is applied by amending the opening balance of retained earnings for the earliest comparative data presented.

Application of the Amendment did not have a material effect on the financial statements.

Note 3 - Significant Accounting Policies

The material accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements by the entities in the Group, aside from the aforesaid in Note 2H.

A. Basis of consolidation

1. Business combinations

The Group implements the acquisition method to all business combinations.

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

Note 3 - Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

1. Business combinations (cont'd)

The Group recognizes goodwill at acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

On the acquisition date the acquirer recognizes a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be reliably measured.

Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Group. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in the fair value of the contingent consideration classified as a financial liability in profit or loss.

Costs associated with the acquisition that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees, other than those associated with an issue of debt or equity instruments connected to the business combination, are expensed in the period the services are received.

2. Subsidiaries

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

3. Non-controlling interests

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

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

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total comprehensive income is allocated to the owners of the Company and the non-controlling interests, even if the result is a negative balance of non-controlling interests, unless there is an agreement between the owners of the Company and the non-controlling interests that states otherwise.

Transactions with non-controlling interests, while retaining control

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

Note 3 - Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

3. Non-controlling interests (cont'd)

The amount of the adjustment to non-controlling interests is calculated as follows:

For an increase in the holding rate, according to the proportionate share acquired from the balance of non-controlling interests in the consolidated financial statements prior to the transaction. For a decrease in the holding rate, according to the proportionate share realized by the owners of the subsidiary in the net assets of the subsidiary, including goodwill.

Furthermore, when the holding rate of the subsidiary changes, while retaining control, the Company re-attributes the accumulated amounts that were recognized in other comprehensive income to the owners of the Company and the non-controlling interests.

4. Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary.

The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities.

5. Transactions eliminated on consolidation

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

6. Acquisition of a property company

Upon the acquisition of a property company, the Group exercises discretion when examining whether the transaction constitutes the acquisition of a business or acquisition of an asset, for the purpose of determining the accounting treatment of the transaction. When examining whether a property company constitutes a business, the Group examines, *inter alia*, the nature of the processes in place in the property company, including the extent and nature of the management, security, cleaning and maintenance services that are provided to the tenants. Transactions in which the acquired company is considered a business are accounted for as a business combination as described above. Conversely, transactions in which the acquired company is not considered a business are accounted for as the acquisition of a group of assets and liabilities. In such transactions, the cost of acquisition, which includes transaction costs, is allocated proportionately to the acquired identifiable assets and liabilities, based on their proportionate fair value on the acquisition date. In the latter case, no goodwill is recognized, and no deferred taxes are recognized in respect of the temporary differences existing on the acquisition date.

B. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Note 3 - Significant Accounting Policies (cont'd)

B. Foreign currency (cont'd)

1. Foreign currency transactions (cont'd)

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value, are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and presented in equity in the foreign operations translation reserve (hereinafter: "translation reserve"). When the foreign operation is a non-wholly-owned subsidiary of the Group, then the relevant proportionate share of the foreign operation translation difference is allocated to the non-controlling interests. **The financial statements of a foreign operation not directly held are first translated into the functional currency of the direct parent company and are after that translated into the functional currency of the ultimate parent company. Therefore, when a foreign operation not directly held is disposed of, the Group reclassifies to profit or loss the cumulative amount in the translation reserve that would have been created if the foreign operation had been translated directly into NIS.**

When the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reattributed to non-controlling interests.

Generally, foreign currency differences in respect of loans received from or granted to foreign operations, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from loans received from or granted to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented within equity in the translation reserve.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments

(1) Non-derivative financial assets

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost or fair value through profit or loss.

The Group holds securities that are measured at fair value through profit or loss. The Group also has other investments that are measured at fair value through profit or loss.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(2) Non-derivative financial liabilities (cont'd)

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

(3) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

Derivatives that do not serve hedging purposes

The changes in fair value of derivatives that do not serve hedging purposes are recognized in profit or loss, as financing income or expense.

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

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

(5) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(5) Share capital (cont'd)

Treasury shares

When share capital recognized as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. **Repurchased shares are classified as treasury shares.** When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, **and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.**

D. Fixed assets

1. Recognition and measurement

Items of fixed assets (other than real estate properties) are measured at cost less accumulated depreciation and impairment losses. Real estate properties that are owned by the Company (other than properties under construction) are presented at a revaluation amount, which is the fair value on the date of revaluation, less accumulated depreciation and impairment losses (if any) accrued thereafter. Revaluations are performed at least once a year, in order to ensure that the carrying amount does not differ materially from the amount that would have been determined on the basis of fair value at the reporting date. In performing a revaluation, the depreciation accumulated as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated based on the revaluation amount of the asset.

The revaluation reserve that is included in equity is transferred directly to retained earnings upon derecognition of the asset.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Borrowing costs are not capitalized to fixed assets under construction that are measured at fair value. Advances paid in respect of fixed-asset items are recorded as part of the fixed assets.

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

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

2. Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value. An asset is depreciated from the date it is ready for use, meaning the date that it reaches the location and condition required for it to operate in the manner intended by management.

Note 3 - Significant Accounting Policies (cont'd)

D. Fixed assets (cont'd)

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated. Leased lands are depreciated over the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

	%
Real estate (buildings)	1-2
Various systems in buildings (air-conditioning, electricity, elevators, etc.)	5-10
Hotel machinery and furniture	9-33 (mainly 9)
Machinery, equipment and appliances	10
Office furniture and equipment	6-33 (mainly 15)
Vehicles	15
Aircraft	10

Estimates pertaining to depreciation methods, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted as necessary.

E. Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on the measurement of goodwill at initial recognition, see section A(1) above. In subsequent periods, goodwill is measured at cost less accumulated impairment losses.

F. Investment property

Investment property is property (land or building – or part of a building – or both) held (by the Company as owner or by a lessee under a finance lease) either to earn rental income or for capital appreciation or for both, but not for:

1. Use in the production or supply of goods or services or for administrative purposes; or
2. Sale in the ordinary course of business.

Investment property is initially measured at cost including capitalized borrowing costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The acquisition costs are included in the cost of the investment property at initial recognition,

The cost of self-constructed investment property includes the cost of materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property is determined by comparing the net proceeds from disposal with the carrying amount of the asset at the last financial reporting date, and is recognized in profit or loss under “other income” or “other expenses”, as relevant.

Note 3 - Significant Accounting Policies (cont'd)

F. Investment property (cont'd)

In subsequent periods the investment property is measured at fair value with any changes therein recognized in profit or loss. Furthermore, the acquisition costs are not part of the investment property's fair value.

Property under construction that is intended for use as investment property is measured at fair value when its value can be reliably determined. **Borrowing costs are not capitalized to investment property under construction measured at fair value.** When the fair value cannot be reliably determined, investment property under construction is measured at the fair value of the land plus cost during the construction period until either construction is completed or its fair value becomes reliably determinable, whichever occurs earlier.

A liability to pay a betterment levy on investment property is recognized only on the date of realizing the rights per its meaning in the provisions of the law. Accordingly, as part of the fair value measurement of investment property prior to recognition of the liability to pay a betterment levy, negative cash flows relating to the levy are included.

G. Hotelier inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined by the **“first-in first-out” (FIFO)** principle and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

H. Inventory of residential units

Inventory of residential units is measured at the lower of cost and net realizable value. The cost of inventory includes expenditure incurred in acquiring the inventories (including prepaid lease fees) and the costs incurred in bringing it to its existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

I. Capitalization of borrowing costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are recognized in profit or loss as incurred.

Note 3 - Significant Accounting Policies (cont'd)

J. Impairment

1. Non-financial assets

Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Once a year and on the same date, the Company estimates the recoverable amount of each cash generating unit that contains goodwill.

Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market's assessments regarding the time value of money and the risks specific to the asset or cash-generating unit, for which the estimated future cash flows from the asset or cash-generating unit were not adjusted.

Allocation of goodwill to cash generating units

Subject to an operating segment ceiling test (before the aggregation of similar segments), for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit to which the asset is allocated exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. As regards cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after including the balance of goodwill, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

Impairment losses in respect of an asset that is measured on the basis of the revaluation model are recognized in other comprehensive income as a reduction of the revaluation reserve recorded in respect of the asset. The balance of the loss after the reduction of the reserve to zero is recognized as an expense in profit or loss.

Allocation of impairment loss to non-controlling interests

An impairment loss is allocated between the owners of the Company and the non-controlling interests on the same basis that the profit or loss is allocated.

Note 3 - Significant Accounting Policies (cont'd)

J. Impairment (cont'd)

1. Non-financial assets (cont'd)

Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, for which impairment losses were recognized in prior periods, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

K. Legal claims

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

L. Revenue

The Group recognizes revenue when the customer receives the promised services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the services promised to the customer.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

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

For the purpose of paragraph (e) the Group examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

Identifying performance obligations

On the contract's inception date the Group assesses the services promised in the contract with the customer.

Note 3 - Significant Accounting Policies (cont'd)

L. Revenue (cont'd)

Determining the transaction price

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

Satisfaction of performance obligations

For management and maintenance services in the income-producing real estate sector – revenue is recognized over time in the reporting period in which the services are provided, since the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group provides such services.

Rendering of services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Principal or agent

When another party is involved in providing goods or services to the customer, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services itself, which means the Group is a principal and therefore recognizes revenue in the gross amount of the consideration, or to arrange that another party provide the goods or services which means the Group is an agent and therefore recognizes revenue in the amount of the net commission.

The Group is a principal when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: the Group is the primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

In the property rental and management sector, the Group provides electricity and management services to the tenants. In cases that the Group cannot direct the service transferred to the customer and it actually acts as an agent, the revenue is recognized on a net basis. In other cases, the revenue is recognized on a gross basis.

M. Government grants

Unconditional government grants are recognized initially at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant.

Note 3 - Significant Accounting Policies (cont'd)

M. Government grants (cont'd)

Government grants received for the construction of an asset are presented as a deduction from the related asset and are recognized in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are presented as a deduction from the corresponding expense.

N. Leases

Determining whether an arrangement contains a lease

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

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

For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

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

The lease term

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

Variable lease payments

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

Note 3 - Significant Accounting Policies (cont'd)

N. Leases (cont'd)

Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life.

O. Financing income and expenses

Financing income comprises interest income on funds invested. Financing expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets (other than losses on trade receivables that are presented under general and administrative expenses).

Borrowing costs, which are not capitalized to qualifying assets, are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

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

P. Income tax expenses

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or are recognized directly in equity or in other comprehensive income to the extent they relate to items recognized directly in equity or in other comprehensive income.

Current taxes

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years.

Offset of current tax assets and liabilities

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

Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Note 3 - Significant Accounting Policies (cont'd)

P. Income tax expenses (cont'd)

Deferred taxes

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

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

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

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

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

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

Offset of deferred tax assets and liabilities

The Group offsets deferred tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities on a net basis or their current tax assets and liabilities will be settled simultaneously.

Q. Transactions with controlling shareholder

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction. As the transaction is on the equity level, the Company includes the difference between the fair value and the consideration from the transaction in its equity.

R. New standards and interpretations not yet adopted

The Company is examining the effects of the amendments on its disclosures without plans for early adoption.

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

The amendment replaces certain requirements for classifying liabilities as current or non-current.

Note 3 - Significant Accounting Policies (cont'd)

R. New standards and interpretations not yet adopted (cont'd)

According to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period.

According to the subsequent amendment, as published in October 2022, covenants with which the entity must comply after the reporting date, do not affect classification of the liability as current or non-current. Additionally, the subsequent amendment adds disclosure requirements for liabilities subject to covenants within 12 months after the reporting date, such as disclosure regarding the nature of the covenants, the date they need to be complied with and facts and circumstances that indicate the entity may have difficulty complying with the covenants.

Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity.

The Amendment and subsequent amendment are effective for reporting periods beginning on or after January 1, 2024. The Amendment and subsequent amendment are applicable retrospectively, including an amendment to comparative data.

Note 4 - Determination of Fair Value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

A. Fixed assets

The fair value of the real estate properties (other than properties under construction) is determined, at least once a year, on the basis of valuations prepared by independent outside appraisers who possess appropriate professional skills.

B. Investment property

The Group estimates the value of the Group's investment properties at least annually through independent outside appraisers who possess appropriate and recognized professional skills and applicable experience in relation to the location and type of the property being evaluated. The fair value figures are based on market values. The market value of investment property is the estimated amount that would have been received from the sale of the property on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties each acted knowledgeably.

In the absence of current prices in an active market, or comparable transactions, valuations of investment property take into account the estimated total of cash flows that are expected to be received from the rent of the property. The valuation of the property is based on the net annual cash flows, discounted at a rate of return that reflects the specific risks that are inherent in the net cash flows.

Note 4 - Determination of Fair Value (cont'd)

B. Investment property (cont'd)

Where rental agreements are in place, for which payments differ materially different from the projected rental payments, adjustments are made to reflect the actual rental payments over the period of the agreement.

With respect to investment property under construction, the fair value is based on the estimated fair value of the investment property after completion of its construction, less the present value of the estimated construction costs expected for its completion and less an entrepreneurial profit, taking into account a rate of return adjusted for the property's relevant risks and characteristics.

To the extent relevant, the valuations take into account the type of tenants that actually occupy the leasehold or are responsible for fulfilling the rental obligations or may occupy the leasehold when available property is rented out, including a general assessment of their credit quality; distribution of the responsibility for the property's maintenance and insurance between the Group and the tenant; and the remaining economic life of the property. See also Note 13.B.

C. Derivatives

The fair value of forward contracts on foreign currency is based on their quoted price, to the extent available. In the absence of a quoted price, the fair value of the forward contracts is estimated by discounting the difference between the forward price that is set out in the contract and the present forward price in respect of the remaining period of the contract to maturity, using a risk-free interest rate (on the basis of government debentures).

The fair value of interest rate swaps is based on bank/broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

For further information regarding the fair value hierarchy, see Note 33.E, Financial Instruments.

D. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is determined by reference to the quoted closing asking price at the reporting date. If such a quoted price is not available, fair value is calculated on the basis of the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Note 5 - Operating Segments

The Group has four reportable segments, as described below, which form strategic business units. The strategic business units offer different products and services and the allocation of resources and evaluation of performance are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's operating segments:

- (a) Investment property - The investment property sector represents a cluster of the Company's operations involving long-term investments in investment properties in Israel and overseas, and their betterment, rent and disposal once the potential of the property has been exhausted.
- (b) Lodging overseas - Development of construction or acquisition of hotels and their operation outside Israel. This sector represents a cluster of the Company's lodging operations in the UK together with its lodging operations in the Netherlands and France.
- (c) Lodging in Israel - Development of construction or acquisition of hotels and their operation in Israel. This sector represents a cluster of the Company's lodging operations in Israel.
- (d) Securities - The operations of the Company in this field consist primarily of investment in shares of Clal Insurance Enterprises as well as an investment in shares of banks.

Other operations include activities in the assisted living sector and investment in an inventory of residential units. These operations are not recognized as reportable segments since they do not meet any of the quantitative thresholds in 2023 or in the years 2022 and 2021.

The accounting policies of the business segments is identical to that presented in Note 3, Significant Accounting Policies. Segment results and segment assets reported to the chief operating decision maker include items directly attributable to a segment on a reasonable basis. Unallocated items consist primarily of expenses stemming from the assets of the Group's headquarters, such as: general and administrative costs, financing costs and income-tax assets and liabilities that are not specifically attributable.

Segment profits are measured based on the operating profit as included in the reports that are regularly reviewed by the chief operating decision maker and include items directly attributable to a segment on a reasonable basis, other than expenses that cannot be attributed on a reasonable basis, such as: general and administrative expenses, general and administrative depreciation, other expenses and losses from associate companies.

Segment capital expenditure is the total cost incurred during the period to acquire fixed assets and investment property.

Segment assets comprise fixed and intangible assets, investment property, and securities at fair value.

Notes to the Financial Statements as at December 31, 2023

Note 5 - Operating Segments (cont'd)

Business segments

NIS thousands	Investment property 2023	Lodging overseas 2023	Lodging in Israel 2023	Securities 2023	Other 2023	Consolidated 2023
Segment revenues	510,090	504,077	271,238	2,773	-	1,288,178
Segment results before depreciation	199,594	78,210	91,869	2,773	-	372,446
Depreciation expenses	-	(91,889)	(25,830)	-	-	(117,719)
Segment results	199,594	(13,679)	66,039	2,773	-	254,727
Unallocated revenues						633
Unallocated expenses						(126,668)
Share in profits of equity-accounted associates						(17)
Operating profit						128,675
Allocated financing expenses, net		(195,238)				(195,238)
Unallocated financing expenses, net						(149,240)
Loss before tax						(215,803)
Taxes on income						(7,228)
Loss for the year						(223,031)
Segment results attributable to the owners of the Company	139,985	(13,679)	66,039	2,751	-	

Notes to the Financial Statements as at December 31, 2023

Note 5 - Operating Segments (cont'd)

Business segments

NIS thousands	Investment property 2022	Lodging overseas 2022	Lodging in Israel 2022	Securities 2022	Other 2022	Consolidated 2022
Segment revenues	660,702	424,551	280,779	-	2,294	1,368,326
Segment results before depreciation	583,759	100,804	120,486	(220,898)	145	584,296
Depreciation expenses	-	(81,782)	(25,989)	-	-	(107,771)
Segment results	583,759	19,022	94,497	(220,898)	145	476,525
Unallocated revenues						165
Unallocated expenses						(120,443)
Share in profits of equity-accounted associates						10
Operating profit						356,257
Allocated financing expenses, net	(44,983)					(44,983)
Unallocated financing expenses, net						(27,598)
Profit before tax						283,676
Taxes on income						(76,811)
Profit for the year						206,865
Segment results attributable to the owners of the Company	497,705	19,022	94,497	(220,929)	145	

Notes to the Financial Statements as at December 31, 2023

Note 5 - Operating Segments (cont'd)

Business segments

NIS thousands	Investment property 2021	Lodging overseas 2021	Lodging in Israel 2021	Securities 2021	Other 2021	Consolidated 2021
Segment revenues	848,109	190,418	87,916	286,364	7,642	1,420,449
Segment results before depreciation	781,024	29,873	(11,429)	286,364	(128)	1,085,704
Depreciation expenses	-	(87,168)	(27,042)	-	-	(114,210)
Segment results	781,024	(57,295)	(38,471)	286,364	(128)	971,494
Unallocated revenues						2,317
Unallocated expenses						(87,398)
Share in losses of equity-accounted associates						36
Operating loss						886,449
Allocated financing expenses, net	(26,981)		-	-	-	(26,981)
Unallocated financing expenses, net						(131,995)
Loss before tax						727,473
Taxes on income						(134,263)
Profit for the year						593,210
Segment results attributable to the owners of the Company	690,886	(45,836)	(38,471)	286,487	(128)	

Notes to the Financial Statements as at December 31, 2023

Note 5 - Operating Segments (cont'd)

NIS thousands	Investment property		Lodging overseas		Lodging in Israel		Securities		Other		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Segment assets	10,751,991	9,864,665	3,827,985	3,641,432	1,717,058	1,774,302	785,565	781,549	-	-	17,082,599	16,061,948
Investment in equity-accounted investees											609	590
Unallocated assets											553,111	525,748
Total assets											17,636,319	16,588,286
Segment liabilities	4,045,499	3,514,309	-	-	-	-	-	-	-	-	4,045,499	3,514,309
Unallocated liabilities											6,498,226	5,772,211
Total liabilities											10,543,725	9,286,520
Capital expenditure	209,834	149,680	5,018	3,523	17,254	28,500	6,650	187,785	-	110		

Information on geographical segments

NIS thousands	Israel			Switzerland			France			UK			Netherlands			Other regions		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues*	420,301	691,216	782,401	276,613	222,780	380,268	240,469	273,456	117,563	224,967	82,948	101,249	126,461	98,091	41,285	-	10	36
Segment assets	5,030,862	4,986,787	4,403,695	6,780,568	5,941,145	5,079,542	2,813,957	2,726,546	2,349,091	2,194,538	2,169,639	2,212,250	752,220	690,336	622,039	64,174	73,833	83,626

* According to the presentation in the consolidated statements of income including a gain from securities at fair value through profit or loss and other revenues as well as an increase in fair value of investment property, net.

Notes to the Financial Statements as at December 31, 2023

Note 6 - Cash and Cash Equivalents

	December 31	
	2023	2022
	NIS thousands	NIS thousands
Bank balances	110,936	156,540
Call deposits	878	2,017
	111,814	158,557

The Group's exposure to interest rate and currency risks, and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33, Financial Instruments.

Note 7 - Securities at Fair Value through Profit or Loss

	December 31	
	2023	2022
	NIS thousands	NIS thousands
Current assets:		
Securities at fair value through profit or loss	785,565	781,549

The value of the portfolio consists of an investment of NIS 650 million in shares of Clal Insurance Enterprises, constituting about 14% of the shares of Clal Insurance Enterprises (December 31, 2022 –NIS 657 million, constituting about 15% of the shares of Clal).

In addition, the value of the portfolio includes shares of Bank Leumi in the amount of NIS 113 million. In 2023 the Company purchased shares of Bank Leumi in consideration for NIS 3.6 million (in 2022 the Company purchased shares of Bank Leumi in the amount of NIS 112 million and sold shares of Bank Leumi for NIS 44 million). See Note 18.F hereunder regarding the pledged securities.

Note 8 - Trade Receivables

Composition:	December 31	
	2023	2022
	NIS thousands	NIS thousands
Hotel guests	12,633	28,480
Property renters	24,577	17,528
Less – provision for impairment	(2,634)	(2,052)
	34,576	43,956

The Group's exposure to interest rate risk and impairment losses in respect of trade receivables is disclosed in Note 33, Financial Instruments.

Notes to the Financial Statements as at December 31, 2023

Note 9 - Other Receivables, Including Derivative Instruments

Composition:	December 31	
	2023	2022
	NIS thousands	NIS thousands
Government institutions	5,226	3,504
Loans, short-term deposits and monies in trust	110,468	5,575
Prepaid expenses	20,766	10,887
Accrued income	3,014	4,004
Derivative financial instruments	26,102	12,726
Other*	15,088	10,751
	180,664	47,447

* Includes balances in respect of related parties, see Note 34.

The Group's exposure to credit risks, currency risks and impairment losses in respect of other receivables is disclosed in Note 33, Financial Instruments.

Note 10 - Hotelier Inventory

Inventory:	December 31	
	2023	2022
	NIS thousands	NIS thousands
Inventory of food and beverages	4,328	4,328
Inventory of hotelier equipment	20,612	19,592
	24,940	23,920

Note 11 - Apartments Inventory

In 2020, all the Company's inventory of apartments at the Mamilla Complex in Jerusalem was sold for a total of NIS 72.6 million (excluding VAT). Accordingly, in 2020 the Company recognized a profit in the amount of NIS 14 million from the sale of apartments. According to the sale contract an amount of NIS 42.4 million was received in 2020 and the balance of NIS 30.2 million (which in the balance sheet as at December 31, 2020 was recorded in the other receivables item as part of current assets) was received in 2021.

Notes to the Financial Statements as at December 31, 2023

Note 12 - Investee Companies

A. Summary financial data regarding equity-accounted associate companies

<u>Country of incorporation</u>	<u>Percentage ownership</u>	<u>Current assets</u>	<u>Non-current assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit (loss)</u>
2023										
France	Associate company: Properteam Regs Sarl	34% <u>2,045</u>	<u>520</u>	<u>2,565</u>	<u>774</u>	-	<u>774</u>	<u>2,380</u>	<u>(2,439)</u>	<u>(59)</u>
		<u>2,045</u>	<u>520</u>	<u>2,565</u>	<u>774</u>	-	<u>774</u>	<u>2,380</u>	<u>(2,439)</u>	<u>(59)</u>
2022										
France	Associate company: Properteam Regs Sarl	34% <u>1,888</u>	<u>546</u>	<u>2,434</u>	<u>700</u>	-	<u>700</u>	<u>2,371</u>	<u>(2,336)</u>	<u>35</u>
		<u>1,888</u>	<u>546</u>	<u>2,434</u>	<u>700</u>	-	<u>700</u>	<u>2,371</u>	<u>(2,336)</u>	<u>35</u>
2021										
France	Associate company: Properteam Regs Sarl	34% <u>2,148</u>	<u>116</u>	<u>2,264</u>	<u>667</u>	-	<u>667</u>	<u>2,436</u>	<u>(2,318)</u>	<u>118</u>
		<u>2,148</u>	<u>116</u>	<u>2,264</u>	<u>667</u>	-	<u>667</u>	<u>2,436</u>	<u>(2,318)</u>	<u>118</u>

Note 12 - Investee Companies (cont'd)

B. Additional information on consolidated companies that are directly held by the Company

	Principal location of the company's operations	The Company's equity interest	
		2023	2022
Alrov Resorts (1993) Ltd.	Israel	100.00%	100.00%
Tatza Holdings (1994) Ltd.	Israel	90.00%	90.00%
Property Investment Holding BV	Netherlands	76.00%	76.00%
Epic Suisse AG, see paragraph C hereunder	Switzerland	56.50%	56.50%
Sutton Investment Group Limited	UK*	82.00%	82.00%
Constable Real BV	UK*	80.80%	80.80%
Wimbledon BV	UK*	80.80%	80.80%
George V Project Management BV	France*	79.84%	79.84%
Epworth Building Limited	UK*	79.84%	79.84%
Fitzroy Properties (2022) Limited	UK	79.84%	79.84%
LOCKA Holding BV	Netherlands**	80.00%	80.00%
Hotel Lutetia Financing, Limited Partnership	Israel	100.00%	100.00%
The SET Hotel Management Company Limited	UK**	85.00%	85.00%
Lodging 2020 L.P. – partnership	BVI	99.99%	99.99%
Lodging Aviation L.P. – partnership	Gibraltar	100.00%	100.00%
Nofei Hasharon Senior Citizen Residential Home Ltd.	Israel	100.00%	100.00%
Elkanit Maintenance and Management Ltd.	Israel	100.00%	100.00%
46 Rothschild Avenue Management & Maintenance Ltd.	Israel	78.96%	79.00%
Alrov Ventures Ltd.	Israel	100.00%	100.00%
Alrov Rothschild Avenue (1989) Ltd.	Israel	100.00%	100.00%
Hashda Holdings (1993) Ltd.	Israel	100.00%	100.00%
Alrov Properties and Construction (1983) Ltd.	Israel	100.00%	100.00%
Alrov Towers Management and Operation Ltd.	Israel	100.00%	100.00%
H.M. Holdings Ltd.	Israel	100.00%	100.00%

* The holding rate includes shares held directly and indirectly in the investee companies.

** See also Note 31.B(10).

C. On May 25, 2022 a Swiss subsidiary of the Company, EPIC Suisse AG, carried out an initial public offering of its shares on a Swiss stock exchange.

As a result of the aforesaid issuance, the public was issued 2,686,567 new shares of the subsidiary at a price of CHF 68 (about NIS 237) per share. Furthermore, out of 298,507 additional shares that were granted as an option to the oversubscription for one month from the issuance date, 143,509 shares were exercised at the offering price of CHF 68 per share, so that the total amount of shares that were issued in the issuance, after exercising the aforesaid option, amounted to 2,830,076 shares at the offering price of CHF 68 per share and as a result the issuance amounted to CHF 192,445 thousand (about NIS 670,595 thousand) before issuance expenses. The public holds 27.4% of the subsidiary after the issuance. The Company holds 56.5% of the subsidiary.

The subsidiary's major shareholders (the Company and a third party) did not sell their current holdings in the subsidiary in the issuance. After the issuance the Company continues to control the subsidiary. Furthermore, the aforesaid shareholders agreed to not sell their current holdings in the subsidiary in the first 12 months after the initial trading date of the subsidiary's shares, subject to certain exclusions.

Note 12 - Investee Companies (cont'd)

C. (cont'd)

As a result of the issuance the Company's equity (including non-controlling interests) increased at the issuance date by an amount of CHF 188,197 thousand (about NIS 655,792 thousand), being CHF 192,445 thousand (about NIS 670,594 thousand) as aforesaid net of issuance expenses in the amount of CHF 4,248 thousand (about NIS 14,803 thousand) in respect of the issuance of new shares. Furthermore, as a result of the issuance the Group recognized a decrease in the debit balance of the translation reserve from foreign operations in the amount of NIS 26,973 thousand, a decrease in the capital reserve from transactions with non-controlling interests in the amount of NIS 105,353 thousand and a decrease in the equity attributable to the owners in the amount of NIS 78,380 thousand.

In the prospectus, the subsidiary noted that it intends to distribute a fixed dividend in the amount of CHF 3 per share in respect of 2022 (the Company's share is CHF 17.5 million considering its holdings), and after then, according to the dividend policy that was adopted, the distribution target will be an annual dividend of at least 80% of the funds from operations (FFO) of the subsidiary subject to approval of the distribution by the subsidiary's board of directors (FFO is defined as the company's operating profits neutralized by depreciation and the increase/decrease in the fair value of investment property, and less financing expenses and tax payments). In 2023 the Company received a dividend from the subsidiary in the amount of CHF 18 million (about NIS 72 million). Furthermore, in accordance with the reports of the subsidiary it will be recommended to the shareholders' meeting scheduled for April 25, 2024 to distribute a dividend in respect of 2023 in the amount of CHF 3.1 per share.

Note 13 - Investment Property

A. Movement in carrying amount

	December 31	
	2023	2022
	NIS thousands	NIS thousands
Balance as at January 1	9,864,665	8,875,687
Additions	209,822	163,577
Disposals	-	(57,432)
Classification to fixed assets	-	(13,900)
Exchange differences, net	905,744	669,221
Changes in fair value	(228,240)	227,512
Balance as at December 31*	<u>10,751,991</u>	<u>9,864,665</u>

* The Group's investment property is comprised of right-of-use assets in the amount of NIS 271,867 thousand (December 31, 2022: NIS 252,531 thousand).

Note 13 - Investment Property (cont'd)

B. Determination of fair value

(1) General

Investment property is presented at fair value as determined in the valuations performed by independent external appraisers who possess professional qualifications and extensive experience with regard to the location and type of the property being valued.

(2) Fair value hierarchy

Investment property is measured at fair value, using a valuation method according to Level 3 of the fair value hierarchy. For a definition of the various levels of the hierarchy, see Note 2.F, Basis of Preparation.

(3) Details regarding fair value measurement of investment property at Level 3

Valuation techniques for determining fair value

The fair value is estimated using a discounted income technique: the valuation model is based on the present value of the estimated NOI of the property. The valuation of the property is based on net annual cash flows discounted at a rate reflecting the specific risks inherent in them. When actual rent agreements include rent payments that are different from market rent, adjustments are made to reflect the actual rent payments in the period of the contract.

The valuations take into account the type of tenants that actually occupy the leasehold or are responsible for fulfilling the rental obligations or may occupy the leasehold when vacant property is rented out, including a general assessment of their credit quality; distribution of the responsibility for the property's maintenance and insurance between the Group and the tenant; and the remaining economic life of the property, where these parameters are relevant.

Significant unobservable inputs

- Market rent per sq. m.
Israel: NIS 1,784 to NIS 3,026 (2022: NIS 1,765 to NIS 2,883)
Switzerland: CHF 85 to CHF 364 (2022: CHF 85 to CHF 359)
France: EUR 95 to EUR 921 (2022: EUR 94 to EUR 749)
UK: GBP 235 to GBP 706 (2022: GBP 225 to GBP 706)
- Principal cash flow discount rates
Israel: 5.5% to 7.25% (2022: 5.5%-6.5%)
Switzerland: 2.8% to 4% (2022: 2.65%-4%)
France: 3.75% to 9% (2022: 2.9%-8.25%)
UK: 3.75% to 7.2% (2022: 3.75%-6.15%)

Over the course of the reporting year the Company updated the fair value of the income-generating properties and following these updates it recorded a loss from negative revaluation in the amount of NIS 228,240 thousand, with most of the loss in the amount of NIS 135,245 thousand deriving from the UK. The revaluation losses are mainly due to an increase in the discount rates used in the calculations in the valuations.

It is also noted that in the reporting period and proximate to the date of issuing the financial statements, execution of the rent agreements continues as usual, and no tenants have requested to cancel or terminate the rent earlier than expected. Furthermore, the Company is not dependent on any material tenant.

Note 13 - Investment Property (cont'd)

B. Determination of fair value (cont'd)

(3) Details regarding fair value measurement of investment property at Level 3 (cont'd)

The estimated fair value would increase if:

- The market rent was higher
- The cash flow discount rate was lower.

(4) Valuation processes used by the Company

The fair value of the investment property is determined regularly by external independent appraisers having appropriate recognized professional qualifications and experience in the location and category of the property being valued. External valuations are performed at the end of every calendar year. In the rest of the reporting periods valuations are performed if market indicators suggest a material change in the fair value of the property. All valuations are provided to the Company's CFO for perusal.

The principal unobservable inputs are as follows:

- The discount rate of investment property, which is based on professional publications in the relevant markets and a comparison to similar transactions.
- Market rentals, which are based on professional publications in the relevant markets and a comparison to similar transactions.

C. Amounts recognized in profit or loss

	Year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Rental income on investment property	510,090	432,315	412,470
Direct operating expenses deriving from investment property that generated rental income during the period	(82,255)	(76,943)	(67,085)
	427,835	355,372	345,385

D. Sale of material properties

An office building was sold in France in 2022 in consideration of € 6 million (NIS 22 million) compared with a valuation of € 5 million as at December 31, 2021.

In 2022 the Nofei Hasharon property and the adjacent area that is rented out to Holmes Place in Netanya were sold for the price of NIS 80 million.

E. Acquisition of material properties

In 2022 the Company acquired a building adjacent to a distribution center in Switzerland in the amount of CHF 5.6 million (NIS 21 million).

Note 13 - Investment Property (cont'd)

E. Acquisition of material properties (cont'd)

In March 2021 the Company acquired an additional income-generating property in Switzerland in the amount of CHF 77 million (NIS 282 million) including acquisition costs in the amount of CHF 1.4 million (NIS 5 million).

In December 2018 the Company signed an agreement for the lease of land in Switzerland for 85 years on which income generating property will be constructed. At initial recognition the Company measured the leased property based on the discounted value of the future minimum lease payments in the amount of CHF 12,991 thousand (NIS 49,459 thousand) against a liability for future minimum lease payments. See also Note 20.

F. For information on pledged investment property, see Note 18.F.

G. Income generating property owned by the Company

- As to rights in real estate in Switzerland, see Note 13.E above.
- As to the real estate rights in the UK, see Note 14.D below.
- As to rights in real estate in the Mamilla Commercial District in Jerusalem, see Note 14.C below.
- The other real estate rights of the Company's investment property are proprietary.

Notes to the Financial Statements as at December 31, 2023

Note 14 - Fixed Assets

A. Composition:

	Land and buildings at fair value	Machinery, equipment and appliances	Hotelier machinery and furniture	Office furniture and equipment	Vehicles and aircraft	Total
	NIS thousands					
Cost/ deemed cost						
Balance as at January 1, 2022	4,474,665	17,731	186,996	24,378	136,346	4,840,116
Additions	14,564	43	3,378	560	2,382	20,927
Less disposals	(45,221)	(16)	-	(872)	-	(46,109)
Classification from investment property	13,900	-	-	-	-	13,900
Fair value revaluation of fixed assets	654,602	-	-	-	-	654,602
Effect of changes in exchange rates	141,462	-	-	7	362	141,831
Balance as at December 31, 2022	5,253,972	17,758	190,374	24,073	139,090	5,625,267
Balance as at January 1, 2023	5,253,972	17,758	190,374	24,073	139,090	5,625,267
Additions	18,938	55	3,288	237	2,606	25,124
Fair value revaluation of fixed assets	(161,726)	-	-	-	-	(161,726)
Effect of changes in exchange rates	263,651	-	-	71	395	264,117
Balance as at December 31, 2023	5,374,835	17,813	193,662	24,381	142,091	5,752,782
Accumulated depreciation						
Balance as at January 1, 2022	-	16,204	150,123	18,000	49,906	234,233
Depreciation for the year	100,698	304	7,005	646	12,811	121,464
Less disposals	(436)	(10)	-	(768)	-	(1,214)
Fair value revaluation of fixed assets	(100,262)	-	-	-	-	(100,262)
Balance as at December 31, 2022	-	16,498	157,128	17,878	62,717	254,221
Balance as at January 1, 2023	-	16,498	157,128	17,878	62,717	254,221
Depreciation for the year	110,265	289	7,028	667	12,973	131,222
Fair value revaluation of fixed assets	(110,265)	-	-	-	-	(110,265)
Balance as at December 31, 2023	-	16,787	164,156	18,545	75,690	275,178

Note 14 - Fixed Assets (cont'd)

A. Composition: (cont'd)

	Land and buildings at fair value	Machinery, equipment and appliances	Hotelier machinery and furniture	Office furniture and equipment	Vehicles and aircraft	Total
	NIS thousands					
Carrying amounts						
As at December 31, 2023*	<u>5,374,835</u>	<u>1,026</u>	<u>29,506</u>	<u>5,836</u>	<u>66,401</u>	<u>5,477,604</u>
As at January 1, 2022	<u>4,474,665</u>	<u>1,527</u>	<u>36,873</u>	<u>6,378</u>	<u>86,440</u>	<u>4,605,883</u>
As at December 31, 2022	<u>5,253,972</u>	<u>1,260</u>	<u>33,246</u>	<u>6,195</u>	<u>76,373</u>	<u>5,371,046</u>

* The carrying amount of right-of-use assets included in the categories of land and buildings at fair value, office furniture and equipment and vehicles and aircraft is NIS 334,962 thousand, NIS 2,267 thousand and NIS 3,461 thousand, respectively (in 2022: NIS 307,052 thousand, NIS 2,723 thousand and NIS 3,042 thousand, respectively).

Note 14 - Fixed Assets (cont'd)

B. Determination of fair value

(1) Fair value hierarchy

In order to examine the value of the Group's hotels as at December 31, 2023 the Company engaged external valuers as it does every year and obtained full valuations for the five hotels of the Group and accordingly adjusted the value of the fixed assets as at December 31, 2023. In the framework of these valuations, among other things, the relevant macro aspects were examined in each county, indications of market prices of transactions in the current period were examined, an assessment was made regarding the rate of development of hotel operations in the forthcoming years and the specific features of each of the Group's hotels were examined (such as location, quality, character, guest mix, and so forth).

The table hereunder presents the fixed assets that are measured at fair value, using a valuation method according to the fair value levels. For a definition of the various hierarchy levels, see Note 2.F, Basis of Preparation.

NIS thousands	December 31, 2023		December 31, 2022	
	Level 3	Total	Level 3	Total
	5,374,835	5,374,835	5,253,972	5,253,972

(2) Details regarding fair value measurement of fixed assets at Level 3

Valuation techniques for determining fair value

The fair value is estimated using a discounted income technique: the valuation model is based on the present value of the estimated operating income from the asset. The valuation of fixed assets is based on net annual cash flows discounted at a rate reflecting the specific risks inherent in them.

Significant unobservable inputs

Future operating profitability in Israel – The operating profitability of hotels decreased in 2023 compared with 2022 as a result of the Iron Swords war that broke out in October 2023. The forecast for operating profitability is that in 2024 it will be 65% of the hotel's representative profit, in 2025 will be the same as in 2019 and in 2026 will be the same as the profitability in 2022-2023 depending on the type of the hotel. The forecasted operating profitability for 2024-2025 is discounted at a rate of 6.5%, with the expected addition to operating profitability which reflects the operating profitability surplus of 2022 discounted at a rate of 7.5% and an additional expected profit from one of the hotels which reflects the operating profitability surplus for 2023 discounted at a rate of 9.5%.

Average price per night: in 2019 – NIS 1,369-NIS 1,911, in 2022 – NIS 1,432-NIS 1,731; average occupancy rate in 2019: 61%-69%, in 2022: 51%-52%. A 5% decrease or increase in the forecasted operating surpluses would have lowered or raised the aggregate value of the hotels by 5%. A decrease or increase of 0.25% in the discount rate would have raised or lowered the aggregate value of the two hotels by 4%.

Note 14 - Fixed Assets (cont'd)

B. Determination of fair value (cont'd)

(2) Details regarding fair value measurement of fixed assets at Level 3 (cont'd)

Significant unobservable inputs (cont'd)

Future operating profitability overseas - The future cash flow takes into consideration a gradual increase in operating profitability according to the characteristics of each hotel. A 5% decrease or increase in the forecasted operating surpluses would have lowered or raised the aggregate value of the hotels by 5%.

- Occupancy rate of the hotels overseas: in 2024 49%-67% and after then 55% to 70% (2022: 51% to 70%).
- Discount rate of cash flows overseas: 3.75% to 6.75% (2022: 3.7%-6.5%). An increase or decrease of 0.25% in the discount rates would have lowered or raised the value of the hotels by 6%-7%, respectively.
- Average price per night overseas: NIS 3,443 to NIS 6,230 (2022: NIS 2,694 to NIS 4,604).

The estimated fair value would increase if:

- Hotel occupancy rates were higher.
- The cash flow discount rate was lower.
- The price per night was higher.

(3) Valuation processes used by the Company

The fair value of fixed assets is determined periodically by an independent external appraiser having appropriate recognized professional qualifications and experience in the location and category of the property being valued. External valuations are performed at the end of every calendar year. In the rest of the reporting periods, valuations are performed if market indicators suggest a change in the fair value of the asset. All valuations are provided to the Company's CFO for perusal.

The principal unobservable inputs are as follows:

- The discount rate, which is based on professional publications in the relevant markets and a comparison to similar transactions.

C. As from 2015 the Company's subsidiary Alrov Mamilla Commercial District (1993) Ltd. holds land lease rights for a period of 100 years in the Mamilla complex in Jerusalem, on which there is a hotel and commercial district that it owns. The other real estate rights of the Company's fixed assets are proprietary.

Note 14 - Fixed Assets (cont'd)

D. In August 2008, the Company and Barco Investments B.V., a subsidiary of the Company (hereinafter: "Barco"), entered into an agreement (hereinafter: "the Agreement") with the representatives of Crown Estate (in charge of the Crown's assets) (hereinafter: "the Crown") in relation to a property located on Regent Street in Central London, historically known as "Café Royal" (hereinafter: "the Property") which is part of a freehold complex of the Crown. Barco is wholly owned by Locka. The Agreement related to the redevelopment of the Property by Barco into a luxury hotel, including auxiliary services and commercial areas. Following the completion of the development and construction by Barco, in accordance with the terms of the Agreement, Barco received from the Crown a lease of the Property for the duration of 125 years (which commenced upon the full payment of the consideration in June 2014). Early in July 2014, the Company paid the Crown in full the liability for the acquisition of a hotelier property in the amount of approximately NIS 425 million. Against the payment, the Company was granted leasehold rights in the land of the Café Royal Hotel in London as well as in the commercial areas adjacent to the Hotel, through December 2137.

E. Pursuant to the valuations of the hotels in Israel and overseas, in 2023 the Company recorded a decrease of NIS 47 million in the revaluation reserve, net of tax. The carrying amount of the fixed assets as at December 31, 2023, which is presented at the fair value that would have been recognized had the assets been presented under the cost model, is NIS 3,921 million.

F. As at December 31, 2023, fixed-asset items in the amount of NIS 3,694,061 thousand (December 31, 2022: NIS 3,642,315 thousand) are pledged to secure borrowings from banks (see Note 15, Borrowings from Banks, as to the terms of the credit).

G. As at December 31, 2023, the balance of Café Royal London plus a commercial area for self use, in the balance sheet of the Company, at fair value, is NIS 1,207 million (approximately GBP 250 million value of the hotel and GBP 12 million the commercial area at the self use of the hotel). In the reporting year the Company recorded a loss from negative revaluation of the hotel in the amount of NIS 12 million net of tax (revaluation gain of NIS 71 million net of tax in 2022), which was recorded within other comprehensive income in a capital reserve for revaluation of fixed assets.

H. In July 2018 Hotel Lutetia in Paris was reopened after it had been shut down for renovations as from July 1, 2014 so that it would achieve the high standards that are characteristic of the other hotels of the Group. According to a valuation that was prepared by an independent external appraiser, as at December 31, 2023 the value of the hotel is estimated to be € 427 million (NIS 1,713 million). In the reporting year the Company recorded a loss from positive revaluation in the amount of NIS 5 million, net of tax, in respect of the hotel (revaluation gain of NIS 127 million, net of tax, in 2022), which was recorded within other comprehensive income in a capital reserve for revaluation of fixed assets.

I. According to a valuation that was prepared by an independent external appraiser, as at December 31, 2023 the value of the David Citadel Hotel in Jerusalem is estimated to be NIS 1,236 million. In the reporting year the Company recorded a loss from positive revaluation in the amount of NIS 27 million, net of tax, in respect of the hotel (revaluation gain of NIS 284 million, net of tax, in 2022), which was recorded within other comprehensive income in a capital reserve for revaluation of fixed assets.

Note 14 - Fixed Assets (cont'd)

J. In 2022 the Nofei Hasharon property and the adjacent area that is rented out to Holmes Place in Netanya were sold for the price of NIS 80 million.

Note 15 - Borrowings from Banks

This note provides information regarding the contractual terms of the Group's interest-bearing loans and borrowings measured at amortized cost. Further information on the Group's exposure to interest, foreign currency and liquidity risks is included in Note 33, Financial Instruments.

Composition:

	December 31	
	2023	2022
	NIS thousands	
Short-term loans – in Israel		
Unlinked	408	-
Exchange rate of the Euro	16,544	-
Exchange rate of the Pound Sterling	255,101	-
	272,053	-

Note 16 - Trade Payables

Composition:

	December 31	
	2023	2022
	NIS thousands	NIS thousands
Open debts	50,372	63,653
Debts in respect of investment in real estate	25,284	11,369
Checks and notes payable	1,181	1,300
	76,837	76,322

The Group's exposure to currency and liquidity risks related to trade payables is disclosed in Note 33, Financial Instruments.

Note 17 - Other Payables, Including Derivative Instruments

Composition:

	December 31	
	2023 NIS thousands	2022 NIS thousands
Interest payable	21,145	18,447
Accrued expenses	115,513	103,710
Deferred income	20,650	22,566
Government institutions	21,533	16,839
Employees and accrued benefits	21,298	27,683
Customer advances	28,638	10,748
Derivative financial instruments	2,407	5,718
Deposits	389	433
Current lease liability	5,102	4,489
Other payables and credit balances*	124,983	109,323
	361,658	319,956

* The balance as at December 31, 2023 and 2022 includes amounts of NIS 124,000 thousand and NIS 104,000 thousand, respectively, that were received from Karta. See also Note 31.B(3).

The Group's exposure to currency and liquidity risks related to some of other payables is disclosed in Note 33, Financial Instruments.

Note 18 - Debentures and Loans from Banks

This note provides information regarding the contractual terms of the Group's debentures and loans from banks measured at amortized cost. Further information on the Group's exposure to interest, foreign currency and liquidity risks is included in Note 33, Financial Instruments.

A. Composition:

	Interest rate as at December 31, 2023	December 31	
		2023	2022
		NIS thousands	
Non-convertible debentures			
Linked to the Consumer Price Index	0.5% - 1.5%	1,159,801	1,348,423
Debenture raising, discount and premium expenses		(5,697)	8,706
		1,154,104	1,357,129
Less current maturities		109,161	417,149
		1,044,943	939,980
Loans from banks			
Linkage basis:			
In NIS	5.94%-6.45%	162,991	268,604
Exchange rate of the Euro	3.58%-6.1%	1,907,510	1,440,359
Exchange rate of the Swiss franc*	1.30%	2,632,342	2,273,668
Exchange rate of the Pound Sterling	3.09%-7.05%	2,125,265	1,902,196
Exchange rate of the Dollar	7.25%	57,255	-
Less – Loan raising expenses		8,128	6,349
		6,877,235	5,878,478
Less current maturities		1,286,188	506,075
		5,591,047	5,372,403

* See Note 18.G hereunder.

B. Non-convertible debentures (Series C)

On June 1, 2014, NIS 200 million par value of ordinary debentures (Series C) was issued and listed for trade on the Stock Exchange. The debentures bear an annual interest rate of 1.85%. The principal and interest are linked to the Consumer Price Index. The debentures are redeemable through June 1, 2022 by way of annual principal payments, as follows: the Company will redeem 3% of the principal in each of the years 2016 and 2017, and 18.8% of the principal in each of the years 2018-2022. In accordance with the aforesaid payment schedule all the debentures (Series C) were redeemed in 2022.

Note 18 - Debentures and Loans from Banks (cont'd)

C. Non-convertible debentures (Series D)

On January 9, 2017, NIS 243,556 million par value of ordinary debentures (Series D) was issued and listed for trade on the Stock Exchange. The debentures bear interest at the rate of 2.4%. The principal and interest are linked to the Consumer Price Index. The debentures are redeemable from 2018 to December 31, 2023 by way of annual principal payments, as follows: the Company will redeem 7.5% of the principal in each of the years 2018 and 2019, 10% of the principal in 2020 and 25% of the principal in each of the years 2021-2023. During 2017, two expansions of debentures were issued totaling NIS 226,996 thousand. On February 21, 2018, an additional expansion of NIS 177,340 par value was issued. In 2020 the Group purchased NIS 77 thousand par value of the debentures. In 2021 an additional expansion of NIS 32,000 thousand was issued. In December 2022 the Company purchased NIS 14,334 thousand par value of the debentures. In 2023 the Company purchased NIS 78,653 thousand par value of the debentures. In accordance with the aforesaid payment schedule the balance of the debentures (Series D) were redeemed in December 2023.

D. Non-convertible debentures (Series E)

On December 15, 2019 NIS 240 million par value of debentures (Series E) of NIS 1 par value each was issued and listed for trade on the Stock Exchange in consideration of NIS 240 million. The debentures bear an annual interest rate of 1.5% and are linked (principal and interest) to the Consumer Price Index. The debentures are redeemable in seven annual installments on December 31 in each of the years 2021 through 2027 by way of annual principal payments as follows: 5% of the principal in each of the years 2021 and 2022, 10% of the principal in 2023, 20% of the principal in each of the years 2024-2027. The interest on the debentures is payable in semi-annual installments every calendar year on the unpaid balance of principal on June 30 and on December 31 in each of the years 2020 through 2027. In 2020 the Group purchased NIS 120 thousand par value of the debentures. In 2022 an expansion of NIS 100,000 thousand par value of the debentures (Series E) was issued. In 2023 another expansion was issued in the amount of NIS 100,339 thousand. As at December 31, 2023, the balance of the debentures (Series E) is a par value of NIS 376,550 thousand.

E. Non-convertible debentures (Series F)

On November 25, 2021 NIS 606.04 million par value of debentures (Series F) of NIS 1 par value each was issued and listed for trade on the Stock Exchange in consideration of NIS 621 million. The debentures bear a fixed annual interest rate of 0.5% and are linked (principal and interest) to the Consumer Price Index. The debentures are redeemable in three installments in the amount of 1% of principal on October 1 of each of the years 2024 through 2026, with 97% of the principal being redeemable on October 1, 2027. The interest on the debentures is payable in semi-annual installments every calendar year on the unpaid balance of principal on April 1 and on October 1 in each of the years 2022 through 2027. In 2023 an expansion of NIS 78,963 thousand of the debentures (Series F) was issued. As at December 31, 2023 the balance of the debentures (Series F) is a par value of NIS 685,003 thousand. As at December 31, 2023 the expansion consideration is in trust.

The Company created the following liens in favor of the trustee of the Series F debentures:

- 100% of the shares of L.Hotel Holding BV which is held by Locka Holding BV, a subsidiary of the Company.
- 100% of the participation units of Hotel Lutetia Financing – Limited Partnership, which is held by the Company and its subsidiary.

Note 18 - Debentures and Loans from Banks (cont'd)

E. Non-convertible debentures (Series F) (cont'd)

- All the Company's rights and receipts pursuant to a loan agreement between the Company (the lender) and the partnership (the borrower) by which the Company granted the partnership a loan constituting the proceeds from the issuance of the Series F debentures.
- All the partnership's rights and receipts pursuant to the loan agreement between it and L Hotel SNC.
- The Company undertakes that as long as the Series F debentures are outstanding it will be able to create a floating lien (current) on all the Company's assets and rights only under certain limitations.

F. Loans from banks

Long-term loans from banks in the amount of NIS 6,877,235 thousand (including current maturities of long-term loans in the amount of NIS 1,286,188 thousand) are secured by a fixed charge on land and buildings that are used by the Company as investment property, and fixed assets, the carrying amount of which amounts to NIS 14,488,059 thousand as at December 31, 2023. The Company has unutilized credit facilities with banks in the amount of NIS 268 million as at December 31, 2023 against which in addition to the aforesaid charge there is a lien also on securities in the amount of NIS 299 million.

G. Refinancing

In 2023 the Company refinanced in Switzerland all the non-recourse loans that their payment dates were in 2023. After this refinancing, the average life of all the Company's loans in Switzerland increased from 4.1 years (as at December 31, 2022) to 4.5 years (as at December 31, 2023) and the average interest rate of the Company in Switzerland increased from 1% (as at December 31, 2022) to 1.3% (as at December 31, 2023).

In the reporting year the Company refinanced two properties in France instead of the financing that ended in December 2023 in an amount of € 26 million (approximately NIS 106 million) at a fixed interest rate of 4.3%.

In 2022 the Company refinanced three properties in the UK in the aggregate amount of GBP 82 million (approximately NIS 347 million) at the same interest terms of the previous financing agreements. The financing period is until June 30, 2027 (as at December 31, 2023, the interest rate is 6.85%).

In 2022 the Company refinanced the Conservatorium Hotel in Amsterdam in the amount of € 110 million (approximately NIS 400 million). According to the financing agreement 95% of the principal is payable by October 29, 2024. The loan is at variable interest and as at December 31, 2023 its balance is € 107 million (approximately NIS 430 million) and the interest rate is 5.74%. In December 2021 the financing loan of the Conservatorium Hotel in Amsterdam in the amount of € 85 million (approximately 318 million) was repaid.

In 2021 the Company refinanced two office buildings in France in the aggregate amount of € 12 million (approximately NIS 45 million) at variable interest until 2033 (as at December 31, 2023 the interest rate is 3.58%).

In 2021 a loan in the amount of € 120 million that financed the Lutetia hotel in Paris was repaid and a bridge loan in the amount of € 125 million was taken in its place until raising the Series F debentures as described in paragraph E above.

Note 18 - Debentures and Loans from Banks (cont'd)

H. Financial covenants

- 1) In 2012, the Company undertook to banks to maintain the following equity ratios: a. Equity – the equity (excluding minority interests) will not fall below NIS 1,250 million at any time; b. Equity deriving from operations in Israel – the equity deriving from operations in Israel, as calculated by the Company based on the reports of the Company, will, at all times, amount to at least 15% of total balance sheet less overseas assets. As regarding one of the banks, the 15% undertaking relates to the equity as per the consolidated balance sheet of the Group. Those reports are subject to inspection by said bank, which is entitled to request clarifications thereon.
If the Company violates or fails to comply with any of its undertakings to the bank, the bank shall be entitled to call for the immediate repayment of the amounts provided as part of the banking services or any part thereof and to employ any means that it finds appropriate to ensure their collection. To the date of the report, the Company is in compliance with its undertaking to the banks.
- 2) In connection with borrowings from banks in Israel, the Company has undertaken as follows:
 1. The annual rental that is received from the rent of certain properties will at no time fall below a specified amount;
 2. To provide to the bank every agreed-upon period, an up-to-date valuation of the real estate, confirming, *inter alia*, that the value of the real estate is not less than a specified amount;
 3. The equity of the Company will not fall below NIS 1,250 million at any time;
 4. The equity of the Company (excluding minority interests) deriving from operations in Israel, as calculated based on the reports of the Company, will at all times amount to at least 15% of total balance sheet less overseas assets.To the date of the report, the Company is in compliance with these undertakings.
- 3) On several occasions, foreign subsidiaries have made undertakings to foreign banks that had provided non-recourse borrowings to said companies for the acquisition of properties, pursuant to which the loan amounts would not exceed specified percentages of the value of such properties. In other instances, the companies have undertaken that payments of principal and interest would not fall below certain percentages of the rental income in said years. In additional instances, a subsidiary has undertaken that the unoccupied premises within the properties would not exceed a certain percentage of the area of the properties. As at balance sheet date, the subsidiaries are in compliance with the bank requirements other than that stated in paragraphs 4) and 8) hereunder.
- 4) In the reporting year and subsequent to the date of the statement of financial position management of the group in England has worked with the banks in England to arrange the financial covenants following a decline in the fair value of the Group's assets and an increase in the interest rate. As at the date of signing the financial statements, all the demands of the said banking institutions have been arranged by partly repaying the loans and investing additional amounts in a deposit for future use.

Note 18 - Debentures and Loans from Banks (cont'd)

H. Financial covenants (cont'd)

- 5) On December 11, 2019, the Company published a shelf offering report under a shelf prospectus dated August 28, 2019, which prescribes, inter alia, quantitative financial covenants for the debentures (Series E) of the Company:
 - a. If the ratio of the net financial debt of the Company to the net total equity and indebtedness (CAP) of the Company exceeds 71% for the duration of two quarters, the Company will be prevented from distributing dividends or buying back its own shares.
 - b. If the equity of the Company (including minority interests) is less than NIS 2.3 billion for the duration of more than two quarters, the Company will be prevented from distributing profits within their meaning in the Companies Law – 1999.
- 6) On November 15, 2021, the Company published a shelf offering report under a shelf prospectus dated August 28, 2019, which prescribes, inter alia, quantitative financial covenants for the debentures (Series F) of the Company:
 - a. If the ratio of the net financial debt of the Company to the net total equity and indebtedness (CAP) of the Company exceeds 75% for the duration of two quarters, this will be cause for immediate repayment. If the ratio is higher than 67% the Company will be prevented from distributing dividends or buying back its own shares.
 - b. If the equity of the Company (including minority interests) is less than NIS 2.5 billion, this will be cause for immediate repayment. If it is less than NIS 3.2 billion, the Company will be prevented from distributing dividends or buying back its own shares.
 - c. If the LTV ratio of the Lutetia Hotel in France is higher than 75% for the duration of two quarters this will be cause for immediate repayment.
 - d. If the net financial debt of the Company divided by the surplus (as defined in the deed) according to the Company's consolidated annual financial statements is higher than 30 this will be cause for immediate repayment.
- 7) A subsidiary of the Company has made an undertaking to a bank, pursuant to which it is obligated to comply with the following financial covenants:
 - a. The ratio of the Company's equity to total balance sheet will not fall below 15%.
 - b. The LTV ratio of the Café Royal property in England will not exceed 65%.

As at December 31, 2023 the Company is in compliance with all the covenants mentioned in paragraphs 5-7 above.

- 8) A subsidiary in England has a loan in the amount of £ 165 million (NIS 762 million) that is payable in November 2024. As the result of an increase as from December 31, 2023 in the required interest coverage ratio (hereinafter: "the debt coverage ratio") as indicated in the financing agreement, management of the Group in England is working with the financing body to settle the covenant related to the debt coverage ratio.
As aforesaid the contractual payment date of the loan is in November 2024 and accordingly the loan is classified within current liabilities as at December 31, 2023.

Note 18 - Debentures and Loans from Banks (cont'd)

I. In the reporting year an agreement was reached with the financing bank in relation to the credit facility of the Mamilla complex in Jerusalem on the following updates: (a) the credit facility will increase by NIS 100 million (adjusted according to the index of May 2023) so that it will amount to NIS 1,594 million (adjusted according to the index of May 2023); (b) the credit facility will be extended by five years as from July 5, 2023; (c) a reduction of 4% each year; (d) the credit facility will be linked to the Consumer Price Index of May 2023. Additional conditions and financial covenants were prescribed as follows:

1. The ratio of equity (excluding non-controlling interests) to total balance sheet will not fall below 15% at all times, and the equity (excluding non-controlling interests) will be no less than NIS 1,250 million.
2. Commitment of the relevant subsidiaries to maintain an LTV ratio of 80%.

As at December 31, 2023 the Company is in compliance with all the aforesaid conditions.

J. On May 30, 2023 the Company issued a shelf prospectus on the basis of its financial statements for 2022 and for the first quarter of 2023. Further to the prospectus, expansions of the Series E and F debentures were made in December 2023 as mentioned in sections D and E above.

K. On August 7, 2023 the rating agency Maalot raised the rating of the Company's debentures (Series D and E) from +ilA to -ilAA and affirmed the previous ilAA rating of debentures (Series F). The Company's +ilA stable outlook rating was also affirmed.

Note 19 - Other Investments at Fair Value through Profit or Loss

	December 31	
	2023	2022
	NIS thousands	
Non-marketable shares	1,669	1,670
Venture capital funds	4,455	3,700
	6,124	5,370

Note 20 - Other Financial Liabilities, Including Derivative Instruments

This note provides information regarding the contractual terms of loans received from others, measured at amortized cost. Further information on the Group's exposure to interest, foreign currency and liquidity risks is included in Note 33, Financial Instruments.

A. Composition

	December 31	
	2023	2022
	NIS thousands	
Loans from others	6,258	5,482
Lease liability	57,193	52,019
Liability in respect of financial instruments	112,203	15,619
	175,654	73,120

B. Loans from others

	December 31	
	2023	2022
	Nominal interest as at December 31, 2023	NIS thousands
Loans in Euros received from related parties at variable interest*	6.41%	6,258
Total loans received from related parties		6,258

* Repayment dates have not yet been fixed for said loans, see also Note 34, Related Parties.

C. Lease liability

Composition

	December 31	
	2023	2022
	NIS thousands	
For lease of motor vehicles	5,716	2,934
For lease of offices	568	3,348
For lease of land	56,011	50,226
	62,295	56,508
Less current liabilities presented as part of payables and credit balances including derivative instruments	(5,102)	(4,489)
	57,193	52,019

For details on future payments of lease liability including financing, see Note 33.B.

Note 20 - Other Financial Liabilities, Including Derivative Instruments (cont'd)

C. Lease liability (cont'd)

Future minimum lease payments

	December 31	
	2023	2022
	NIS thousands	
Up to half a year	2,833	1,648
7 to 12 months	2,858	2,867
Two to five years	15,750	15,426
6 to ten years	15,910	13,826
More than 10 years	55,273	51,653
	92,624	85,420

D. Liability in respect of financial instruments

As regards a liability in respect of financial instruments in Switzerland in connection with interest rate swap transactions, see Note 33.D, Financial Instruments.

Note 21 - Employee Benefits

Employee benefits include post-employment benefits based on actuarial assessments.

Note 22 - Deposits

	December 31	
	2023	2022
	NIS thousands	
Rent deposits (1)	15,445	14,446
Maintenance deposits (2)	5,048	4,932
	20,493	19,378
Less – current deposits	(389)	433
Total deposits	20,104	18,945

Note 22 - Deposits (cont'd)

- (1) **Rent deposits** – Represent amounts received by the Company and subsidiaries from certain property renters. The amounts are partly linked to the Consumer Price Index and partly to the Euro and will be refunded to the depositors on the date of termination of the rent contract of the property.
- (2) **Maintenance deposits** – Represent amounts received by subsidiaries from certain property renters. The amounts are linked to the Consumer Price Index and will be refunded to the depositors on the date of termination of the rent contract of the property.

Note 23 - Equity

A. Share capital

	December 31		
	2023	2022	2021
	Shares of NIS 1 par value		
Issued and paid-in share capital as at January 1	23,053,922	23,053,922	23,059,439
Repurchase of shares*	(2,195,494)	-	(5,517)
Issued and paid-in share capital as at December 31	20,858,428	23,053,922	23,053,922
Authorized share capital	100,000,000	100,000,000	100,000,000

* See also Note 23.E.

The issued and paid-in share capital as at December 31, 2023 includes a repurchase of Company shares of a par value of NIS 4,745,130.

The holders of ordinary shares have the right to receive dividends, as may be declared from time to time, and the right to vote at general meetings of the Company, each share conferring one vote.

B. Translation reserve from foreign operations

The translation reserve includes all exchange differences resulting from the translation of the financial statements of foreign operations.

The movement in the translation reserve from foreign operations is as follows:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Subsidiaries: P.I.H. B.V. and Epic Suisse	429,554	332,042	(157,924)
Subsidiary: Locka Holding	210	(2,120)	19,835
Subsidiary: The Set	97	19	(22)
Subsidiaries directly held by the Company	3,819	1,243	(3,342)
	433,680	331,184	(141,453)

Note 23 - Equity (cont'd)

C. Revaluation reserve for fixed assets

The reserve includes the excess of the fair value of real estate (excluding real estate under construction) included in fixed assets over the carrying amount of such real estate. For information on the accounting policy concerning the revaluation of fixed assets, see Note 3.D.

D. Dividends

On March 26, 2023 the Company's Board of Directors decided to distribute a dividend in the amount of NIS 5 million. The dividend was paid on May 15, 2023,

In 2022 the Company declared and paid dividends in the amount of NS 65 million.

The Company did not declare any dividend in the 2021.

E. Repurchase of shares

On June 4, 2020 the Company's Board of Directors decided to approve another plan for the repurchase of Company shares in the amount of NIS 10 million. The plan is effective from June 8, 2020 to June 8, 2021. On August 23, 2020 the Company's Board of Directors decided to approve a plan for the repurchase of Company shares in the amount of NIS 15 million. The plan is effective from August 25, 2020 to August 25, 2021. On November 29, 2020 the Company's Board of Directors decided to approve a plan for the repurchase of Company shares in the amount of NIS 15 million. The plan is effective from December 1, 2020 to December 1, 2021.

Within the framework of the aforesaid repurchase plans, in the years 2020 and 2021, the Company repurchased (treasury shares) a par value of NIS 408 thousand in consideration of NIS 46,520 thousand and a par value of NIS 6 thousand in consideration of NIS 657 thousand, respectively.

On January 22, 2023 the Company repurchased NIS 2 million par value of Company shares in an off-floor transaction in consideration of NIS 285 million. Furthermore, that sale transaction included an adjustment mechanism by which should the Company become a private company by January 21, 2025 (meaning, no shares are held by the public) at a price per share higher than NIS 142.5 (plus adjustments for any dividend distribution) the seller will be entitled to additional consideration from the Company in respect of every sold share at an amount equal to 10% of the selling price.

On March 26, 2023 the Company's Board of Directors approved a plan for the repurchase of Company shares in the amount of NIS 40 million in effect for one year. On April 30, 2023 the Company repurchased Company shares having a par value of NIS 194 thousand in consideration of NIS 27 million. Furthermore, in the fourth quarter of 2023 the Company repurchased Company shares having a par value of NIS 2 thousand in consideration of NIS 0.2 million.

Note 24 - Earnings per Share

Basic earnings per share

The calculation of basic earnings per share as at December 31, 2023 was based on a loss of NIS 209,127 thousand (2022: profit of NIS 147,854; 2021: profit of NIS 528,465 thousand) attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding of 21,050 thousand shares (2022: 23,054 thousand shares; 2021: 23,054 thousand shares), calculated as follows:

Notes to the Financial Statements as at December 31, 2023

Note 24 - Earnings per Share (cont'd)

Profit (loss) used to calculate diluted earnings per share	(209,127)	147,854	528,465
Profit (loss) attributable to ordinary shareholders (diluted)	(209,127)	147,854	528,465

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Profit (loss) used to calculate diluted earnings per share	(209,127)	147,854	528,465
Profit (loss) attributable to ordinary shareholders (diluted)	(209,127)	147,854	528,465

Weighted average number of ordinary shares

Balance as at January 1	23,054	23,054	23,059
Effect of Company shares held by the Company	(2,004)	-	(5)
Weighted average number of ordinary shares used to calculate basic earnings per share	21,050	23,054	23,054

	Year ended December 31		
	2023	2022	2021
	Thousands of shares of NIS 1 par value		
Balance as at January 1	23,054	23,054	23,059
Effect of Company shares held by the Company	(2,004)	-	(5)
Weighted average number of ordinary shares used to calculate basic earnings per share	21,050	23,054	23,054

Diluted earnings (loss) per share

The calculation of diluted earnings per share as at December 31, 2023 was based on a loss of NIS 209,217 thousand (2022: profit of NIS 147,854 thousand; 2021: profit of NIS 528,465 thousand) attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding of 21,050 thousand shares (2022: 23,054 thousand shares; 2021: 23,054 thousand shares), calculated as follows:

Profit (loss) used to calculate diluted earnings per share	(209,127)	147,854	528,465
Profit (loss) attributable to ordinary shareholders (diluted)	(209,127)	147,854	528,465

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Profit (loss) used to calculate diluted earnings per share	(209,127)	147,854	528,465
Profit (loss) attributable to ordinary shareholders (diluted)	(209,127)	147,854	528,465

Weighted average number of ordinary shares used to calculate diluted earnings per share	23,054	23,054	23,059
Effect of Company shares held by the Company	(2,004)	-	(5)
Weighted average number of ordinary shares used to calculate diluted earnings per share	21,050	23,054	23,054

	Year ended December 31		
	2023	2022	2021
	Thousands of shares of NIS 1 par value		
Weighted average number of ordinary shares used to calculate diluted earnings per share	23,054	23,054	23,059
Effect of Company shares held by the Company	(2,004)	-	(5)
Weighted average number of ordinary shares used to calculate diluted earnings per share	21,050	23,054	23,054

Note 25 - Intangible Assets

Lutetia

On April 20, 2010 the Company, by means of Locka Holding BV, which is held at the rate of 80%, entered into an agreement to acquire 100% of the shares of a company (hereinafter: "the acquiree"), which holds all the rights in the luxury hotel Lutetia in the prestigious quarter of St-Germain in Paris, France, and operates and manages the asset. Goodwill was recognized in the framework of the acquisition that is mainly attributable to the unique location and nature of the property.

For the purpose of impairment testing, the goodwill was fully allocated to Hotel Lutetia in Paris, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the operating segments, before the aggregation of segments, reported in Note 5, Operating Segments.

As part of the impairment testing of the cash-generating unit that includes the goodwill, the Company examined the recoverable amount of the Hotel's operations, based on the external valuation performed by Savills. The recoverable amount was based on the fair value and determined by discounting the future cash flows that are expected to be generated by the Hotel. As at December 31, 2023, the recoverable amount is greater than the carrying amount of the unit and therefore no impairment loss was recognized. The fair value measurement is classified at Level 3 of the fair value hierarchy (for a definition of the various hierarchy levels, see Note 2, Basis of Preparation).

Key assumptions used in calculation of recoverable amount:

	2023	2022
Discount rate for the representative period	5.75%	5.95%
Perpetual discount rate	3.75%	3.70%

Note 26 - Gain (Loss) on Securities at Fair Value through Profit or Loss and Other Income (Expenses)

	Year ended December 31		
	2023	2022	2021
	NIS thousands		

Income

From securities, net	2,773	-	286,364
Capital gain	-	908	-
Other income	633	8,390	2,317
	3,406	9,298	288,681

Expenses

From securities, net	-	221,277	-
	-	221,277	-

Notes to the Financial Statements as at December 31, 2023

Note 27 - Hotel Operation Costs and Expenses

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Cost of services			
Payroll and related expenses	261,357	199,790	99,834
Food and beverages	51,651	44,389	22,877
Other expenses	43,074	36,344	16,515
	356,082	280,523	139,226
Operating expenses			
Payroll and related expenses	72,929	62,262	41,210
Energy	29,007	22,024	15,727
Property maintenance	47,378	37,734	20,353
Taxes and insurance	25,906	21,569	14,573
Advertising, marketing and public relations	11,617	9,881	4,231
General expenses	62,317	50,046	24,570
	249,154	203,516	120,664
Less hotel closing expenses	605,236	484,039	259,890
Total hotel operation costs	3,665	-	4,756
	601,571	484,039	255,134

Depreciation expenses in respect of the fixed assets of the hotels are carried to the income statement under "hotel depreciation expenses".

Note 28 - General and Administrative Expenses

Composition:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Salaries and related expenses			
Management fees to companies controlled by interested parties	51,000	41,136	30,266
Consulting, legal and audit fees	1,034	1,019	923
Directors' fees	25,018	29,354	22,765
Rent	795	892	802
Impairment loss (gain) on trade receivables	514	403	381
Advertising and public relations	329	175	(1,789)
Donations	609	733	279
Other	20,517	10,055	7,443
	13,350	* 22,605	11,511
	113,166	106,372	72,581

* In 2022 including issuance expenses in the amount of CHF 5.9 million (NIS 21 million) of a subsidiary in Switzerland. See also Note 12.C above.

Note 29 - Financing Income and Expenses

A. Recognized in profit or loss:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Income			
From bank deposits	232	172	26
Derivative financial instruments	22,816	98,549	78,302
From others	24,820	1,568	227
	47,868	100,289	78,555
Expenses			
From long-term bank loans (1)	200,630	43,238	200,490
From debentures (2)	48,151	82,544	33,153
From short-term borrowings from banks and others	30	121	146
From revaluation of deposits	197	337	96
Derivative financial instruments	137,288	36,104	-
To others	6,050	10,526	3,646
	392,346	172,870	237,531
Financing expenses, net	344,478	72,581	158,976
(1) Including amortization of deferred expenses	2,817	1,976	3,603
(2) Including amortization of deferred expenses and discount/(premium)	(2,373)	3,758	(1,696)

B. Recognized directly in comprehensive income

Income (expenses) in respect of currency translation differences of foreign operation	433,680	331,184	(141,453)
Attributable to:			
Owners of the Company	251,992	200,527	(107,815)
Non-controlling interests	181,688	130,657	(33,638)
	433,680	331,184	(141,453)

Note 30 - Taxes on Income

A. Composition of income tax expense included in the income statement:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Current tax expense			
For the current period	21,634	25,931	14,831
For prior years	4,147	-	(68)
	25,781	25,931	14,763
Deferred tax expense (income)			
Creation and reversal of temporary differences	(18,687)	62,489	120,373
Change in tax rates	134	(11,609)	(873)
	(18,553)	50,880	119,500
Income tax expense	7,228	76,811	134,263

B. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense as included in the income statement:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Profit (loss) before taxes on income	(215,803)	283,676	727,473
Primary statutory tax rate	23.0%	23.0%	23.0%
Theoretical tax calculated according to the Company's primary tax rate	(49,635)	65,245	167,319
Additional tax (tax saving) in respect of:			
Different tax rate of foreign subsidiaries, including adjustments for foreign exchange differences	(6,963)	(9,118)	(21,781)
Change in deferred taxes as a result of the changes in the purchasing power	(1,102)	(2,623)	(450)
Non-deductible expenses, including an impairment provision for investments	70,789	12,059	501
Tax exempt income and preferred income	2	(2)	1
Neutralization of tax calculated in respect of the Company's share in profits of associates	-	-	(8)
Change in losses carried forward for which deferred taxes were not recognized	(5,298)	17,100	(13,992)
Taxes in respect of previous years	4,147	-	(68)
Deferred taxes in respect of previous years	(1,162)	1,102	994
Changes in the tax rates	134	(11,609)	(873)
Other	(3,684)	4,657	2,620
	7,228	76,811	134,263

Note 30 - Taxes on Income (cont'd)

C. Details regarding the tax environment of the Group

(1) Corporate tax rate

The tax rate relevant to the Company in the years 2021-2023: 23%

(2) Benefits under the Law for the Encouragement of Industry (Taxes)

The subsidiaries, Alrov Mamilla 2006 Ltd. and Alrov Luxury Hotels (1993) Ltd. qualify as "Industrial Companies" as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly, since 2009, they are entitled to submit consolidated tax returns as companies in the same line of business.

(3) Law for the Encouragement of Capital Investments

On December 30, 2010, the Company announced its selection of 2009 as the election year of the beneficiary enterprise under the Law for the Encouragement of Capital Investments – 1959 (hereinafter: "the Encouragement Law"). The Encouragement Law grants tax benefits based on the development area in which the hotel is located. As at the date of announcement of the election year, Development Area A, as defined in the Encouragement of Capital investments Order (Determination of Special Areas for Tourism Enterprises) – 2007, includes hotels in the region of Jerusalem and confers tax exemption for a period of 10 years on income from the beneficiary enterprise.

(4) Description of the effects of the tax laws that apply to foreign related companies

Group companies operating overseas are subject to the tax laws in their countries of residence and operation. The tax rates applicable to its foreign subsidiaries are as follows: France – 25%-25.825%; Netherlands – 25.8%; Switzerland – 16% on average, England – the tax rate increased from 19% at the beginning of the year to 25% at its end.

In 2022 the tax rate in one of the cantons in Switzerland was reduced from 18.5% to 15.07%. As a result of the aforesaid reduction the Company recorded income from taxes following a decrease in the deferred tax liability in the amount of CHF 3.3 million (NIS 12 million).

In 2021 the corporate tax rate in England was updated to 25% in effect from April 1, 2023. As a result of the update in legislation, in 2021 the Company recorded an increase in deferred tax liabilities in the amount of NIS 3.3 million (an amount of NIS 4.2 million was recorded against a decrease in other comprehensive income and an amount of NIS 0.9 million against income from taxes).

Note 30 - Taxes on Income (cont'd)

D. Deferred tax assets and liabilities

(1) Recognized deferred tax assets and liabilities

Deferred taxes in respect of companies in Israel are calculated according to the tax rate anticipated to be in effect on the date of reversal as stated above.

Deferred taxes in respect of subsidiaries operating outside Israel were calculated according to the tax rates applicable in each country.

Deferred tax assets and liabilities are attributable to the following items:

	Fixed assets and investment property	Employee benefits	Carry- forward tax deductions and losses	Other	Total
	NIS thousands				
Balance of deferred tax asset (liability)					
as at January 1, 2022					
Changes recognized in profit or loss	(1,400,667)	3,825	182,214	(29,088)	(1,243,716)
Deferred taxes in respect of					
remeasurement of defined benefit plan carried to other comprehensive income	(97,802)	(81)	(20,621)	56,015	(62,489)
Currency translation differences in respect of foreign deferred taxes					
Effect of change in the tax rate					
Deferred taxes in respect of revaluation of fixed assets carried to other comprehensive income					
Balance of deferred tax asset (liability)					
as at December 31, 2022					
Changes recognized in profit or loss	(1,640,791)	3,462	100,382	26,927	(1,510,020)
Deferred taxes in respect of					
remeasurement of defined benefit plan carried to other comprehensive income	18,183	71	(3,111)	3,544	18,687
Effect of change in the tax rate					
Deferred taxes in respect of revaluation of fixed assets carried to other comprehensive income					
Balance of deferred tax asset (liability)					
as at December 31, 2023					
Changes recognized in profit or loss	(61,128)	24	-	-	24
Deferred taxes in respect of					
(134)	-	-	-	-	(134)
Currency translation differences in respect of foreign deferred taxes					
4,931	-	-	-	-	4,931
Balance of deferred tax asset (liability)					
as at December 31, 2023					
	(1,678,939)	3,557	84,953	30,471	(1,559,958)

Note 30 - Taxes on Income (cont'd)

D. Deferred tax assets and liabilities (cont'd)

(2) Unrecognized deferred tax liabilities

Deferred tax assets were not recognized in respect of the following items:

	December 31	
	2023	2022
	NIS thousands	
Losses for tax purposes	35,726	37,974
	35,726	37,974

The Company creates deferred taxes according to the various restrictions that apply to the utilization of tax losses and the deductible temporary differences.

(3) Carry-forward tax losses and deductions

The Company and subsidiaries have carry-forward losses that as at December 31, 2023 amount to NIS 1,621 million (2022: NIS 1,513 million).

The balances of carry-forward losses and deductions are linked to the CPI through to the end of 2007, with the exception of subsidiaries that maintain their accounts in foreign currency, for which such items are linked to the exchange rate of the foreign currency.

The balance of the losses for which deferred taxes were not created is NIS 169 million (2022: NIS 177 million).

E. Tax assessments

The Company has received final assessments through tax year 2018.

Other subsidiaries in Israel have received assessments that are considered to be final through tax year 2018 other than one subsidiary with closed assessments until and including tax year 2020 and another subsidiary with closed assessments until 2021 inclusive.

Note 30 - Taxes on Income (cont'd)

F. Taxes on income in respect of components of other comprehensive incomes

	2023		
	Before tax	Tax benefit (expense)	Net of tax
Revaluation reserve for fixed-asset items	(51,461)	4,931	(46,530)
Remeasurement of defined benefit plan	(495)	24	(471)
Total taxes in respect of components of other comprehensive income	(51,956)	4,955	(47,001)

	2022		
	Before tax	Tax benefit (expense)	Net of tax
Revaluation reserve for fixed-asset items	754,866	(159,000)	595,866
Remeasurement of defined benefit plan	1,511	(282)	1,229
Total taxes in respect of components of other comprehensive income	756,377	(159,282)	597,095

	2021		
	Before tax	Tax benefit (expense)	Net of tax
Revaluation reserve for fixed-asset items	289,547	(71,851)	217,696
Remeasurement of defined benefit plan	683	(122)	561
Total taxes in respect of components of other comprehensive income	290,230	(71,973)	218,257

Note 31 - Contingent Liabilities, Commitments and Pledges

A. Contingent liabilities

(1) As at the date of the statement of financial position, bank guarantees were provided as follows:

To secure a payment in connection with arbitration - NIS 3,209 thousand.

To institutions (mainly municipalities and the Ministry of Tourism) – NIS 1,378 thousand.

To secure a property sale agreement - NIS 200 thousand.

(2) Guarantees

- a. The Company has provided a guarantee in an unlimited amount to secure the liabilities of several subsidiaries to banks and guarantees limited in amount for other subsidiaries.
- b. The Company has provided guarantees for the fulfillment of obligations of subsidiaries in connection with agreements signed under a real estate transaction, as described in section B.(3) below.
- c. The Company has provided a guarantee to fulfill the debts and obligations of a subsidiary pursuant to a lease contract, under which a hotel property was acquired in London. See Note 14.D. This guarantee is limited to £1 million per year, linked to the Consumer Price Index, and a total of up to £5 million for a period of 25 years from the lease period (commenced in 2014).

B. Commitments

(1) As at the date of the statement of financial position, the Company and the subsidiaries have existing construction obligations in the amount of NIS 430 million.

(2) See Note 14.D regarding the Company's commitment in connection with construction of a hotel in London.

(3) Arbitration proceeding against Karta

In November 1998, the Company's subsidiary Alrov Mamilla Commercial District (1993) Ltd. (hereinafter: "Alrov Commercial District"), which presently hold the Mamilla commercial district in Jerusalem, initiated an arbitration proceeding against Karta Central Jerusalem Development Company Ltd. (hereinafter: "Karta"), a party to the development of the Mamilla Commercial District in Jerusalem, for the issue of a declaratory relief pursuant to which Karta is in breach of the agreement with Alrov Commercial District as a result of Karta's refusal to sign an amendment to the Municipal Building Plan that had been drawn up by Alrov Commercial District for the Mamilla Commercial District.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(3) Arbitration proceeding against Karta (cont'd)

On December 31, 2004, the arbitrator issued an interlocutory decree (hereinafter: "the Second Ruling"), requiring Karta to pay damages of NIS 80 million (including VAT) to Alrov Commercial District for the breach of the agreement between them. On January 11, 2006, Alrov Commercial District received the final ruling of the arbitrator, pursuant to which Alrov Commercial District is entitled to damages as well as to the reimbursement of expenses and fees from Karta in the aggregate amount of approximately NIS 22 million (including VAT).

On February 12, 2007, a liquidation order was issued against Karta. The official receiver was appointed as liquidator and was authorized to appoint a Special Administrator for certain duties.

On March 4, 2007, a debt-claim against Karta, in the amount of NIS 133 million (including VAT) was filed with the official receiver on behalf of Alrov Commercial District. Following a meeting of creditors on March 6, 2007 at the offices of the official receiver, the creditors (Alrov, the State and the Jerusalem Municipality) have agreed to appoint Adv. Yitzhak Molcho as Special Administrator. It should be noted that the State of Israel and the Jerusalem Municipality have also filed debt claims under the liquidation proceedings, for substantial amounts that could affect the ability of Karta to pay the arbitrator's ruling. Alrov Commercial District is considering filing a monetary claim against the State in respect of the damages incurred by the company as a result of the delay in the construction of the Mamilla Commercial District project, which had been caused by the Ministry of Interior and the Ministry of Housing.

On March 29, 2019 the Company received the decision of the Special Administrator by which the Special Administrator had approved most of the debt claim in the amount of NIS 153,076 thousand, including linkage differences and interest at an annual rate of 3%, that Alrov Commercial District had submitted in the framework of the liquidation proceedings of Karta. The net amount that was approved for payment to Alrov, after offsetting debts of Alrov to Karta in liquidation, as decided by the Special Administrator, is NIS 118,915 thousand.

In 2019 the Special Administrator issued decisions in writing regarding the debt claim of the State of Israel and of the Jerusalem Municipality. Alrov Commercial District, the Municipality and the State filed appeals with the Jerusalem District Court on the decisions of the Special Administrator while each of the aforesaid three parties is appealing separately both the decision of the Special Administrator on its case and the decision of the Special Administrator with respect to the other two parties.

On October 18, 2015, the Jerusalem District Court ruled that the Special Administrator will distribute an amount of NIS 60 million out of the liquidation fund, in equal parts of NIS 20 million, to each of the three creditors: the Jerusalem Municipality, the State of Israel and Alrov Commercial District against the signing of an indemnification agreement with the Official Receiver ("the OR") and the Special Administrator. Pursuant to the indemnification deed, each of the creditors will pay an amount of up to NIS 20 million to the liquidation fund within 14 days of a demand by the Special Administrator and/or the OR, with no obligation on the part of the latter two to reason and/or substantiate their demand. In view of the aforesaid including the signing of the indemnification deed, in conformity with generally accepted accounting principles Alrov Commercial District did not recognize income in respect of the amount received.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(3) Arbitration proceeding against Karta (cont'd)

Throughout the years 2020-2022 the Jerusalem District Court decided on additional distributions at the same terms as the aforesaid 2015 distribution including against the signing of an indemnification agreement at the same terms described above. According to those decisions, the State of Israel and Alrov Commercial District each received NIS 35 million, NIS 40 million and NIS 9 million in 2020, 2021 and 2022, respectively, whereas the Jerusalem Municipality received a total amount of NIS 39.6 million.

In the reporting year it was decided to make an additional distribution at the same terms by which the State of Israel and Alrov Commercial District received an amount of NIS 20 million whereas the Jerusalem Municipality received an amount of NIS 10 million.

In view of the aforesaid including the signing of the indemnification deeds, in conformity with generally accepted accounting principles Alrov Commercial District did not recognize income in respect of the amounts received so that as at December 31, 2023 the liability to Karta that is included in payables amounts to NIS 124 million (see also Note 17 above).

Subsequent to the date of the statement of financial position it was decided to make an additional distribution by which Alrov Commercial District and the State of Israel received an amount of NIS 10 million whereas the Jerusalem Municipality received an amount of NIS 5 million.

As at the date of issuing the financial statements, the parties are negotiating understandings between them regarding the final amounts due to each party and conclusion of the dispute. The Company believes that insofar as an understanding is reached between the parties as aforesaid, it will recognize a gain in respect of the amounts agreed between the parties. The Company will continue to examine developments in this respect in each reporting period.

(4) The Company offers indemnification for directors and officers in the Company, on an individual basis, for the duration of their office in the Company, this being subject to the restrictions and amounts that are set out in the Articles of Association of the Company.

(5) Mr. Alfred Akirov ("Mr. Akirov"), the controlling shareholder in the Company, is the founder of the Company ("the Group") and serves as active Chairman of its Board of Directors since its inception.

A management agreement exists between the Company and a company controlled by him ("the Management Company") by which, inter alia, the Management Company will provide management services, by means of Mr. Akirov, who currently serves and will continue to serve as active Chairman in the Company. In addition to remuneration, the Company bears and pays to Mr. Akirov or to the Management Company all the expenses of Mr. Akirov in respect of his service in the Company or on its behalf including the making available of an appropriate vehicle, vehicle maintenance, telephones, hospitality coverage, travel expenses, including the grossing up of notional income for income tax purposes where applicable.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(5) (cont'd)

On February 21, 2016, the general meeting of the shareholders of the Company decided (pursuant to the approval by the Compensation Committee and the Board of Directors of the Company) to extend the engagement of the Company in management arrangements with Mr. Akirov in the amount of NIS 3,132 thousand, linked to the Consumer Price Index, payable by the Company to the Management Company. The management arrangements approved in said general meeting are in effect for a period of 3 years commencing on the expiration of the Company's previous management arrangements with Mr. Akirov (May 8, 2016). On July 9, 2019 the Company's general meeting approved the terms of service of Mr. Alfred Akirov as aforesaid until December 31, 2020.

On January 6, 2021, the general meeting of the Company's shareholders decided to approve the management arrangements between the Company and Mr. Akirov (including by means of a company acting on his behalf), at the same terms as the previous management arrangement, for a period of three years effective from the end of the previous management arrangement, i.e. from December 31, 2020. On October 10, 2023 the special annual general meeting of the Company's shareholders approved extending the arrangement for three years, effective from the end of the previous arrangement (i.e. from January 1, 2024).

The Company's Audit Committee and Board of Directors decided that Locka would be responsible for 30% of the cost of the management fee charged by the company controlled by Mr. Akirov.

Further to the approval of the general meeting on January 6, 2021 as aforesaid, the Company's Board of Directors approved that with respect to the portion attributable to the Company (70% of the cost of his salary), as from 2021 the Chairman of the Board would be engaged through a personal employment contract (instead of the management agreement) and the Company would not bear any additional cost, in respect of the compensation according to the said employment agreement.

On July 4, 2018, the general meeting of the Company's shareholders decided to give temporary approval, commencing from the end of the additional service as CEO of the Company's Chairman of the Board of Directors (June 30, 2018), to an extension in the service of Mr. Akirov, the Chairman of the Board, as also the Company's CEO for an additional bridge period until a CEO is found for the Company who meets its needs, and in no case for longer than a 6-month period, all in a manner whereby Mr. Akirov will continue to be entitled to the terms of his current tenure (including indemnification and insurance), without any change.

On March 25, 2019 Mr. Meir Elhakham was appointed as the acting CEO of the Company, in addition to being the Company's Financial Manager, for which he will not be entitled to any additional compensation. On May 24, 2023 Mr. Shmuel Ben Moshe, Director of Real Estate Operations in Israel, was appointed as the Company's CEO.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(5) (cont'd)

On December 21, 2023 and December 26, 2023 the Company's Audit and Compensation Committee and Board of Directors (respectively) approved applying the existing corporate opportunity waiver between the Company and Mr. Alfred Akirov as regards the hotel operation activity (in Israel and overseas) and approving it as a qualifying transaction in accordance with Regulation 1(2) of the Relief Regulations, which does not require the approval of the Company's general meeting, further to a notice the Company received from the controlling shareholder, Mr. Alfred Akirov, by which subject to receiving the approval of the Company's competent bodies, he agrees to applying the existing corporate opportunity waiver also to the hotel operation activity (in Israel and overseas).

(6) As regards the collaboration in P.I.H. Property Investment Holdings B.V. (hereinafter: "PIH"), on December 28, 2008, a shareholders' agreement (hereinafter: "the Shareholders' Agreement") was signed between the Company and EPIC Luxembourg SA, a company that is (indirectly) wholly owned by a British citizen who is not affiliated to the controlling shareholder (hereinafter: "the Partner in PIH"), for cooperation in the acquisition, rent, trade and related transactions in income-generating real estate properties outside Israel, primarily in Europe, including Eastern Europe, this through PIH. The Shareholders' Agreement prescribes, *inter alia*, provisions concerning the founders' loans to PIH, the prohibition of pledging of shares and restrictions on their transferability, the composition of shareholders and signatory rights, management practices in PIH and non-compete arrangements.

- The Partner in PIH will no longer be required to provide any owners' loans or capital in favor of PIH and its operations. Any owners' loans or capital that are required for the business operations of PIH will be provided by the Company, in accordance with the terms that are set out in the Agreement, including as regarding the repayment of such loans. The liability of the Company to provide owners' loans as above will be limited in amount, and the Company may, at its sole discretion, raise the limit of the owners' loan. To the extent that the limit is raised by the Company as above, the Company would be obligated to provide to PIH higher amounts of owners' loans or capital, in accordance with a resolution of the Board of Directors of PIH. The Company alone shall be entitled to receive from PIH a tier of distribution of profits, in the amount of € 7.9 million, which will be increased from time to time based on the linkage mechanism that is set out in the Agreement.
- The Partner in PIH will be responsible for the current management of PIH and its subsidiaries, subject to the supervision and directives of the Board of Directors of PIH and the subsidiaries, and will dedicate the majority of his time and efforts to this purpose. Within this framework, the Partner in PIH will also oversee the efforts to locate properties for acquisition (in all related aspects, including feasibility testing of the acquisition, handling of business negotiations, management strategy and adaptation of acquired properties to their designated business purpose) and the actions necessary for obtaining outside finance for the acquisition or adaptation of the properties. For his services, the Partner in PIH shall be entitled to an annual consideration as provided for in the Agreement, with the addition of reimbursement of expenses.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(6) (cont'd)

- If control in the Company changes as a result of an action by Mr. Alfred Akirov or the Company, the Partner in PIH shall be entitled at his discretion and absolute authority to decide to sell to the Company and to obligate the Company to purchase from him, in their entirety, all of the shares of PIH that he holds at such time, clear and free, and subject to the provisions that are set out in the Agreement. Furthermore, in the event of a change in control other than as a result of an action by Mr. Alfred Akirov or the Company, as above, additional provisions shall apply to the decision-making mechanism in PIH including, *inter alia*, expansion of the areas for which a unanimous vote is required. The aforesaid will not apply if PIH becomes a public company and offers its shares to the public.

In 2016, as part of the aforesaid collaboration a new Swiss-resident company was established, SwissPic Holdings AG, which later changed its name to Epic Suisse AG. Before the issuance the Company and Epic Luxembourg held 77.8% and 22.2%, respectively, in the share capital of Epic Suisse. On May 25, 2022 Epic Suisse issued its share capital for the first time on a stock exchange in Switzerland (Six Swiss Exchange). For further details see Note 12.C above.

(7) On May 24, 2023 Mr. Shmuel Ben Moshe, Director of Real Estate Operations in Israel, was appointed as the Company's CEO. The salary cost of Mr. Ben Moshe in 2023 amounted to NIS 2,124 thousand.

(8) On December 29, 2011, the general meeting of the Company's shareholders decided, *inter alia* (after obtaining the approvals of the Audit Committee and the Board of Directors of the Company), to employ Mrs. Chava Akirov (wife of Mrs. Alfred Akirov) as Positioning and Standards Trustee of the Group's hotels, at a Deputy CEO level, with a CPI-linked monthly salary of NIS 30 thousand, with the addition of an amount equal to the notional grossing-up of the value of the benefit of a former Level 6 executive vehicle (now NIS 9 thousand). Additionally, a company on behalf of Mrs. Akirov shall be entitled to a monthly, CPI-linked amount of NIS 12 thousand in respect of a vehicle (and related expenses) that will be used by Mrs. Akirov at her sole expense. The terms of engagement, as above, were determined, *inter alia*, on the basis of an examination by an external expert of customary earning levels against the compensation offered to Mrs. Akirov.

On January 2, 2018, the general meeting of the Company's shareholders approved an extension of the employment arrangement for Mrs. Chava Akirov, in accordance with the terms of the current engagement, for a 3-year period ending December 31, 2020.

On January 6, 2021 the general meeting of the Company's shareholders approved an extension in the Company's arrangement with Mrs. Chava Akirov (the wife of Mr. Akirov) as Positioning and Standards Trustee of the Group's hotels, at a Deputy CEO level, for a period of three years beginning from the end of the previous arrangement, meaning as from January 1, 2021, at the same terms.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(8) (cont'd)

On October 10, 2023, the special annual general meeting of the Company's shareholders approved an extension of the arrangement for three years, beginning from the end of the previous arrangement (i.e. from January 1, 2024).

(9) Mr. Georgi Akirov ("Mr. Akirov"), the son of the controlling shareholder in the Company, has been serving since 2007 as the Director of Hotel Operations of the Company in Israel and overseas. On July 1, 2021, a general meeting of the Company's shareholders approved the employment agreement and remuneration arrangements with Mr. Georgi Akirov until the end of 3 years from the approval date by the general meeting.

On April 4, 2022 the general meeting of the Company approved the employment agreement and an update to remuneration arrangements with Mr. Georgi Akirov (including by means of a company on his behalf), as the Director of Hotel Operations of the Company in Israel and overseas as from the date of approval by the general meeting (i.e. as from April 4, 2022) for a period of three years from the date of approval of the general meeting as aforesaid.

In accordance with the remuneration arrangements that were approved by the general meeting, the remuneration and employment terms of Mr. Georgi Akirov were updated, including his entitlement (by means of a company on his behalf) to a fixed component payable as monthly management fees in the amount of NIS 191.66 thousand (plus VAT if applicable), linked to the CPI of November 2021.

On December 29, 2011, the general meeting, after obtaining the approval of the Audit Committee and the Board of Directors of the Company on November 15 and 20, 2011 (respectively), approved the engagement of the Company in an agreement for the establishment of a company that will specialize in the management of leading hotels in Israel and overseas (The Set Hotels Management Company), this in partnership between the Company (85%) and Mr. Georgi Akirov (15%), who is to lead and head the Management Company venture. Additionally, the Management Company will sign an agreement with the relevant companies in the Group for the provision of management services (see also paragraph 10 hereunder). The Management Company will bear 20% of the cost of employment of Mr. Georgi Akirov. The Management Company was established in 2016.

The Management Company provides management services to the Group's hotels and it also engaged with several luxury hotels and leading chains of luxury hotels owned by third parties to which it provides, at this stage, certain services including the right to be included in the chain's brand and to use the brand.

Subsequent to the reporting year, for the purpose of providing the services to the hotels owned by third parties, the Company incorporated The Set Group, a company wholly owned by the Company.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(10) In accordance with the founders' agreement of Locka, the parties will be allotted ordinary shares at the following rates: the Company – 80%; Mr. Georgi Akirov – 15%; the third party – 5%. On March 25, 2021 a special majority of the Company's general meeting of shareholders approved, inter alia, the arrangement that is the subject matter of the Locka transaction between Mr. Georgi Akirov and the Company ("the Arrangement") by which, inter alia, the 15% shares of Mr. Georgi Akirov in Locka will not confer any rights and/or duties in Locka and/or pursuant to the Locka transaction (this along with other restrictions and instructions regarding the shares of Mr. Georgi Akirov in Locka as aforesaid) and these will return conferring to Mr. Georgi Akirov all the rights and duties attached to them only upon the occurrence of one of the following events: (a) In the event that within 12 months from March 25, 2021 ("the entitling period") Mr. Georgi Akirov requests to avoid the dilution included in the Arrangement he is permitted (including by means of selling all or part of his shares in Locka to a third party, who will provide the financing) to actually and directly (and without the Company being a party or responsible for this) provide financing to Locka in an amount pro-rata to his interest (15%), that matches the financing that was provided (and/or will be provided in that period) by the Company to Locka (guarantees, financing, shareholders' loans, etc.) ("the entitlement"). (b) In the event that all the approvals required pursuant to the Companies Law are received, including the approval of the Company's general meeting of shareholders according to chapter five of part six of the Companies Law and all subject to the conditions determined by the general meeting, if any, and according to the sole discretion of the general meeting.

On March 27, 2022 Mr. Georgi Akirov notified the Company that he did not exercise the "entitlement" (per the definition of this term above) that is the subject matter of the Arrangement before the end of the "entitling period" (per the definition of this term above) that was March 25, 2022. Therefore, as from that date (meaning after the end of the entitling period), the shares of Mr. Georgi Akirov in Locka no longer confer any rights and/or duties in Locka and/or pursuant to the Locka transaction, and as from that date the holdings of Mr. Georgi Akirov in Locka are attributed to the Company in addition to the Company's shares in Locka.

Furthermore, on March 27, 2022 Mr. Georgi Akirov notified the Company that in view of him not exercising the "entitlement" with respect to the Locka shares as described above, for reasons of appearance and for the sake of order, he agrees to apply to his shares in the hotel management company The Set the Arrangement that applied to his shares in Locka such that, subject to receiving all the approvals required in the Company, the provisions described above in paragraph 10 shall apply to his shares in The Set, with any necessary changes, other than the "entitling period" per its definition above in this paragraph 10.

(11) On April 5, 2020 Mr. Alfred Akirov, Georgi Akirov and Sharon Akirov (in this paragraph: "the applicants") received from the Commissioner of the Capital Market, Insurance and Savings ("the Commissioner" and "the Capital Market Authority") a permit to hold means of control in Clal Insurance of up to 10% including by means of the Company. As from October 26, 2020, the Company became an interested party in Clal Insurance because of its holdings.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(11) (cont'd)

On July 1, 2021 the applicants received from the Commissioner a permit to increase the means of control they hold in Clal Insurance to up to 15%. On December 2, 2021 the applicants submitted to the Commissioner a request to receive a permit to hold means of control in Clal Insurance ("the Clal Insurance control permit"). On December 12, 2021 the Company reported on an inquiry of the Securities Authority concerning regulatory matters relating to the Concentration Law. In March 2022 a legal reply was received from the Capital Markets Authority that rejects the arrangement that was proposed for receiving the Clal Insurance control permit.

On November 19, 2022 the Company submitted to the Tel Aviv-Jaffa District Court a motion to issue an order for disclosure and inspection of documents¹ before filing a derivative claim against Clal, the CEO of Clal and five present directors of Clal (of the seven directors serving at that time), including the chairman of the board. According to the motion, the purpose of the requested information is to enable the Company to examine the possibility of filing a derivative claim with respect to both adequacy of the approval of the Max transaction and accordingly its validity and/or the damages and expenses that were incurred by Clal as a result of moving forward with the Max transaction, and with respect to the duty of an insurance company to act to terminate the service of anyone who breached their duties towards Clal including with respect to fortifying management's control as a company without a controlling interest and/or who failed it with inadequate corporate governance. In the motion the Company noted that if after the requested disclosure of documents, it is found that the board of directors did not apply the business judgement rule and the full/enhanced fairness of the Max transaction is not proven, then Clal may have a claim against the officers for a considerable amount of damages. On June 1, 2023 the parties submitted to the Tel Aviv-Jaffa District Court an agreed motion to strike out the motion for disclosure and inspection without waiver and with a mutual reservation of all allegations and rights subject to allowing the Company's representative (alone) to inspect certain documents relating to the approval of the Max transaction.

On December 25, 2022 a reply was received from the Capital Markets Authority that includes the position of the Committee for the Reduction of Concentration by which, at this time, (a) it has no intention of providing an interpretation that is different from that of the Committee for the Reduction of Concentration by which Clalbit Finance Ltd. should be considered a non-financial entity and not a financial entity pursuant to chapter D of the Concentration Law; (b) the arrangement by which all the means of control in Clal Insurance are held by the applicants who are individuals (meaning the Akirov family members) by means of companies controlled by them is possible; (c) it has no intention of granting a conditional control permit in Clal Insurance.

¹ Including minutes and documents that were exchanged with third parties in relation to the transaction of Clal Insurance in August 2022 to acquire all the shares of Warburg Pincus Financial Holdings (Israel) Ltd., which holds Max IT Finance Ltd. and other companies ("the Max transaction"), and all the documents relating to the allegations of the Company (Alrov) regarding the specific events indicated in the motion.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

B. Commitments (cont'd)

(11) (cont'd)

On July 25, 2023, a letter was received from the Capital Markets Authority by which, inter alia, in view of the long time that has passed and the need for additional information, and so that the Capital Markets Authority may consider the request for a permit, a new request is required for receiving a control permit in Clal Insurance.

On December 24, 2023 a new request to receive a control permit in Clal Insurance together with several courses of action was submitted to the Commissioner.

As at the date of issuing these financial statements the Company is holding talks with the Capital Markets Authority with respect to an updated control permit in Clal Insurance.

It is clarified that there is no certainty regarding receipt of the control permit in Clal Insurance and no certainty that it will be received, the manner of receiving it and its terms, and the timing of receiving the Clal Insurance control permit and it is possible that the aforesaid will not be realized because of, inter alia, the existing regulation and/or a change in regulation and/or other matters that are not under the control of the Company and, it is clarified that even if the applicants receive the Clal Insurance control permit it has not yet been decided to actually purchase more than 15% of the shares of Clal Insurance and there is no certainty that more than 15% of the shares of Clal Insurance (fully or partly) will actually be purchased. So as to remove any doubt, even if the Clal Insurance control permit is received, there is no commitment to actually purchase shares of Clal Insurance. The timing of purchasing shares of Clal Insurance, the means of exercising the Clal Insurance control permit and the rest of its terms are subject to the existence of appropriate market conditions, the regulation that exists at that time, the Company's discretion including receiving all the approvals required by law.

C. Claims

(1) In the ordinary course of business, legal claims have been filed, or various legal proceedings are pending against the Company (hereinafter in this section: "Legal Claims").

As at December 31, 2023, the amounts of claims made under Legal Claims that had been filed against the Group in various regards aggregate approximately NIS 10 million. In the opinion of the Company, based on the opinion of its legal counsel, the chances of the claims being accepted are lower than 50% and therefore no provision was included in the financial statements.

(2) On May 29, 2019 a claim and motion to certify it as a derivative claim was filed with the economic department of the Tel Aviv-Jaffa District Court by two of the Company's shareholders against the Chairman of the Board (the Company's controlling shareholder), the Company's director of hotel operations (Mr. Georgi Akirov, the son of the Company's controlling shareholder) ("the director of hotel operations") and against some of the directors who served and/or presently serve in the Company ("the motion").

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

C. Claims (cont'd)

(2) (cont'd)

The motion involves a framework transaction that was approved by the Company's general meeting of shareholders on July 22, 2007 regarding the incorporation and operation of a new company, Locka Holding BV ("Locka"), in which the Company holds 80% of its shares, the director of hotel operations holds 15% of its shares and an unrelated third party holds 5% of its shares, that will engage in the acquisition, modification, rental, commerce and related activities involving hotel real estate assets overseas, and includes instructions regarding the shareholders investments in Locka and the financing of its operations, and pursuant to it the Company provides Locka guarantees and/or loans ("Locka transaction"), in exchange for Locka paying the Company back to back all the costs involved in the provision of the loan to the Company by a lender plus an additional margin (interest) for the Company's benefit.

In short, the motion alleges (as denied) that the Locka transaction was not duly approved by the general meeting, that the transaction was not approved by the general meeting since November 15, 2011 and that the transaction was unduly extended from time to time. Among other things the Court is requested to declare that the transaction is illegal and to issue an order instructing the director of hotel operations to provide his share of the Locka financing and that the Company be compensated for its alleged damages.

On August 12, 2021 the Tel Aviv District Court accepted the motions to dismiss in limine and ordered to strike out the derivative claim.

On November 11, 2021 the Company was delivered a copy of the appeal that had been filed by the derivative plaintiffs with the honorable Supreme Court.

The appeal was denied by the Supreme Court on April 2, 2023.

(3) On March 7, 2021 a motion to certify a derivative claim was filed with the economic department of the Tel Aviv-Jaffa District Court. The subject of the derivative motion (which is denied) is, *inter alia*, that the acquisitions of shares of Clal Insurance by Alrov are transactions that require approvals according to chapter five of part 6 of the Companies Law due to the existence of a personal interest, and that since the necessary approvals were not obtained the transaction is an illegal transaction that caused the Company damages. In addition, in the derivative motion it is requested to issue to the Company an order to dispose of its shares in Clal Insurance, to compel the respondents to compensate the Company and that the Company's chairman of the Board return the compensation he had received for his service in the years 2019-2021.

The Company submitted its response to the claim and subsequently the applicant submitted its reply to the aforesaid response. On January 6, 2022 a pretrial was held. On January 13, 2022 the applicant announced that in the framework of the derivative motion it did not claim relief of cancelling transactions and that it waives additional relief in the derivative motion since it is has become redundant. On January 30, 2022 the Company filed its reply in which it noted, *inter alia*, that under the circumstances of the matter and in view of the applicant's notice it must amend the derivative motion. On January 31, 2022 the Court decided, *inter alia*, to allow the applicant to file an amended derivative motion within 14 days.

Note 31 - Contingent Liabilities, Commitments and Pledges (cont'd)

C. Claims (cont'd)

(3) (cont'd)

On February 15, 2022 the applicant provided the Company an amended derivative motion. On March 28, 2022 the Company filed an amended response to the amended derivative motion. On June 1, 2022 a pretrial was held on the matter.

On September 18, 2023 the applicant submitted a motion to summon for testimony Mr. Yoram Naveh, the CEO of Clal Insurance Enterprises Holdings Ltd., and to order Mr. Naveh to bring documents to the testimony. Furthermore, on the same date (September 18, 2023) the applicant submitted a motion to add to evidence the position statements that were reported by the Company. On December 10, 2023 the Company submitted responses to the aforesaid motions, in which it rejected both the motion to summon a witness and for disclosure of documents by the witness, and the motion to add evidence. As at the date of the financial statements, no decisions have as yet been made on the aforesaid motions.

D. Pledges

(1) To secure the liabilities of the Company and its subsidiaries to banks and for debentures (Series F), the following were provided:

- a. Fixed charges, unlimited in amount, on all the real estate properties of the Company and its subsidiaries, a lien on the rental and other income that is expected to be received thereon, a pledge on a securities deposit and a pledge on monies and/or goodwill, rights that will be due to the Company and subsidiaries under contracts signed by the companies, as well as fixed charges on fixed assets, goodwill, share capital and the insurance rights in respect of the property and floating charges on the properties of subsidiaries.

Additionally, a fixed charge was placed on all the shares of foreign subsidiaries that are held through a subsidiary, including on their attached rights, with the exception of foreign subsidiaries that are directly held by the Company. The pledges are unlimited in amount.

- b. A subsidiary has undertaken not to place general floating charges on its assets and properties without obtaining the consent of a bank thereto, and subsidiaries have made an undertaking to banks not to change their ownership structure.

Total liabilities secured by pledges on the assets of the Company and subsidiaries as at December 31, 2023 amount to NIS 8,034,358.

- (2) Subsidiaries have received an investment grant from the State of Israel under the Law for the Encouragement of Capital Investments - 1959. If the subsidiaries fail to meet the terms attached to the receipt of the grant, they will be required to refund the amounts of the grant, in whole or in part, with the addition of interest from its day of receipt.

A subsidiary has placed floating charges on all of its assets in favor of the State of Israel to secure its compliance with the terms attached to the receipt of the investment grant. Another subsidiary has placed floating charges in favor of the State of Israel to secure its compliance with the terms attached to the receipt of the investment grant, this on all of the assets to be used by the hotel that is to be constructed at the Commercial District, and on all of the assets deriving therefrom.

Note 32 - Financial Risk Management

A. General

The Group has exposure to the following risks as a result of the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency/linkage risk, interest risk and share prices risk)

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk. Additional quantitative disclosure is presented throughout these consolidated financial statements.

Financial risk management in the Company is performed under the supervision of Mr. Alfred Akirov, who serves as Chairman of the Board of Directors and is the controlling shareholder in the Company. Management of the Company regularly monitors developments in the relevant markets and receives weekly reports on the status of the exposure to the various risks. Once a quarter, the Company's Board of Directors reports on market risks and on the developments in this field.

B. Credit risk

Trade receivables

Investment property is characterized by a variety of tenants, in various sectors. In Israel, the Group customarily enters into medium-term rent agreements with its customers, for periods of several years.

The rental in Switzerland, France and Israel are mostly linked to the consumer price index (in the respective country) and are collected in advance for a period of 1-3 months, all in accordance with the rent agreements between the parties. Additionally, tenants are charged maintenance fees in respect of the rental property.

The collaterals that are received by the Company from tenants in Israel are mostly bank guarantees in an amount equal to three-months' rent, management fees and VAT, and occasionally promissory notes.

As at the date of the report, the Group is not dependent on a single customer or on a limited number of customers in this segment, the loss of which could materially affect the segment, and the Group does not have a customer that accounts for more than 10% of total income as per its consolidated financial statements.

In the lodging segment, customers share similar characteristics, consisting primarily of tourists and foreign business people. To the date of the report, the Group is not dependent on a single customer or on a limited number of customers in this segment, the loss of which could materially affect the segment.

C. Liquidity risk

As at December 31, 2023, the consolidated financial statements of the Company show negative working capital in the amount of NIS 1,000 million (December 31, 2022 - NIS 301 million) and continuous positive cash flows from operating activities.

The Company has had a negative working capital for several years (except in the second quarter of 2023 and in the second quarter of 2022), this as a result of the Company's decision to favor financing with short-term credit, this in view of the relatively low rates of interest on short-term credit in recent years as compared to that on the long-term credit, and taking into account anticipated receipts from the sale of properties. These reasons led the Company in the past to decide on the continuation of financing with short-term credit when obtaining credit from Israeli banks. The Company recently began financing part of its short-term loans with long-term credit. The Company regularly reviews this policy.

Note 32 - Financial Risk Management (cont'd)

C. Liquidity risk (cont'd)

The increase in working capital is mainly due to 2 loans that their repayment date is less than one year, one in the amount of £ 165 million against the Café Royal Hotel in London that is payable in November 2024 and an additional loan in the amount of € 105 million against the Conservatorium Hotel in Amsterdam that is payable in October 2024. As regards the loan against the Café Royal Hotel the Company is holding talks with the lender regarding extension of the loan and with other financial institutions regarding the receipt of a loan for repaying the existing loan. As regards the loan against the Conservatorium Hotel, the Company is holding talks with the lending bank regarding extension of the loan.

The Company's Board of Directors has determined that the working capital deficit, as described above, is not indicative of a liquidity problem in the Company; and taking note of Legal Position No. 105-27: Disclosure of Projected Cash Flows, of the Securities Authority, and the document of the Securities Authority from November 7, 2023 "Emphasis on the Disclosure of the Consequences of the Iron Swords War for Reporting Corporations" and particularly section 3.B of the document, presented below are details of the examination performed by the Board of Directors and the reasoning for its aforesaid resolution: (1) The Board of Directors has reviewed the policy of the Company, which is the source of the negative working capital that has been recorded by the Company for several years, to favor financing with short-term credit, this in view of the interest rates on short-term credit that in previous years were lower than those on long-term credit, while regularly reviewing this policy and updating it in the future to the extent necessary, and taking note of the actions the Company has and is taking to lower the amount of negative working capital. (2) The Company's Board of Directors has also reviewed the existing and anticipated liabilities of the Company and, more particularly, the liabilities that fall due in the next two years taking note of the negative effect of the Iron Swords war on the results of the Company's hotels in Israel because as from the fourth quarter of 2023 and assuming a partial negative effect on the results of the Company's hotels in Israel in 2024. The Board of Directors also examined as well as the sources for the repayment of said liabilities, taking into account the sources of credit and the unutilized facilities that are available to the Company, the positive cash flow from operating activities and the value of the securities that do not serve as collateral. (3) Based on all of the aforesaid, the Board of Directors determined that the existence of negative working capital is not indicative of a liquidity problem in the Company.

Guarantees

It is the policy of the Company to provide guarantees to wholly owned subsidiaries. For information on financial guarantees, see Note 31.A(2), Contingent Liabilities.

D. Market risks

As part of their activities, the Company and its subsidiaries are exposed to market risks, the principal of which are:

- (1) Currency exposure as a result of loans and inflow of income in foreign currency, including transactions in derivative financial instruments that are denominated in foreign currency. The Group has a current inflow of cash in U.S. dollars from its operations in Israel, deriving mainly from the David Citadel and Mamilla Hotels, while most of the expenses of the Company in Israel are incurred in NIS. From time to time the Company enters into dollar-NIS forward and swap transactions, based on its assessments regarding changes in the exchange rate of the dollar.

Note 32 - Financial Risk Management (cont'd)

D. Market risks

(1) (cont'd)

Management of the Company regularly monitors developments in the relevant markets. The Company's Board of Directors has not determined quantitative restrictions for transactions in derivative financial instruments, insofar as the transactions are covered by a future anticipated inflow including from the Company's hotels. The Board of Directors reports once a quarter on developments in this area.

(2) Exposure to changes in interest rates on loans in NIS and in foreign currency:

The Company has fixed-interest loans in NIS and in foreign currency, such that changes in the market interest rates create exposure in relation to the fair value of the Company's liabilities.

The Company has unlinked, variable-interest, loans in NIS and in foreign currency, such that changes in variable market interest rates affect the financing expenses included in the financial statements.

(3) Exposure to changes in the rate of increase in the Israeli CPI:

The Group is exposed to changes in the Consumer Price Index, due to its effect on the Group's CPI-linked liabilities. Conversely, the Company is exposed to changes in the Consumer Price Index in agreements with CPI-linked rental.

Note 33 - Financial Instruments

A. Credit risk

(1) Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at balance sheet date was as follows:

	December 31	
	2023	2022
NIS thousands		
Cash and cash equivalents	111,814	158,557
Trade receivables	34,576	43,956
Other receivables	159,898	36,561
	306,288	239,074

Note 33 - Financial Instruments (cont'd)

A. Credit risk (cont'd)

The maximum exposure to credit risk in respect of cash, trade receivables, other receivables, loans and other investments as at the date of the statement of financial position, by geographical areas, was as follows:

	December 31	
	2023	2022
	NIS thousands	
Israel	113,991	69,644
France	53,758	45,270
Switzerland	91,706	101,535
United Kingdom	41,887	20,484
The Netherlands	4,946	2,141
	306,288	239,074

(2) Aging of debts and impairment losses

Presented below is the aging of trade receivables:

	December 31			
	2023		2022	
	Gross	Impairment	Gross	Impairment
Not past due	20,525	-	28,850	-
Past due 0-30 days	8,432	-	10,762	-
Past due 31-120 days	2,469	-	3,975	-
Past due 121-365 days	978	-	461	-
Past due more than one year	4,806	2,634	1,960	2,052
	37,210	2,634	46,008	2,052

The movement in the provision for impairment in respect of trade receivables was as follows:

	December 31	
	2023	2022
	NIS thousands	
Balance as at January 1	2,052	2,374
Impairment loss recognized	329	175
Other	253	(497)
Balance as at December 31	2,634	2,052

Notes to the Financial Statements as at December 31, 2023

Note 33 - Financial Instruments (cont'd)

B. Liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	December 31, 2023						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
			NIS thousands				
Non-derivative financial liabilities							
Credit from banks	272,053	289,623	8,785	280,838	-	-	-
Trade payables	76,837	76,837	76,837	-	-	-	-
Other payables *	304,861	304,861	304,861	-	-	-	-
Debentures	1,154,104	1,190,055	4,977	116,238	119,620	949,220	-
Bank loans	6,877,235	7,782,546	203,305	1,414,264	941,943	3,875,804	1,347,230
Loans from others	6,258	8,171	198	198	397	7,378	-
Lease liability	62,295	92,623	2,921	2,945	4,941	10,911	70,905
Derivative financial liabilities							
Forward foreign currency contracts	74,154	74,154	1,272	890	1,041	70,951	-
Interest rate swaps not used for hedging	40,456	40,595	69	315	10,053	30,158	-
Total	9,180,762	9,859,465	603,225	1,815,688	1,077,995	4,944,422	1,418,135

	December 31, 2022						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
			NIS thousands				
Non-derivative financial liabilities							
Trade payables	76,322	76,322	76,322	-	-	-	-
Other payables *	276,435	276,435	276,435	-	-	-	-
Debentures	1,357,129	1,383,727	204,408	223,568	87,666	868,085	-
Bank loans	5,878,478	6,430,529	282,955	386,582	3,000,910	1,743,259	1,016,823
Loans from others	5,482	6,444	96	96	193	6,059	-
Lease liability	56,508	85,420	2,663	2,552	4,504	10,223	65,478
Derivative financial liabilities							
Forward foreign currency contracts	21,337	21,337	5,641	76	399	15,221	-
Total	7,671,691	8,280,214	848,520	612,874	3,093,672	2,642,847	1,082,301

* Including interest payable on debentures.

Notes to the Financial Statements as at December 31, 2023

Note 33 - Financial Instruments (cont'd)

C. Linkage and foreign currency risks

(1) Exposure to linkage and foreign currency risks

The Group's exposure to linkage and foreign currency risk, in nominal amounts, is as follows:

	December 31, 2023						
	NIS		Foreign currency				
	Unlinked	CPI-linked	GBP	Euro	CHF	Dollar	Total
Current assets:							
Cash and cash equivalents	6,054	-	31,568	18,335	54,101	1,756	111,814
Securities at fair value through profit or loss	785,565	-	-	-	-	-	785,565
Trade receivables	7,081	-	10,197	11,387	3,865	2,046	34,576
Other receivables	91,662	5,392	114	28,990	33,740	-	159,898
Non-current assets:							
Other investments at fair value through profit or loss	6,124	-	-	-	-	-	6,124
Long-term receivables	1,855	-	2,583	17,262	55,909	-	77,609
Current liabilities:							
Borrowings from banks	(408)	-	(255,101)	(16,544)	-	-	(272,053)
Current maturities of debentures	-	(111,289)	-	-	-	-	(111,289)
Current maturities of borrowings from banks	-	-	(761,652)	(512,249)	(15,204)	-	(1,289,105)
Trade payables	(6,903)	(214)	(13,620)	(33,588)	(22,512)	-	(76,837)
Other payables *	(187,051)	(10,597)	(28,828)	(62,393)	(57,512)	-	(346,381)
Non-current liabilities:							
Debentures	-	(1,048,512)	-	-	-	-	(1,048,512)
Bank loans	(162,991)	-	(1,363,613)	(1,395,261)	(2,617,138)	(57,255)	(5,596,258)
Other financial liabilities	-	(2,258)	(570)	(78,250)	(94,576)	-	(175,654)
Deposits	-	(7,593)	(4,839)	(7,672)	-	-	(20,104)
	540,988	(1,175,071)	(2,383,761)	(2,029,983)	(2,659,327)	(53,453)	(7,760,607)

* Other payables include short-term employee benefits.

Notes to the Financial Statements as at December 31, 2023

Note 33 - Financial Instruments (cont'd)

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

(1) Exposure to linkage and foreign currency risks (cont'd)

	December 31, 2022						
	NIS		Foreign currency				
	Unlinked	CPI-linked	GBP	Euro	CHF	Dollar	Total
Current assets:							
Cash and cash equivalents	16,662	-	9,338	37,414	77,629	17,514	158,557
Securities at fair value through profit or loss	781,549	-	-	-	-	-	781,549
Trade receivables	18,542	116	7,566	5,762	4,773	7,197	43,956
Other receivables	7,557	2,056	3,577	4,237	19,133	-	36,560
Non-current assets:							
Other investments at fair value through profit or loss	5,370	-	-	-	-	-	5,370
Long-term receivables	3,789	-	2,364	7,000	102,587	-	115,740
Current liabilities:							
Borrowings from banks in Israel	-	-	-	-	-	-	-
Current maturities of debentures	-	(416,354)	-	-	-	-	(416,354)
Current maturities of borrowings from banks	(1)	-	(8,085)	(114,591)	(385,072)	-	(507,749)
Trade payables	(17,636)	(214)	(18,615)	(30,665)	(9,083)	(109)	(76,322)
Other payables *	(166,991)	(16,991)	(29,836)	(71,832)	(39,209)	(3,467)	(328,326)
Non-current liabilities:							
Debentures	-	(932,069)	-	-	-	-	(932,069)
Bank loans	(268,603)	-	(1,894,111)	(1,325,768)	(1,888,596)	-	(5,377,078)
Other financial liabilities	-	(7,792)	(796)	(15,311)	(49,221)	-	(73,120)
Deposits	-	(7,571)	(4,521)	(6,853)	-	-	(18,945)
	<u>380,238</u>	<u>(1,378,819)</u>	<u>(1,933,119)</u>	<u>(1,510,607)</u>	<u>(2,167,059)</u>	<u>21,135</u>	<u>(6,588,231)</u>

* Other payables include short-term employee benefits.

The Group's exposure to linkage and foreign currency risk in respect of derivative financial instruments is as follows:

	December 31, 2023					
	Currency/ linkage receivable	Currency/ linkage payable	Date of expiration	Amount receivable	Amount payable	Fair value
				Foreign currency thousands	NIS thousands	
Instruments not used for hedging:						
Forward foreign currency contracts	NIS	EUR	2024	258,699	65,024	(2,162)
	NIS	EUR	2025	9,060	2,520	(1,041)
	NIS	EUR	2026	9,030	2,499	(1,009)
	NIS	EUR	2027	602,528	166,661	(69,942)

Note 33 - Financial Instruments (cont'd)

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

(1) Exposure to linkage and foreign currency risks (cont'd)

	December 31, 2022					
	Currency/ linkage receivable	Currency/ linkage payable	Date of expiration	Amount receivable	Amount payable	Fair value NIS thousands
				Foreign currency thousands	Foreign currency thousands	
Instruments not used for hedging:						
Forward foreign currency contracts	NIS	EUR	2023	289,565	78,632	(5,553)
	NIS	GBP	2023	91,587	21,652	(165)
	NIS	EUR	2024	9,091	2,538	(399)
	NIS	EUR	2025	9,060	2,520	(343)
	NIS	EUR	2026	9,030	2,499	(251)
	NIS	EUR	2027	602,528	166,660	(14,626)

(2) Sensitivity analysis

A change as at December 31 in the exchange rates of the following currencies against the NIS, as indicated below, and a change in the CPI would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2022.

	December 31, 2023	
	Equity	Profit or (loss)
		NIS thousands
2% increase in the CPI		(18,067)
5% increase in the exchange rate of:		(18,067)
The U.S. dollar	(2,058)	(2,058)
The Euro	(38,726)	(38,726)
The pound sterling	(30,013)	(30,013)

	December 31, 2022	
	Equity	Profit or (loss)
		NIS thousands
2% increase in the CPI		(21,168)
5% increase in the exchange rate of:		(21,168)
The U.S. dollar	814	814
The Euro	(27,337)	(27,337)
The pound sterling	(25,742)	(25,742)

A weakening of the NIS in similar rates against said currencies and a decrease in the Consumer Price Index at a similar rate as at December 31 would have had the same, but inverse effect, and in the same amounts, assuming that all other variables remain constant.

The effect of the changes in exchange rates on equity does not take into account the effect of translation of the capital invested in a foreign operation.

Note 33 - Financial Instruments (cont'd)

D. Interest rate risk

(1) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	December 31	
	2023	2022
	Carrying amount	
	NIS thousands	
Fixed-rate instruments		
Financial liabilities	<u>2,917,338</u>	<u>3,099,221</u>
Variable-rate instruments		
Financial liabilities	<u>5,397,835</u>	<u>4,142,939</u>

(2) Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(3) Cash flow sensitivity analysis for variable-rate instruments

A change of 5% in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2022.

	December 31, 2023			
	Profit or (loss)		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
NIS thousands				
Variable rate instruments	(12,038)	12,038	(12,038)	12,038

	December 31, 2022			
	Profit or (loss)		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
NIS thousands				
Variable rate instruments	(5,302)	5,302	(5,302)	5,302

Note 33 - Financial Instruments (cont'd)

D-1. Interest rate risk (cont'd)

Interest rate swap contracts not used for hedging

	December 31	
	2023	2022
	NIS thousands	
Within 12 months	25,855	12,727
Within 1-4 years	(5,073)	64,014
Within 5 years and longer	9,434	27,579
	30,216	104,320
Value of contracts for which the transactions were executed	1,577,619	871,712

The Company executes interest rate swap transactions in Switzerland for variable-rate loans where it swaps the base interest rate with a fixed interest rate, the result being that the total financing cost of those loans is only the amount of the margin.

E. Fair value

(1) Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, derivatives, bank borrowings, short-term loans and borrowings, trade payables, certain long-term bank loans and other payables are the same or proximate to their fair value.

The fair values of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Financial liabilities:	December 31			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands			
Debentures	1	1,160,749	1,088,448	1,356,183
Loans in France, England and Switzerland at fixed interest	2	1,765,767	1,719,150	1,747,367
		2,926,516	2,807,598	3,103,550
				2,933,769

* As to the fair value hierarchy, see Note 2.F.

See Note 4, Determination of Fair Value.

Note 33 - Financial Instruments (cont'd)

E. Fair value (cont'd)

(2) Data used in determining the fair value

The fair value of debentures is determined based on their value on the stock exchange as at December 31, 2023 and December 31, 2022.

The fair value of loans is determined by discounting cash flows at the variable rate of loans with the closest duration.

(3) Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value, using a valuation methodology. As to the fair value hierarchy, see Note 2.F.

	December 31, 2023			
	Level 1 NIS thousands	Level 2 NIS thousands	Level 3 NIS thousands	Total NIS thousands
Securities at fair value through profit or loss				
Marketable shares (a)	782,859	-	-	782,859
	<u>782,859</u>	<u>-</u>	<u>-</u>	<u>782,859</u>
Other investments at fair value through profit or loss				
Non-marketable shares, including venture capital funds	-	-	8,830	8,830
	<u>-</u>	<u>-</u>	<u>8,830</u>	<u>8,830</u>
Derivative financial assets				
Interest rate swaps not used for hedging (c)	-	70,672	-	70,672
	<u>-</u>	<u>70,672</u>	<u>-</u>	<u>70,672</u>
Derivative financial liabilities				
Forward foreign currency contracts (b)	-	74,154	-	74,154
Interest rate swaps not used for hedging (c)		40,456	-	40,456
	<u>-</u>	<u>114,610</u>	<u>-</u>	<u>114,610</u>
December 31, 2022				
	Level 1 NIS thousands	Level 2 NIS thousands	Level 3 NIS thousands	Total NIS thousands
Securities at fair value through profit or loss				
Marketable shares (a)	781,549	-	-	781,549
	<u>781,549</u>	<u>-</u>	<u>-</u>	<u>781,549</u>
Other investments at fair value through profit or loss				
Non-marketable shares, including venture capital funds	-	-	5,370	5,370
	<u>-</u>	<u>-</u>	<u>5,370</u>	<u>5,370</u>
Derivative financial assets				
Forward contracts not used for hedging (b)	-	104,320	-	104,320
	<u>-</u>	<u>104,320</u>	<u>-</u>	<u>104,320</u>
Derivative financial liabilities				
Interest rate swaps not used for hedging (c)	-	21,337	-	21,337
	<u>-</u>	<u>21,337</u>	<u>-</u>	<u>21,337</u>

* Restated

Note 33 - Financial Instruments (cont'd)

E. Fair value (cont'd)

(3) Fair value hierarchy of financial instruments measured at fair value (cont'd)

- a. The fair value of marketable shares is recognized according to their value on the stock exchange as at December 31, 2023 and December 31, 2022.
- b. Forward contracts not used for hedging – the value is estimated based on the discounted difference between the forward price specified in the contract and the current forward price for the remaining contractual period to maturity, using applicable market interest rates of similar instruments.
- c. Interest rate swaps not used for hedging – the fair value is estimated by discounting future cash flows over the term of the contract and applicable market interest rates of similar instruments, including necessary adjustments in respect of the parties' credit risks.

Note 34 - Related and Interested Parties

A. Controlling shareholder and subsidiaries

Mr. Alfred Akirov is the controlling shareholder in the Company, through companies that he owns. As to subsidiaries, see Note 37, Entities in the Group.

B. Benefits to key management personnel (including directors)

In addition to their salaries, the directors and executive officers are entitled to non-cash benefits (such as a car, etc.).

Benefits to key management personnel that are employed by the Group (including directors) include:

	Year ended December 31					
	2023		2022		2021	
	Number of People	Amount	Number of people	Amount	Number of people	Amount
		NIS thousands		NIS thousands		NIS thousands
Short-term employee benefits	4	9,746	4	8,683	4	7,839
Post-employment benefits	2	190	2	235	2	230
		<u>9,936</u>		<u>8,918</u>		<u>8,069</u>

Notes to the Financial Statements as at December 31, 2023

Note 34 - Related and Interested Parties (cont'd)

B. Benefits to key management personnel (including directors) (cont'd)

Benefits to directors that are not employed by the Group include:

	Year ended December 31					
	2023		2022		2021	
	Number of People	Amount NIS thousands	Number of people	Amount NIS thousands	Number of people	Amount NIS thousands
Total benefits to director who is not an employee	5	795	8	892	6	802

C. The statement of financial position includes balances with interested and related parties as follows:

	December 31	
	2023	2022
	NIS thousands	
Other receivables	1,588	1,461
Long-term receivables *	2,853	2,590
Loans from others **	6,258	5,482

* A loan to non-controlling interests that is included in long-term receivables bears variable interest (as at December 31, 2023 – 5.05%).

** As to loans from others, see Note 20.

D. The income statements include transactions with interested and related parties, as follows:

	Year ended December 31		
	2023	2022	2021
	NIS thousands		
Revenues			
From property management	182	167	160
Financing income	45	33	25
Expenses			
Salaries and other (1)	9,656	8,645	7,814
Management fees to companies controlled by interested parties (2)	1,034	996	948
Directors' fees	795	892	802
Financing expenses	394	144	122

(1) For additional information, see Notes 31.B(7), 31.B(8) and 31.B(9).

(2) For additional information on an engagement with a controlling shareholder, see Note 31.B(5).

Note 35 - Changes in Major Liabilities Resulting from Financing Activity

	Year ended December 31, 2023		Year ended December 31, 2022	
	Debentures*	Bank loans and borrowings*	Debentures*	Bank loans and borrowings*
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1	1,357,129	5,878,478	1,243,435	6,216,037
Borrowings from banks, net	-	487,087	-	(498,333)
Receipt of long-term bank loans net of loan acquisition costs	-	811,873	-	600,364
Repayment of long-term bank loans	-	(595,386)	-	(837,014)
Proceeds from issuance of debentures (net of issue costs)	184,610	-	103,610	-
Repayment of debentures	(423,889)	-	(55,143)	-
Revaluation of financial liabilities	38,211	564,419	63,251	393,666
Amortization of discount, premium and deferred expenses	(1,957)	2,817	1,976	3,758
Balance as of December 31	1,154,104	7,149,288	1,357,129	5,878,478

* Includes current maturities of debentures and loans

Note 36 - Subsequent Events

- A. Subsequent to the date of the statement of financial position up to proximate to the date of signing the financial statements (based on quotes at the end of the trading day on March 21, 2024), a pre-tax gain in the amount of NIS 113 million was recorded by the Company from an increase in value of securities.
- B. Further to that mentioned in Note 23.E above, on March 24, 2024 the Company's Board of Directors approved a plan to repurchase shares of the Company in an amount of NIS 40 million. The plan is in effect from March 25, 2024 until March 25, 2025. As at the date of issuing the financial statements, the Company has not yet made any purchases pursuant to the aforesaid repurchase plan.

Note 37 - List of Investee Companies

Presented below is a list of the companies in the Group:

Consolidated companies:

	Year ended December 31			
	2023		2022	
	Percentage of voting rights	Rate of participation in profits	Percentage of voting rights	Rate of participation in profits
Mamilla Alrov Quarter Management Ltd.	100	100	100	100
Al Kanit Maintenance and Management Ltd.	100	100	100	100
Alrov Resorts (1993) Ltd.	100	100	100	100
Alrov Luxury Hotels (1993) Ltd.	100	100	100	100
Alrov Mamilla Commercial District (1993) Ltd.	100	100	100	100
Alrov Mamilla 2006 Ltd.	100	100	100	100
Tatza Holdings (1994) Ltd.	90	90	90	90
Australian Wool Industries Ltd.	90	90	90	90
Nofei Hasharon Senior Citizen Residential Home Ltd.	100	100	100	100
46 Rothschild Avenue Management & Maintenance Ltd.	79	79	79	79
Alrov Properties and Construction (1983) Ltd.	100	100	100	100
Alrov Towers Management and Operation Ltd.	100	100	100	100
Alrov Rothschild Avenue (1989) Ltd.	100	100	100	100
Inimor Ltd.	100	100	100	100
Technorov Holdings (1993) Ltd.	80	80	80	80
Hashda Holdings (1993) Ltd.	100	100	100	100
Alrov Ventures Ltd.	100	100	100	100
Alrov Towers (1992) Ltd.	100	100	100	100
H.M. Holdings Ltd.	100	100	100	100
Alrov Fund Ltd. (PBC)	100	100	100	100
Hotel Lutetia Financing - Limited Partnership	100	100	100	100
European Property Investment Corporation Limited	76	76	76	76
P.I.H. Property Investment Holding B.V.	76	76	76	76
Property Investment Holding France Sarl	76	76	76	76
Epic Holdings France SAS	-	76	76	76
Property Investment Holding France DM Sarl	-	76	76	76
Epic France 2 SCI	76	76	76	76
Property Investment Holding France SCI	76	76	76	76
PIH France Pm Sarl	76	76	76	76
Fonciere Ventadoor SCI	76	76	76	76

Note 37 - List of Investee Companies (cont'd)

Presented below is a list of the companies in the Group (cont'd):

Consolidated companies (cont'd):

	Year ended December 31			
	2023		2022	
	Percentage of voting rights	Rate of participation in profits	Percentage of voting rights	Rate of participation in profits
Fonciere de Flander SCI	76	76	76	76
PIH France Pm Sarl	76	76	76	76
Fonciere Ventadoor SCL	76	76	76	76
Fonciere Ventadoor SCL	76	76	76	76
Epic One Property Investment AG	56.5	56.5	56.5	56.5
Epic Three Property Investment AG	56.5	56.5	56.5	56.5
Epic Five Property Investment AG	56.5	56.5	56.5	56.5
Epic Seven Property Investment AG	56.5	56.5	56.5	56.5
Epic Nine Property Investment AG	56.5	56.5	56.5	56.5
Epic Ten Property Investment AG	56.5	56.5	56.5	56.5
Epic Eleven Property Investment AG	56.5	56.5	56.5	56.5
Epic Twelve Property Investment AG	56.5	56.5	56.5	56.5
Epic Sixteen Property Investment AG	56.5	56.5	56.5	56.5
Epic Nineteen Property Investment AG	56.5	56.5	56.5	56.5
Epic Twenty Property Investment AG	56.5	56.5	56.5	56.5
Epic Twenty One Property Investment AG	56.5	56.5	56.5	56.5
Epic Twenty Two Property Investment AG	56.5	56.5	56.5	56.5
Epic Twenty Three Property Investment AG	56.5	56.5	56.5	56.5
Epic Suisse Property Management GmbH	56.5	56.5	56.5	56.5
The SET Hotel Management Company Limited	*85	85	85	85
Locka Holding B.V.	*80	80	80	80
Epic Suisse AG	56.5	56.5	56.5	56.5
Barco Investments B.V.	*80	80	80	80
Conservatorium Properties B.V.	*80	80	80	80
Conservatorium Hotel B.V.	*80	80	80	80
L Hotel Holding SAS	*80	80	80	80
L Hotel Holding BV	*80	80	80	80
L Hotel SNC	*80	80	80	80
Lodging 2020 L.P.	99.99	99.99	99.99	99.99
Lodging Aviation L.P.	100	100	100	100
PIH Luxembourg	56.5	56.5	56.5	56.5
Café Royal Management Limited	*80	80	80	80
Sutton Investment Group Limited	82	82	82	82
(CR) Constable Real BV	80.8	80.8	80.8	80.8
Wimbledon BV	80.8	80.8	80.8	80.8
George V Project Management BV	79.84	79.84	79.84	79.84
Penrite Assets Corporation S.A.R.L	79.84	79.84	79.84	79.84
Coccinelle SA	79.84	79.84	79.84	79.84
Epworth Building Limited	79.84	79.84	79.84	79.84
Fitzroy Properties (2022) Limited	79.84	79.84	79.84	79.84
UK Finance Properties Limited	100	100	-	-
Associates				
Properteam Regs Sarl	34	25.8	34	25.8

* See also Note 31.B.(10)