MATRIX IT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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AUDITORS' REPORT

To the Shareholders of

MATRIX IT LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Matrix IT Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2021. 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 components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

We did not examine the Components of Internal Control of certain subsidiaries, whose assets and revenues included in consolidation constitute approximately 14% and 11% accordingly as of December 31, 2021 and for the year ended December 31, 2021. The Components of Internal Control of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to Components of Internal Control included for those companies, is based on the reports of the other auditors.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", as amended, ("Auditing Standard (Israel) 911"). These components consist of: (1) entity-level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) sale process controls; (3) payroll process controls; (4) impairment of intangible assets process controls; (5) purchase price allocation process controls (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained 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 regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

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Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any 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.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and our report dated March 10, 2022 expressed an unqualified opinion thereon.

Tel Aviv, Israel
March 10, 2022

KOST FORER GABBAY & KASIERER
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AUDITORS' REPORT

To the Shareholders of

MATRIX IT LTD.

We have audited the accompanying consolidated statements of the financial position of Matrix IT Ltd. ("the Company") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. 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 audits.

We did not audit the financial statements of certain subsidiary, whose assets included in consolidation constitute approximately 14% of total consolidated assets as of December 31, 2021, and whose revenues included in consolidation constitute approximately 11% of total consolidated revenues for the year ended December 31, 2021. The financial statements of this company 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 on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those 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 provides 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 financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2021 and our report dated March 10, 2022 included an unqualified opinion on the effective maintenance of those components.

Tel Aviv, Israel
March 10, 2022

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2021	December 31, 2020
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	534,132	644,261
Trade receivables and unbilled receivables, net	6	1,396,973	1,049,994
Income tax receivables		29,148	45,203
Other account receivables	7	116,758	124,089
Inventories	8	62,570	77,121
		2,139,581	1,940,668
NON-CURRENT ASSETS:			
Investments and other loans		919	538
Long term prepaid expenses and trade receivables	6	33,912	37,493
Right-of-use assets	14	142,672	123,684
Property, plant and equipment	9	95,767	100,121
Goodwill	10	841,917	822,214
Intangible assets	10	107,843	117,052
Deferred taxes	17	75,973	73,783
		1,299,003	1,274,885
		3,438,584	**3,215,553**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2021	December 31, 2020
		NIS in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and others	11, 15, 21	484,644	349,941
Current maturities lease liability	14	79,137	58,725
Trade payables	12	534,192	426,360
Income taxes payable		13,544	8,031
Other accounts payable	13	64,159	61,051
Employees and payroll accruals		382,740	363,365
Liabilities in respect of business combinations	3	2,199	4,356
Put options of non-controlling interests	3	61,138	68,261
Deferred revenues		255,332	251,176
		1,877,085	1,591,266
NON-CURRENT LIABILITIES:			
Loans from banks and others	15, 21	424,112	537,073
Deferred revenues		54,021	53,454
Put options of non-controlling interests	3	51,282	45,095
Lease liabilities	14	65,658	69,084
Deferred taxes	17	61,007	59,380
Liabilities in respect of business combinations	3	8,343	4,870
Employee benefit liabilities	16	19,022	30,419
		683,445	799,375
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	19		
Share capital and capital reserves		322,552	331,735
Retained earnings		502,460	444,573
		825,012	776,308
Non-controlling interests		53,042	48,604
TOTAL EQUITY		878,054	824,912
		3,438,584	**3,215,553**

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

March 10, 2022			
Date of approval of the financial statements	Guy Bernstein Chairman of the Board	Moti Gutman Chief Executive Officer	Moshe Attias Chief Financial Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2021	2020	2019
	Note	NIS in thousands (except per share data)		
Revenues	22a	4,360,148	3,854,041	3,596,295
Cost of revenues	22b	3,729,745	3,291,050	3,078,395
Gross profit		630,403	562,991	517,900
Selling and marketing expenses	22c	147,555	122,072	115,844
General and administrative expenses	22d	153,456	151,786	147,313
Operating income		329,392	289,133	254,743
Financial expenses	22e	45,558	42,202	41,793
Financial income	22e	360	-	489
Company's share in gains (losses) of associated companies		-	-	90
Income before taxes on income		284,194	246,931	213,529
Taxes on income	17	65,446	56,081	46,620
Net income		218,748	190,850	166,909
Other comprehensive income (net of tax effect):				
Amounts that will not be reclassified subsequently to profit or loss:				
Actuarial gain (loss) from defined benefit plans	3	9,017	1,712	284
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:				
Foreign currency translation adjustments		(12,031)	(21,316)	(21,444)
Total comprehensive income		**215,734**	**171,246**	**145,749**
Net income attributable to:				
Equity holders of the Company		195,341	172,596	159,053
Non-controlling interests		23,407	18,254	7,856
		218,748	**190,850**	**166,909**
Total comprehensive income attributable to:				
Equity holders of the Company		192,542	153,128	137,962
Non-controlling interests		23,192	18,118	7,787
		215,734	**171,246**	**145,749**
Net earnings per share attributable to equity holders of the Company (in NIS):	23			
Basic net income		3.13	2.78	2.57
Diluted net income		3.09	2.74	2.54

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders									
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction With a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI	Total	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2020	67,245	293,054	(7,982)	444,573	(43,440)	10,186	12,672	776,308	48,604	824,912
Net income	-	-	-	195,341	-	-	-	195,341	23,407	218,748
Foreign currency translation reserve	-	-	-	-	(11,816)	-	-	(11,816)	(215)	(12,031)
Actuarial gain from defined benefit plans	-	-	-	9,017	-	-	-	9,017	-	9,017
Total other comprehensive gain (loss)	-	-	-	9,017	(11,816)	-	-	(2,779)	(215)	(3,014)
Total comprehensive income	-	-	-	204,358	(11,816)	-	-	192,542	23,192	215,734
Exercise of employee phantom options	458	8,391	-	-	-	-	(8,849)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(670)	(670)	2,936	2,266
Dividend paid	-	-	-	(146,471)	-	-	-	(146,471)	-	(146,471)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(21,690)	(21,690)
Share-based payment	-	-	-	-	-	-	3,303	3,303	-	3,303
Balance as of December 31, 2020	**67,703**	**301,445**	**(7,982)**	**502,460**	**(55,256)**	**10,186**	**6,456**	**825,012**	**53,042**	**878,054**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders									
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction With a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI	Total	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2020	67,194	290,282	(7,982)	395,160	(22,260)	10,186	(35)	732,545	7,989	740,534
Net income	-	-	-	172,596	-	-	-	172,596	18,254	190,850
Foreign currency translation reserve	-	-	-	-	(21,180)	-	-	(21,180)	(136)	(21,316)
Actuarial gain from defined benefit plans	-	-	-	1,712	-	-	-	1,712	-	1,712
Total other comprehensive gain (loss)	-	-	-	1,712	(21,180)	-	-	(19,468)	(136)	(19,604)
Total comprehensive income	-	-	-	174,308	(21,180)	-	-	153,128	18,118	171,246
Exercise of employee phantom options	51	2,772	-	-	-	-	(2,823)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	7,904	7,904	33,551	41,455
Dividend paid	-	-	-	(124,895)	-	-	-	(124,895)	-	(124,895)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(11,054)	(11,054)
Share-based payment	-	-	-	-	-	-	7,626	7,626	-	7,626
Balance as of December 31, 2020	**67,245**	**293,054**	**(7,982)**	**444,573**	**(43,440)**	**10,186**	**12,672**	**776,308**	**48,604**	**824,912**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the Company's shareholders									
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction With a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI	Total	Non-controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2019	66,788	283,536	(7,982)	360,964	(885)	10,186	(4,294)	708,313	6,115	714,428
Cumulative effect of initial application of IFRS 16 as of January 1, 2019 (see Note 2c'1)	-	-	-	(9,042)	-	-	-	(9,042)	-	(9,042)
Balance as of January 1, 2019 (after initial application of IFRS 16)	66,788	283,536	(7,982)	351,922	(885)	10,186	(4,294)	699,271	6,115	705,386
Net income	-	-	-	159,053	-	-	-	159,053	7,856	166,909
Foreign currency translation reserve	-	-	-	-	(21,375)	-	-	(21,375)	(69)	(21,444)
Actuarial gain from defined benefit plans	-	-	-	284	-	-	-	284	-	284
Total other comprehensive gain (loss)	-	-	-	284	(21,375)	-	-	(21,091)	(69)	(21,160)
Total comprehensive income	-	-	-	159,337	(21,375)	-	-	137,962	7,787	145,749
Exercise of employee phantom options	406	6,746	-	-	-	-	(7,152)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	2,796	2,796	-	2,796
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	362	362
Dividend paid	-	-	-	(116,099)	-	-	-	(116,099)	-	(116,099)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(6,275)	(6,275)
Share-based payment	-	-	-	-	-	-	8,615	8,615	-	8,615
Balance as of December 31, 2019	**67,194**	**290,282**	**(7,982)**	**395,160**	**(22,260)**	**10,186**	**(35)**	**732,545**	**7,989**	**740,534**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flows from operating activities:			
Net income	218,748	190,850	166,909
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	147,737	124,766	123,977
Taxes on income	65,445	56,081	46,620
Change in employee benefit liabilities	(3,276)	1,525	(1,097)
Other financial expenses, net	27,873	37,846	39,230
Revaluation of long-term loans from banks	(240)	62	168
Company's share of(gains) losses of associated companies	-	-	(90)
Revaluation of liabilities in respect of business combinations	298	(3,422)	954
Capital loss (gain) from sale of property, plant and equipment	(78)	257	(9)
Share-based payment	3,069	7,364	8,464
Increase (decrease) in value of put options of non-controlling interests	14,811	3,771	8,083
	255,639	228,250	226,300
Changes in asset and liability items:			
Increase in trade receivables	(341,772)	121,895	(10,544)
Decrease (increase) in other accounts receivable and prepaid expenses	10,660	(4,310)	(12,692)
Decrease (increase) in inventories	14,996	(37,748)	(3,342)
Increase in trade payables	107,406	30,961	(40,765)
Increase in employee benefit liabilities, deferred revenues and other accounts payable	24,846	93,237	51,695
	(183,864)	204,035	(15,648)
Cash paid and received during the year for:			
Interest paid	(21,257)	(22,627)	(25,689)
Taxes paid	(76,251)	(91,472)	(91,940)
Taxes received	26,205	26,141	3,509
	(71,303)	(87,958)	(114,120)
Net cash provided by operating activities	219,220	535,177	263,441

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	3,786	2,262	2,944
Purchase of property, plant and equipment	(35,080)	(36,440)	(33,370)
Purchase of intangible assets	-	(143)	(15,445)
Repayment of loan by associate	-	-	133
Acquisition of initially consolidated subsidiaries (a)	(20,191)	(29,458)	(77,638)
Payment of initially consolidated subsidiary	(1,693)	-	-
Investment in long-term deposits	-	-	(177)
Investment in Other Company	-	-	(634)
Net cash provided by (used in) investing activities	(53,178)	(63,779)	(124,187)
Cash flows from financing activities:			
Change in short-term credit from banks and other credit providers, net	117,131	(101,997)	175,168
Receipts of long-term loans from banks and others	120,000	280,000	260,000
Repayment of long-term loans from banks and others	(215,828)	(197,111)	(178,361)
Dividend paid	(146,471)	(124,895)	(116,099)
Repayment of liabilities in respect of business combinations	(5,937)	(11,308)	(6,403)
Repayment of capital lease obligation	(91,137)	(75,554)	(82,380)
Dividend paid to non-controlling interests	(36,180)	(22,156)	(10,743)
Repayment of liabilities in respect of non-controlling interests options	(5,376)	(10,377)	(3,349)
Net cash provided by (used in) financing activities	(263,798)	(263,398)	37,833
Exchange rate differences on balances of cash and cash equivalents	(12,373)	(23,027)	(22,832)
Increase(Decrease) in cash and cash equivalents	(110,129)	184,973	154,255
Cash and cash equivalents at the beginning of the year	644,261	459,288	305,033
Cash and cash equivalents at the end of the year	**534,132**	**644,261**	**459,288**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
(a) Acquisition of initially consolidated subsidiaries:			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	(2,550)	(18,527)	26,072
Right-of-use assets	-	(8,005)	(2,900)
Property, plant and equipment	(1,261)	(23,107)	(6,963)
Long term Deposits	(432)	-	-
Deferred taxes	(202)	(3,696)	-
Goodwill	(23,537)	(46,431)	(102,056)
Intangible assets	(11,073)	(57,406)	(53,577)
Other short-term liabilities	561	36,500	20,079
Employee benefit liabilities	3,129	2,194	5,379
Deferred taxes	3,006	14,157	12,748
Liability to previous controlling shareholder	2,432	1,693	230
Liability of put options to non-controlling interests	3,053	61,238	19,700
Non-controlling interests	2,936	465	362
Long term loan	109	-	-
Lease liabilities	-	8,005	3,288
Liability in respect of business combinations	3,638	3,462	-
	(20,191)	**(29,458)**	**(77,638)**
(b) Significant non-cash transactions:			
Right-of-use asset recognized with corresponding lease liability	108,501	58,458	236,493
	108,501	**58,458**	**236,493**

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

NOTE 1:- GENERAL

a. Matrix IT Ltd. ("the Company") was incorporated in Israel and began its business operations on September 12, 1989. The Company is considered an Israeli resident. The company is a public company, traded on Tel- Aviv stock Exchange. The Company's registered address is 3 Abba Even Boulevard, Herzliya, Israel. The controlling shareholder of the Company is Formula Systems (1985) Ltd. ("Formula Systems"), which is controlled by Asseco Poland S.A., a Polish public company, traded on the Warsaw Stock Exchange, which holds 25.6% of the share capital of Formula Systems and in addition, it has rights on votes of 11.76% owned by Mr. Guy Bernstein, therefore the voting power of Asseco reaches 37.36%. (see regulation 21(a) – in chapter Other company details).

The company operates in five operating segments as follows (see additional details in note 25):

1. Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.
2. Information Technologies (IT) Software solutions and services in USA.
3. Software product marketing and support.
4. Cloud infrastructure, and computer solutions.
5. Training and implementation.

b. Definitions:

In these financial statements:

The Company	-	Matrix IT Ltd.
The Group	-	The Company and its affiliate companies
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Associates	-	Companies in which the Company has significant influence and that are not subsidiaries. The Company's investment therein is accounted for in the consolidated financial statements of the Company using the equity method.
Affiliates companies	-	Subsidiaries and associates.
The parent company	-	Formula Systems (1985) Ltd.
The ultimate parent company	-	Asseco Poland S.A.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24.

NOTE 1:- GENERAL (CONT.)

c. Impact of the Corona Crisis

At the time of writing, the direct effects of the Corona crisis on the results of the company's operations and business are still being felt in US operations and less so in Israel, but these effects are considered insignificant.
In the Company's opinion, during the period of the report up to the date of approval of this report, the Company's business and financial results were not materially affected by the spread of the Coronavirus, including no significant developments or significant effects, including liquidity, financial condition and sources of financing.

d. Significant events during the period

In January 2020, a transaction was completed, in which the company exercised the minority Call option and acquired an additional 40% of the share capital of Network Infrastructure Technologies (NIT) for $ 4.5 million (approximately NIS 15.3 million) and increased the holding by 100% of the company's share capital.

In January 2020, the mutual options for the purchase of 49.9% of the share capital of Babcom Centers Ltd. were canceled, the Put option to the minority was canceled in the amount of NIS 24,178 thousand and NIS 26,246 thousand was set aside for non-controlling interests.

In October 2020, the mutual options for the purchase of 40%Put/Call Options of the share capital of Matrix B.I. were revoked that amounted NIS 13,375 thousand, and NIS 2,740 thousand was set aside for non-controlling interests.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements:

1. Basis of preparation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

2. Measurement basis:
The Group's financial statements have been prepared on a cost basis, except for assets and liabilities in respect of certain financial instruments at fair value through profit or loss.

The Group has elected to present the statement of comprehensive income using the function of expense method.

3. Consistent Accounting Policies

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. Significant accounting judgments estimates, and assumptions used in the preparation of the financial statements

Judgments:

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

- Recognizing revenue on a gross or net basis:

  In cases where the Group acts as agent or broker bearing the risks and rewards derived from the transaction, revenue is presented on a gross basis.

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term, and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

- Determining the timing of satisfaction of performance obligations:

  In order to determine the timing of recognizing revenues from contracts with customers at a point in time or overtime, the Company evaluates the date of transfer of control over the assets or services promised in the contracts. Among others, the Company evaluates whether the customer obtains control of the asset at a specific point in time or consumes the economic benefits associated with the contract simultaneously with the Company's performance. In determining the timing of revenue recognition, the Company also considers the provisions of applicable laws and regulations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. Significant accounting judgments estimates, and assumptions used in the preparation of the financial statements (Cont.)

Estimates and assumptions:

In the process of preparation of the financial statements, management requires to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues, and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Legal claims:

  In estimating the likelihood of the outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, considering the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to estimate the projected future cash flows from the continuing use of the cash-generating unit to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. (See additional information in p below).

- Deferred tax assets:

  Deferred tax assets are computed regarding unused carryforward tax losses and temporary differences that were not utilized to the extent that their utilization is probable. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of expected future taxable profits, its source, and the tax planning strategy. See additional information in r below.

- Pension and other post-employment benefits:

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, the discount rate, future salary increases, and forfeiture rates. The carrying amount of the liability may be highly sensitive out of changes in these estimates. See additional information in t below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. Significant accounting judgments estimates, and assumptions used in the preparation of the financial statements (Cont.)

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined using an acceptable option-pricing model. The inputs to the model include share price, exercise price, expected volatility, expected life, and expected dividend.

- Determining the fair value of non-controlling interests put option:

  When the Group measures the non-controlling interests in a business combination at fair value, the Group determines the fair value based on a valuation technique, generally the discounted cash flow method.

- Measuring the progress toward satisfaction of a performance obligation:

  For each transaction in which the performance obligation is satisfied over time, the Company applies an appropriate method of measuring progress toward satisfaction of the performance obligation using either an input or output method. In determining the appropriate method, the Company considers the nature of the goods or services transferred to the customer. In calculating the rate of progress toward satisfaction of a performance obligation in each period, the Company will make various estimates, such as expected volume of outputs from the contract, expected volume of inputs used in fulfilling the contract, etc. The Company exercises judgment in establishing the relevant estimates and relies, among others, on market data, the Company's past experience, and other facts and assumptions based on the relevant circumstances of each estimate.

- Lease extension and/or termination options:

  In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease or not exercise an option to terminate a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend or not exercise the option to terminate such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, etc.

  After the commencement date, the Company reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Company is reasonably certain to exercise an option or not exercise an option previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when a company has the power, directly or indirectly, to govern the financial and operating policies of an entity. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the Subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the Subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests of Subsidiaries represent the non-controlling shareholders' share of the total comprehensive income (loss) of the Subsidiaries and their share of the net assets at fair value upon the acquisition of the Subsidiaries. The non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statements of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

d. Functional currency, presentation currency, and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the NIS.

The Group determines the functional currency of each Group entity, including companies accounted for at equity.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, are translated at the closing rate at each reporting date. Comprehensive income items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and, accordingly, the exchange rate differences from these loans (net of the tax effect) are recorded, net of the tax effect, in other comprehensive income (loss).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Functional currency, presentation currency, and foreign currency (Cont.):

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets, and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in the statement of comprehensive income. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term deposits are bank deposits, with an original maturity period of more than three months from the investment date which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

h. Inventories:

Inventories are measured at a lower cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The subsidiaries hold inventories of purchased merchandise and products which consist of educational software kits, computers, peripheral equipment, and spare parts. The cost of the inventories is determined using the first-in, first-out method.

The Group periodically evaluates the condition and age of inventories and makes provisions for slow-moving inventories accordingly.

i. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

On the date of initial recognition, the Company may irrevocably designate a debt instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency, such as when a related financial liability is also measured at fair value through profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Financial instruments (Cont.):

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset, whereas the impairment loss on debt instruments measured at fair value through other comprehensive income is recognized in profit or loss with a corresponding loss allowance that is recorded in other comprehensive income and not as a reduction of the carrying amount of the financial asset in the statement of financial position.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Financial instruments (Cont.):

2. Impairment of financial assets (Cont.):

The Company applies the low credit risk simplification in the Standard, according to which the Company assumes the debt instrument's credit risk has not increased significantly since initial recognition if on the reporting date it is determined that the instrument has low credit risk, for example when the instrument has an external rating of "investment grade".

3. Derecognition of Financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, except in the case of a financial liability, which is measured at fair value through profit or loss, in which transaction costs are charged to profit or loss.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:

- Financial liabilities at fair value through profit or loss such as derivatives;

- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

- Financial guarantee contracts;

- Commitments to provide a loan at a below-market interest rate;

- Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Financial instruments (Cont.):

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods, or services; or is legally released from the liability.

When there is a modification in the terms of existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

If the terms of an existing financial liability are substantially modified or liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the modification in the terms of an existing liability is not substantial or if liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

7. Put option granted to non-controlling interests:

When the Group grants non-controlling interests a put option, to sell part or all of their interests in a subsidiary during a certain period, on the date of grant, the non-controlling interests are classified as a financial liability. The Group remeasures the financial liability at the end of each reporting period based on the estimated present value of the consideration to be transferred upon the exercise of the put option. Changes in the amount of the liability are recorded in the statement of comprehensive income. If the option is exercised in subsequent periods, the consideration paid upon exercise is treated as a settlement of the liability. If the option expires, the liability is settled and it is a portion of the investment in the subsidiary disposed of, without loss of control therein.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. Leases:

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:
The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

Following are the amortization periods of the right-of-use assets by class of underlying asset:

	Years	**Mainly**
Land	3-5	3
Motor vehicles	3	3

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. Leases (Cont.):

2. Lease payments linked to C.P.I.:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

3. Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date, and records the change in the lease liability as an adjustment to the right-of-use asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquire. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquire based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquirer's net identifiable assets.

Direct acquisition costs are carried to the statement of comprehensive income as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in the statement of comprehensive income.

Goodwill is initially measured at a cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date without subsequent measurement.

l. Investments in associates:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

m. Investments accounted for using the equity method:

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Gains and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Goodwill relating to the acquisition of an associate or a joint venture is presented as part of the investment in the associate or the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate or in the joint venture as a whole.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

m. Investments accounted for using the equity method (Cont.):

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IFRS 9, the Group adopts the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as an investment held for sale.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value, and recognizes in profit or loss, the difference between the fair value of any remaining investment, plus any proceeds from the sale of the investment in the associate or the joint venture, and the carrying amount of the investment, on that date.

n. Property, plant, and equipment:

Property, plant, and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses, and any related investment grants and excluding day-to-day servicing expenses. The cost includes spare parts and auxiliary equipment that are used in connection with the plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Building	20-33
Computers, furniture, and equipment	7-33
Motor vehicles	33.33
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method, and residual value of an asset are reviewed at least each year-end, and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant, and equipment, see p below.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

o. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in the statement of comprehensive income when incurred.

According to management's assessment, intangible assets that have a finite useful life, are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate, and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

The useful life of intangible assets is as follows:

	Years
Customer base and backlog	3 - 8
Brand names	5
Licenses and franchises	2 - 4

Gains or losses arising from the derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income.

p. Impairment of non-financial assets:

The Company evaluates the need for an impairment of non-financial assets (property, plant, and equipment, intangible assets, goodwill, investments in associates) whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value fewer costs of sale, and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

An impairment loss of an asset, except goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p. Impairment of non-financial assets (Cont.):

Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in the statement of comprehensive income.

The following unique criteria are applied in assessing impairment of these specific assets:

1. Goodwill in respect of acquired businesses:

   For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

   The Company performs its own tests and uses third-party valuation specialists to test goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is impairment.

   Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

2. Investment in an associate company using the equity method:

   After the application the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired.
   The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

q. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

r. Taxes on income:

Current or deferred taxes are recognized in the comprehensive income, except to the extent that they relate to items that are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date based on their utilization probability. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

s. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments at its grant date. The fair value is determined using a standard option pricing model.

The cost of equity-settled transactions is recognized in the statement of comprehensive income together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

t. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation, and social security contributions, and are recognized as expenses as the services are rendered. Liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

t. Employee benefit liabilities (Cont.):

2. Post-employment benefits (Cont.):

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with the performance of the employee's services.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon
dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are
presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high-quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

3. Other long-term employee benefits:

The Group's employees are entitled to benefits with respect to adaptation grants. These benefits are accounted for as other long-term benefits since the Company estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and more than twelve months after the end of the annual reporting period in which the employees render the related service.

The Group's net obligation for other long-term employee benefits, which is computed based on actuarial assumptions, is for the future benefit due to the employees for service rendered in the current period and in prior periods and taking into account expected salary increases The amount of these benefits is discounted to its present value. The discount rate is determined by reference at the reporting date to market yields on high-quality corporate bonds that are linked to the Consumer Price Index and whose term is consistent with the term of the Group's obligation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

t. Employee benefit liabilities (Cont.):

3. Other long-term employee benefits (Cont.):

Remeasurement of the net obligation is recognized to the statement of comprehensive income in the incurred period.

u. Revenue recognition:

Revenue from contracts with customers is recognized in profit and loss statement when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal supplier.

Revenue of contracts according to actual inputs:

Income from framework agreements for the performance of work according to actual inputs is recognized according to the hours actually invested:

Revenue of Fixed Price contracts:

Income from these contracts, is recognized according to the completion rate method when all the following conditions are met: the income is known or can be estimated reliably, the collection of income is expected, the costs involved in performing the work are known or can be estimated, there is no material uncertainty about the group's ability to complete the work and, the customer and the completion rate can be reliably estimated. The completion rate is determined on the basis of the actual cost versus the projected total cost.
As long as all the conditions for the recognition of income from works under a Long term project (POC valuation) contract are not met, income is recognized in the amount of costs incurred, which is likely to be returned (Probable) ("presentation of zero margin"). When a loss is expected from the contract, the full loss is recognized immediately regardless of the completion rate as part of the cost of the sale. according to the hours actually invested:

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenues from sales, distribution, and support of software products:

The Company recognizes revenue from software licensing transactions at a point in time when the Company provides the customer a right to use the Company's intellectual property as it exists at the point in time at which the license is granted to the customer. The Company recognizes revenue from software licensing transactions overtime when the Company provides the customer a right to access the Company's intellectual property throughout the license period.
Revenue from sales agreements that do not have a general right of return, which include several components such as software, service, and support agreements, is split into separate performance obligations and recognized separately for each performance obligation. The allocation of the consideration shall be performed proportionately based on the separate sales price of each component. Recognition of revenue from the various performance obligations is recognized when the conditions for recognition of the income from the components included in that obligation are satisfied, and only up to the amount of the consideration that is not contingent upon completion or performance of the remaining components of the contract.

Revenue from maintenance:

Maintenance income is recognized on a pro-rata basis over the period of the maintenance contract due to be made in each accounting year.
Income received and not yet rendered for the service is charged to advance income.

Revenue from Training and implementation:

Revenues from training and implementation services are recognized when the service is provided.
Income from training services in respect of public courses whose operating range is up to 3 months will be recognized over the course period.

Income from training services in respect of courses offered and long-term conversion courses or short-term courses up to one year will be recognized over the course of the course.
Revenues from implementation projects ordered by organizations will be recognized according to actual inputs (actually worked hours).

Revenue from Cloud infrastructure and computer solutions:

Revenues from Cloud infrastructure and computer solutions are recognized in profit or loss at a point in time, with the transfer of control over the goods sold to the customer. Usually, the control is transferred when the goods are delivered to the customer.

Combination of contracts:

The Company accounts for multiple contracts as a single contract when all the contracts are signed at or near the same time with the same customer or with related parties of the customer, and when one of the following criteria is met:

- The contracts are negotiated as a package with a single commercial objective.

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- The amount of consideration to be paid in one contract depends on the consideration of another contract.

- The goods or services that the Company will provide according to the contracts represent a single performance obligation for the Company.

Variable consideration:

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Company normally uses the "most likely amount" method described in the Standard.

Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract. According to the Standard, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allocating the transaction price:

For contracts that consist of more than one performance obligation, at contract inception, the Company allocates the contract transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell the promised goods or services separately to a customer. When the stand-alone selling price is not directly observable by reference to similar transactions with similar customers, the Company applies suitable methods for estimating the stand-alone selling price including: the adjusted market assessment approach, the expected cost plus a margin approach, and the residual approach. The Company may also use a combination of these approaches to allocate the transaction price in the contract.

v. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

w. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liability recognized in a business combination:

A contingent liability in a business combination is measured at fair value upon initial recognition. In subsequent periods, it is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization, and the amount that would be recognized at the end of the reporting period in accordance with IAS 37.

x. Treasury shares:

The company shares held by the Company are recognized at cost and deducted from equity. Any gain or loss arising from purchase, sale, issue, or cancellation of treasury shares is recognized directly in equity.

y. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendment to IFRS 3, "Business Combinations":

   In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

The Amendment is to be applied to business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The initial application of the Amendment did not have a material effect on the Company's financial statements but it may have an effect on the assessment of the definition of a "business" for acquisitions completed after January 1, 2020.

2. Amendments to IFRS 9, IFRS 7, and IAS 39:

In September 2019, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement" (collectively - "the Amendment").

The Amendment permits certain temporary reliefs for entities applying hedge accounting for IBOR-based instruments which are affected by the uncertainty involving the expected interest rate benchmark reform.

. Amendments to IFRS 9, IFRS 7, and IAS 39 (Cont.):

This reform has caused uncertainty relating to the timing and amounts of future cash flows from both hedging instruments and hedged items.

The Amendment is applicable for annual periods beginning on January 1, 2020.

The adoption of the Amendment did not have an effect on the Company's financial statements as of January 1, 2020, since the Company does not have any material IBOR-based hedge transactions which could be affected by the timing of the above reform.

NOTE 3:- BUSINESS COMBINATIONS

a. On July 9, 2020, the Company acquired 51% of the share capital of Gestetnertec Ltd. for a total of approximately NIS 49.8 million. The company and the sellers also have mutual options for the sale and purchase of the remaining shares. The fair value of the sale option to the minority on the day of the business combination is in the amount of approximately NIS 61.1 million Gestetnertec provides comprehensive solutions in the area of printing document production services, and markets, among other things, solutions for printing three-dimensional models. As of the date of the report, the valuation underlying the attribution of the consideration to assets and liabilities has not yet been completed, and accordingly, this attribution is temporary, according to management's assessment. The excess cost was attributed to the acquisition in the amount of approximately 98.6 million NIS, while the intangible assets were attributed an excess of cost in the amount of approximately 55.8 million NIS, and the balance was attributed to goodwill.

b. On November 16, 2020, the Company acquired 100% of the share capital of RightStar Inc. in the United States, for a total of approximately USD 3.6 million (approximately NIS 12.2 million) in cash. As part of the acquisition agreement, additional consideration was agreed subject to the achievement of operating profit targets, according to the company's calculation, the value of the additional consideration as of the day of the business combination is $ 2.3 million (approximately NIS 7.1 million). Its main business is the sale and implementation of BMC and Atlassian Jira solutions. As of the date of the report, the valuation underlying the attribution of the consideration to assets and liabilities has not yet been completed, and accordingly this attribution is temporary, according to management's assessment. Excess cost was attributed to the acquisition in the amount of approximately $ 2.4 million (approximately NIS 7.4 million) by the Company, while the intangible assets were attributed an excess of cost in the amount of approximately $ 0.7 million (approximately NIS 2.2 million) and the balance was attributed to goodwill.

c. On April 5, 2021, the company, through its subsidiary Babcom Centers Ltd., acquired 60 percent of the share capital of S.Q. Hashita Ltd. for NIS 4 million. As part of the purchase agreement, additional consideration was agreed subject to the achievement of operating profit targets, according to the company's calculation, the value of the additional consideration as of the day of the business combination is NIS 0.3 million). The company provides research advice to organizations in the field of market surveys, customer experience surveys, and employee experience surveys, among other things through dedicated survey software to carry out improvement and streamlining processes in organizations, in addition to establishing and operating outsourced service and sales centers for organizations. As of the date of the report, the valuation based on the attribution of the consideration to the assets and liabilities has not yet been completed ,and accordingly this attribution is temporary, according to the management's assessment, and may be updated in the periods following the valuation. According to the temporary allocation, the excess purchase cost in the amount of NIS 5.5 million will be attributed by the company, intangible assets will be attributed a total of NIS 1.4 million and the balance will be attributed to goodwill
The group chose to measure Non-Controlling Interests in the purchased company, according to the relative fair value of NCI`s holdings in the Net Assets provisional fair value of the acquired company. As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in

NOTE 3:- BUSINESS COMBINATIONS (cont.)

relation to the fair value of the identified assets acquired and the liabilities taken. The consideration for the purchase as well as the fair value of the assets and liabilities purchased can be finally adjusted up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by reclassifying the previously reported comparative numbers, according to the provisional measurement.

d. On April 5, 2021, the Company, through its granddaughter Dana Engineering Ltd. (a subsidiary of Aviv Management Engineering and Systems Ltd.), acquired 75 percent of the share capital of Company A. A. Engineering Ltd. for NIS 10.5 million. As part of the acquisition agreement, additional consideration was agreed subject to the achievement of operating profit targets, according to the company's calculation, the value of the additional consideration for the day of joining the business is NIS 0.5 million. A.A. is engaged in management, coordination, and supervision of engineering projects of infrastructure and construction for residences and public buildings, among others, public bodies, and local authorities. After completion of the valuation, according to the temporary allocation, the excess acquisition cost of NIS 11.1 million will be attributed to the intangible assets, NIS 3.8 million will be attributed to intangible assets and the balance will be attributed to goodwill. The group chose to measure Non-Controlling Interests in the purchased company, according to the relative fair value of NCI`s holdings in the Net Assets provisional fair value of the acquired company.
As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities taken. The consideration for the purchase as well as the fair value of the assets and liabilities purchased can be finally adjusted up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by way of reclassifying the comparison numbers previously reported, according to the provisional measurement.

e. On April 29, 2021, the Company acquired 75 percent of the share capital of the I.T.D. Group Ltd. for NIS 5.75 million. As part of the purchase agreement, additional consideration was agreed subject to achieving operating profit targets. According to the company's calculation, the value of the additional consideration for the day of the acquisition is NIS 0.7 million. The Company has an option to purchase the additional 25% as well. I.T.D is engaged in the software area around the medical products, including project execution and regulatory consulting (including obtaining approvals related to this aspect of the product). After completion of the valuation, according to the temporary allocation, the excess acquisition cost allocation is in the amount of NIS 9.4 million was attributed by the Company. (intangible assets will be attributed a total of NIS 2.5 million and the balance will be attributed to goodwill).
The Group recognized the fair value of the assets acquired and the liabilities assumed in the business combination according to a provisional measurement. As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities taken. The consideration for the purchase, as well as the fair value of the assets and liabilities purchased, can be finally adjusted up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by reclassifying the previously reported comparative numbers according to the provisional measurement.

NOTE 3:- BUSINESS COMBINATIONS (cont.)

f. On October 5, 2021, the Company acquired, through Matrix Integration and Infrastructure Ltd., 60 percent of the share capital of AVB. Technologies Ltd. for NIS 4.6 million. In part of the purchase agreement, additional consideration was agreed subject to the achievement of operating profit targets, according to the company's calculation. AVB is engaged in Multimedia systems and components, control and monitoring, providing multidisciplinary engineering consulting services, systems design, management, and project support. According to the temporary allocation, the excess purchase cost of NIS 8.4 million will be attributed to the intangible assets, NIS 3.3 million will be attributed to intangible assets and the balance will be attributed to goodwill. The group chose to measure Non-Controlling Interests in the purchased company, according to the relative fair value of NCI`s holdings in the Net Assets provisional fair value of the acquired company.
As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities taken. The consideration for the purchase as well as the fair value of the assets and liabilities purchased can be finally adjusted up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by way of reclassifying the comparison numbers previously reported, according to the provisional measurement.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendment to IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant, and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022, and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

b. Annual improvements to IFRSs 2018-2020:

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9 when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (cont.)

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

c. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

-The Amendment includes the following clarifications:

-What is meant by a right to defer settlement;

-That a right to defer must exist at the end of the reporting period;

-That classification is unaffected by the likelihood that an entity will exercise its deferral right;

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

. The Amendment is effective for annual periods beginning on or after January 1, 2023, and must be applied retrospectively.

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

d. Amendment to IFRS 3, Business Combinations

In May 2020, the IASB issued an amendment to International Financial Reporting Standard 3, Business Combinations, with respect to the conceptual framework. The amendment is intended to replace the reference to the framework for preparing and presenting financial statements, with reference to the conceptual framework for financial reporting published in March 2018 without significantly changing its requirements.

The amendment added an exception to the principle of recognition of a liability in accordance with IFRS 3 in order to avoid situations of recognition of gains or losses immediately after the business combination ('day 2 gain or loss') arising from liabilities and contingent liabilities that would fall within IAS 37 or IFRIC 21 if recognized separately.

In accordance with the exception, contingent liabilities or obligations under IAS 37, or IFRIC 21, shall be recognized at the date of acquisition in accordance with the provisions of IAS 37 or IFRIC 21 and not in accordance with the conceptual framework.

The amendment also clarifies that contingent assets will not be recognized at the time of the business combination.
The amendment will be applied prospectively to annual reporting periods beginning on or after January 1, 2022.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (cont.)

e. Amendment to IAS 8 accounting policies, changes in accounting estimates and errors

In February 2021, the IASB issued an amendment to International Accounting Standard 8: Accounting policies, changes in accounting estimates, and errors (hereinafter - the amendment). The purpose of the amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements that are subject to measurement uncertainty." The amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.

The amendment will be applied prospectively to annual periods beginning on January 1, 2023, and applies to changes in accounting policies and accounting estimates that occur at the beginning of or after that period. Early application is possible.

The Company is examining the implications of the amendment on the financial statements.

f. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 5:- CASH AND CASH EQUIVALENTS

	December 31,	
	2021	2020
	NIS in thousands	
In NIS:		
Cash for immediate withdrawal	311,739	250,693
Short-term deposits	52,378	169,935
	364,117	420,628
In foreign currency:		
Cash for immediate withdrawal	169,144	222,406
Short-term deposits	871	1,227
	170,015	223,633
	534,132	**644,261**

NOTE 6:- TRADE RECEIVABLES AND UNBILLED RECEIVABLE, NET

	December 31,	
	2021	2020
	NIS in thousands	
Open debts:		
In NIS	955,577	762,187
In foreign currency	103,165	94,612
Related parties	5,474	3,113
Checks receivable	36,570	24,540
Unbilled receivables	308,354	177,944
Less - allowance for doubtful accounts	(12,167)	(12,402)
Trade receivables, net	**1,396,973**	**1,049,994**

NOTE 6:- TRADE RECEIVABLES AND UNBILLED RECEIVABLE, NET (CONT.)

Impaired debts are accounted for through recording an allowance for doubtful accounts.

The movement in the allowance for doubtful accounts is as follows:

	NIS in thousands
Balance at January 1, 2020	8,626
Entrance to consolidation	1,066
Addition during the year	4,465
Derecognition of bad debts	(1,200)
Reversal of collected doubtful accounts	(555)
Balance at December 31, 2020	12,402
Entrance to consolidation	64
Addition during the year	2,724
Derecognition of bad debts	(1,672)
Reversal of collected doubtful accounts	(1,351)
Exchange Differences on translation of foreign operations	-
Balance at December 31, 2021	**12,167**

An analysis of past due debts, including long-term trade receivables, which were not impaired (through allowance for doubtful accounts), trade receivables, net, with reference to reporting date:

		Past due trade receivables with aging of					
	Current	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	>120 days	Total
	NIS in thousands						
December 31, 2021	834,585	374,046	52,992	20,567	79,732	35,051	1,396,973
December 31, 2020	576,379	344,827	63,945	33,150	15,434	16,259	1,049,994

Transaction prices allocated to unsatisfied or partially satisfied performance obligations:

	< Year	1 - 2 Years	2 - 5 Years	After 5 years	Total (or partially fulfilled) execution commitments
	NIS in thousands				
December 31, 2021	405,204	175,607	347,817	90,645	1,019,273
December 31, 2020	312,603	154,815	160,946	66,940	695,304

NOTE 7:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	NIS in thousands	
Employees	1,006	770
Government authorities	2,894	6,017
Prepaid expenses	106,109	111,981
Advances to suppliers	5,257	4,968
Other accounts receivable	1,492	353
	116,758	**124,089**

NOTE 8:- INVENTORIES

	December 31, 2021	December 31, 2020
	NIS in thousands	
Purchased products:		
Inventories of computers and peripheral equipment	62,570	77,121

NOTE 9:- PROPERTY, PLANT AND EQUIPMENT

Composition and movement:

2021:

	Assets owned and used by the Company			Assets under operating lease	
	Computers, furniture and equipment	Motor vehicles	Leasehold improvements	Machinery and equipment	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2021	137,071	21,360	81,941	71,029	311,401
Entrance to consolidation	1,883	1,150	267	-	3,300
Purchases	16,518	1,943	7,186	9,433	35,080
Disposals	(27,237)	(4,621)	(7,115)	(13,658)	(52,631)
Exchange rate differences from translation of foreign operations	(626)	(77)	-	-	(703)
Balance at December 31, 2021	127,609	19,755	82,279	66,804	296,447
Accumulated depreciation:					
Balance at January 1, 2021	96,374	8,517	52,430	53,959	211,280
Entrance to consolidation	1,027	881	131	-	2,039
Depreciation	17,500	3,082	7,798	8,392	36,772
Disposals	(26,797)	(2,927)	(6,346)	(12,852)	(48,922)
Exchange rate differences from translation of foreign operations	(418)	(71)			(489)
Balance at December 31,2021	87,686	9,482	54,013	49,499	200,680
Depreciated cost at December 31, 2021	39,923	10,273	28,266	17,305	95,767

NOTE 9:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2020:

	Assets owned and used by the Company			Assets under operating lease	
	Computers, furniture and equipment	**Motor vehicles**	**Leasehold improvements**	**Machinery and equipment**	**Total**
	NIS in thousands				
Cost:					
Balance at January 1, 2020	115,504	12,674	72,619	-	200,797
Entrance to consolidation	4,879	8,749	1,993	72,798	88,419
Purchases	19,033	5,231	7,922	4,254	36,440
Disposals	(1,642)	(5,302)	(593)	(6,023)	(13,560)
Exchange rate differences from translation of foreign operations	(703)	8			(695)
Balance at December 31, 2020	137,071	21,360	81,941	71,029	311,401
Accumulated depreciation:					
Balance at January 1, 2020	76,910	5,485	42,970	-	125,365
Entrance to consolidation	4,163	4,323	1,626	55,200	65,312
Depreciation	17,330	2,454	7,992	4,391	32,167
Disposals	(1,500)	(3,751)	(158)	(5,632)	(11,041)
Exchange rate differences from translation of foreign operations	(529)	6			(523)
Balance at December 31,2020	96,374	8,517	52,430	53,959	211,280
Depreciated cost at December 31, 2020	40,697	12,843	29,511	17,070	100,121

NOTE 10:- GOODWILL AND INTANGIBLE ASSETS

a. Composition:

2021:

	Brand names	Customer base and backlog	Licenses and franchises	Goodwill	Total
	NIS in thousands				
Cost:					
Balance as of January 1, 2021	4,450	225,006	4,976	925,237	1,159,669
Entrance to consolidation	-	11,073	-	23,537	34,610
Foreign currency translation adjustments	-	-	-	(6,113)	(6,113)
Adjustments	-	1,170-	-	2,279	3,449
Balance as of December 31, 2021	4,450	237,249	4,976	944,940	1,191,615
Accumulated amortization:					
Balance as of January 1, 2021	4,450	108,591	4,339	103,023	220,403
Amortization	-	21,265	187		21,452
Balance as of December 31, 2021	4,450	129,856	4,526	103,023	241,855
Net Balance as of December 31, 2021	-	107,393	450	841,917	949,760

2020:

	Brand names	Customer base and backlog	Licenses and franchises	Goodwill	Total
	NIS in thousands				
Cost:					
Balance as of January 1, 2020	4,450	167,600	4,976	888,234	1,065,260
Entrance to consolidation	-	57,406	-	46,431	103,837
Foreign currency translation adjustments	-	-	-	(12,888)	(12,888)
Adjustments	-	-	-	3,460	3,460
Balance as of December 31, 2020	4,450	225,006	4,976	925,237	1,159,669
Accumulated amortization:					
Balance as of January 1, 2020	4,306	90,674	4,150	103,023	202,153
Amortization	144	17,917	189		18,250
Balance as of December 31, 2020	4,450	108,591	4,339	103,023	220,403
Net Balance as of December 31, 2020	-	116,415	637	822,214	939,266

NOTE 10:- GOODWILL AND INTANGIBLE ASSETS (CONT.)

a. Composition (Cont.):

In 2020, the Group derecognized the balance of intangible assets that were fully depreciated and are not used by the Group in the amount of NIS 37,637 thousand (intangible assets under development in the amount of NIS 31,429 thousand and course development costs capitalized in the amount of NIS 6,208 thousand).

b. Amortization of intangible assets:

1. The amortization method reflects the future economic benefits that will derive from the asset.

2. The amortization expenses of intangible assets with a definite useful life were allocated mainly in selling and marketing expenses in the statement of comprehensive income.

c. Impairment of goodwill:

In order to test the impairment of goodwill, the goodwill was allocated to operating segments that represent five cash-generating units as follows:

1. Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.
2. Training and implementation
3. Software product marketing and support.
4. Cloud infrastructure and computer solutions.
2. Training and implementation.
5. Information Technologies (IT) Software solutions and services in USA.

As of December 31, 2021, the carrying amount of the goodwill allocated to each cash-generating unit (each representing a segment) is as follows:

	IT Software solutions and services in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and Computer solutions	IT Software solutions and services in USA	Total
	NIS in thousands					
Goodwill balance as of January 1, 2020	397,305	82,689	28,584	61,606	252,030	822,214
Initially consolidated company's	18,421	-	-	5,116	-	23,537
Adjustments	(783)	-	-	-	3,062	2,279
Foreign currency translation adjustments	-	-	-	-	(6,113)	(6,113)
Goodwill balance as of December 31, 2020	414,943	82,689	28,584	66,722	248,979	841,917

NOTE 10:- GOODWILL AND INTANGIBLE ASSETS (CONT.)

d. Data of units to which material goodwill was allocated in relation to the goodwill's carrying amount:

Information Technologies (IT) Software solutions and services, Consulting & Management in Israel:

Total goodwill as of December 31, 2021 in the amount of NIS 414,943 thousand (total goodwill as of December 31, 2020 NIS 397,305 thousand). The recoverable amount of the software solutions and services unit was determined based on the value in use which is calculated according to the expected estimated future cash flows from this cash-generating unit, as determined according to the budget for the next five years and approved by the Group's management. The key assumptions used in calculating the value in use by the Group's management consist of: discount rate, salary expenses in relation to revenues, and growth rate. The discount rate underlying the cash flows is 8.8%, whereby the calculation of the average capital price takes into consideration a gross average debt price of about 2.7% and an equity price of about 10.50%. According to the valuation, the recoverable amount is NIS 2,307 million.
Concerning the assumptions used to determine the value of the use of the unit described above, management believes that there are no possible changes to the key assumptions outlined above that could cause the balance of the unit's financial statements to significantly exceed the recoverable amount.
The cash flow projections were made for the period 2022-2026 and for a period exceeding 5 years and were estimated using a constant growth rate of 1.5%.

Information Technologies (IT) Software solutions and services in USA:

Total goodwill as of December 31, 2021, in the amount of NIS 248,979 thousand (total goodwill as of December 31, 2020- NIS 252,030 thousand). The recoverable amount of the software solutions and services unit was determined based on the value in use which is calculated according to the expected estimated future cash flows from this cash-generating unit, as determined according to the budget for the next five years and approved by the Group's management. The key assumptions used in calculating the value in use by the Group's management consist of: discount rate. The discount rate underlying the cash flows is 10.9%, whereby the calculation of the average capital price takes into consideration a gross average debt price of about 1.7% and equity price of about 11%. According to the valuation, the recoverable amount is NIS 501 million.
. The cash flows for the period exceeding the five years budget will be estimated using a fixed growth rate of 5%, representing half of the growth rate of the operation in the forecast period for 2022-2026.

NOTE 11:- CREDIT FROM BANKS AND OTHERS

	Linkage basis	Interest Rate	December 31, 2021	December 31, 2020
		%	NIS in thousands	
Bank overdrafts	Unlinked	3.1-4	510	-
Short-term loans from banks	Unlinked	1.6-2.2	53,694	36,511
Commercial securities not listed	Unlinked	0.6	200,000	100,000
Current maturities of long-term loans from banks	Linked to USD	Libor +2.2	622	2,572
Current maturities of long-term loans from banks	Unlinked	3.45	-	395
Current maturities of long-term loans from banks	Unlinked	1.4-2.78	229,818	210,463
			484,644	**349,941**

NOTE 12:- TRADE PAYABLES

	December 31, 2021	December 31, 2020
	NIS in thousands	
Open accounts:		
In NIS	156,656	156,134
In foreign currency	105,676	111,936
Checks payable	44,906	24,362
Accrued expenses	226,870	133,915
Related parties	84	13
	534,192	**426,360**

NOTE 13:- OTHER ACCOUNTS PAYABLE

	December 31, 2021	December 31, 2020
	NIS in thousands	
Government authorities	55,756	50,413
Advances from customers	540	3,372
Related parties	-	-
Non-Controlling Interest Shareholders	1,353	1,700
Other accounts payable	6,510	5,566
	64,159	61,051

NOTE 14:- LEASES

Disclosures for lease transactions in which the company is a lessee:

The Company has entered into leases of buildings and vehicles which are used for the Company's operations.

Leases of buildings have lease terms of between 3 and 7 years whereas leases of machinery and equipment and vehicles have lease terms of between 2 and 3 years.

Some of the leases entered into by the Company include extension and/or termination options and variable lease payments.

As for lease engagements, see notes 18c (1) and 18c (2) below.

a. Information on leases:

	Year ended December 31, 2021	**Year ended December 31, 2020**
	NIS in thousands	
Interest expense on lease liabilities	5,086	4,178
Total negative cash flow for leases	91,137	80,055

b. Disclosures in respect of right-of-use assets:

	Vehicles	Land and buildings	Total
		NIS in thousands	
Cost:			
Balance as of January 1, 2021	65,663	202,873	268,536
Additions during the year:			
New leases	75,808	28,831	104,639
Initially consolidated company	-	-	-
Foreign currency translation adjustments and CPI	1,267	2,595	3,862
Disposals during the year:			
Termination of leases	(2,324)	(9,464)	(11,788)
Balance as of December 31, 2021	140,414	224,835	365,249
Accumulated amortization:			
Balance as of January 1, 2021	56,947	87,905	144,852
Additions during the year:			
Depreciation and amortization	35,395	54,118	89,513
Disposals during the year:			
Termination of leases	(2,324)	(9,464)	(11,788)
Balance as of December 31, 2021	90,018	132,559	222,577
Net Balance as of December 31, 2021	50,396	92,276	142,672

NOTE 14:- LEASES (CONT.)

c. Maturity analysis of undiscounted future lease payments receivable for operating leases:

	Year ended December 31, 2021	Year ended December 31, 2020
	NIS in thousands	
First year	79,137	58,725
Second year	54,598	42,450
Third year and thereafter	11,060	26,634
Total undiscounted lease payments	144,795	127,809
Current maturities	79,137	58,725
Non -current costs	65,658	69,084

NOTE 15:- LOANS FROM BANKS AND OTHERS

a. Composition:

		December 31, 2021			December 31, 2020
	Interest rate as of December 31, 2020	Total	Current maturities	Total less current maturities	Total less current maturities
Linkage basis:	%	NIS in thousands			
Linked to USD	Libor +2.2	622	622	-	643
Unlinked	2-2.78	653,930	229,818	424,112	536,430
		654,552	230,440	424,112	537,073

b. Maturity dates after the reporting date:

	December 31, 2021	December 31, 2020
	NIS in thousands	
First year (Current maturities)	230,440	213,430
Second year	199,505	202,597
Third year	148,845	173,050
Fourth year	58,620	122,216
Fifth year and thereafter	17,142	39,210
	654,552	750,503

c. As for financial covenants, see note 18c(4) below.

NOTE 16:- EMPLOYEE BENEFIT LIABILITIES

Employee benefits consist of post-employment benefits, other long-term benefits, and termination benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 of the Severance Pay Law, as specified below. The Group's liability is accounted for as a post-employment benefit. The computation of the Group's employee benefit liability is made according to the current employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plan or defined contribution plan, as detailed below.

1. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

2. Defined benefit plans:

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

3. Long term benefit plan:

According to the Company's agreements with a senior officer, he is entitled to an adaptation bonus in the amount of 12 salaries. This liability has been recognized as a defined benefit. Starting on October 1, 2020, the adaptation bonus applied.

b. Composition of defined benefit plans:

	December 31,	
	2021	2020
	NIS in thousands	
Present value of financed obligations	304,502	298,491
Fair value of plan assets	(285,480)	(268,072)
Present value of non-financed obligations, net	**19,022**	**30,419**

NOTE 16:- EMPLOYEE BENEFIT LIABILITIES (CONT.)

c. The movement in the fair value of the plan assets:

	2021	**2020**
	NIS in thousands	
Balance as of January 1	268,072	243,669
Expected return on plan assets	4,946	4,818
Actuarial gain from defined benefit plans	20,228	66
Contributions by employer	19,205	17,725
Benefits paid	(44,354)	(24,780)
Business combinations and others	17,383	26,574
Balance as of December 31	**285,480**	**268,072**

d. Changes in the present value of defined benefit obligation:

	2021	2020
	NIS in thousands	
Balance as of January 1,	298,491	272,593
Current service cost	22,480	21,443
Interest expense	6,529	6,198
Net actuarial gain (losses)	8,518	(2,158)
Benefits paid	(47,347)	(28,469)
Business combinations and others	15,831	28,884
Balance as of December 31,	304,502	298,491

e. Expenses carried to the statement of comprehensive income:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Current service cost	22,480	21,443	22,150
Interest cost	6,529	6,198	9,755
Expected return on plan assets	(4,946)	(4,818)	(5,695)
Actuarial gains	(11,710)	(2,224)	(369)
Total expense recognized in comprehensive income	12,353	20,599	25,841

f. The expenses are included in the statement of comprehensive income in the following items:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Cost of sales	21,177	20,084	23,065
Selling and marketing expenses	480	456	524
General and administrative expenses	2,406	2,283	2,621

NOTE 16:- EMPLOYEE BENEFIT LIABILITIES (CONT.)

g. The principal actuarial assumptions:

	Year ended December 31,		
	2021	2020	2019
		%	
Discount rate of the plan liabilities	2.18	2.15	3.69
Expected real salary increases rate	0-4	0-4	0-4

The expected return on plan assets is equivalent to the average weighted return for each type of asset in the employee-defined benefit plan. Moreover, the actual return on plan assets in 2021, 2020, and 2019 was NIS 4,374 thousand, NIS 4,818 thousand, and NIS 5,695 thousand, respectively.

h. Amounts, timing, and uncertainties involving future cash flows:

	Defined benefit obligation
	NIS in thousands
As of December 31, 2021:	
Sensitivity test for changes in the expected rate of salary increase:	
The change as a result of:	
Salary increase of 1%	(3,774)
Salary decrease of 1%	2,569
Sensitivity test for changes in the discount rate of the plan assets and liability:	
The change as a result of:	
Increase of 1% in discount rate	2,490
Decrease of 1% in discount rate	(3,699)

i. Expenses in the period in respect of defined contribution plans:

	Year ended December 31,		
	2021	2020	2019
		NIS in thousands	
Total expense recognized in respect of defined contribution plans	91,400	79,002	74,944

NOTE 17:- TAXES ON INCOME

a. **Tax laws applicable to the Group companies**:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting in 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for the sale of property (betterment) and securities, continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

b. **Tax rates applicable to the Group:**

1. The Israeli corporate tax rate was 23% in 2019-2021
Companies are levied by Real Capital Tax, at the rate of corporate income tax, in the period of disposal.

2. **The main tax rates applicable to the subsidiaries whose place of incorporation is outside Israel is:**

Companies incorporated in the U.S. - weighted tax at the rate of about 27% (Federal tax, State tax, and Municipal tax of the city where the company operates).

c. **Structure changes in the Group:**

On June 11, 2020, a tax ruling was signed determining that effective December 31, 2019, as part of a merger process, 3 companies in the Group will transfer all their assets and liabilities, subject to the provisions of section 103 of the Income Tax Ordinance.

d. **Final tax assessments:**

The Company has received final tax assessments (or assessments that are deemed final) through and including the 2018 tax year. The subsidiaries have received final tax assessments (or assessments that are deemed final) through and including the 2017 tax year.

NOTE 17:- TAXES ON INCOME (CONT.)

e. Carryforward losses for tax purposes and other temporary differences:

Carryforward net operating tax losses and capital losses of the Group amounts to approximately NIS 85,483 thousand as of December 31, 2021. The majority of the Group's carryforward losses result from Israeli companies, therefore, the utilization period of these losses is unlimited.

Deferred tax assets relating to carry forward of operating losses of approximately NIS 19,838 thousand were not recognized because their utilization in the foreseeable future is not probable.

f. Deferred taxes:

1. Composition:

	Provision for vacation	Fixed assets and intangible assets	Carryforward tax losses	Employee benefits	Temporary differences due to cash basis adjustment	Allowance for doubtful accounts	Employee options	Leases	Other temporary differences	Total
Balance as of January 1, 2019	9,728	*(11,507)	14,313	5,753	(1,648)	1,240	1,092	-	520	*19,491
Initially consolidated company	84	(13,746)	-	624	-	290	-	-	-	(12,748)
Capital Fund	-	222	-	(85)	-	-	150	-	-	287
Change recorded in the statement of comprehensive income	1,424	4,217	1,281	360	906	(52)	182	160	-	8,478
Balance as of January 1, 2020	11,236	(20,814)	15,594	6,652	(742)	1,478	1,424	680	-	15,508
Initially consolidated company	1,092	(13,176)	-	503	-	209	-	911	-	(10,461)
Capital Fund	-	133	-	(512)	-	-	260	-	-	(119)
Lease liabilities	-	-	-	-	-	-	-	32,000	-	32,000
Right-of-use assets	-	-	-	-	-	-	-	(32,000)	-	(32,000)
Change recorded in the statement of comprehensive income	4,746	4,521	(1,299)	353	57	581	(130)	(302)	949	9,476
Balance as of December 31, 2020	17,074	(29,336)	14,295	6,996	(685)	2,268	1,554	1,289	949	14,404
Initially consolidated company	129	(2,546)	-	(387)	-	-	-	-	-	(2,804)
Adjustments		(316)								(316)
Capital Fund	-	-	-	(2,693)	23	-	236	-	(166)	(2,600)
Change recorded in the statement of comprehensive income	164	5,061	796	459	-	236	(691)	551	(294)	6,282
Balance as of December 31, 2021	17,367	(27,137)	15,091	4,375	(662)	2,504	1,099	1,840	489	14,966

* Immaterial adjustment of comparative data

2. The deferred taxes are computed at the tax rate of 23% based on the tax rates that are expected to apply to the Group upon reversal of the temporary differences in their respect 2019-2020 23% and 27% in USA assets.

NOTE 17:- TAXES ON INCOME (CONT.)

g. Taxes on income included in the statement of comprehensive income:

	Year ended December 31, 2021	2020	2019
	NIS in thousands		
Current taxes	71,486	64,473	54,891
Deferred taxes	(6,282)	(9,476)	(8,478)
Taxes in respect of previous years	242	1,084	207
	65,446	56,081	46,620

h. Taxes on income relating to other comprehensive income items:

	Year ended December 31, 2021	2020	2019
	NIS in thousands		
Tax benefit on actuarial gains	(2,693)	(512)	(85)

i. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in the comprehensive income were taxed at the statutory tax rate and the taxes on income recorded in comprehensive income is as follows:

	Year ended December 31, 2021	2020	2019
	NIS in thousands		
Income before taxes on income	284,194	246,931	213,529
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	65,365	56,794	49,111
Increase (decrease) in taxes on income resulting from the following:			
Unrecognized temporary differences	(382)	-	(950)
Unrecognized expenses and depreciation for tax purposes, net	3,263	408	2,755
First-time creation of deferred taxes	(4,617)	(3,699)	(3,732)
Deferred taxes recorded at difference tax rates	1,575	1,494	1,328
Company's share in losses of associated company	-	-	(21)
Taxes in respect of previous years	242	1,084	(1,871)
	65,446	**56,081**	**46,620**

NOTE 18:- COLLATERAL, GUARANTEES, CONTIGENT LIABILITIES, AND COMMITMENTS

a. Collaterals:

As of December 31, 2021, the Group has not recorded any collateral.

b. Contingent liabilities:

Litigation:

Several legal claims have been filed against the Company and the subsidiaries in the ordinary course of business in the reporting period and in previous periods in an aggregate of approximately NIS 10.2 million. The Group's management estimates, based on its legal counsel opinion regarding the chances of these claims, the provisions included in the financial statements for covering any potential exposure arising from these claims are adequate.

c. Engagements:

1. In October 2018, The Company has renewed a real estate lease agreement with Ofer Brothers Properties Ltd. according to which the Company leases office spaces in Herzliya, Israel. The lease term is expected to end in October 2023. The cost of rent is 10 million NIS yearly.

2. In September 2015, John Bryce ("JB" – the Company's subsidiary) has entered into a real-estate lease agreement with an unrelated third party for a period of 8 years and an option for additional 5 years. The expected lease fees are approximately NIS 7 million per annum. With regard to the agreement, the Company provided a guarantee for the fulfillment of JB's liabilities.

3. The Company and its subsidiaries insure themselves in bodily injury and property damage insurance policies, including third party, professional liability employer's liability, and designated cyber insurance policies.

   The Company's directors and officers are insured under D&O policy for insurance of directors and officers including D&O side A DIC policy (another layer of protection for officers) for a period of 12 months from June 17, 2021 (on August 25, 2021, the Company's organs confirmed the company's participation in the aforementioned policy).

4. In the context of the Group's engagements with banks for receiving credit facilities, the Group has undertaken to maintain the following financial covenants, as they will be expressed in its financial statements, as described:

NOTE 18:- COLLATERAL, GUARANTEES, CONTIGENT LIABILITIES AND COMMITMENTS (CONT.)

a) The total rate of the Group's debts and liabilities to banks with the addition of debts in respect of debentures that have been issued by it (collectively, "the debts") will not exceed 40% of total balance sheet.

b) The ratio of the Group's debts less cash to the annual EBITDA will not exceed 3.5.

c) The equity shall not be lower than NIS 275 million at all times.

d) The balances of cash and short-term investments in the balance sheet shall not be lower than NIS 50 million. As per the issuance of Non-commercial securities, the company committed to have liquid assets of 300 million NIS, and have a cash balance of approximately 200 million NIS.

e) The Company has committed that the rate of ownership and control of the Matrix IT-Systems will never be less than 50.1%

f) The Group will not create any pledge on all or part of its property and assets in favor of any third party, and will not provide any guarantee to secure any third party's debts as they are today and as they will be without the banks' consent (except first fixed pledge on the asset which it`s acquisition will be financed by a third party which the pledge will be in favor of him).

g) The Group will not sell and/or transfer all or part of its assets to others in any manner whatsoever without the banks' advance written consent unless it is done in the normal course of business.

As of December 31, 2021, the Company is meeting the abovementioned financial covenants.

d. Engagement with the Company's CEO:

During 2021, Mr. Gutman provided management services to the Company in accordance with the Management Services Agreement, approved on October 29, 2015, with Revava Management Ltd. through which Mr. Moti Gutman provides the Company CEO services, effective from January 1, 2015, until December 31, 2017. On December 31, 2017, the Company entered into a new agreement for the provision of management services with a company under the control of Mr. Gutman as aforesaid, for a period of five years, from January 1, 2018, to December 31, 2022 (the "New Agreement"). According to the new agreement, on January 16, 2018, the Company granted to Mr. Guttman, for no consideration, 256,890 restricted share units (the "RSU's") exercisable into 256,890 ordinary shares of the Company with no exercise price. The RSU's shall vest into shares in five equal portions commencing on December 31, 2018, and then every year until December 31, 2022, but in any case not prior to the publication of the Company's periodic financial statements for the previous year (see also Note 20).

NOTE 18:- COLLATERAL, GUARANTEES, CONTIGENT LIABILITIES AND COMMITMENTS (CONT.)

e. Guarantees:

1. The Company and the subsidiaries provided each other cross guarantees.

2. The Company and the subsidiaries provided performance guarantees in favor of customers totaling approximately NIS 139.4 million.

3. The Company and the subsidiaries provided guarantees for the payment of rent totaling approximately NIS 19.3 million.

NOTE 19:- EQUITY

a. Composition of share capital:

	December 31, 2021		December 31, 2020	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 1 par value each	100,000	63,248	100,000	62,791

b. Movement in share capital:

	2021	2020	2019
	Ordinary shares of NIS 1 par value each		
	Number of shares		
Balance as of January 1	62,790,767	62,739,389	62,333,041
Exercise of options and RSU's into shares	457,602	51,378	406,348
Balance as of December 31	63,248,369	62,790,767	62,739,389

c. Rights attached to shares:

Ordinary shares of NIS 1 par value each confer their holders voting rights at the general meeting, rights to dividends, and rights to participate in the distribution of the Company's assets upon liquidation. The shares are quoted on the Tel-Aviv Stock Exchange.

d. Treasury shares - Company shares held by the Company and subsidiaries:

The holdings of the Company and its subsidiaries in the Company's shares are as follows:

	December 31,	
	2021	2020
	%	
Percentage of issued share capital	1.02	1.04

NOTE 19:- EQUITY (CONT.)

e. Dividends paid to the shareholders:

The following table presents the dividend distributions effected in the reporting periods:

Date of distribution decision by the Board	Actual date of distribution	Amount distributed per share (in Agorot)	Overall amount distributed (NIS in thousands)
March 12, 2020	March 29, 2020	57	35,418
May 26, 2020	June 25, 2020	47	29,204
August 10, 2020	September 17, 2020	47	29,204
November 12, 2020	December 20, 2020	50	31,069
March 11, 2021	March 30, 2021	64	40,060
May 12, 2021	June 30, 2021	58	36,304
August 11, 2021	September 5, 2021	60	37,557
November 11, 2021	November 28, 2021	52	32,550

The Company's dividend distribution policy is to distribute annually dividend at a rate of up to 75% of its annual net income. The dividend will be distributed on a quarterly basis. Subject to compliance with the distribution criteria, according to the law on the relevant date.

f. Capital management in the Group:

1. The Group's principal capital management objective is to secure the ability to create a fixed return to the shareholders through the capital increase or distributions and through payment of an annual dividend. In order to meet this objective, the Group strives to maintain a leverage ratio that reasonably balances the risks and rewards and to maintain a financial base that will allow the Group to respond to its investment and working capital needs. In making decisions regarding changes in the Group's capital structure aimed at achieving this objective, whether by revising the dividend distribution policy, issuing capital, or reducing the Group's debt, the Group not only considers its short-term position but also its long-term targets. The Group defines the leverage ratio as the ratio between the liabilities to banks with less cash and cash equivalents and less other financial assets and the Group's capital as defined above.

2. The Group examines the total cash and cash equivalents with the addition of financial assets in relation to liabilities to banks.

NOTE 19:- EQUITY (CONT.)

3. The Group's policy is to meet the financial covenants undertaken with banks. As of December 31, 2021, and 2020, the Company is complying with the financial covenants detailed in note 18.c.(4) above.

Condensed quantitative data on differences managed by the Company in respect of:

	December 31, 2021	December 31, 2020
	NIS in thousands	
Cash and cash equivalents	534,132	644,261
Liabilities to banks and others	(908,756)	(887,014)
Net debt	(374,624)	(242,753)
Total debts	908,756	887,014
Ratio of debt to total balance sheet	26.4%	27.5%
Ratio of net debt to total balance sheet	10.9%	7.5%
Total capital	878,054	824,912
Capital to total balance sheet ratio	25.5%	25.6%

NOTE 20:- SHARE-BASED PAYMENT

a. Expenses recognized in the financial statements:

The following table describe the expense recognized in the financial statements for employee services received:

	Year ended December 31, 2021	2020	2019
	NIS in thousands		
Equity-settled share-based payment plans	3,069	7,364	8,464

The share-based payment transactions that the Company granted to its employees are described below. There have been no modifications or cancellations to any of the employee benefit plans during 2021, 2020 or 2019.

NOTE 20:- SHARE-BASED PAYMENT (CONT.)

b. The Company's existing share-based payment plans:

Grant of Restricted stock units (RSU) to the Company's CEO:

On October 29, 2015, the Company's approved an agreement with Revava Management company Ltd. through which Mr. Moti Gutman provides services to the company as a CEO, in which among other things, the Company granted Mr. Gutman 225,000 restricted share units (RSU) exercisable into 225,000 ordinary shares of the company without an exercise price. The RSU will vest in three equal portions of 75,000 RSU units, each portion at December 31 of each agreement year, but not before the issuance of the Company's financial statements for the past year, and subject to certain conditions. In 2016, 75,000 restricted share units (RSU) were vested and exercised. As of the balance sheet date, Mr. Gutman does not hold restricted share units (RSU) from this grant. On January 16, 2018, Mr. Gutman was allotted 256,980 additional restricted share units (RSU). For further details, see Note 18 above. The RSU will be converted into shares in five equal portions commencing from December 31, 2018, and every subsequent year until December 31, 2022, but in any case not prior to the date of publication of the Company's periodic financial statements for the past year. As per the Balance sheet date, Mr. Gutman holds 102,705 RSU.

Share-based payment plan for senior managers:

On January 1, 2019, after receiving the Compensation Committee's approval, the Company's Board of Directors approved the allocation of 1,440,000 options exercisable up to 1,440,000 ordinary shares of NIS 1 par value for free, to 20 officers and senior employees of the Company or of its controlled companies. The exercise of the options at the date of grant is NIS 41.7. The price is subject to adjustment, including when distributing a dividend.

At the actual exercise, shares will only be issued, according to the value of the benefit embodied in the options ("net exercise mechanism"). The company will receive no consideration in cash.

On February 12, 2019, after the approval of the Compensation Committee, and the Company's Board of Directors, the General Meeting approved the issuance of 80,000 options exercisable up to 80,000 ordinary shares, 1 for no consideration to the President and Deputy Chairman of the Company's Board of Directors. The exercise price of the option was NIS 43.16 at the date of grant and is subject to adjustments, including when distributing a dividend.

The fair value of the options is estimated on the day of grant in accordance with the binomial model based on the terms which are: the risk-free interest rate is 0.5% -1.6%, the early exercise factor is 70% and the expected volatility is 24%.
The contractual life of the stock options is 5 years from the grant date.

NOTE 20:- SHARE-BASED PAYMENT (CONT.)

c. Movement during the year:

The following table lists the number of share options, the weighted average exercise prices of share options and modification in employee option plans during the current year:

	2021		2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
			NIS in thousands			
Share options and RSU outstanding at beginning of year	1,674,134	34.41	1,725,512	35.15	769,390	9.63
Share options granted during the year		-		-	1,520,000	41.95
Share options forfeited during the year	-	-	-	-	-	-
Restricted share units (RSU) to the Company's CEO	-	-	-	-	-	-
Share options and RSU exercised during the year	(811,378)	35.49	(51,378)	-	(563,878)	13.14
Share options and RSU outstanding at end of year	862,756	35.50	1,674,134	34.41	1,725,512	35.15
Share options and RSU exercisable at end of year	51,378	-	51,378	-	51,378	-

d. The weighted average remaining contractual life for the share options outstanding as of December 31, 2021, is 1 year (as of December 31, 2020 - two years).

e. The range of exercise prices for options into shares as of December 31, 2021, was NIS 0 – NIS 36.94 (as of December 31, 2020 - NIS 0 – NIS 39.28).

f. Measurement of the fair value of equity-settled share options:

The Company uses the Binomial model when measuring the fair value of equity-settled share options. The measurement was made at the grant of equity-settled share options since the options were granted to employees.

NOTE 21:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the statement of financial position are classified by groups of financial instruments pursuant to IFRS 9:

	December 31,	
	2021	**2020**
	NIS in thousands	
Financial assets:		
Loans and receivables	1,433,800	1,107,844
Financial liabilities:		
Financial liabilities measured at amortized cost	2,023,558	1,862,228
Financial liabilities Designated as such upon initial recognition	122,962	122,582

b. Financial risks factors:

The Group's activities expose it to various financial risks such as market risk (including foreign exchange risk, fair value risk in respect of interest rate and price risk), credit risk, liquidity risk, and cash flow risk in respect of interest rate. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The Group's finance department identifies and assesses the financial risks and they are managed by the Company's CFO and the investment committee established by the Board. The Board has not established specific policies with respect to certain exposures to risks such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investments of excess liquid positions.

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

1. Market risks:

a) Foreign currency risk:

Foreign currency risk arises from transactions, recognized assets, and recognized liabilities denominated in foreign currency that is not the functional currency and from net investments in foreign operations.

The Group's policy is to allow the Group entities to pay liabilities denominated in their functional currency (mainly NIS) using the cash flows generated by each entity's activities. When the Group entities have liabilities denominated in foreign currency that is not their functional currency (and have no sufficient cash balances in this currency to settle the liabilities), the Group, if possible, transfers cash balances from one Group entity to the other.

The software products marketing and implementation segment is exposed to currency risk in respect of current purchases from U.S. suppliers. These acquisitions occur on a regular basis. The effect of fluctuations in the exchange rates on trade payables denominated in dollars is offset by the balance of trade receivables denominated in dollars.

As of the reporting date, the Group has a net assets balance denominated in dollars, totaling NIS 128,437 thousand (as of December 31, 2020 - NIS 274,616 thousand).

The Group has an investment in a foreign operation whose net financial assets are exposed to possible fluctuations in the U.S. dollar exchange rate. The currency exposure arising from the foreign operation's net financial assets in the U.S. is mainly managed by the CFO.

b) Interest rate risk:

The Group's interest rate risk mainly arises from long-term loans received. Loans that bear variable interest rates expose the Group to interest rate risk in respect of cash flows. The majority of long-term loans received in the last two years were at fixed interest, which minimizes the exposure to interest.

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

Details of the interest type of the Group's interest-bearing financial instruments:

	December 31,	
	2021	2020
	NIS in thousands	
Fixed interest instruments:		
Financial liabilities	(798,726)	(747,931)
Variable interest instruments:		
Financial liabilities	(254,825)	(139,083)

2. Credit risk:

Credit risk is the risk that the counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Group. Credit risk mainly arises from the Group's customers and from investments in corporate debentures.

a) Trade receivables:

Before accepting new customers, the Group runs a credit check on the prospective customers using a reliable outside source. This information is used to determine payment terms and credit limits which are approved based on the size of the customer. Cases of exceeding credit limits are approved (according to procedures) depending on each specific case and based on past experience with the specific customer. Customers that consistently fail to meet their credit terms are required to make advance payments for any additional purchases until their credit rating can be re-reestablished.
The examination of provision for impairment is determined at each specific reporting date.

b) Investment in cash and cash equivalents:

The Group holds cash and cash equivalents, short and long-term investments, and other financial instruments in various financial institutions. According to the Group's policy, ongoing credit evaluations are made to determine the credit strength of those financial institutions.

As of December 31, 2021, cash and cash equivalents total approximately NIS 534,132 thousand (as of December 31, 2020 - NIS 644,261 thousand).

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

3. Liquidity risk:

Liquidity risk arises from managing the Group's working capital as well as from financial expenses and principal payments of the Group's debt instruments. Liquidity risk consists of the risk that the Group will have difficulty in fulfilling obligations relating to financial liabilities.

The Group's policy is to ascertain constant cash adequacy needed for settling its liabilities when due. For this purpose, the Group aims to hold cash balances (or adequate credit lines) that will meet anticipated demands. The Group finances business combinations using long-term loans for average periods of 3-6 years. The company apply to a rating company every year. As of December 31, 2021, the company has an Aa3 issuer rating with a stable rating.

The Group examines cash flow forecasts on a monthly basis as well as information regarding cash balances and the Group's investments in corporate debentures. As of the reporting date, these forecasts indicate that the Group can expect sufficient liquid sources for covering its entire liabilities under reasonable assumptions.

Table (1) below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2021:

	First year	Second year	Third year	Fourth year	Fifth year	Total
	NIS in thousands					
Revolving bank balances	509					509
Trade payables	523,139	-	-	-	-	523,139
Other payables	63,619	-	-	-	-	63,619
Employee benefit liabilities	382,740	-	-	-	-	382,740
Loans from banks	484,644	199,505	148,845	58,620	17,142	908,756
Leases	79,137	54,598	11,060	-	-	144,795
	1,533,788	254,103	159,905	58,620	17,142	2,023,558

December 31, 2020:

	First year	Second year	Third year	Fourth year	Fifth year	Total
	NIS in thousands					
Trade payables	426,360	-	-	-	-	426,360
Other payables	57,680	-	-	-	-	57,680
Employee benefit liabilities	363,365	-	-	-	-	363,365
Loans from banks	349,941	202,597	1703,050	122,216	39,210	887,014
Leases	58,725	42,450	26,634	-	-	127,809
	1,256,071	245,047	199,684	122,216	39,210	1,862,228

(1) The above tables do not include liabilities in respect of business combinations.

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

c. Fair value:

The carrying amount of cash and cash equivalents, short-term investments, trade receivables, other accounts receivable, short-term loans granted, credit from banks and others, trade payables and others and other accounts payable approximates their fair value.

Marketable assets and liabilities	-	Based on quoted prices in an active market as of the reporting date.
Interest-bearing short-term non-marketable assets and liabilities with fixed maturities	-	The carrying amount reflects the fair value as of the reporting date since their average interest rate is not materially different from standard market rate for similar items as of the reporting date.
Assets and liabilities with no maturities	-	Fair value is determined at the amount payable upon demand on the reporting date.
Assets and liabilities at variable interest	-	The fair value of assets and liabilities at variable interest which do not involve a material credit risk is based on their carrying amount.
Long-term loans at fixed interest	-	The fair value of long-term loans bearing fixed interest is based on the calculation of the present value of cash flows using the standard interest rate for similar loans with similar characteristics.
Put options of non-controlling interests	-	The fair value is based on market price. In the absence of market price, the fair value is based on economic models.
Guarantees and liabilities to grant loans	-	The fair value is based on the amount payable as of the reporting date for similar engagements taking into consideration the remaining period of the agreement and the credit strength of the parties to the contract.

d. Classification of financial instruments by fair value hierarchy:

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

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 (valuation techniques which use inputs that are not based on observable market data).

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

December 31, 2021:

Financial liabilities measured at fair value:

	Level 1	Level 2	Level 3
	NIS in thousands		
Financial liabilities at fair value through profit or loss:			
Put options of non-controlling interests	-	-	112,420
Liabilities in respect of business combinations	-	-	10,542
	-	**-**	**122,962**

December 31, 2020:

Financial liabilities measured at fair value:

	Level 1	Level 2	Level 3
	NIS in thousands		
Financial liabilities at fair value through profit or loss:			
Put options of non-controlling interests	-	-	113,356
Liabilities in respect of business combinations	-	-	9,226
	-	**-**	**122,582**

:

NOTE 21:- FINANCIAL INSTRUMENTS (CONT.)

e. Sensitivity tests relating to changes in market factors:

	December 31,	
	2021	2020
	NIS in thousands	
Sensitivity test to changes in interest rates:		
Profit (loss) from the change:		
Increase of 1% in interest	(2,548)	(1,390)
Decrease of 1% in interest	2,548	1,390

	December 31,	
	2021	2020
	NIS in thousands	
Sensitivity test to changes in U.S. dollar exchange rates:		
Profit (loss) from the change:		
Increase of 5% in exchange rate	6,441	13,730
Decrease of 5% in exchange rate	(6,441)	(13,730)

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group is not exposed to interest rate risk in respect of long-term loans with fixed interest.

The sensitivity test for long-term loans with variable interest is performed only on the variable component of interest.

NOTE 21:- FINANCIAL INSTRUMENTS (Cont.)

f. Changes in liabilities arising from financing activities:

2021

	Balance at January 1, 2021	Receipts	Payments	Net cash flows	Effect of changes in exchange rates	Effect of changes in fair value	Distribution of dividends to non-controlling interests	Entrance to Consolidation	Other changes	Balance at December 31, 2021
	NIS in thousands									
Short-term loans	136,512	-	-	117,131	-	-	-	561	-	254,204
Long-term loans	750,503	120,000	(215,828)	-	8	-	-	109	(240)	654,552
Put options of non-controlling interests	113,356	-	(5,376)	-	-	14,811	(13,424)	3,053	-	112,420
Finance lease obligation	127,809	-	(91,137)	-	(378)	-	-	-	108,501	144,795
Liabilities in respect for business combination	9,226	-	(5,937)	-	(89)	298	-	3,638	3,410	10,546
Total liabilities arising financing activities	1,137,406	120,000	(318,278)	117,131	(459)	15,109	(13,424)	7,361	111,671	1,176,517

2020

	Balance at January 1, 2020	Receipts	Payments	Net cash flows	Effect of changes in exchange rates	Effect of changes in fair value	Distribution of dividends to non-controlling interests	Entrance to Consolidation	Other changes	Balance at December 31, 2020
	NIS in thousands									
Short-term loans	202,009	-	-	(101,997)	-	-	-	36,500	-	136,512
Long-term loans	667,639	280,000	(197,111)	-	(87)	-	-	-	62	750,503
Put options of non-controlling interests	110,179	-	(10,377)	-	233	(5,137)	(11,054)	61,238	(31,726)	113,356
Finance lease obligation	144,874	-	(75,554)	-	252	-	-	8,005	50,232	127,809
Liabilities in respect for business combination	12,711	-	(11,308)	-	(881)	(216)	-	3,462	5,458	9,226
Total liabilities arising financing activities	1,137,412	280,000	(294,350)	(101,997)	(483)	(5,353)	(11,054)	109,205	24,026	1,137,406

NOTE 22:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS

a. Revenues:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.	2,361,005	2,308,913	2,262,801
Information Technologies (IT) Software solutions and services in USA.	355,923	358,310	384,027
Software product marketing and support	258,050	190,577	183,774
Cloud infrastructure and computer solutions	1,210,301	854,291	601,897
Training and implementation	174,869	141,950	163,796
	4,360,148	**3,854,041**	**3,596,295**

b. Cost of sales and services:

	2021	2020	2019
Purchases	1,098,180	864,197	640,611
Wages and related expenses	2,021,049	1,916,119	1,871,818
Subcontractors	395,920	368,213	390,648
Depreciation and amortization	74,364	60,251	66,518
Motor vehicles	46,356	52,088	48,933
Rent	8,489	9,515	11,025
Maintenance and other expenses	79,391	58,415	50,158
	3,714,749	3,328,798	3,079,711
Decrease (increase) in inventories	14,996	(37,748)	(1,316)
	3,729,745	**3,291,050**	**3,078,395**

c. Selling and marketing expenses:

	2021	2020	2019
Wages and related expenses	83,961	80,554	77,839
Amortization	21,452	18,062	16,218
Advertising and marketing	24,931	11,261	13,580
Subcontractors	11,111	*6,639	*5,213
Other expenses	6,100	5,556	2,994
	147,555	**122,072**	**115,844**

* reclassified

d. General and administrative expenses:

	2021	2020	2019
Wages and related expenses	84,667	82,849	82,159
Depreciation and amortization	51,921	46,453	41,241
Doubtful accounts and bad debts	1,376	3,910	1,041
Capital loss (gain) from sale of property, plant and equipment	(78)	257	(9)
Other expenses	15,570	*18,317	*22,881
	153,456	**151,786**	**147,313**

* reclassified

NOTE 22:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS (Cont.)

e. Financial income and expenses:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Financial expenses:			
Expenses in respect of business combination and Put options revaluation	14,127	5,204	11,049
Capitalization financial expenses IFRS16	5,086	4,178	5,402
Commissions, interest, differences and interest expenses on short and long-term loans	23,069	25,059	21,210
Exchange rate differences, net	3,276	7,761	4,132
	45,558	**42,202**	**41,793**
Financial income:			
Income from debtors in respect of an embedded derivative transaction and other	360	-	489
	360	**-**	**489**

NOTE 23:- NET EARNINGS PER SHARE

Details of the net income and par value of shares used in the calculation of net earnings per Ordinary share of NIS 1 par value and the adjustments made for the calculation of basic and fully diluted net earnings per share:

	Year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Basic net earnings per share:			
Net income attributable to equity holders of the Group	195,341	172,596	159,053
Weighted number of shares	62,497,759	62,125,977	62,001,161
Basic net earnings per share	**3.13**	**2.78**	**2.57**
Diluted net earnings per share:			
Net income attributable to equity holders of the Group	195,341	172,596	159,053
Weighted number of shares used to calculate basic net earnings per share	62,497,759	62,125,977	62,001,161
Effect of potential dilutive Ordinary shares	633,258	829,899	579,668
Adjusted weighted average number of shares	63,131,017	62,955,876	62,580,829
Diluted net earnings per share	**3.09**	**2.74**	**2.54**

NOTE 24:- INTERESTED AND RELATED PARTIES

a. **Balances:**

December 31, 2021:

	See Note	Related parties
		NIS in thousands
Trade receivables	6	5,474
Trade and other payables	12-13	84

December 31, 2020:

	See Note	Related parties
		NIS in thousands
Trade receivables	6	3,113
Trade and other payables	12-13	13

NOTE 24:- INTERESTED AND RELATED PARTIES (CONT.)

b. **Benefits to key management personnel:**

1. Compensation to key management personnel:

	Year ended December 31,					
	2021		2020		2019	
	No. of key managers	NIS in thousands	No. of key managers	NIS in thousands	No. of key managers	NIS in thousands
Post-employment benefits (1)	-	-	1	-	1	14
Share-based payment (2)	20	1,964	20	5,330	20	5,330

(1) See also note 16.
(2) See also note 20.

2. Salaries and benefits to interested parties:

	Year ended December 31,					
	2021		2020		2019	
	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Salaries and related expenses paid to executives	1	10,959	2	14,323	2	15,101
Salaries and related expenses paid to interested parties	1	119	1	107	1	114
Public directors' fees	3	488	3	442	3	458

c. **Transactions with interest and related parties:**

Year ended December 31, 2021:

	Parent company	Related parties
	NIS in thousands	
Training services	-	182
Cloud computing services	-	9,043
Software testing and QA	-	7,611
Software products	-	1,913
Computer infrastructure and integration	-	2,156
Rent	-	-
Call center services	-	-
Purchase of software development services	-	(2,053)
Purchase of maintenance of software products services	-	-

NOTE 24:- INTERESTED AND RELATED PARTIES (Cont.)

Year ended December 31, 2020:

	Parent company	Related parties
	NIS in thousands	
Training services	-	106
Cloud computing services	-	7,944
Software testing and QA	-	8,524
Software products	-	1,175
Computer infrastructure and integration	-	1,873
Rent	-	-
Call center services	-	252
Purchase of software development services	-	(1,785)
Purchase of maintenance of software products services	-	-

Year ended December 31, 2019:

	Parent company	Related parties
	NIS in thousands	
Training services	-	128
Cloud computing services	-	5,807
Software testing and QA	-	6,256
Software products	-	842
Computer infrastructure and integration	-	567
Rent	-	8
Call center services	-	519
Purchase of software development services	-	(2,530)
Purchase of maintenance of software products services	-	(43)

NOTE 25:- OPERATING SEGMENTS

a. General:

The Company operates through subsidiaries in the following segments:

- Information Technologies (IT) Software solutions and services, Consulting & Management in *Israel.*
- Information Technologies (IT) Software solutions and services in US.
- Training and implementation.
- Cloud infrastructure and computer solutions.
- Software product marketing and support.

NOTE 25:- OPERATING SEGMENTS (Cont.)

Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.

Operations in this area focus mainly on the development of large-scale technological systems and the provision of related services, including consulting and management, integration of computer and software, integration projects, outsourcing, software project management, software development, software testing, and QA. In addition, the activities in this area include management consulting services and multi-disciplinary operational and engineering consulting, including supervision of complex engineering projects, all according to the specific needs of the customer, and in accordance with the professional expertise required in each case.

Information Technologies (IT) Software solutions and services in US.

Activities in this area include the provision of solutions and services to experts in the GRC field including risk management, fraud prevention, anti-money laundering, trade surveillance, and regulatory compliance security, as well as, specialized advisory services in the area of compliance with financial regulation and operational services. Regulation through the RPA Robotic Processing Automation (RPA) tool through the subsidiary Matrix IFS. In addition, the activity in this area includes the provision of specialized technological solutions and services in the areas of: BI, Data Base Administration (DBA), CRM (Customer Relation Management), and EIM Enterprise Information Management. In addition, the activity in this segment includes:
dedicated solutions for the GovCon Government contracting market, IT HELP DESK services specializing in healthcare, and software distribution services, especially IBM products as well as BMC and Atlassian for public-government clients in the United States (through its subsidiary RightStar). The company also established, as part of this area of activity, an Activity Center in the field of Software for Managing processes and documents for the provision of 3D printing services (3D PRINTING) in general, and in the field of medicine in particular based on an owned software. The operations in this segment are carried out through the subsidiaries Matrix IFS, Xtivia, and their subsidiaries.

Training and implementation:

The Group's activities in this segment consist of operating a network of high-tech training and instruction centers that provide application courses, professional training courses and advanced professional studies in the high-tech industry, courses of soft skills and management training, and provision of training and implementation of computer systems directly in institutions.

Cloud infrastructure and computer solutions:

The company's activities are primarily providing computer solutions to computer and communications infrastructures, marketing and sale of computers and peripheral equipment to business customers, providing related services, and cloud computing solutions (through the business specializing unit of the Company - Cloud Zone) and a myriad of services regarding Database services and Big data services (through the specialized business unit Data zone).

NOTE 25:- OPERATING SEGMENTS (Cont.)

Software product marketing and support:

This area is mainly software distribution (mostly from abroad) and provides professional support for these products to customers, including marketing and maintenance of software products in various fields.

The accounting policies of the operating segments are the same as those presented in Note 2.

b. Geographic Information

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Israel	3,954,192	3,447,379	3,162,575
Abroad	405,956	406,662	433,720
	4,360,148	**3,854,041**	**3,596,295**

The carrying amounts of fixed assets (property, plant and equipment, and intangible assets) in the Company's country of domicile (Israel) and in foreign countries based on the location of the assets, are as follows:

	Year ended December 31,	
	2021	**2020**
	NIS in thousands	
Israel	918,754	886,514
Abroad	269,745	276,557
	1,188,499	**1,163,071**

NOTE 25:- OPERATING SEGMENTS (Cont.)

c. Reporting on operating segments:

	Year ended December 31, 2021						
	IT Software solutions and services, Consulting & Management in Israel.	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions	IT Software solutions and services, in US.	Adjustments	Total
	NIS in thousands						
Revenues from external customers	2,361,005	174,869	258,050	1,210,301	355,923	-	4,360,148
Inter-segment revenues	73,293	15,034	13,237	27,839	1,158	(130,561)	-
Revenues	2,434, 298	189,903	271,287	1,238,140	357,081	(130,561)	4,360,148
Depreciation and amortization	94,258	11,631	2,922	30,863	8,063	-	147,737
Segment operating results	186,,776	17,870	25,316	61,727	41,144	(3,441)	329,392
Financial expenses							(45,198)
Taxes on income							(65,446)
Net income							218,748

	Year ended December 31, 2020						
	IT Software solutions and services, Consulting & Management in Israel.	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions	IT Software solutions and services, in US.	Adjustments	Total
	NIS in thousands						
Revenues from external customers	2,308,913	141,950	190,577	854,291	358,310	-	3,854,041
Inter-segment revenues	76,877	12,706	13,125	37,660	33	(140,401)	-
Revenues	2,385,790	154,656	203,702	891,951	358,343	(140,401)	3,854,041
Depreciation and amortization	89,894	12,462	1,822	13,086	7,502	-	124,766
Segment operating results	155,150	14,353	26,560	44,054	61,464	(12,448)	289,133
Financial expenses							(42,202)
Taxes on income							(56,081)
Net income							190,850

NOTE 25:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2019						
	IT Software solutions and services, Consulting & Management in Israel.	**Training and implementation**	**Software product marketing and support**	**Cloud infrastructure and computer solutions**	**IT Software solutions and services, in US.**	**Adjustments**	**Total**
	NIS in thousands						
Revenues from external customers	2,262,801	163,796	183,774	601,897	384,027	-	3,596,295
Inter-segment revenues	67,878	14,989	10,909	37,529	2,947	(134,252)	-
Revenues	2,330,679	178,785	194,683	639,426	386,974	(134,252)	3,596,295
Depreciation and amortization	87,782	9,354	5,506	12,265	9,070	-	123,977
Segment operating results	127,392	17,934	21,672	28,294	65,751	(6,300)	254,743
Financial expenses							(41,793)
Financial income							489
Our share in associate gains							90
Taxes on income							(46,620)
Net income							166,909

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