

2020

ANNUAL REPORT



Nutritional Growth Solutions

Annual Report 31 December 2020
Nutritional Growth Solutions Ltd.
ngsolutions.co

A LETTER FROM OUR CHAIRMAN

Dear Shareholders

On behalf of the Board of Nutritional Growth Solutions (ASX:NGS), I am pleased to present the Annual Report for the period ending 31 December 2020 - our first since listing on the Australian Securities Exchange (ASX) in October.

The Company has made a number of significant achievements since our heavily oversubscribed ASX listing that raised A\$7 million with strong interest from both institutional and private investors.

Healthy Height® is now officially available in China through our cross-border e-commerce flagship store on Tmall Global. We have also taken important steps to enter the lucrative Korean market, where nutritional supplements for children are extremely popular, by obtaining a registered trademark for the Healthy Height® brand.

We made significant advancements in the United States throughout the year, with online sales through Amazon and Shopify the key driver of revenue increases. In December we signed a new distribution agreement with leading independent medical distributor Independent Medical Co-op Inc. (IMCO) that will strengthen our position in the US market by providing access to over 1,000 sales representatives in 166 locations, focused on selling Healthy Height® to their network of 134 distributors in the US medical market.

Nutritional Growth Solutions is in a unique position to successfully enter these new markets and become the household name for trusted children's growth support products. We are the leading brand that supports children to grow to their full height potential with nutritional formulas created by doctors, backed by science and clinically proven.

On behalf of the Board, thank you for your support. I am confident our unique and growing product suite, along with our continued expansion has us well positioned for rapid growth with a clear pathway to profitability. As we enter this exciting new phase of our business, we will continue our journey to improve the nutrition and growth of children around the world and deliver strong returns for our shareholders.

Brian Leedman

Non-executive Chairman

A LETTER FROM OUR CEO

Dear Shareholders

As CEO of Nutritional Growth Solutions, I am proud of what we achieved in 2020 – a year of uncertainty for many and a rapidly changing business environment.

We delivered strong results, generating US\$1.9 million in revenue – an increase of 58% from 2019. Combined with a healthy cash balance of US\$4.6 million, we are well placed for growth in several key markets.

Throughout the year, we remained focused on progressing the business towards achieving our mission by expanding our international footprint, developing a new range of scientifically proven products, broadening our distribution agreements, and undergoing a global brand refresh for enhanced market positioning.

Healthy Height® is now selling in China after the official launch our flagship store on Tmall Global (Alibaba).

We are continuing to focus on brand awareness in China with consumers now engaging with Healthy Height® through social media sensation and much-loved child celebrity in China, Gavin Thomas. Gavin has recently joined the NGS family and will work with us moving forward to continue our growth journey in the region.

Our ASX listing in October was a milestone for the business with the A\$7 million raised assisting with the launch of our clinically proven Healthy Height® product into Europe after a successful launch into China a few months earlier.

Product innovation was a key focus for Nutritional Growth Solutions throughout the year. This will see an exciting new range of Healthy Height® snack bars to be launched in 2021. Being able to supply our nutritional products in multiple formats will cater to different consumers in different regions and will be a key revenue driver in the future.

(continues)

A LETTER FROM OUR CEO

(continued)

I am confident that our brand, our people and our products will continue to exceed expectations in the short to medium term. We have a trusted, highly nutritional product, that is scientifically proven to help young people around the world reach their optimal height. We have significant opportunity to not only connect with children and young people, but also their parents and the medical industry when speaking to the proven benefits of our products.

I would like to take this opportunity to sincerely thank our shareholders, valued partners and the entire Nutritional Growth Solutions team. Together, we can enrich children's lives by providing them with top-quality nutritional products that are clinically proven to work – giving them the best opportunity to grow into the person they are meant to be.

Lion Fendell

Managing Director & Chief Executive Officer

NUTRITIONAL GROWTH SOLUTIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

NUTRITIONAL GROWTH SOLUTIONS LTD.

TABLE OF CONTENTS

	<u>Page</u>
Independent auditors' statement to shareholders	1-4
Consolidated statements of financial position	5-6
Consolidated statements of comprehensive income	7
Consolidated statements of changes in shareholders' equity	8
Consolidated statements of cash flows	9-10
Notes to the consolidated financial statements	11-38
ASX Additional Information	39-40

Independent Auditors' Statement to Shareholders of NUTRITIONAL GROWTH SOLUTIONS LTD.

Opinion

We have audited the accompanying consolidated financial report of Nutritional Growth Solutions Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2020, the related statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial report present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, its financial performance and its cash flows for the year ended December 31, 2020 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Share based payments</i>	<i>How the matter was addressed in our audit</i>
<p>Share based payments for the year ended December 31, 2020 amounted to USD 291 thousand.</p> <p>The Company has a share-based remuneration scheme for employees and also granted in 2020 performance rights.</p> <p>The fair value of the options and the performance rights was estimated by using the Black and Scholes model.</p> <p>The fair value of the options and performance rights granted is charged to statement of comprehensive income over the vesting period of each tranche and the credit is recognized in equity, based on the Company's estimate of shares that will eventually vest. The performance rights have performance conditions in addition to continued service.</p> <p>Share based payment calculation is a judgmental accounting area which requires assumptions utilized in the fair value calculations.</p> <p>There is a risk in the consolidated financial statements that the Company may incorrectly measure the fair value and incorrectly recognize and/or inappropriately disclose.</p> <p>The accounting policy for share based payment is described in Note 2, and the assumptions are disclosed in Note 10c of the accompanying financial report.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none"> • Reviewing the terms of the share-based scheme and performance rights and ensuring that they were appropriately accounted for. • Holding discussions with key management personnel to understand the share-based payment and performance rights schemes and the changes made to the awards, if any. • Evaluating, with our valuation experts, the calculation of the fair value as held by the Company's independent valuation expert and its related assumptions. • Confirming the inputs to the calculations, where appropriate, to external data. • Considering the adequacy of the Company's disclosures in respect with the treatment of share-based payments in the consolidated financial statements.

Other information

The directors and management of the Company are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the Consolidated Financial Statements

The directors and the management of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management and the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audits conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audits findings, including any significant deficiencies in internal control that we identify during our audits.

Lior Shahar
Partner
Tel-Aviv, Israel
March 17, 2021

BDO Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS			
Current assets:			
Cash and cash equivalents		4,630	580
Trade receivables		38	12
Other accounts receivable	4	240	104
Inventories	7	<u>145</u>	<u>136</u>
Total current assets		<u>5,053</u>	<u>832</u>
Non-current assets:			
Intangible assets	5	150	-
Property, plant and equipment, net	6	<u>13</u>	<u>18</u>
Total non-current assets		<u>163</u>	<u>18</u>
TOTAL ASSETS		<u><u>5,216</u></u>	<u><u>850</u></u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade account payables		186	35
Other account payables	8	579	202
Total current liabilities		765	237
Non-current liabilities:			
PPP loan	9	129	-
Total non-current liabilities		129	-
Shareholders' equity:			
	10		
Share capital and premium		7,781	2
Share based payment reserve		735	444
Retained earnings (losses)		(4,194)	167
Total shareholders' equity		4,322	613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,216	850

Liron Fendell Chief Executive Officer	Brian Leedman Chairman	Tzlil Peker Chief Financial Officer	March 17, 2021 Date of approval of financial statements
--	---------------------------	--	---

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(US Dollar in thousands except earnings per share)

	<u>Note</u>	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Revenue	11	1,870	1,184
Cost of revenue		<u>950</u>	<u>638</u>
Gross profit		<u>920</u>	<u>546</u>
Research and development expenses	12	239	257
General and administrative expenses	13	1,268	901
Selling and marketing expenses	14	<u>1,662</u>	<u>1,500</u>
Operating loss		<u>2,249</u>	<u>2,112</u>
Financial expense		2,219	46
Financial income		<u>108</u>	<u>131</u>
Loss before tax		4,360	2,027
Taxes on income	15	<u>1</u>	<u>4</u>
Total comprehensive loss for the year		<u>4,361</u>	<u>2,031</u>
Basic and diluted loss per share	10	<u>\$ (0.09)</u>	<u>\$ (0.06)*</u>

* After giving effect to the Share bonus issuance (see also Note 10A).

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

	<u>Share capital and premium</u>	<u>Share based payment reserve</u>	<u>Retained earnings (losses)</u>	<u>Total</u>
Balance at January 1, 2019	2	119	2,198	2,319
Changes during the year:				
Total comprehensive loss	-	-	(2,031)	(2,031)
Share based payment	-	325	-	325
Balance at December 31, 2019	<u>2</u>	<u>444</u>	<u>167</u>	<u>613</u>
Changes during the year:				
Total comprehensive loss	-	-	(4,361)	(4,361)
Issuance of shares, net	4,514	-	-	4,514
Conversion of convertible loan	3,265	-	-	3,265
Share based payment	-	291	-	291
Balance at December 31, 2020	<u>7,781</u>	<u>735</u>	<u>(4,194)</u>	<u>4,322</u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(4,361)	(2,031)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	10	9
Increase in trade receivables, net	(26)	(5)
Decrease (increase) in other accounts receivable	(140)	122
Increase in inventories	(9)	(64)
Financing income	(9)	-
Increase (decrease) in trade accounts payables	151	(179)
Increase in other accounts payables	302	22
Share-based payment	291	325
Change in fair value of convertible loan	2,223	-
Net cash used in operating activities	<u>(1,568)</u>	<u>(1,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(5)	(15)
Purchase of intangible assets	(75)	-
Withdrawal (payment) of deposit	4	(1)
Net cash used in investing activities	<u>(76)</u>	<u>(16)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipt of convertible loan	1,042	-
Receipt of PPP loan	138	-
Issuance of shares, net	4,514	-
Net cash provided by financing activities	<u>5,694</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,050	(1,817)
Cash and cash equivalents at the beginning of the year	<u>580</u>	<u>2,397</u>
Cash and cash equivalents at the end of the year	<u>4,630</u>	<u>580</u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Year ended December 31, 2020	Year ended December 31, 2019
APPENDIX A - AMOUNT PAID DURING THE YEAR FOR:		
Income tax paid	1	4
	Year ended December 31, 2020	Year ended December 31, 2019
APPENDIX B – NON-CASH FINANCIG ACTIVITIES:		
Conversion of convertible loan to equity	3,265	-

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 - GENERAL:

A. Nutritional Growth Solutions Ltd. (the "Company") was incorporated on November 24, 2013 in Israel and commenced its operations on May 1, 2014. The Company has a wholly - owned subsidiary in the United States, NG Solutions INC., which was incorporated in August 2017.

The Company and its subsidiary (together, the "Group") develops, produces and sells clinically tested protein supplements for children by commercializing the intellectual property generated by years of medical research into pediatric nutrition.

B. The Company changed its name from N.G Solutions Ltd. to Nutritional Growth Solutions Ltd. in June 2020.

C. The Company was admitted to the official list of the ASX on October 30, 2020 through an initial public offering ("IPO") with its ordinary fully paid shares having commenced trading on October 30, 2020. The Company raised gross amount of AUD 7 million (approximately 5,005) pursuant to the offer by the issuance of 35,000,000 shares at a share price of AUD 0.20 per share.

D. The novel coronavirus ("COVID-19") has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The COVID-19 pandemic has disrupted global supply chains and adversely impacted many different industries for most of 2020. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of continued global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the extent and the duration of the economic impact of COVID-19. COVID-19 therefore presents material uncertainty and risk with respect to the Group and its performance and could affect the Group's financial results in a materially adverse way.

Due to the COVID-19 pandemic spread during 2020, the Group have experienced some changes in its operations among them, shift to remote work as a result of lockdown and health precaution measures delay in supply chain and delivery of goods. As of this date, the Group is unable to assess what, and for how long, any adverse changes may impact the Group business for the long term.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”). The financial statements have been prepared under the historical cost convention except for the convertible loan that has been recorded at fair value. The Company has elected to present the consolidated statements of comprehensive income using the function of expense method. In addition, these consolidated financial statements are presented in US Dollars. All currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements of the Company include the accounts of the Company and its subsidiary as if they formed a single entity. Intercompany transactions and balances between the two entities were eliminated in full.

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates. See also Note 3.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Cash and cash equivalents

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

Loss per share

Loss per share is calculated by dividing the net loss, by the weighted number of ordinary shares outstanding during the period. Basic loss per share only include shares that were actually outstanding during the period.

Foreign currency

The financial information of the Group is presented in US Dollars which is the Group's operational currency which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by IAS 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the consolidated statements of financial position date.
- Income and expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange used to convert the related statement of financial position items i.e. at the time of the transaction.
- Exchange gains and losses from the aforementioned conversion are recognized in profit or loss.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Classification by fair value hierarchy

Assets and liabilities presented in the consolidated statements 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 that use inputs that are not based on observable market data).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. Financial Assets

The Group classifies its financial assets into the following category, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Group's accounting policy for the relevant category is as follows:

Amortized cost: These assets arise principally from the selling products to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in the consolidated Statements of comprehensive income. On assessment that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Financial Liabilities

The Group classifies its financial liabilities based on the purpose for which the liability was acquired. The Group's accounting policy is as follows:

Amortized cost: Trade payables, certain other accounts payable and liability for royalties payable are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Fair value through profit or loss: this category comprises of convertible loan which is carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Share based payment

The Group has a share based remuneration scheme for employees. The fair value of share options and performance shares was estimated by using a Black and Scholes model. The model was designed to take into account the unique terms and conditions of the performance shares and share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Other conditions are described in Note 10 and include, among others, expected volatility, the dividend growth rate and expected term.

The fair value of the equity settled options granted is charged to statement of comprehensive income over the vesting period of each tranche and the credit is recognized in equity, based on the Group's estimate of shares that will eventually vest.

Current income 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.

The Company has incurred losses, and no current income taxes or tax liability are recorded. Deferred tax assets relating to carry forward losses in the financial statements being recognized only when their utilization in the foreseeable future is probable.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight-line basis, over the useful lives of the assets at annual rates as follows:

	<u>Annual depreciation rate (%)</u>	<u>Main depreciation rate (%)</u>
Computers	33	33
Furniture and office equipment	6-33	33

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values, depreciation rates, and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group measures cost of raw materials on First In First Out ("FIFO") basis and finished goods according to costs based on direct costs of materials and labor.

Issuance costs

The Group allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recognized as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those functions based on the number of shares.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Leases

Effective January 1, 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, excluding leases where the lease term is 12 months or less, or where the underlying asset is of low-value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing acting as a lessor.

IFRS 16 provides for certain optional practical expedients, including those related to the initial application of the standard. The Group applied the following practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application and do not contain a purchase option.

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditures is recognized as an intangible asset when the Group can demonstrate:

- The product is technically and commercially feasible.
- The Group intends to complete the product so that it will be available for use or sale.
- The Group has the ability to use or sell the product.
- The Group has the technical, financial and other resources to complete the development and to use or sell the product.
- Use or sale of the product will generate future economic benefits
- The Group is able to measure reliably the expenditure attributable to the product during the development.

During the years ended December 31, 2020 and 2019, expenses were not capitalized, as they do not meet the criteria set forth in IAS 38.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Acquisition of group of assets that do not constitute a business

When purchasing group of assets that do not constitute a business, the Group recognizes acquired assets. The total cost is allocated to the assets based on their relative fair value at the time of acquisition. Intangible assets with a finite useful life are amortized over their useful life 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 are reviewed at least at each year end.

Impairment of non-financial assets

Non-financial assets excluding inventories are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly. Non-financial assets with indefinite useful life or assets that are yet being in use are tested for impairment on a yearly basis and also when there is an indication for impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

An impairment loss allocated to asset, 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. Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) if no impairment loss been recognized for the asset in prior years and the assets recoverable amount. After an impairment of non-financial asset is recognized, the Company examines at each reporting date whether there are indications that the impairment which was recognized in the past is no longer exists or should be reduced. The reversal of impairment loss of an asset is recognized in profit or loss.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee benefits

The Group has several employees benefits plans:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A 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 financed by contributions to insurance companies and classified as defined contribution plans. The Group has contributed for all of its employees contribution plans pursuant to Section 14 to the Severance Pay Law which the Company 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.

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework :

- 1) Identify the contracts with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognize revenue when the entity satisfies a performance obligation

Revenue from product sales are recognized upon the transfer of control to the customer, which is generally upon delivery. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products to the customer. The Group generates its revenues from direct sale of products to end customers.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Liability for royalties payable

The Group measured its governmental liabilities on grants received, each period, based on discounted cash flows derived from Group's future anticipated revenues. The discount rate reflects the market rate at the date of receiving the grant. A change in the estimate within a reasonable range will not result a material change of the liability.

New standards, interpretations and amendments not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position is share based payment.

Share based payment

The Group has a share-based remuneration scheme for employees. In 2020 the fair value of the performance rights was estimated by using the Black and Scholes model, which was aimed to model the value of the Company's assets over time. In 2019 the fair value of share options was estimated by using a black and Scholes model, which was aimed to model the value of the Group's equity over time. The simulation approach was designed to take into account the unique terms and conditions of the performance shares and share options, as well as the capital structure of the Company and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are described in Note 10b and include, among others, expected volatility, the dividend growth rate and expected term. The fair value of the equity settled options granted is charged to statement of comprehensive income over the vesting period of each tranche and the credit is recognized in equity, based on the Group's estimate of shares that will eventually vest.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 4 - OTHER ACCOUNTS RECIVABLE:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepaid expenses	155	50
Government institutions	47	12
Deposit	4	8
Others	34	34
Total	<u>240</u>	<u>104</u>

NOTE 5 - INTANGIBLE ASSETS:

On December 17, 2020 the Group signed a purchase agreement with Ausmerica Wellness Services LLC to acquire the Kidzshake brand (the "Kidzshake") associated assets. In order to estimate the fair value of the purchased assets the Group used the expertise of an external valuator.

Following are the purchased assets as of the purchase date;

	<u>December 17, 2020</u>
Know how	70
Customers relation	58
Brand	22
Total	<u>150</u>

The depreciation period of the Know how is 0.5 year.

The depreciation period life of Customers relation and Brand is 4 years.

The Group has not begun amortization for its intangible assets as they were delivered at December 31, 2020.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET:

For the year ended December 31, 2020:

	<u>Computers</u>	<u>Furniture and office equipment</u>	<u>Total</u>
Cost:			
As of January 1, 2020	13	18	31
Additions	4	1	5
As of December 31, 2020	<u>17</u>	<u>19</u>	<u>36</u>
Accumulated depreciation:			
As of January 1, 2020	(6)	(7)	(13)
Additions	(5)	(5)	(10)
As of December 31, 2020	<u>(11)</u>	<u>(12)</u>	<u>(23)</u>
Net book value:			
As of December 31, 2020	<u>6</u>	<u>7</u>	<u>13</u>

For the year ended December 31, 2019:

	<u>Computers</u>	<u>Furniture and office equipment</u>	<u>Total</u>
Cost:			
As of January 1, 2019	6	10	16
Additions	7	8	15
As of December 31, 2019	<u>13</u>	<u>18</u>	<u>31</u>
Accumulated depreciation:			
As of January 1, 2019	(3)	(1)	(4)
Additions	(3)	(6)	(9)
As of December 31, 2019	<u>(6)</u>	<u>(7)</u>	<u>(13)</u>
Net book value:			
As of December 31, 2019	<u>7</u>	<u>11</u>	<u>18</u>

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 7 - INVENTORIES:

	December 31, 2020	December 31, 2019
Raw materials	36	69
Finished goods	109	67
Total	145	136

NOTE 8 - OTHER ACCOUNTS PAYABLE:

	December 31, 2020	December 31, 2019
Accrued expenses	162	21
Liability to royalties payable	137	115
Employees, salaries and related liabilities	82	21
Credit cards	48	40
Amount payable to assets purchase (see also Note 5)	75	-
Others	75	5
Total	579	202

NOTE 9 - PPP LOAN:

In May 2020, under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) in United States the U.S subsidiary signed an agreement to receive a long-term loan (the “PPP loan”) in the amount of 138 from Silicon Valley Bank (hereafter "SVB"). According to the terms of the PPP loan, the payments will be deferred for six months from the funding date. The PPP loan has a maturity of two years and bears interest rate of 1%. As of December 31, 2020, the PPP loan balance is 129.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 - SHAREHOLDERS' EQUITY:

A. Share capital:

Listing on the ASX:

The Company was admitted to the official list of the ASX on October 30, 2020, with its ordinary fully paid shares having commenced trading on October 30, 2020. The Company raised gross AUD 7 million (approximately 5,005) pursuant to the offer by the issuance of 35,000,000 shares at a share price of AUD 0.20 per share. Issuance expenses amounted to 593 out of which 102 was recorded in the statement of income (see also Note 2). Prior to the IPO, the Company issued bonus shares so that each ordinary share received approximately 27 additional ordinary shares and consequently the total existing shares was increased to 36,500,000.

Movement in number of shares during 2020:

	<u>Number of shares</u>
Opening balance as at January 1, 2020	1,290,607
Issuance of bonus shares	35,209,393
Issuance of shares upon the IPO	35,000,000
Conversion of convertible loan into shares	23,214,286
Closing balance at December 31, 2020	94,714,286

	<u>Number of ordinary shares as of December 31,</u>	
	<u>2020</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	500,000,000	94,714,286
	<u>Number of ordinary shares as of December 31,</u>	
	<u>2019</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	10,000,000**	1,290,607*

*Before giving effect to the issuance of bonus shares.

**The number of shares on December 31, 2019 are presented before the issuance of bonus shares .

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 - SHAREHOLDERS' EQUITY (CONT.):

A. Share capital (cont.):

Ordinary shares confer upon their holders the rights to receive notice to participate and vote in general meeting of the Company, and the right to receive dividends if declared.

B. Share based payment:

On October 21, 2014 the Group established a share option plan (the "Plan"). The options were granted under section 102 of the Israeli tax ordinance.

All options data are presented after giving effect to the issuance of bonus shares.

1. Options to the CEO:

- On November 28, 2016, the Group granted 375,604 options exercisable into 375,604 ordinary shares of the Company, NIS 0.01 par value each. The options exercisable at a price of NIS 0.01 per share and will vest equally each month over a period of 2 years. The option value as of grant date is USD 6 per option. The fair market value of the option is equal to the ordinary shares fair market value.
- On March 28, 2017, the Group granted 562,771 options exercisable into 562,771 ordinary shares of the Company, NIS 0.01 par value each. The options are exercisable at a price of NIS 0.01 per share and will vest equally each month over a period of 3 years. The option value as of grant date is USD 6 per option. The fair market value of the option is equal to the ordinary shares fair market value.
- On January 3, 2019, the Group granted 2,261,625 options exercisable into 2,261,625 ordinary shares of the Company, NIS 0.01 par value each. The options are exercisable at a price of NIS 0.01 per share and will vest equally each month over a period of 4 years. The option value as of grant date is USD 7.19 per option. The fair market value of the option is equal to the ordinary shares fair market value.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 - SHAREHOLDERS' EQUITY (CONT.):

B. Share based payment (cont.):

2. On July 1, 2019, the Group granted to one of its officers 300,000 options exercisable into 300,000 ordinary shares of the Company, NIS 0.01 par value each. The options were exercisable at a price of \$2.31 per share and have vested equally each month over a period of 1.5 years. The option value as of grant date is 1.95 USD per option. The fair market value of the option is equal to the ordinary shares fair market value. Towards the company's admission in Austrian Stock Exchange and as per the Company's prospectus, the exercise price of the grant was changed to AUD 0.2, in line with the initial public offering share price. Contractual life of the options under the Plan is 10 years. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 57.62%,
- The dividend growth rate 0%,
- Expected term - 10 years

The valuation performed by an external valuator based on management's assumptions.

In 2020 and 2019, the Group recorded a share-based payment expenses at the amount of 164 and 325, respectively, to shares mentioned above.

3. Upon listing on the ASX, the Group granted 8,800,002 performance rights (the "Performance Rights") to subscribe ordinary shares of the Company. The Performance Rights are exercisable at a price of USD 0.02 and AUD 0.2 per share. The Performance Rights will vest and become exercisable to ordinary shares at the earliest between achieving cumulative revenues of 3,900 or at October 31, 2025. The Performance Rights shall expire on December 31, 2025. The fair value of performance rights was estimated by using the Black and Scholes model, which was aimed to model the value of the Group's assets over time. In 2020, the Group recorded a share-based payment expenses at the amount of 127 in behalf of the performance rights.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 - SHAREHOLDERS' EQUITY (CONT.):

B. Share based payment (cont.):

The options to employees outstanding as of December 31, 2020 and 2019 are comprised, as follows:

	Year ended December 31, 2020	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	3,500,000	\$ 0.016
Granted	8,000,002	\$ 0.02
Outstanding at end of year	11,500,002	\$ 0.019
Exercisable options	2,269,357	\$ 0.021
	Year ended December 31, 2019*	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	938,375	\$ 0.003
Granted	2,561,625	\$ 0.015
Outstanding at end of year	3,500,000	\$ 0.016
Exercisable options	1,432,864	\$ 0.02

*After giving effect to the issuance of bonus shares.

On August 2, 2020 the shareholders of the Group approved a new share option plan (the "New Plan"). No options were granted under the new plan.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 - SHAREHOLDERS' EQUITY (CONT.):

D. Loss per share:

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods, the weighted average number of equity shares in issue and loss for the period as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss for the year	(4,361)	(2,031)
Weighted average number of ordinary shares	46,388,454	*36,500,000
Basic and diluted loss per share	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>

*After giving effect to the issuance of bonus shares.

E. Convertible loan:

During May-June 2020, the Group issued a convertible loan in an aggregate gross amount of AUD 1,600 thousand (approximately 1,042) as follows:

- AUD 100 thousand, convertible to ordinary shares of the Company at AUD 0.008 per share, when and if the Company completes an IPO facilitated by its brokers, or at AUD 0.14 per share, upon any other listing event.
- AUD 1,500 thousand, convertible to ordinary shares of the Company at AUD 0.14 per share, when and if the Company completes a listing event.

In the absence of a listing event, the convertible loan will be converted to the most senior existing class of shares of the Company, upon the next capital raise for the Company, at a discount of 15%-20% depending on the circumstances of such future capital raise. In the absence of listing event and capital raise the loans will mature on February 2022.

On October 30, 2020 the Group completed an IPO. Upon admission, the convertible loan was converted to 23,214,286 ordinary shares of the Company. Change in the fair value of the convertible loan which amounted to 2,223 was recorded as financial expenses.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 11 - REVENUE:

Geographical analysis of revenue

	Year ended December 31,			
	2020		2019	
	%		%	
United States	93%	1,731	97%	1,153
Rest of the world	7%	139	3%	31
	100%	1,870	100%	1,184

NOTE 12 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Payroll and related benefits	76	78
Share based payment	71	-
Advisors fee	34	35
Subcontractors	-	113
Others	58	31
	239	257

NOTE 13 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Professional fees	682	162
Salary and related expenses	304	265
Share based payment	220	325
Rent	41	78
Office maintenance	14	18
Depreciation	1	9
Others	6	44
	1,268	901

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 14 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Advertising expenses	608	456
Salary and related expenses	539	709
Subcontractors	307	63
Website maintenance	28	92
Others	180	180
	<u>1,662</u>	<u>1,500</u>

NOTE 15 - TAXES ON INCOME:

1. General tax rate applicable to income in Israel:

Israeli corporate tax rates are 23% in 2020 and 2019. The Company in Israel has final tax assessments until 2015.

2. U.S. subsidiary:

The U.S. subsidiary incorporated in 2017 and is subject to local corporate tax in the United States. In 2020 and 2019 the federal rate applies was 21%. As of December 31, 2020, the U.S. subsidiary has not received any final tax assessments with respect to previous years.

3. Tax reconciliation:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss before taxation	(4,360)	(2,027)
Theoretical tax credit at applicable statutory 2020 & 2019: 23%	(1,003)	(466)
Effect of the different tax rate in the U.S.	(10)	(69)
Non-allowable expenses	62	75
Temporary differences and tax losses for which no deferred tax asset is recognized	814	478
Miscellaneous	138	(14)
Tax on income	<u>1</u>	<u>4</u>

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 15 - TAXES ON INCOME (CONT.):

4. Net operating losses carry forwards:

As of December 31, 2020, the Company has estimated carry forward tax losses of approximately 3,510 which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

NOTE 16 - COMITMENTS AND CONTINGENT LIABILITIES:

1. Liability for royalties payable

The Company is committed to pay royalties to the Israeli government (Ministry of economy) on proceeds from the increase of product sales to the U.S. market. Under the terms of the Israeli government funding program, the Company will pay royalties of 3% of the increase in sales to the U.S. market. Royalties' payment shall not exceed 100% of the grant received, as of December 31 2020 the total grant amount received is 137. As of December 31, 2020, and 2019, the liability for royalties payable is 137 and 115 respectively.

2. Leases

The Group leases its offices under lease agreements and applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months and do not contain a purchase option. Total lease expenses in 2020 and 2019 were 72 and 78, respectively. The total future value of minimum lease payments is due as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not later than one year	12	-

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 17 - RELATED PARTIES:

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Related party transactions

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Subcontractors and consulting expenses (research and development, general and administrative)	65	160
Share based payment	291	325
Payroll and related benefits including management fees	500	145
Revenue received from related party	25	26

Payables to related parties

<u>Name</u>	<u>Nature of transaction</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Related party	Management fees	8	3
Related party	Payroll and related benefits	20	-

Receivables from related parties

<u>Name</u>	<u>Nature of transaction</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Related party	Revenues from related party	7	7

* See also Note 19.2.

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash and other receivables, payables, other payables and liability for royalties. The carrying value of cash and cash equivalents, trade receivables, net and other current assets, and trade payables and other accounts payables and accrued expenses approximate their fair value due to the short-term nature of these instruments. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Company to manage these risks are discussed below.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the financial statements date. The Group closely monitors the activities of its counterparties which enables it to ensure the prompt collection of customer's balances. The Group's main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Group holds cash with major financial institutions in Israel and United states.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	4,630	580
Trade account receivable	7	12
Other account receivable	4	8
Total	<u>4,641</u>	<u>600</u>

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group exposed to foreign exchange risk arising from currency exposure primarily with respect to the Euro and New Israeli Shekel ("NIS"). The Group's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Assets	December 31, 2020			
	AUD	Euro	NIS	TOTAL
Cash and cash equivalents	352	76	712	1,140
Trade accounts receivable	-	-	7	7
Other accounts receivable	-	-	51	51
	<u>352</u>	<u>76</u>	<u>770</u>	<u>1,198</u>
 Liabilities				
	AUD	Euro	NIS	TOTAL
Trade accounts payable	14	-	25	39
Other accounts payable	7	67	113	187
Liability for royalties payable	-	-	137	137
	<u>21</u>	<u>67</u>	<u>275</u>	<u>363</u>
 Net	 <u>331</u>	 <u>9</u>	 <u>495</u>	 <u>835</u>

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.):

Assets	December 31, 2019		
	Euro	NIS	TOTAL
Cash and cash equivalents	74	444	518
Trade accounts receivable	-	12	12
Other accounts receivable	-	3	3
	74	459	533
Liabilities			
	Euro	NIS	TOTAL
Trade accounts payable	-	8	8
Other accounts payable	-	6	6
Liability for royalties payable	-	75	75
	-	89	89
Net	74	370	444

Sensitivity analysis:

A 10% strengthening of the United States Dollar against the following currencies would have increased equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Year ended December 31, 2020	Year ended December 31, 2019
NIS	50	37
AUD	33	-
EURO	1	7
	84	44

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Accordingly, the Group has a positive working capital.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

At December 31, 2020	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years
Trade accounts payable	186	-	-	-
Other accounts payable	442	-	-	-
Liability for royalties payable	-	137	-	-
PPP loan	-	-	129	-
Total	<u>628</u>	<u>137</u>	<u>129</u>	<u>-</u>

At December 31, 2019	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years
Trade accounts payable	35	-	-	-
Other accounts payable	87	-	-	-
Liability for royalties payable	-	115	-	-
Total	<u>122</u>	<u>115</u>	<u>-</u>	<u>-</u>

NUTRITIONAL GROWTH SOLUTIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 19 - SUBSEQUENT EVENTS:

1. On January 27, 2021 the Group has signed a 2-year agreement (the “Agreement”) with Yoola Labs Ltd. (“Yoola”), a leading YouTube multi-channel network and influencer-focused service provider. Yoola will offer the Group and its Healthy Height® brand services for organic interaction with target audiences in Asia. As part of the agreement, Yoola and its influencers were issued 250,000 share options, under the Group’s 2020 Share Incentive Plan in effect (the “ESOP”), fully vested and exercisable. The options are exercisable at a price of AUD 0.2747 per share. Yoola and its influencers will also be entitled to success-based cash compensation based on actual attributed sales as a result of Yoola and its influencers’ effort.
2. On January 14, 2021 the Group granted to one of its officers 500,000 options exercisable into 500,000 ordinary shares of the Company, NIS 0.01 par value each. The options are exercisable at a price of AUD 0.26 per share and will vest equally each month over a period of 3 years commencing July 1, 2020 with a 1-year cliff on July 1, 2021. Contractual life of the options under the Plan is 10 years.

NUTRITIONAL GROWTH SOLUTIONS LTD.
ASX ADDITIONAL INFORMATION

ADDITIONAL INFORMATION PER ASX LISTING RULES - UNAUDITED

Additional information required by ASX Listing Rules and not disclosed elsewhere in this report is set out below.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at:

<https://ngsolutions.co>

Shareholder Information as at 15 March 2021

Top 20 Shareholders of Quoted Securities

Rank	Holder Name	Holding	% Issued Capital
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,444,775	5.68%
2	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,666,060	3.87%
3	CITICORP NOMINEES PTY LIMITED	1,268,225	2.95%
4	MR ANTHONY DE NICOLA & MRS TANYA LOUISE DE NICOLA <DE NICOLA>	1,125,000	2.61%
5	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	986,872	2.29%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	955,000	2.22%
7	MR NARINDER SINGH SUDAGAR SINGH <SIDHU A/C>	900,000	2.09%
8	MS KATHRYN MACDONALD & MR CHRISTOPHER STEWART MACDONALD	750,000	1.74%
9	WOLSELEY ROAD #1 PTY LIMITED <ADSALEUM FAMILY A/C>	650,000	1.51%
10	MRS ELENA TSVETNENKO <YURI AND ELENA A/C>	637,500	1.48%
11	KAVA INVESTMENTS PTY LTD <RAPID TRADING A/C>	625,000	1.45%
12	MR CHRISTOPHER STEWART MACDONALD	550,000	1.28%
13	MRS CHRISTINA MARIE HIRRELL	500,000	1.16%
13	COSANN PTY LTD	500,000	1.16%
14	MR JOHN ARHARIDIS & MRS ANNA ARHARIDIS	405,000	0.94%
15	MR YU HE	395,386	0.92%
16	UPPER BEACH PTY LIMITED <UPPER BEACH S/F A/C>	340,000	0.79%
17	MR ANTONY SUNNA	325,000	0.76%
18	MR HOWARD NGUYEN	300,700	0.70%
19	MR TERRY JAMES GARDINER	300,000	0.70%
19	SAMAL HOLDINGS PTY LTD <SAMAL FAMILY A/C>	300,000	0.70%
19	BOND STREET CUSTODIANS LIMITED <VVALLE - D42564 A/C>	300,000	0.70%
19	HOLISM PTY LTD	300,000	0.70%
20	MRS LILY MAH <MJ A/C>	299,900	0.70%
Totals		16,824,418	39.10%

Substantial Holders of 5% or more of fully paid ordinary shares

Shareholder	Number	Shares	Voting Power
Mor Research Applications Ltd	12,604,790	12,604,790	13.31%
Hadassa Bymel Pharmacy & Nature Ltd	8,098,652	8,098,652	8.55%
Prof Moshe Phillip	5,028,720	5,028,720	5.31%

NUTRITIONAL GROWTH SOLUTIONS LTD.
ASX ADDITIONAL INFORMATION

Number of Holders and Securities

NGS has issued the following securities:

Security Name	Total Holders	Total Holdings
ORDINARY FULLY PAID SHARES	702	43,026,791
OPT @ \$0.20 EXP 5YRS ESC 24M FROM LIST	21	20,000,000
ESCROWED SHARES 12M FROM ISSUE 14 APR 20	1	42,857
ESCROWED SHARES 12M FROM ISSUE 29 APR 20	1	10,714
ESCROWED SHARES 12M FROM ISSUE 30 APR 20	1	42,857
ESCROWED SHARES 12M FROM ISSUE 12 MAY 20	1	53,571
ESCROWED SHARES 12M FROM ISSUE 14 MAY 20	2	64,286
ESCROWED SHARES 12M FROM ISSUE 15 MAY 20	71	2,464,288
ESCROWED SHARES 24M FROM LISTING	43	49,008,934
PERFORMANCE RIGHTS ESC 24M FROM LIST	1	1,000,000
EMPLOYEE OPTIONS ESC 24M FROM LIST	1	738,714
EMPLOYEE OPTIONS ESC 24M FROM LIST	1	2,461,286
EMPLOYEE OPTIONS ESC 24M FROM LIST	1	300,000
OPTIONS @ \$0.26 EXP 14 JANUARY 2031	1	500,000
OPTIONS @ \$0.2747 EXP 26 JANUARY 2023	1	250,000
PERFORMANCE OPTIONS ESC 24M FROM LIST	6	6,685,716
PERFORMANCE OPTIONS ESC 24M FROM LIST	1	1,114,286
	856	127,764,300

Distribution of Shareholders

The distribution of holders of equity securities (Fully Paid Ordinary Shares) on issue in the Company as at 15 March 2021 is as follows:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	19	8,442	0.02%
above 1,000 up to and including 5,000	167	489,866	1.14%
above 5,000 up to and including 10,000	81	685,477	1.59%
above 10,000 up to and including 100,000	353	15,196,976	35.32%
above 100,000	82	26,646,030	61.93%
Totals	702	43,026,791	100.00%

The distribution of holders of options (unquoted) on issue in the Company as at 15 March 2021 is as follows:

NUTRITIONAL GROWTH SOLUTIONS LTD.
ASX ADDITIONAL INFORMATION

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	0	-	0.00%
above 1,000 up to and including 5,000	0	-	0.00%
above 5,000 up to and including 10,000	0	-	0.00%
above 10,000 up to and including 100,000	3	300,000	0.94%
above 100,000	27	31,750,002	99.06%
Totals	30	32,050,002	100.00%

The distribution of holders of performance rights (unquoted) on issue in the Company as at 15 March 2021 is as follows:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	0	-	0.00%
above 1,000 up to and including 5,000	0	-	0.00%
above 5,000 up to and including 10,000	0	-	0.00%
above 10,000 up to and including 100,000	0	-	0.00%
above 100,000	1	1,000,000	100.00%
Totals	1	1,000,000	100.00%

Less Than Marketable Parcels of Ordinary Shares

There are no shareholders holding less than a marketable parcel of ordinary shares.

Voting Rights

Ordinary Shares

Voting rights attached to ordinary shares are that each shareholder shall be entitled to one vote for each share held.

Options

There are no voting rights attached to Options.

Performance Rights

There are no voting rights attached to Performance Rights.

Company Secretary

Lisa Wynne

Registered Office – Israel

4 Berkovich st, The Meusem Tower, Tel Aviv 6423806, Israel

Registered Office – Australia

NUTRITIONAL GROWTH SOLUTIONS LTD.
ASX ADDITIONAL INFORMATION

C/- Mining Corporate Pty Ltd
Level 11, 216 St Georges Terrace
Perth, WA, 6000

Share Registry

Automic Group
Deutsche Bank, Tower Level 5/126 Phillip St
Sydney, NSW, 2000

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange. The Home exchange is Perth. The ticker code is NGS.