

Meidar Gan Eden Ltd.
Consolidated Financial Statements
for the year 2022

Meidar Gan Eden Ltd
Consolidated Financial Statements
for December 31, 2022

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**The auditors' report
to the shareholders of
Meidar Gan Eden Ltd**

We have reviewed the attached consolidated reports on the financial condition of Meidar Gan Eden Ltd. (hereinafter: "the Company") for December 31, 2022, and 2021, and the consolidated reports on profit or loss, changes in capital and cash flows for each year. These financial statements are the responsibility of the company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards accepted in Israel, including standards set forth in the Accountants Regulations (How an Accountant Works), 1973. According to these standards, we are required to plan the audit and perform it with the aim of obtaining a reasonable degree of assurance that is not found in the financial statements a material misstatement. An audit includes a sample examination of evidence supporting the amounts and information in the financial statements. An audit also includes an examination of the accounting rules that have been applied and of the significant estimates made by the company's board of directors and management, as well as an assessment of the adequacy of the presentation in the financial statements as a whole. We believe that our audit is a sufficient basis for our opinion.

In our opinion, the above financial statements adequately reflect, , in all material respects, the financial condition of the company and its consolidated companies as of December 31, 2022, and 2021 and the results of their operations, changes in capital and their cash flows for the each year, in accordance with International Financial Reporting Standards (IFRS).

Elefant Mahala

Certified Public Accountants

Jerusalem, June 29, 2023

A independent member firm of
Moore global network limited
-members in principal cities
throughout the world

Meidar Gan Eden Ltd

Consolidated reports on the financial condition

(in new shekels)

	Note	As of December 31	
		2022	2021
<u>Current assets</u>			
Cash and cash equivalents	3	6,352,485	4,665,048
Receivables and receivable balances	4	4,679,097	6,352,925
Stock of buildings and construction	7	12,939,514	11,804,688
Loans to Related Parties		7,155,496	460,547
		<u>31,126,592</u>	<u>23,283,208</u>
<u>Non-current assets</u>			
Investments treated according to book value	6	5,230,382	3,114,123
Real Estate Stock	8	4,005,481	968,991
Investment real estate under construction	9	24,738,571	23,592,481
Fixed assets, net	10	429,757	173,265
Intangible assets		22,412	44,809
		<u>34,426,603</u>	<u>27,893,669</u>
		<u>65,553,195</u>	<u>51,176,877</u>

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

Meidar Gan Eden Ltd

Consolidated reports on the financial condition (in new shekels)

		To the 31st of December	
	Notes	2022	2021
<u>Current liabilities</u>			
short term loans	11	24,799,421	23,873,338
Suppliers and service providers		400,012	423,073
Entitled and remaining rights	12	244,901	206,845
Obligation for leasing		367,506	-
		<u>25,444,334</u>	<u>24,503,256</u>
<u>Non-current liabilities</u>			
Tax reserve		980,710	1,129,364
Long term loans	13	33,692,417	15,291,291
		<u>34,673,127</u>	<u>16,420,655</u>
<u>Capital</u>			
<u>Capital attributed to the shareholders of the company</u>			
Share capital	14	10	10
Venture Capital fund		7,552,158	7,314,501
Balance of profit (loss).		(3,701,168)	1,619,547
		<u>3,851,000</u>	<u>8,934,058</u>
<u>Rights that do not confer control</u>			
		<u>1,217,228</u>	<u>1,318,908</u>
		<u>5,068,228</u>	<u>10,252,966</u>
		<u>65,553,195</u>	<u>51,176,877</u>

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

Date of approval
and publication
The financial
statements

Shmariahu
Adelman,
Chairman, Board
of Directors

Yehiel Porush
CEO and Finance
Manager

Meidar Gan Eden Ltd

Consolidated statements of the total profit (in new shekels)

	Note	For the year ended on 31 December	
		2022	2021 (*)
Rental income and management fees		1,866,228	1,805,841
Adjustment of the fair value of real estate for investment under construction	9	(649,873)	2,908,974
		1,216,355	4,714,815
Advertising and sales expenses		(191,348)	(586,621)
General and administrative expenses	15	(4,315,644)	(2,896,474)
Other income		260,000	-
		(4,246,992)	(3,483,095)
Operating profit (loss)		(3,030,637)	1,231,720
The company's share of the profits (losses) of companies treated according to the balance sheet value method		(1,087,550)	547,232
Financing income	16	990,120	34,180
Financing expenses	16	(2,424,970)	(1,008,806)
		(1,434,850)	(974,626)
Profit (loss) before income taxes		(5,553,037)	804,326
Income taxes	17	115,319	(669,064)
1-Year Net Profit (Loss)		(5,437,718)	135,262
 <u>Profit (loss) is attributable to:</u>			
Company shareholders		(5,321,007)	(114,857)
Holder of non-controlling rights		(116,711)	250,119
		(5,437,718)	135,262
 <u>Loss per share attributable to the company's shareholders</u>			
	18		
Basic loss		(53,210)	(1,149)
Diluted loss		(53,210)	(1,149)

The notes to the financial statements are an integral part of them.

Meidar Gan Eden Ltd

Consolidated reports on the changes in capital (in new shekels)

	<u>Share capital</u>	<u>Venture Capital fund</u>	<u>residual profit</u>	<u>Total</u>	<u>Rights that do not confer control</u>	<u>Total capital</u>
Balance for 1 January 2022	10	7,314,501	1,619,547	8,934,058	1,318,908	10,252,966
Capital interest adjustment	-	-	292	292	-	292
Profit (loss) for the period	-	-	(5,321,007)	(5,321,007)	(116,711)	(5,437,718)
Other comprehensive income	-	237,657	-	237,657	15,031	252,688
Balance as of December 31, 2022	10	7,552,158	(3,701,168)	3,851,000	1,217,228	5,068,228
Balance as of January 1, 2021	10	2,684,964	1,734,404	4,419,378	400,174	4,819,552
Profit (loss) for the year	-	-	(114,857)	(114,857)	250,119	135,262
Other comprehensive income	-	4,629,537	-	4,629,537	668,614	5,298,151
balance for the 31st day In December 2021	10	7,314,501	1,619,547	8,934,058	1,318,908	10,252,966

The notes to the financial statements are an integral part of them.

Meidar Gan Eden Ltd
Consolidated statements of cash flows
(in new shekels)

	for the year ended Dec. 31	
	2022	2021
<u>Operating Cash Flows</u>		
1-Year Net Profit (Loss)	(5,437,718)	135,262
Adjustments required to present cash flows from operating activities (Appendix A)	(3,661,432)	(18,324,820)
Cash used for current operations	<u>(9,099,150)</u>	<u>(18,189,558)</u>
<u>Cash flows from investment activities</u>		
Investment in fixed assets	(328,812)	(224,570)
Project investments	(3,078,923)	(958,559)
Real Estate Investments	(1,024,347)	(16,212,772)
Loan to a Held Company	(3,036,490)	-
Cash used for investment activities	<u>(7,468,572)</u>	<u>(18,118,374)</u>
<u>Cash flows from financing activities</u>		
Getting loans	18,361,230	40,739,898
Cash derived from financing activities	<u>18,361,230</u>	<u>40,739,898</u>
Increase in cash and cash equivalents	1,687,437	4,431,966
Cash balance and cash equivalents for the beginning of the period	4,665,048	233,082
Cash balance and cash equivalents at the end of the period	<u>6,352,485</u>	<u>4,665,048</u>

Appendix A-Adjustments required to present cash flows from operating activities:

Expenses (income) that do not involve cash flow

Depreciation and amortization	72,320	28,691
The company's share of the profits of held companies treated according to the balance sheet value method	1,087,551	(547,232)
Adjustment of fair value of investment real estate	649,873	(2,908,974)
Financing expenses	369,033	402,629
Income taxes	(148,655)	669,064
	<u>2,030,122</u>	<u>(2,355,822)</u>

Changes in property and liabilities

Increase in receivables and outstanding balances and customers	(4,653,006)	(5,626,148)
Increase in inventory under construction and real estate for the construction of apartments for sale	(1,053,543)	(6,408,897)
Increase (decrease) in payables and balances and suppliers	14,995	(3,933,953)
	<u>(5,691,554)</u>	<u>(15,968,998)</u>
	<u>(3,661,432)</u>	<u>(18,324,820)</u>

The notes to the financial statements are an integral part of them

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

for December 31, 2021

Note 1- **general:**

- A. The company was incorporated in June 2020 and began operations in July 2020. As of August 2020, the company has investments in the companies it holds.
- B. The company and the companies held by it are engaged in locating, initiating, planning, establishing, and promoting projects in the field of residential and rental real estate in Israel.
- C. The company owns, through subsidiaries, land, and real estate under construction, intended partly for commerce and offices and partly for residences.
- D. In the reporting year, bonds were issued in Germany, through its wholly owned subsidiary - GanEden Finance GmbH. By the time the financial statements were signed, approximately 7 million NIS were raised.

Note 2- **The main accounting policies:**

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

1. **Basis for presenting the financial statements.**

The financial statements are prepared in accordance with international financial reporting standards (hereinafter -IFRS). The company's financial statements are prepared on a cost basis, with the exception of investment real estate and financial assets measured at fair value through other comprehensive income.

The company chose to present the report on the total profit according to the method of the characteristic of operations.

2. **The operating cycle period**

The group's normal operating cycle period, with reference to the construction of buildings for sale, is 3 years.

3. **Consolidated Financial Statements**

The consolidated financial statements include the reports of companies over which the company has control (subsidiaries). Control exists when the company has influence over the invested entity, exposure, or rights to variable returns as a result of its involvement in the invested entity, as well as the ability to use its power to influence the amount of returns that will result from the invested entity. When examining control, the effect of potential voting rights is taken into account only if

they are real. The consolidation of the financial statements is carried out starting from the date on which control was obtained, until the date on which control was terminated.

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

The financial statements of the company and the subsidiaries are prepared for the same dates and periods. The accounting policy in the financial statements of the subsidiaries was applied in a uniform and consistent manner with that applied in the company's financial statements. Substantial mutual balances and transactions and profits and losses arising from transactions between the group companies have been fully eliminated in the consolidated financial statements.

Rights that do not grant control in respect of subsidiaries represent the capital in the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. The rights that do not confer control are shown separately within the company's capital. Profit or loss is attributed to the company and non-controlling interests. Losses are attributed to non-controlling interests even if as a result the balance of non-controlling interests in the consolidated statement of financial condition is negative.

4. Investment in joint arrangements

Joint arrangements are arrangements in which the company has joint control. Joint control is an agreed contractual sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

1) Joint Ventures

In joint transactions, the parties to the arrangement have joint control over the rights in the net assets of the arrangement. A joint transaction is handled according to the balance sheet value method.

2) Joint Operations

In joint activities, the parties to the arrangement have joint control over the arrangement, rights to the assets and obligations to the obligations of the arrangement. The company recognizes the joint activity in its relative share of the assets, liabilities, income and expenses of the joint activity.

5. Investments are handled according to the balance sheet value method.

Affiliated companies are companies over which the group has a substantial influence on their financial and operational policies, but not control. The group's investments in affiliated companies and joint transactions are handled according to the balance sheet value method.

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

5. Investments treated according to the balance sheet value method (continued)

According to the balance sheet value method, the investment in the included company or in a joint transaction is shown at cost plus post-acquisition changes in the group's share of net assets, including other gross profit of the included company or joint transaction. Profits and losses arising from transactions between the group and the included company, or the joint transaction are eliminated according to the holding rate.

Goodwill for the purchase of an included company or a joint transaction is presented as part of the investment in the included company or the joint transaction, measured according to cost and is not systematically reduced. Goodwill is examined for impairment as part of an investment in the included company or in the joint transaction as a whole.

The financial statements of the company and the included company or joint venture are prepared for the same dates and periods. The accounting policy in the financial statements of the included company or the joint transaction was applied in a uniform and consistent manner with that applied in the financial statements of the group.

6. Activity currency, presentation currency and foreign currency

1. Activity currency and presentation currency

The financial statements are presented in NIS, since the company believes that financial statements in NIS provide relevant information to investors and users of the financial statements located in Israel.

The group determines for each company in the group, including companies presented on the basis of the balance sheet value, what is the operating currency of each company.

Assets and liabilities of a held company that is a foreign activity including cost excesses generated are translated according to the closing rate on each reporting date. Income statement items are translated according to average exchange rates.

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

1. Activity currency and presentation currency (continued)

Intercompany loans in the group, which there is no intention to liquidate and are not expected to be repaid in the foreseeable future, essentially constitute part of the investment in foreign operations, and therefore, the interest rate differences from these loans (minus the tax effect) are credited as other comprehensive profit (loss).

When realizing a foreign activity, or when partially realizing a foreign activity, while losing control, the cumulative profit (loss) related to that activity, which was recognized in other comprehensive income, is credited to profit or loss. When partially realizing a foreign activity while maintaining control of the consolidated company, a proportional part of the amount recognized in other comprehensive income is reattributed to non-controlling rights.

2. Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency are recorded upon initial recognition according to the exchange rate at the time of the transaction. After initial recognition, financial assets and liabilities denominated in a foreign currency are translated at each reporting date into the activity currency according to the exchange rate at that time. Rate differences, with the exception of those converted to eligible assets or credited to capital in hedging transactions, are credited to profit or loss. Non-monetary assets and liabilities denominated in a foreign currency presented at fair value are translated into the activity currency according to the exchange rate at the time the fair value is determined.

3. Index-linked financial items

Financial assets and liabilities linked according to their terms to changes in the Consumer Price Index in Israel (hereinafter: the "index") are adjusted according to the relevant index, on each reporting date, in accordance with the terms of the agreement.

7. cash value

Cash assets are considered investments with high liquidity, which include short-term deposits in banking corporations that are not limited by encumbrance, whose

original period does not exceed three months from the date of investment or that exceeds three months but can be withdrawn immediately without penalty and are part of the group's cash management.

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

8. Inventory of Land for construction

Real estate under construction is measured on the basis of cost. The cost of the land includes credit costs related to financing the construction of the property until the completion date, planning and design costs, allocated indirect construction costs and other related costs.

9. Capitalization of credit costs

The group capitalizes credit costs related to the purchase, construction or production of eligible assets, which require a significant period of time for their preparation, intended use or sale.

Capitalization of credit costs begins at the time when costs were incurred for the property itself, the operations to prepare the property began and credit costs were incurred and ends when all operations to prepare the property for its intended use or sale are substantially completed. The amount of discounted credit costs in the reporting period includes direct credit costs and credit increases according to a weighted discount rate.

The company capitalizes exchange rate differences arising from foreign currency loans if they are considered an adjustment to interest costs.

10. Real estate for investment and real estate for investment under construction

Investment real estate is real estate (land or building, or both) held by the owner (lessor under an operating lease) or lessee under a financial lease for the purpose of generating rent or for an increase in value or both and not for use in exporting or supplying goods or services or for the purposes Administration, or sale in the ordinary course of business.

Investment in real estate is deducted when it is realized or when its use ceases and no future economic benefits are expected from its realization. The difference between the net proceeds from the realization of the asset and the balance in the financial statements is recognized in the statement of all profit or loss in the period in which the asset was deducted.

Investment real estate is initially measured at cost, including direct purchase increases. After initial recognition, investment real estate is measured at fair value, which reflects market conditions at the time of reporting. Gains or losses resulting from changes in the fair value of the investment real estate are credited to profit or loss at the time of their occurrence. Investment real estate is not systematically depreciated.

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

10. Real estate for investment and real estate for investment under construction (continued)

Real estate for investment in development intended for future use as investment real estate is also measured at fair value as stated above and this is when the fair value can be reliably measured. when the fair value cannot be reliably measured, due to the nature and scope of the project's risks, then it is measured according to its cost, minus impairment losses to the extent that they exist, until the date when the fair value can be reliably measured or the construction is completed, whichever is earlier. The cost base of real estate for investment in development includes the cost of the land plus credit costs used to finance the construction, additional direct planning and development costs and brokerage fees due to engagements in rental agreements.

In order to determine the fair value of the real estate for investment, the group is based on a valuation performed by independent external appraisers who are experts in real estate valuations and have the required knowledge and experience.

The transfer of an asset from fixed property to real estate for investment is made at the time the owner ceases to use the property. The transfer of an asset from real estate for investment to fixed property is made at the time the owner begins to use the property. The transfer of an asset from inventory to investment real estate is made at the time an operating lease to another party begins. The transfer of an asset from investment real estate to inventory is made at the time development begins with the intention of selling the real estate.

The cost of the asset transferred from investment real estate to fixed assets or inventory is the fair value at the time of the transfer, while the difference between the fair value and the cost of an asset transferred from fixed assets to investment real estate is treated as a revaluation in accordance with IAS 16 and credited to a revaluation fund.

11. Intangible assets

Intangible assets that are acquired separately are measured upon initial recognition at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured according to the fair value at the time of acquisition.

Costs for intangible assets that have been developed internally, with the exception of capitalized development costs, are credited to profit or loss when incurred.

Intangible assets with a defined useful life are depreciated over their useful life and assessed for impairment when there are signs indicating a decrease in value. The amortization period and amortization method of an intangible asset are reviewed at least at the end of each year.

Meidar Gan Eden Ltd

Notes to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

11. Intangible assets (continued)

Intangible assets with an indefinite useful life are not systematically depreciated and are subject to an annual impairment test as well as whenever there is an indication that an impairment may have occurred.

The useful lives of these assets are reviewed annually to determine whether the indefinite life assessment is still valid. If the events and circumstances no longer support the aforementioned assessment, the change in the useful life from indefinite to definite is treated as a change in an accounting estimate and at the same time a decrease in value is also examined. Starting from that date, the asset is systematically depreciated over its usable life span.

12. Impairment of non-financial assets

The group examines the need for a decrease in the value of non-financial assets when there are signs as a result of events or changes in circumstances that indicate that the balance in the financial statements is not recoverable.

In cases where the balance in the financial statements of the non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value minus selling costs for value in use. In assessing the value in use, the expected cash flows are capitalized according to a pre-tax discount rate that reflects the specific risks for each asset. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to profit or loss.

An impairment loss of an asset, with the exception of goodwill, is canceled only when there have been changes in the estimates used to determine the asset's recoverable amount from the date the impairment loss was last recognized. In total, the aforementioned loss is limited to the lower of the previously recognized amount of the decline in value of the asset (minus depreciation or amortization) or the recoverable amount of the asset. With regard to an asset measured according to cost, the cancellation of said loss is credited to profit or loss.

The useful life of intangible assets is as follows:

	<u>%</u>
Website	33

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

13. Fixed assets

The fixed asset items are shown at cost plus direct purchase costs, less accumulated depreciation. Depreciation is calculated at equal annual rates based on the straight-line method over the useful life of the asset. The useful life of fixed asset items is as follows:

	<u>%</u>
computers	33
Furniture	6

14. Financial Instruments

The group implements the provisions of IFRS 9:

1. financial assets

Financial assets under the application of IAS 39 are recognized at the time of initial recognition according to fair value and with the addition of direct transaction costs, except for profit and loss financial assets measured at fair value through profit or loss, transaction costs are credited to profit or loss. After the initial recognition, the accounting treatment of financial assets is based on their classification as detailed below:

Loans and receivables

Loans and receivables are investments that are repaid in fixed or determinable payments that are not traded in an active market. After initial recognition, loans are presented according to their terms at cost plus direct transaction costs, using the effective interest method and deducting an allowance for impairment. Short-term receivables are presented according to their terms, usually at their nominal value.

2. Financial obligations

Liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented in net of direct transaction costs. After the initial recognition, the accounting treatment of financial liabilities is based on their classification as detailed below:

Financial liabilities at reduced cost

After initial recognition, loans and other liabilities are presented according to their terms at cost less direct transaction costs using the effective interest method.

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

Financial liabilities at reduced cost

After initial recognition, loans and other liabilities are presented according to their terms at cost less direct transaction costs using the effective interest method.

Obligations for financial guarantees

Liabilities for financial guarantees are recognized for the first time according to the fair value while also taking into account direct transaction costs attributed to the provision of the guarantee. After the initial recognition, the liability is measured according to the higher amount of the amount recognized for the first time (minus an appropriate reduction over the guarantee period) and the estimate of the amount required (if required) to be recognized as of the reporting date according to UAS 37 with reference to the guarantee agreement.

3. Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial condition if there is a legally enforceable right to offset the recognized amounts, and there is an intention to dispose of the asset and the liability on a net basis or to realize the asset and discharge the liability at the same time.

4. Scrapping financial instruments

financial assets

A financial asset is written off when the contractual rights to receive cash flows from the financial asset have expired, or when the company has transferred the contractual rights to receive cash flows from the financial asset or when the company has assumed an obligation to pay the received cash flows in full to the third party, without significant delay. In addition, you actually transferred all the risks and benefits associated with the property or did not transfer and did not actually leave all the risks and benefits associated with the property but transferred control over the property.

Financial obligations

A financial obligation is deducted when it is eliminated, that is, an obligation has been repaid, canceled or expired. A financial obligation is discharged when the debtor (the group) discharges the obligation by paying in cash, other financial assets, goods or services, or is legally released from the obligation.

When an existing financial obligation is replaced by another obligation towards the same lender under substantially different conditions, or when a substantial

change is made to the terms of an existing obligation, the exchange or change is treated as a cancellation of the original obligation and as recognition of a new obligation. The difference between the balance of the two aforementioned obligations in the financial statements is credited to the statement of profit or loss. If the exchange or change is not material, it is treated as a change to the terms of the original obligation and is not recognized at that time.

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

Note 2- The main accounting policies (continued):

Financial obligations

A financial obligation is terminated when it is cleared, i.e. a debt has been repaid, cancelled, or expired. A financial obligation is disposed of when the debtor (group) repays the obligation by paying in cash, other financial assets, goods or services, or is legally released from the obligation.

When an existing financial obligation is replaced by another obligation towards the same lender under materially different terms, or when a material change is made to the terms of an existing obligation, the substitution or change is treated as a derogation of the original obligation and recognition of a new obligation. The difference between the balance of the above two liabilities in the financial statements is credited to the statement of profit or loss. If the replacement or change is immaterial, it is treated as a change in the terms of the original obligation and is not recognized at that time.

Gain or loss from the exchange. When examining whether it is a material change in the terms of an existing obligation, the company takes into account qualitative and quantitative considerations.

5. Impairment of financial assets

The group examines on each reporting date whether there is objective evidence of a decrease in the value of a financial asset, or a group of financial assets presented at reduced cost.

If there is objective evidence that there is an impairment loss for loans and receivables presented at their reduced cost, the amount of the loss credited to profit and loss is measured as the difference between the book value of the asset and the present value of the estimated future cash flows (which do not include future credit losses that have not yet occurred), discounted according to the original effective interest rate of the financial asset.

15. Leases

The group assesses whether a contract is a lease (or includes a lease) at the time the contract is entered into. The group recognizes the property as a right of use on the one hand and as a lease obligation on the other for all leases in which it is the lessee, with the exception of short-term leases (for a period of up to 12 months) and leases of low-value assets. In these leases, the group recognizes the lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic basis better represents the pattern of consumption of the economic benefits by the group from the leased assets.

16. Excretions

A provision in accordance with IAS 37 is recognized when the group has a present or implied legal obligation as a result of an event that occurred in the past, it is expected that the use of economic resources will be required in order to eliminate the obligation and it can be estimated reliably. When the group anticipates that part or all of the expense will be reimbursed to the company, such as in an insurance contract, the reimbursement will be recognized as a separate asset only at the time when there is actual certainty of receiving the asset. The expense will be recognized in the profit or loss statement minus the reimbursement of the expense.

17. Income taxes

The tax results for current or deferred taxes are credited to profit or loss, except if they refer to items that are credited to other comprehensive income or capital.

1. Current taxes

Liability for current taxes is determined using the tax rates and tax laws that have been enacted or whose legislation has actually been completed, up to the reporting date, as well as necessary adjustments in connection with the tax liability to be paid for previous years.

2. Deferred taxes

Deferred taxes are calculated for temporary differences between the amounts included in the financial statements and the amounts taken into account for tax purposes. Deferred tax balances are calculated according to the tax rate expected to apply when the asset is realized or the liability is settled, based on the tax laws that have been enacted or whose legislation has actually been completed by the reporting date.

In the calculation of the deferred taxes, the taxes that would apply in the case of the realization of the investments in held companies are not taken into account, as long as the sale of the investments in held companies is not expected in the foreseeable future. Also, deferred taxes were not taken into account for the distribution of profits by held companies as dividends, since the distribution of the dividend does not involve a reprimanding tax liability or due to the company's policy not to initiate a dividend distribution that entails additional tax liability.

Income taxes related to distributions to owners of an equity instrument and transaction costs of an equity transaction are treated according to IAS 12.

Deferred taxes are offset if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxable entity and the same tax authority.

18. earnings per share

Earnings per share are calculated by dividing the net profit attributable to the company's shareholders by the weighted number of ordinary shares actually outstanding during the period.

19. Fair value measurement

Fair value is the price that would have been received in the sale of an asset or the price that would have been paid to transfer a liability in a normal transaction between market participants at the time of measurement.

Fair value measurement is based on the assumption that the transaction occurs in the main market of the asset or liability, or in the absence of a main market, in the most advantageous market.

The fair value of an asset or liability is measured using the assumptions that market participants will use when pricing the asset or liability, assuming that market participants act in their own economic interests.

Fair value measurement for a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset to its best use or by selling it to another market participant who will use the asset in its best use.

The Group uses valuation techniques that are appropriate to the circumstances and for which there is sufficient obtainable data to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or whose fair value can be disclosed are divided into categories within the fair value scale, based on the lowest level of data that is significant for measuring the fair value as a whole:

Level 1: Quoted prices (without adjustments) in an active market for identical assets and liabilities.

Level 2: Data other than quoted prices included in Level 1 that are directly or indirectly observable.

Level 3: Data not based on observable market data (valuation techniques without the use of observable market data).

20. Revenue recognition

Rental income is recognized according to the straight-line method over the lease period. Recognized Income from management fees.

21. Advertising expenses

Advertising expenses are credited to the profit or loss statement incurred.

22. Financing income and expenses

Financing income includes interest income for amounts invested, income from dividends, changes in the fair value of financial assets measured at fair value through profit or loss and gains from exchange rate differences. Interest income is recognized as it accrues, using the effective interest method. Income from dividends is recognized at the time the group is granted the right to receive payment.

Financing expenses include interest expenses on loans received, changes in the fair value of financial assets measured at fair value through profit or loss and losses from impairment of financial assets. Credit costs that are not capitalized on eligible assets are credited to profit and loss according to the effective interest method.

23. Employee benefits:

A defined deposit plan is a plan for employee benefits after the termination of employment in which the company makes regular deposits to a separate and independent entity so that the company has no obligation, legal or implied, to make additional deposits, in a situation where the fund's assets will not be sufficient to pay all employees the benefits for work services in the current period and in previous periods.

In accordance with the labor laws and labor agreements in Israel and in accordance with the company's practice, the company must pay retirement compensation to employees who will be fired or who will retire from their jobs under certain circumstances. The company's obligation to pay retirement compensation for the employees is treated as a defined contribution plan.

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

Note 3- Cash and cash equivalents:

Composition:

	To the 31st of December	
	2022	2021
Cash in the bank	6,352,485	4,665,048
	6,352,485	4,665,048

Note 4- Accounts receivable and payable balances:

Composition:

	To the 31st of December	
	2022	2021
governmental institutions	385,422	3,898,554
Shareholders	329,513	453,906
Loans to others	21,015	19,965
income to receive	3,536,220	1,980,500
right-of-use assets	353,233	-
expenses in advance	53,694	-
	4,679,097	6,352,925

Note 5- Investments in consolidated companies:

1. General information as shown in the company's separate financial information:

	equity rights	Capital nvestmen	Loans transferred by the company to the consolidated company	The company's share in the capital fund of the consolidated company	The company's share of the consolidated company's profits	Total investment
<u>December 31, 2022</u>						
Meidar Lev hay'ir	88%	9	5,153,631	6,601,171	2,135,472	3,134,833
Meidar GanEden Finance GmbH	100%	93,471	(325,963)	-	4,440	(225,052)
		93,480	4,827,668	6,601,171	2,139,912	13,890,283
<u>December 31, 2021</u>						
Meidar Lev hay'ir	88%	9	4,173,920	6,490,945	3,181,033	13,845,907
		9	4,173,920	6,490,945	3,181,033	13,845,907

Meidar Gan Eden Ltd

Note to the Consolidated Financial Statements

2. Information regarding the activities of the consolidated companies:

- 1) Meidar Lev Ha'ir B.M. - owns the real estate known as Lot 169, Block 3703, Herzl Street, 178, corner of Rehovot Ya'akov 1, Rehovot - see Baur 9B.
- 2) GanEden Finance GmbH - A company established for the purpose of financial raising, registered in Germany and through which the bond is raised on the stock exchange in Germany.

Note 6- Investments in the companies treated according to book value:

1. Information regarding the companies treated according to book value:

	<u>equity rights</u>	<u>investment capital</u>	<u>Loans transferred by the company to the held company</u>	<u>The company's share in the capital fund of the held company</u>	<u>The company's share of profits (losses) The held Company</u>	<u>Total investment</u>
<u>December 31, 2022</u>						
Meidar at the station	50%	2,000	115,054	2,858,614	622,469	3,598,137
Eleanor Logistics	49%	49	1,858,083	184,585	(786,599)	1,256,118
Lev Rehovot	50%	50	345,664	92,770	(62,357)	376,127
		<u>2,099</u>	<u>2,318,801</u>	<u>3,135,969</u>	<u>(226,487)</u>	<u>5,230,382</u>
<u>December 31, 2021</u>						
Meidar at the station	50%	2,000	326,074	1,924,985	861,064	3,114,123
		<u>2,000</u>	<u>326,074</u>	<u>1,924,985</u>	<u>861,064</u>	<u>3,114,123</u>

2. Information regarding the activity of the companies treated according to the balance sheet value method:

- 1) Meidar at the Station Ltd. owns half of a real estate property known as plots 402,403,404 405,406,407 in block 6123 at 12 Jabotinsky St. in Bnei Brak.
The property is a plot of about 1,700 square meters on which an old one-story building is built that is used for commerce and has a variety of shops.
The lot is designated for the construction of commerce and employment in accordance with the existing zoning and potential for the construction of commerce and residences in accordance with the Bnei Brak outline plan.

Meidar Gan Eden Ltd

Notes to the financial statements

Note 6- Investments in companies treated according to the book value method (continued):

B. Information regarding the activity of the companies treated according to the balance sheet value method (continued):

On the land, a UBS (Urban Building Scheme) is approved for the construction of a 10-story office building above a commercial floor and above 2 parking floors.

The proposed planning for the project is the construction of 2 residential buildings of 6.5 floors above a commercial floor and above 2 basement floors, the upper basement floor will be used for commerce and the lower basement floor will be used for parking.

- 2) Meidar Lev Rehovot Ltd. - during the year of the report the company acquired rights to real estate in Rehovot in block 370, plot 761, with a registered area of 1,116 square meters. At the beginning of 2023, the payment of the consideration to the seller was completed.
 - 3) Meidar Elnor Logistics Ltd. - holds lease rights for 15 years on land in the port of Ashdod, for storage and logistics activities in the port areas, for various types of goods and/or materials.
3. Summary of financial information of the patient company according to the balance sheet value method

	To the 31st of December	
	<u>2022</u>	<u>2021</u>
In the report on the financial situation of the companies included:		
Current assets	27,441,750	551,190
non-current assets	34,074,736	36,104,466
current liabilities	29,657,117	24,720,012
non-current liabilities	25,941,304	6,359,548
Total capital	<u>5,918,065</u>	<u>5,576,096</u>

	to the year that ended on December 31st	
	<u>2022</u>	<u>2021</u>
The results of the operations of the companies included in the period:		
revenues	<u>(510,629)</u>	<u>1,455,861</u>
Selling and administrative and general expenses	<u>1,707,951</u>	<u>31,464</u>
Profit for the period	<u>(2,207,208)</u>	<u>1,094,460</u>

Meidar Gan Eden Ltd

Notes to the financial statements

Note 7- Real estate inventory of buildings under construction:

Composition:

	To the 31st of December	
	2022	2021
Cost of real estate for construction	11,570,782	10,933,490
associated costs	1,368,732	871,198
	<u>12,939,514</u>	<u>11,804,688</u>

Note 8- Land Inventory:

Composition:

	To the 31st of December	
	2022	2021
Armon Hanatziv project (B hereto)	1,663,758	676,993
Iceland Project (C hereto)	612,990	177,596
Ramle Project (D hereto)	652,484	53,348
Hasida project	188,902	61,054
Motzkin project	91,662	-
others	795,685	-
	<u>4,005,481</u>	<u>968,991</u>

B. Armon Hanatziv Project - This is a construction evacuation (Pinuy Binuy) project in the Armon Hanatziv neighborhood in Jerusalem. Today there are 179 apartments in the complex and the T.B.P permits the construction of over 800 apartments as well as commercial spaces.

C. The Iceland project - this is a Pinuy Binuy project in the Kiryat Menachem neighborhood in Jerusalem. Today there are 84 apartments in the complex. The T.B.P planned by the company will enable the construction of 404 apartments.

D. The Ramle project - this is a Pinuy Binuy project in the city of Ramla. The project consists of several complexes that together contain hundreds of housing units. The T.B.P is promoted in the "authority track" in the Committee for Preferred Housing Complexes.

Meidar Gan Eden Ltd

Notes to the financial statements

Note 9- Real estate for investment under construction:

1. Composition:

	To the 31st of December	
	2022	2021
balance at the beginning of the period	23,592,481	10,356,180
<u>Extras:</u>		
Land cost	1,008,571	9,179,751
Direct setup costs	158,273	300,914
Credit costs	629,119	846,662
Fair value adjustment (c below)	(649,873)	2,908,974
	<u>1,146,090s</u>	<u>13,236,301</u>
balance at the end of the period	<u>24,738,571</u>	<u>23,592,481</u>

2. More info:

Land at 178 Herzl St. corner of 1 Yaakov St., Rehovot:

The property is a plot of approximately 1,600 square meters on which an old 2-story building is built, which is a building for conservation, as well as an additional one-story building used for a variety of street shops. There is also a parking lot for vehicles. There are building rights on the land for a commercial floor, an office floor, and residential floors.

The T.B.P for the project is a change to the building permit which will allow the construction of 2 basement floors, a commercial floor, an office floor, an additional office floor for the benefit of the municipality and 56 units.

In 2020 the company purchased 50% of the rights in the land as well as an irrevocable option to purchase 50% of the additional rights, in 2021 the company fully exercised the option and purchased the aforementioned rights.

3. The fair value of the property was presented based on an expert opinion.

Meidar Gan Eden Ltd

Notes to the financial statements

Note 10- Fixed assets, net:

Composition:

	Furniture and equipment	Leasehold improvements	<u>Computers</u>	<u>Total</u>
cost				
balance at the beginning of the year	100,897	16,508	64,514	181,919
Extras	133,733	39,928	132,754	306,415
balance at the end of the year	<u>234,630</u>	<u>56,436</u>	<u>197,268</u>	<u>488,334</u>
Accumulated depreciation				
balance at the beginning of the year	298	101	8,255	8,654
depreciation for the year	14,165	2,457	33,301	16,622
balance at the end of the year	<u>14,463</u>	<u>2,558</u>	<u>41,556</u>	<u>58,577</u>
Reduced balance as of December 31, 2022	<u>220,167</u>	<u>53,878</u>	<u>155,712</u>	<u>429,757</u>
Reduced balance as of December 31, 2021	<u>100,599</u>	<u>16,407</u>	<u>56,259</u>	<u>173,265</u>

Note 11- Short term loans:

1. Composition:

	<u>To the 31st of December</u>	
	<u>2022</u>	<u>2021</u>
Short-term credit from a bank (B below)	24,799,421	23,873,338
	-	-
	<u>24,799,421</u>	<u>23,873,338</u>

Meidar Gan Eden Ltd

Notes to the financial statements

Note 11- Short-term loans (continued)

2. The loan was arranged by Bank Leumi for the purpose of financing the purchase of the land and the repayment of current liabilities. According to the agreement with the bank, the loan will be extended until the approvals and permits for the construction of the project are received, assuming that these will be granted until the month of 6/2024. The loan was given at an interest rate of 6.01% per year and against a first degree lien and without limit in amount on all the company's rights in the land.

Note 12- Eligible and remaining rights:

	To the 31st of December	
	2022	2021
Working	63,290	62,015
Institutions for employees	62,031	57,983
Other creditors	119,580	86,847
	<u>244,901</u>	<u>206,845</u>

Note 13- Long term loans:

1. Composition:

	To the 31st of December	
	2022	2021
from others (B)	9,424,363	9,494,187
Related parties (C)	24,268,054	5,797,104
	<u>33,692,417</u>	<u>15,291,291</u>

B. The loans bear interest at rates between 4% - 7% and are for a period of 3 – 5 years.

C. The loans are from related parties without interest and linkage.

The interest rate was set at 9.8% - 11.1% based on an expert opinion, in accordance with the fair value according to the provisions of IFRS 7, as mentioned in Note 2, 19.

Meidar Gan Eden Ltd
Notes to the financial statements

Note 14- Share capital:

For December 31, 2022, and 2021	<u>registere</u> <u>d</u>	Ordinary shares worth 0.1 NIS each
<u>issued and repaid</u>	<u>d</u>	
10	100	

Note 15- Administrative and general expenses:

Composition:

	to the year that ended on December 31st	
	2022	2021
Labor and related wages	1,364,067	839,885
Issue expenses	1,114,036	202,806
Professional Services	148,315	514,838
Travel abroad	1,020,839	76,173
Rental fees and property management	178,968	1,037,850
taxes and fees	72,320	4,290
depreciation	48,807	28,691
Car rental and maintenance	7,470	9,123
further training	199,709	17,069
office and maintenance	42,688	129,080
Refreshments, gifts, and donations	118,425	36,669
	4,315,644	2,896,474

Note 16- Financing expenses and income:

Composition:

	to the year that ended on December 31st	
	2022	2021
<u>Financing income:</u>		
from related parties	980,948	33,091
authorities' interest	9,172	1,089
	990,120	34,180
<u>Financial expenses:</u>		
Bank Commissions	203,742	58,436
Loan interest	1,299,885	724,367
Related Parties	-	224,979
Exchange rate differences	2,634	1,024
Other financing expenses	918,709	-
	2,424,970	1,008,806

Meidar Gan Eden Ltd

Notes to the financial statements

Note 17- Income taxes:

Composition:

	for the year ended on	
	2022	2021
Current taxes		-
Deferred taxes	115,319	(669,064)
	<u>115,319</u>	<u>(669,064)</u>

Note 18- Net profit per share:

Details of the number of shares used in the calculation of losses per share from continuing operations.

	for the year ended on Dec. 31 Profit attributable to the company's shareholders		
	weighted amount of shares	2022	2021
for the purpose of calculating basic loss	100	(5,321,007)	(114,857)
Effect of potential dilutive shares	-	-	-
For the purpose of calculating diluted loss	100	(5,321,007)	(114,857)

Note 19- Liens and dependent obligations:

Capital lien on Meidar shares in the station Ltd. Comp. No. 516247251 held by the company, including the rights arising from the aforementioned shares, including rights to receive receipts and/or income and/or dividend and/or monetary value, in favor of Barak Tama Yam Suf 8 Ltd. "Comp. No. 515600245.

Meidar Gan Eden Ltd

Notes to the financial statements

Note 21- Balances and transactions with related parties:

1. Remuneration of senior officers

	to the year that ended on December 31st 2022	For the year that ended on December 31 2021
Salary of controlling owners of the company	1,128,800	564,401
Number of people for whom the reward refers	4	4

2. Balances with related parties

	To the 31st of December 2022	2021
Loans from related companies	7,798,421	5,797,104

3. Transactions with related parties

	To the 31st of December 2022	2021
Management fee services - D below	1,236,000	1,236,000

4. The company entered into an agreement for the provision of management fee services.

On October 3, 2021, the company signed an agreement to provide management services to affiliated companies Weizman Dormitory Ltd. Comp. No. 515977106 and Had'kalim Real Estate and Investments Ltd. Comp. No. 515976777.

Management services were provided as of 6/2020 for a project to build student dormitories and commerce, at Derech Yavne Street 56 in Rehovot, known as block 30702 plots 151,152.

The companies are companies controlled by the company's shareholders and each of the companies will pay management fees in the amount of 51,500 NIS per month, the management fees will be paid retroactively from the date the services begin.

Meidar Gan Eden Ltd

Appendix A to the financial statements

List of held companies:

Company Name	the holding company	Place of registration of the held company	The percentage of control and ownership of the company as of the date of the report	Method of presentation in the financial statements
Meidar Lev Ha'ir Ltd	Meidar Ganei Eden Ltd	(company registered in Israel)	88%	united
MEIDAR GANEDEN FINANCE GMBH	Meidar Ganei Eden Ltd	(a company registered abroad)	100%	united
Meidar at the station Ltd	Meidar Ganei Eden Ltd	(company registered in Israel)	50%	held
Lev Rehovot Ltd	Meidar Ganei Eden Ltd	(company registered in Israel)	50%	held
Meider Eleanor Logistics Ltd	Meidar Ganei Eden Ltd	(company registered in Israel)	49%	held