GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

Independent Auditors' Statements to Shareholders of Gefen International A.I 31.12.21

Opinion

We have audited the accompanying consolidated financial statements of Gefen International A.I Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2021, the related statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021, its financial performance, changes in equity and its cash flows for the year ended December 31, 2021, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial report 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 audit of the consolidated 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 audit 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.

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email: bdo@bdo,co.il** **Website: www.bdo.co.il**

Valuation of goodwill and customer relationship	*How the matter was addressed in our audit*
Management tests goodwill for impairment annually and assesses with regard to other intangible assets whether there are indications of impairment. Those tests and assessments are largely based on management expectations and estimates of future results of the cash generating units of which the entities acquired in the past form part. Regarding goodwill - management is required to carry out an annual impairment test . This process is judgmental given the indefinite nature of the goodwill. It is based on assumptions about future growth and discount rates, which can be sensitive. Therefore, a risk exists that goodwill is overstated on the balance sheet should any judgments or assumptions be considered inappropriate. The accounting policy for goodwill impairment is described in Note 2, and the assumptions are disclosed in Note 12 of the accompanying financial statements.	Our procedures in respect of this area included: • We verified the inputs data of the calculations by reference to, where appropriate, external data. • Our valuation team performed a detailed review and challenge of the models used including the macroeconomic assumptions used. • Our valuation team assessed the reasonableness of forecast future cash flows by comparison to historical performance and future outlook. • We performed a detailed review of the disclosures in respect of impairments and impairment testing adopted by management. • We examined the reputation and the objectivity of the independent valuation expert.

Purchase of insurance agency Or HaGefen	*How the matter was addressed in our audit*
As described in Note 30 to the Company's consolidated financial statements, on December 31, 2021, the Company completed acquisition of 14% of Or HaGefen's share capital and obtained power through contractual arrangements such as the right to appoint the CEO and the preferential voting rights granted to him. Furthermore, the Company granted a loan in the amount of 1,300 thousand NIS (approx. USD 418 thousand) which represents 50% of Or HaGefen's loans and will be repaid through the agency's profits. The Company examined the whether control exists according to IFRS 10 and received an opinion from a third party accounting expert. The Company concluded that it has power over the investee, exposed to variable returns from its involvement with the investee and has a linkage between power and variable returns. Therefore, the Company concluded that it has control over the insurance agency. The determination of whether control exists required management to make subjective estimates and assumptions. The Company accounted the transaction under the acquisition method of accounting for business combinations. The accounting policy for business combination is described in Note 2.	Our procedures in respect of this area included: • We held discussions with key management personnel to understand the acquisition terms. • We read relevant documents related to the acquisition agreement. • We reviewed the Company's analysis that was discussed in the position paper prepared by the third party accounting expert. • We considered the adequacy of the Company's disclosures in respect of the treatment of the business combination in the financial statements, and over the disclosure on its accounting policies.

Purchase of insurance agency Verify	*How the matter was addressed in our audits*
As described in Note 30 to the Company's consolidated financial statements, during fiscal year 2021, the Company completed acquisition of 30% of Verify's share capital. In addition the company has an option to purchase additional 21% of Verify's share capital. The company also received as part of contractual arrangements, 51% of the voting rights in Verify's Board of Directors due to a management shares. The Company accounted for this acquisition under the acquisition method of accounting for business combination. Part of the purchase price was an open debt between Verify to Gefen for a software services provided by Gefen that was pending at the acquisition date. Accordingly, the purchase price of the acquisition was allocated to the assets acquired and liabilities assumed based on their respective fair values, including intangible assets related to customer relationships. The accounting policy for business combination is described in Note 2.	Our procedures in respect of this area included: • We held discussions with key management personnel to understand the acquisition terms. • We read relevant documents related to the acquisition agreement. • We examined the business combination and whether a control has been obtained according to the relevant IFRS. • We verified the inputs data of the calculations by reference to, where appropriate, external data. • Our valuation team performed a detailed review and challenge of the models and assumptions used. • We considered the adequacy of the Company's disclosures in respect of the treatment of the acquisition in the financial statements, and over the disclosure on its accounting policies.

Revenue Recognition-principle versus agent	*How the matter was addressed in our audits*
As described in Note 2 to the consolidated financial statements, the Company follows the guidance provided in IFRS15, for determining whether the Company is the principal or an agent in arrangements with its customers. This determination depends on the facts and circumstances of each arrangement and, in some instances involves significant judgment. The Company has determined that it acts as principal in its arrangements because it has the ability to control and direct the sub- agents operations. According to the company position paper, prepared by third party accounting expert, the Company further concluded that (i) it is primarily responsible for fulfilling the promise to provide the service in the arrangement; and (ii) it has latitude in establishing the contract price with the sub-agents. Auditing the Company's determination of whether revenue should be reported gross or net of payments to sub agent (net basis) requires a high degree of auditor judgment due to the subjectivity in determining whether the Company is principal in its arrangements. These judgments have a significant impact on the presentation and disclosure of the Company's revenue in its financial statements.	Our procedures in respect of this area included: • Our audit procedures related to the Company's revenue transactions included, among other, evaluating the Company's assessment of the indicators of control over the promised service, which included determining whether the Company was primarily responsible for fulfilling the promised service, has discretion in establishing pricing. • We reviewed, on a sample basis, the arrangement terms, both with the insurance agency and sub- agents and assessed the impact of those terms on the evaluation of whether the company acts as a principal or as an agent. • We assessed the appropriateness of the related disclosures in the consolidated financial statements. • We reviewed the Company's analysis that was discussed in the opinion prepared by a third party accounting expert. •

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, 2021, 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 Financial Statements

The directors and 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 directors and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors and the management 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 Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole is 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 audit 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 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 audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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 audit in order to design audit 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 audit 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 audit 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lior Shahar
Partner
Tel-Aviv, Israel
March 30, 2022

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

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

TABLE OF CONTENTS

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	4	10,615	1,526
Bank Deposits		2,498	* 94
Trade receivable, net	5	2,294	* 744
Other receivables	6	1,320	* 181
Related party receivables	7	259	269
Total current assets		16,986	2,814
Non-current assets:			
Right-of-use assets	8	1,690	893
Property, plant and equipment, net	9	1,018	794
Investment in investee	10	1,111	-
Investment in investment funds	11	1,509	1,490
Intangible assets, net	12	8,995	6,326
Deferred tax assets	25	-	96
Goodwill	12	4,500	1,073
Total non-current assets		18,823	10,672
TOTAL ASSETS		35,809	13,486

* Reclassified, for details see Note 2H

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2021	December 31, 2020
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
DEFICIT			
Current liabilities:			
Short-term maturities of long-term loan	13	1,082	*964
Trade payables		348	261
Related party payables	7	2,054	1,616
Deferred revenues		509	1,710
Short-term maturities of lease liabilities	8	561	297
Other payables	14	3,587	*1,208
Contingent consideration in business combination	15	-	6,327
Convertible note	15	-	6,188
Total current liabilities		8,141	18,571
Non-current liabilities:			
Lease liabilities	8	1,273	709
Deferred revenues		-	38
Long-term loan	13	469	127
Employee benefits, net	16	452	257
Related parties	7	1,549	-
Liability at business combination		1,369	-
Deferred tax liabilities	25	1,858	1,455
Total non-current liabilities		6,970	2,586
Shareholders' equity (deficit):	17		
Equity (deficit) attributable to owners of parent:			
Share capital		370	115
Additional paid in capital		45,350	16,267
Share based payment reserve	32	5,397	4,111
Foreign exchange reserve		723	428
Accumulated equity (deficit)		(33,658)	(31,212)
Total shareholders' equity (deficit)		18,182	(10,291)
Non-controlling interest	30(5)	2,516	2,620
		20,698	(7,671)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		35,809	13,486

* Reclassified, for details see Note 2H

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Elad Daniel Chairman of the Board of Directors	David Nash Co-CEO and Director	Orni Daniel Co-CEO and Director	Shlomi Gilad Shlomi Gilad Chief Financial Officer	March 30, 2022 Date of approval of financial statements

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands except earnings per share)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Revenue	18	12,976	10,882
Cost of sales	19	(5,719)	* (3,452)
Gross profit		7,257	7,430
Research and development expenses	20	1,790	3,896
Selling and marketing expenses	21	2,454	* 5,785
General and administrative expenses	22	7,071	4,919
Goodwill impairment	12	-	3,036
Other income	23	(423)	(368)
Operating loss		(3,635)	(9,838)
Share in loss of associates accounted for using the equity method investee loss		31	-
Financial income		1,645	125
Financial expenses	24	(404)	(2,316)
Loss before tax		(2,425)	(12,029)
Income tax (expense) benefit	25	67	(88)
Total loss for the year		(2,358)	(12,117)
Other comprehensive income, net of tax***:***			
Items that will or may subsequently be reclassified to profit or loss:			
Adjustments from foreign currency translation		377	443
Total comprehensive loss for the year		(1,981)	(11,674)
Profit (loss) for the year attributed to:			
Attributable to the ordinary equity holders		(2,446)	(12,417)
Non-controlling interest		88	300
		(2,358)	(12,117)
Total comprehensive income (loss) for the year attributed to:			
Attributable to the ordinary equity holders		(2,151)	(11,989)
Non–controlling interest		170	315
		(1,981)	(11,674)
Earnings per share attributable to the ordinary equity holders:			
Basic and diluted earnings (loss) per share	27	US$ (0.02)	** US$ (0.16)

* Reclassified, for details see Note 3(L3)

** After giving effect to the share benefit issuance – see note 1(l)

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(US Dollar in thousands)

	Share capital	Additional paid in capital	Foreign exchange reserve	Share based payment reserve	Accumulated deficit	Total shareholders' equity (deficit)	Non - controlling interest	Total
Balance at December 31, 2020	115	16,267	428	4,111	(31,212)	(10,291)	2,620	(7,671)
Profit (loss) for the year	-	-	-	-	(2,446)	(2,446)	88	(2,358)
Other comprehensive income	-	-	295	-	-	295	82	377
Total comprehensive income (loss)	-	-	295	-	(2,446)	(2,151)	170	(1,981)
Business combination	-	-	-	-	-	-	(274)	(274)
Share-based payment				1,286		1,286		1,286
Issuance of share benefit	109	(109)	-	-	-	-	-	-
Conversion of convertible note and Contingent consideration in business combination	70	12,803	-		-	12,873	-	12,873
Issuance of shares, net	76	16,389	-	-	-	16,465	-	16,465
Balance at December 31, 2021	370	45,350	723	5,397	(33,658)	18,182	2,516	20,698

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(US Dollar in thousands)

	Share capital	Additional paid in capital	Foreign exchange reserve	Share based payment reserve	Accumulated deficit	Total shareholders deficit	Non - controlling interest	Total
Balance at December 31, 2019	115	11,696	-	640	(18,795)	(6,344)	-	(6,344)
Profit (loss) for the year	-	-	-	-	(12,417)	(12,417)	300	(12,117)
Other comprehensive income	-	-	428	-	-	428	15	443
Total comprehensive income (loss)	-	-	428	-	(12,417)	(11,989)	315	(11,674)
Business combination	-	-	-	-	-	-	2,305	2,305
Share-based payment	-	-	-	3,509	-	3,509	-	3,509
Expired share-based payment	-	38	-	(38)	-	-	-	-
Issuance of shares and warrants to a counterparty	-	4,533	-	-	-	4,533	-	4,533
Balance at December 31, 2020	115	16,267	428	4,111	(31,212)	(10,291)	2,620	(7,671)

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2021	Year ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(2,358)	(12,117)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Issuance of shares and warrants to a counterparty	-	4,536
Change in fair value of convertible note	(1,578)	1,653
Increase in share-based payment	1,286	3,509
Goodwill impairment	-	3,036
Loan interest expenses and exchange rates	136	(11)
Depreciation and amortization	1,385	1,068
(Increase) decrease in related parties balances	118	301
Increase in employee benefits, net	13	109
(Increase) decrease in other receivables	(1,089)	106
Increase (decrease) in trade payables	19	(45)
Change in deferred tax, net	(236)	(145)
Increase in trade receivables	(1,225)	(215)
Increase in other payables	526	204
Decrease in deferred revenues	(1,967)	(3,470)
Net cash used in operating activities	(4,970)	(1,481)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired (see Appendix B)	16	673
Bank Deposits	(2,404)	-
Purchase of property, plant and equipment	(239)	(62)
Investment in investee	(543)	(239)
Net cash (used in) provided by investing activities	(3,170)	372
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible note	1,936	3,974
Receipt of loans	716	147
Repayment of loans	(1,172)	(1,271)
Payment on principal and interest of lease liabilities	(662)	(325)
Issuance of shares net of issuance costs	16,465	-
Net cash provided by financing activities	17,283	2,525
Net increase in cash and cash equivalents	9,143	1,416
Cash and cash equivalents at the beginning of the year	1,527	47
Effects of exchange rate changes on cash and cash equivalents	(55)	64
Cash and cash equivalents at the end of the year	10,615	1,527

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

APPENDIX A- AMOUNT PAID DURING THE YEAR FOR:

	Year ended December 31, 2021	Year ended December 31, 2020
Interest paid	227	434
Income tax paid	455	160

APPENDIX B - INVESTMENT IN NEWLY-CONSOLIDATED SUBSIDIARIES:

	Year ended December 31, 2021	Year ended December 31, 2020
Contingent consideration in business combination	-	6,433
Related parties	1,542	-
Working capital other than cash and cash equivalents	2,230	2,912
Non- controlling interest	(274)	2,305
Deferred tax liability	664	1,462
Long term lease liabilities	-	632
Long term loan	570	120
Employee benefits, net	195	130
Property, plant and equipment assets	(159)	(380)
Right-of-use assets	(84)	(790)
Deferred tax assets	-	(53)
Investment & investment funds	(399)	(1,708)
Laibility at business combination	1,369	-
Deferred revenues	620	
Goodwill	(3,242)	(4,035)
Intangible assets	(3,016)	(6,355)
Total cash and cash equivalents receipt	16	673

*See Note 30 regarding the business combination.

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

NOTE 1 - GENERAL:

a. Gefen International A.I. Ltd (hereinafter, the "Company") was founded in September 2020 in Israel.

b. Gefen Technologies A.I. Ltd., the Company's subsidiary ("Gefen") was incorporated on November 23, 2017 in Israel.

c. Gefen had a parent company - Gefen Equity (the "former parent Company") that was incorporated in September 2017 in Israel. See also Note 1(f) below.

d. On September 6, 2020, Gefen International A.I. Ltd., an Israeli private company, was incorporated in order to serve as the “Public Vehicle”.

e. On September 6, 2020, former parent Company submitted a pre-ruling request to the Israeli Tax Authority in connection with the recapitalization.

f. On September 21, 2020, the Board of Directors of Gefen Equity, approved the recapitalization of the former parent Company, such that the shares of Gefen shall be transferred to a newly incorporated Public vehicle sister company of Gefen Equity.

g. In October 2020, the Former Parent Company entered into a share transfer agreement with the Company (the "Share Transfer Agreement"). According to the Share Transfer Agreement, prior to the Company's listing on the Australian Securities Exchange (“ASX”), the Former Parent Company transferred 100% of the issued shares of Gefen to the Company. The current period numbers and the comparative period numbers reflect the consolidation of the Company and Gefen as if consolidated from their inception.

h. In November 2020, the Tel Aviv District Court approved the capital reduction required to affect the recapitalization, as required under Israeli law.

i. On December 10, 2020, The Israeli Tax Authority approved the request in connection with the recapitalization, and accordingly, the former parent Company will need to transfer its shares of Gefen to the Company upon the completion of an initial public offering (the “IPO”).

j. On May 6, 2021, the Board of Directors of the Company, approved effecting with the ASX a listing and an IPO of the Public Vehicle’s shares, so that such shares shall be listed for trading in Australia.

k. Gefen develops large-scale digital distribution platforms for the agent-based business sector. These platforms enable the transformation of agent-based networks into digital sales fleets, based on Software-as-a-Service (“SaaS”) or transaction models.

NOTE 1 – GENERAL (CONT.):

l. The Company was admitted to the official list of the ASX on July 19, 2021, with its ordinary fully paid shares having commenced trading on July 21, 2021. The Company raised AUD$25 million (approximately US$18.4 million) pursuant to the offer by the issuance of 25,000,000 shares at an issue price of AUD$ 1 per share. Following the IPO, the Company's financial liabilities, contingent consideration in business combination and the convertible notes, were converted into ordinary shares (see also note 17).

m. Over the last two years, Gefen has acquired control of several insurance agent companies and technology companies. These acquisitions are in line with the Company's strategy to expand by acquiring companies with a significant database and technological orientation that will operate, upgrade and merge into the Company's existing trading arena. For more details see note 30.

n. The accompanying financial statements have been prepared to assume that the Company will continue as a going concern. Last year's financial report raised several questions about the Company's ability to continue as a going concern. The results of 2021 show a significant improvement in relation to these parameters:

   i. As of December 31, 2021, the Group has incurred a US$3.6 million net loss from operations in 2021 compared with a US$9.8 million net loss from operations in the comparative period.

   ii. The Group has positive working capital of US$8.8 million compared with a US$15.8 million deficit in the corresponding period.

   iii. The Group has a positive net asset of US$18.2 million compared to a US$10.3 million deficit last year, primarily due to the IPO.

   According to management's assessment, the Company has sufficient resources to execute its work plans for 2022. At the same time, the Company is exploring additional financing options to expand its business plan and create a bigger and better Arena.

NOTE 1 – GENERAL (CONT.):

o. Definitions - in these financial statements

The Company	-	Gefen International A.I. Ltd.
Gefen	-	Gefen Technologies A.I. Ltd.
The Group	-	The Company and its consolidated companies
Consolidated Companies / Subsidiaries	-	Companies, whose reports are fully consolidated, with the Company's reports.
Associates	-	Companies, where the Company's investment in them is included, in the financial statements, according to the equity method.
Related parties	-	As defined in International Accounting Standard 24 (2009), Related Parties
ASX	-	Australian Securities Exchange
Polibit	-	Polibit Insurance agency (2011) Ltd.
Kaplan	-	Kaplan Bashetach, Insurance agency (2012) Ltd.
Verify	-	Verify Insurance Agency Ltd.
Or Hagefen	-	Or HaGefen Ltd.

(US Dollar in thousands)

NOTE 1 – GENERAL (CONT.):

p. Group structure

(a) Controlled entities consolidated

Entity Name	**Country of incorporation**	**Direct interest in ordinary shares as of December 31**	
		2021	**2020**
Controlled entities of Gefen International A.I. Ltd (Ultimate Parent):			
Gefen International A.I. Ltd	Israel		
Controlled entities of Gefen International A.I. Ltd:			
Gefen Technologies A.I. Ltd	Israel	100%	100%
Controlled entities of Gefen Technologies A.I. Ltd:			
Polibit Insurance Agency (2011) Ltd	Israel	51%	51%
Kaplan Bashetach, Insurance Agency (2011) Ltd	Israel	51%	51%
Verify Insurance Agency Ltd	Israel	*51%	-
Or Hagefen Ltd (see note 30)	Israel	14%	-
Controlled entities of Polibit Insurance Agency (2011) Ltd:			
Coyote Technologies	Israel	99%	99%

*The Company concluded that it controls Verify because contractual agreements with the other shareholders provide to Gefen 51% of the management shares of Verify’s Board of Directors since the share purchase agreement date, Gefen acquired 30% of the company's share capital and as additional options for another 21%, see note 30.3.d.

NOTE 1 – GENERAL (CONT.):

p. Group structure (con.):

(b) Associates

Entity Name	Country of incorporation	Direct interest in ordinary shares as of December 31	
		2021	2020
Associate's entities of Polibit Insurance Agency (2011) Ltd:			
Friedman Berkovitz, Insurance Agency (2009) Ltd	Israel	50%	-
Associate entities of Verify Insurance Agency Ltd:			
Eklips Insurance Agency (2012) Ltd	Israel	50%	-

(US Dollar in thousands)

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT:

A. **Preparation framework of the financial statements**

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

B. **Functional currency and presentation currency**

A major part of the Group’s operations is carried out by Gefen in US Dollars (“US”). Therefore, US Dollar is the Company’s functional currency and numbers are rounded to the nearest thousand, unless stated otherwise. US is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The functional currency of the subsidiaries and associated companies is the New Israeli Shekel (“NIS”). The financial statements of those companies are included in the consolidated financial statements, translated into US Dollars.

Assets and liabilities are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates during the year. Differences resulting from translation are presented as other comprehensive income (loss) in the consolidated statements of comprehensive income (loss). In the event of a divestiture of a subsidiary, the related foreign currency translation results are reversed from equity to income. Foreign currency exchange gains and losses are included in net income (loss).

The following are details regarding changes that occurred in the representative NIS and AUD exchange rates:

	Representative NIS exchange rate	Representative AUD exchange rate
For the year ended	%	
December 31, 2021	3.4%	(5.9%)
December 31, 2020	7.5%	10.2%

	Representative NIS exchange rate	Representative AUD exchange rate
For the year ended	US$	
December 31, 2021	0.32	0.73
December 31, 2020	0.31	0.77

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT (CON.):

C. **Measurement basis**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, Deferred tax assets and liabilities Provisions Investments in associates and derivative financial instruments. For details regarding the method used to measure these assets and liabilities, see Note 3 below, Significant Accounting Policies.

D. **Operating cycle**

The Company’s operating cycle is up to one year. As a result, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year from the date of the financial statements.

E. **Classification of expenses recognized in the statement of comprehensive income**

Costs and expenses in the statement of comprehensive income are presented and analyzed on the basis of the function of the expenses. The classification is compatible with the understanding of the Company’s businesses.

F. **Use of estimates and judgments:**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT (CON.):

F. **Use of estimates and judgments (con.):**

Information about significant estimates and judgments, for which changes in the assessments and assumptions could potentially have a material effect on the financial statements:

Subject	**Key assumptions**	**Possible effects**	**Reference**
Measurement of recoverable amounts of cash-generating units.	Assumption of expected cash flows from cash-generating units.	Recognition of impairment loss or impairment reversal.	Note 3(N)
Useful life and expected operation of fixed assets, intangible assets, and other long-term assets	Assumptions of the useful life of groups of fixed assets, intangible assets, and additional assets.	Change in the value of fixed assets, intangible assets, additional assets, and depreciation and amortization expenses.	Note 3(G)
Determination of lease incremental borrowing rate	The group measure the incremental borrowing rate, by similar borrowing could be obtained from an independent creditor under comparable terms and conditions.	An Increase or decrease in the measurement of a right-of-use asset and lease liability.	Note 3(D)
Deferred taxes	Assumption of anticipated future realization of the tax benefit, including assumption that it is more likely than not that the carryforward tax losses in Gefen will not be utilized.	Recognition of a deferred tax asset.	Note 25
Principal-agent considerations for revenue recognition	Assessment whether the Company controls the sub-agents' services before they are delivered to the customer.	Reduction of gross revenue recognized and cost of sales.	Note 3(L2)
Share-based payment to employees, founders, directors and Fineline	The fair value of share options was estimated by using a Black Scholes model approach, which was aimed to model the value of the Company's equity over time.	Recognition or reversal of expenses.	Note 32

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT (CON.):

F. **Use of estimates and judgments (con.):**

Control over a subsidiary	Determining whether the Company has control over Or HaGefen or Verify with less than the majority of voting rights due to agreements with other shareholders.	Whether to consolidate Or HaGefen or Verify or to account for it under the equity method.	Note 15
Convertible note and the contingent consideration in business combination in 2020	The fair value was estimated by using the discounted cash flows approach. According to the approach, the value of a firm's operations is equivalent to the sum of present values, of all future tax-adjusted cash flows. The expected cash flows were estimated based on the Group's management's projections of sales.	An increase or decrease in the measurement of the liabilities and in the depreciation and financing expenses in subsequent periods.	Note 15 and Note 30
Allowance for expected credit losses	The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.	Additional expenses incurred in future years if left unrecognized.	Note 5
Provisional accounting for business combinations	Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date.	Fair value adjustments on the finalization of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortization reported.	Note 30

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT (CON.):

G. **Determination of fair value**

For the purpose of preparing the financial statements, the Company is required to determine the fair value of financial and non-financial assets and liabilities.

Fair value is the price which would be received upon the sale of an asset, or the price which would be paid upon the transfer of a liability, in an ordinary transaction between market participants on the measurement date. Fair value measurement is based on the assumption that the transaction takes place in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants are operating in favor of their economic interests. Fair value measurement with respect to non-financial assets takes into account the market participant's ability to generate economic benefits by making best use of the asset, or by selling it to another market participant, who will make best use of the asset.

The Company uses valuation techniques which are appropriate for the circumstances, and for which there are sufficient obtainable inputs in order to measure fair value, while maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs. Fair value amounts were determined for measurement and/or disclosure purposes using the methods described in note 3 below.

Fair value hierarchy

In the determination of the fair value of an asset or liability, the Company uses observable market inputs, as much as possible. Fair value measurements are divided into three levels of the fair value hierarchy, based on the inputs used in the valuation, as follows:

- Level 1 - Fair value which is measured according to quoted (non-adjusted) prices in an active market for similar instruments.
- Level 2 - Fair value which is measured using directly or indirectly observable inputs which are not included in Level 1 above.
- Level 3 - Fair value which is measured using inputs which are not based on observable market inputs.

NOTE 2 – BASIS FOR PREPARETION OF THE FINANCIAL STATEMENT (CON.):

G. **Determination of fair value (con.):**

The level within the fair value hierarchy to which the fair value measurement of the entire asset belongs, is determined based on the lowest level of data that are significant in the measurement of total fair value.

H. **Reclassification**

During the reporting period, immaterial classifications were made in note 5, 6, 13, and note 14, as well as other immaterial classifications.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES:

The accounting policy specified below was applied consistently by the Group for all periods presented in these consolidated financial statements.

A. Consolidation of the financial statements

1. Business combinations

The Group applies the acquisition method to all of its business combinations.

The acquisition date is the date on which the buyer obtains control of the acquired entity. Control exists when the Group is exposed, or holds rights, to variable returns due to its involvement in the acquired entity, and when it has the ability to influence those returns by exercising its influence over the acquired entity. The evaluation of control includes taking into account real rights which are held by the Group and by others.

The Group recognizes goodwill as of the acquisition date according to the fair value of the transferred consideration, including amounts recognized with respect to any non-controlling interests in the acquired entity, as well as the fair value, as of the acquisition date, of capital interests in the acquired entity which were previously held by the buyer, less the net amount attributed in the acquisition to identifiable assets that were acquired, and to liabilities that were accepted.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):

A. Consolidation of the financial statements (con.):

1. Business combinations (con.):

   On the acquisition date, the buyer recognizes a contingent liability which was accepted in a business combination, if a present commitment exists which is due to past events, and if its fair value is reliably measurable.

   Costs associated with the acquisition which materialized for the buyer with respect to a business combination, such as agent fees, consulting fees, legal fees, valuations and other fees with respect to professional services or consulting services, are recognized as expenses during the period in which the services are received.

2. Subsidiaries

   Subsidiaries are entities controlled , directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of loss of control.

   Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taking into account when assessing control.

3. Contingent consideration for business combinations

   Subsequent to the acquisition date, the Group recognizes changes in fair value of contingent consideration recognized under business combinations, classified as a financial liability in the statement of comprehensive income under financing expenses.

4. Non-controlling interest

   Non-controlling interests constitute the total capital in a subsidiary that is not attributable, either directly or indirectly, to the Company. Non-controlling interest in the results and in the equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):

A. Consolidation of the financial statements (con.):

4. Non-controlling interest (con.):

   Measurement of non-controlling interests on the business combination date

   Non-controlling interests, which are instruments conferring ownership rights in the present, and which grant their holder a share in the net assets in case of liquidation (for example: ordinary shares), are measured on the business combination date at fair value, or according to their relative share in the assets and liabilities identified with the acquired entity, on a separate basis for each transaction.

   Allocation of profit or loss and other comprehensive income between shareholders

   Income or loss, and any component of other comprehensive income, is attributed to shareholders in the Company and to non-controlling interests. Total income or loss, or other comprehensive income or loss, is attributed to the owners of the Company and to non-controlling interests, even if, as a result, the balance of non-controlling interests is negative.

5. Loss of control

   When a loss of control occurs, the Group writes off the assets and liabilities of the subsidiary, as well as any non-controlling interests and other components of capital attributed to the subsidiary. If the Group remains with a certain investment in the former subsidiary, the balance of the investment is measured according to its fair value on the date of loss of control. The difference between the consideration for the fair value of the remaining balance of the investment, and the balances which were written off, is recognized under profit and loss, in the item for other income or expenses. From that date onwards, the remaining investment is accounted by the equity method, according to the Group's degree of influence on the relevant company. The amounts which were recognized in capital through other comprehensive income in connection with said subsidiary are re-classified to profit or loss or to retained earnings, in the same manner that would have been required had the subsidiary itself disposed of the assets or the liabilities in question.

6. Investments in Associates

   Investments in associates are accounted under the equity method and are initially recognized at cost. The investment's cost includes transaction costs. The consolidated financial statements include the Group's share in net income or loss, in other comprehensive income or loss, and in the net assets of

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):

A. Consolidation of the financial statements (con.):

6. Investments in Associates (con.):

associate companies accounted by the equity method, after performing adjustments required to adapt the accounting policy to that used by the Group, from the date when significant influence or joint control materialized, until the date on which the conditions for significant influence or joint control are no longer met.

The Group discontinues applying the equity method beginning on the date when it loses significant influence over the associate company, or when it rises to control of the associate company and treats the remaining investment as a financial asset or subsidiary, as applicable.

B. 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.

C. Foreign currency

1. Transactions in foreign currency

Transactions in foreign currency are translated to the relevant functional currencies of the Group's member companies, according to the exchange rates that were in force as of the transaction dates. Monetary assets and liabilities denominated in foreign currency on the reporting date are translated to the functional currency according to the exchange rate which is in effect as of that date. Foreign currency differences with respect to the monetary items refers to the difference between the amortized cost of the functional currency at the start of the year, adjusted to the effective interest rate and to payments throughout the year, and the amortized cost of the foreign currency, as translated using the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the functional currency according to the exchange rate that is in force on the date of

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Foreign currency (con.):

1. Transactions in foreign currency (con.):

   determination of fair value. Non-monetary items denominated in foreign currency and measured at historical cost are translated according to the exchange rate that was in force as of the transaction date.

   Foreign currency differences arising from translation to the functional currency are generally recognized under the statement of comprehensive income, excluding differences which are due to the translation of capital.

2. Foreign operations

   The functional currency, which is the currency that reflects, in the best possible manner, a company's economic environment and the transactions, is evaluated separately for each of the Group's member companies, including companies presented using the equity method. Such currency is then used to measure their financial positions and operating results. In cases where the functional currency of a Group member is different from the Company's functional currency (as described in Note 2B above), said company constitutes a foreign operation whose financial statements are translated for the purpose of including them in the financial statements, as follows:

   - The assets and liabilities of foreign operations, including goodwill and fair value adjustments which materialized at the time of acquisition, are translated to US according to the current exchange rate as of the reporting date. The income and expenses of foreign operations are translated to US using average exchange rates, which constitute an approximation of the rates that existed on the transaction dates.
   - Foreign currency differences with respect to the translation are recognized under other comprehensive income and are presented under capital, in the foreign exchange reserve.
   - In cases where a foreign operation is a subsidiary that is not wholly owned by the Group, the proportional part of the foreign currency differences with respect to the foreign operation is allocated to non-controlling interests.
   - Upon the disposal of a foreign operation which leads to loss of control, significant influence or joint control, the cumulative amount in the foreign exchange reserve with respect to the foreign operation is reclassified to profit and loss, as part of the profit or loss from the disposal.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Foreign currency (con.):

2. Foreign operations (con.):
   - In general, foreign currency differences with respect to loans which were received or provided for foreign operations, including foreign operations which are subsidiaries, are recognized under profit and loss in the consolidated statements.

D. Leases

The accounting policy which has been adopted for leases is as follows:

1. Determining whether an arrangement contains a lease

   On the date of Lease inception, the Group determines whether the arrangement constitutes a lease or contains a lease, including assessing whether the arrangement involves a transfer of the right to control the use of an identifiable asset for a certain period of time, in exchange for payment. When assessing whether an arrangement involves a transfer of the right to control the use of an identifiable asset, the Group evaluates whether it has the following two rights throughout the lease period:

   a. The right to essentially obtain all of the economic benefits from the use of the identifiable asset.
   b. The right to direct the use of the identifiable asset.

   For lease contracts which include non-lease components, such as services or maintenance, that are associated with the lease component, the Group chose to account for the contract as a single lease component, without separating the components.

2. Leased assets and lease liabilities

   Contracts which give the Group the right to use a leased asset for a certain period of time in exchange for a consideration, are treated as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (such payments do not include certain variable lease payments), and in parallel, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted with respect to lease payments which were paid in advance or which accrued, excluding lease transactions for periods of up to 12 months, and lease transactions in which

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Leases (con.)

2. Leased assets and lease liabilities (con.):

   the underlying asset has a low value, for which the Company chose to recognize the lease payments as an expense in the statement of comprehensive income, in a straight line throughout the lease period.

   Since it is not possible to easily determine the interest rate implicit in the Group's leases, the Group used, for the purpose of measuring the lease liability, the Group's incremental borrowing rate, which is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 11%. After initial recognition, the right-of-use asset is treated according to the cost model and is depreciated throughout the lease period or throughout the asset's useful life (whichever is earlier).

3. Lease period

   The lease period is determined as the period during which the lease is not cancelable, together with periods which are covered by an option to extend or cancel the lease, if the lessee is reasonably certain to exercise or not exercise the option, respectively.

4. Variable lease payments

   Variable lease payments which are linked to an index or exchange rate are initially measured using the index or rate which applies on the lease commencement date and are included in the measurement of the lease liability. When changes have occurred to the cash flows of future lease fees, which are due to changes in the index or exchange rate, the balance of the liability is updated against the right-of-use asset. Other variable lease payments which are not included in the measurement of the liability are applied to the statement of comprehensive income on the date when the conditions for those payments have materialized.

5. Amortization of right-of-use asset

   After the lease commencement date, the right-of-use asset is measured at cost less accumulated amortization, and less accrued impairment losses, and is adjusted with respect to remeasurements of the lease liability. The amortization is calculated on a straight-line basis throughout the useful lifetime

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Leases (con.)

5. Amortization of right-of-use asset (con.):

or the contractual lease period, whichever is earlier, as follows:

Leases of office facilities	-	4-7 years
Motor vehicles	-	3 years

When indicators of impairment exist, the Company tests for impairment of the right-of-use asset, in accordance with the provisions of IAS 36.

6. Re-assessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances, which is under the Group's control, and which affected the decision of whether it is reasonably certain that the Group will exercise an option, which was not previously included in the determination of the lease period, or that it will not exercise an option which was previously included in the determination of the lease period, the Group remeasures the lease liability according to the updated lease payments, using an updated discount rate. The change in the liability's book value is recognized against the right-of-use asset or is recognized in profit and loss if the book value of the right-of-use asset has been amortized in its entirety.

7. Lease modification

When an modification to is made to the lease terms which does not reduce the scope of the lease, and is not treated as a separate lease transaction, the Company remeasures the balance of the lease liability according to the amended terms of the lease, according to the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

When an modification is made to the lease terms, which results in a decrease in the scope of the lease, the Company recognizes profit or loss due to the full or partial derecognition of the balance of the right-of-use asset and the lease liability. Subsequently, the Company remeasures the balance of the lease liability according to the amended terms of the lease, using the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

E. Capital reserve for benefit from owners in respect of transactions with controlling shareholders

The difference between the fair value of the liability at the date of initial recognition and the amount of consideration determined being recognized through the Capital reserve for benefit from owners. The accounting treatment for this instrument through amortized cost.

F. Financial instruments

1. Non-derivative financial assets

Non-derivative financial assets include investment in investment fund, cash and cash equivalents and other receivables.

Financial assets at fair value through profit or loss

Financial assets not measured at amortized cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Cash includes cash balances that are available for immediate use. Cash equivalents include short term investments where the duration from the original deposit date to the redemption date is up to 3 months, which have a high degree of liquidity, which are easily convertible into known amounts of cash, which are exposed to immaterial risk of changes in value, and which are not restricted by a lien.

2. Non-derivative financial liabilities

Non-derivative financial liabilities include liabilities to banking corporations and others, deferred liability notes, and other payables.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

F. Financial instruments (con.):

2. Non-derivative financial liabilities

Initial recognition of financial liabilities

Financial liabilities are recognized for the first time on the trade date, when the Group becomes party to the contractual terms of the instrument.

Amortized cost method: Financial liabilities at amortized cost are initially recognised at fair value less transaction costs. After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method. Financing expenses are charged to the statement of comprehensive income using the effective interest method.

Fair value method: Financial liabilities at fair value through profit or loss are initially recognised at fair value and are thereafter carried at fair value. This category comprises of convertible notes and contingent consideration on the business combination with changes in fair value recognized in the consolidated statements of comprehensive income. The treatment of the changes in the credit risk of those items were designated for being recognised in other comprehensive income.

Derecognition of financial liabilities

Financial liabilities are derecognized when the Group's liabilities, as specified in the agreement, expire, or when it has been settled or canceled.

3. Share capital

Ordinary shares are classified as an equity instrument. Incremental costs which are directly attributed to the issuance of ordinary shares and share options, less tax impact, are presented as an amortization of the equity instrument in question.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Property, plant and equipment

1. Recognition and measurement
   - The Company chose to measure items of property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses.
   - The cost includes costs which are directly attributable to the acquisition of the asset.
   - Income or loss arising from the write-off of an item of property, plant and equipment is determined by comparing the net consideration from the write-off of the asset to its book value and is recognized net in the item for other income or other expenses, as relevant, in the statement of comprehensive income.

2. Subsequent costs

   The cost of replacing part of an item of property, plant and equipment, and other subsequent costs, is recognized as part of the book value of property, plant and equipment, if the future economic benefit embodied therein is expected to flow to the Group, and if the cost is reliably measurable. The book value of the replaced part of the property, plant and equipment is written off. Current maintenance costs are charged to income as incurred.

3. Depreciation
   - Depreciation is the systematic allocation of an asset's depreciable amount over its useful lifetime. The depreciable amount is the asset's cost less the asset's residual value.
   - An asset is amortized when it is available for use, in other words, once it has reached the location and condition which are required in order to enable it to operate in the manner intended by management.
   - Depreciation is charged to the statement of comprehensive income using the straight-line method, over the estimated useful lifetime of each part of the fixed asset items, due to the fact that this method reflects, in the best possible manner, the expected pattern of consumption of future economic benefits embodied in the asset. Leasehold improvements are depreciated using the straight-line method over the rental period (including optional extension periods held by the

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Property, plant and equipment (con.)

3. Depreciation (con.)

Group, and which it intends to exercise) or according to the assets' estimated lifetime, whichever is shorter.

- The estimates with respect to the depreciation method, the useful lifetime and the residual value are re-evaluated at least once at the end of each reporting year and are adjusted when necessary and treated prospectively as a change in estimate.
- The depreciation rates used during the current period and the comparison periods are as follows (in percent):

	Annual depreciation %
Computers	33
Furniture and office equipment	16-33
Leasehold improvements	25
Vehicles	15

H. Employee benefits

1. Post-employment benefits

The Group has several post-employment benefit plans. The plans are generally financed by deposits to insurance companies and to pension funds and are classified as defined deposit plans and as defined benefit plans.

a. Defined contribution plans

A defined contribution plan is a post-employment plan in which the Group pays fixed payments to a separate entity, without having a legal or implicit obligation to make additional payments. The Group's obligations to deposit sums in a defined deposit plan are charged as an expense to the statement of comprehensive income, in the periods during which the employees have provided related services.

The Company has contributed for most of its employee's contribution plans pursuant to Section 14 to the Severance Pay Law in Israel under which the Company pays fixed contributions and

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Employee benefits (con.)

1. Post-employment benefits (con.)

   a. Defined contribution plans (con.)

   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.

   b. Defined benefit plan

   A defined benefit plan is a post-employment benefit plan which is not a defined contribution plan. A net liability of the Group which refers to a defined benefit plan with respect to post-employment benefits is calculated for each plan separately, by estimating the future amount of the benefit which will be owed to the employee in consideration of his services, in the current period and in previous periods. This benefit is presented at present value and its not funded. The Group determines the liability, with respect to the defined benefit, by multiplying the liability with respect to the defined benefit by the discount rate which was used to measure the liability with respect to defined benefit, as both were determined at the beginning of the annual reporting period. The discount rate was determined according to the yields, as of the reporting date, of high quality corporate bonds, whose currency is the NIS, and whose repayment date is similar to the terms of the Group’s liability.

2. Short-term employee benefits

   Short term employee benefits are benefits whose full settlement is expected earlier than 12 months after the end of the reporting period during which the employees provide the services in question. Liabilities with respect to short term employee benefits are measured on a non-discounted basis, and the expense is charged upon provision of the service in question, or in the event of non-cumulative absences (such as maternity leave) - upon actual absence. A provision with respect to short term employee benefits for cash bonus or profit sharing plans is recognized in the amount expected for payment when the Group has a current legal or implicit liability to pay the amount in question with respect to a service provided by the employee in the past, and where the liability is reliably measurable.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

I. Share-based payment

The fair value on the allocation date of share-based payment to employees is recognized as a payroll expense under profit and loss in parallel the increase in capital, over the period when the employees' eligibility to equity instruments is obtained, i.e., the period when the performance and/or service conditions are fulfilled (hereinafter: the "Vesting Period"). The vesting period concludes on the date when the relevant employees are entitled to compensation (hereinafter: the "Vesting Date"). According to the Company's policy choice, the increase in capital is applied to the item Share based payment reserve.

The cumulative expenses recognized on each reporting date with respect to transactions settled by equity instruments until the maturity date reflects the rate of passage of the vesting period, and the Company's best estimate of the number of equity instruments that will eventually vest. The debit or credit in the statement of comprehensive income reflects the change in cumulative expenses recognized at the beginning and end of the reporting period. Expense with respect to allocations which will not finally mature are not recognized.

J. Financing expenses

Financing expenses include interest expenses and foreign currency differences on received loans and other credit costs and changes with respect to the value of time in provisions. Profit and loss from foreign currency differences are reported net.

K. Income tax (expense) benefit

Taxes on income include current and deferred taxes. Current and deferred taxes are applied to the statement of income unless the tax is due to a business combination, or are applied directly to capital or to other comprehensive income if they are due to items which are recognized directly other comprehensive income under capital or are recognized directly, respectively.

1. <u>Current taxes</u>

   Current tax is the tax amount which is expected to be paid (or received) on taxable income for the year, calculated according to the applicable tax rates in accordance with laws which were enacted, or

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Income tax (expense) benefit (con.)

1. Current taxes (con.)

which were effectively enacted, as of the reporting date. Current taxes also include changes in tax payments in reference to previous years.

The Group offsets current tax assets and liabilities if there is a legally enforceable right to offset current tax assets and liabilities, and if there is an intention to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled simultaneously.

2. Deferred taxes

Deferred taxes are recognized with respect to the temporary differences between the book value of assets and liabilities for the purpose of financial reporting, and their value for tax purposes. The Group does not recognize deferred taxes with respect to the following temporary differences: initial recognition of goodwill; Initial recognition of assets and liabilities in a transaction which does not constitute a business combination and which does not affect accounting profit and profit for tax purposes; and differences due to investments in associate companies, if the Group holds control on the difference reversal date, and they are not expected to reverse in the foreseeable future, whether by way of realization of the investment or by way of a dividend distribution with respect to the investment.

The measurement of deferred taxes reflects the tax implications which will result from the manner by which the Group predicts, at the end of the reporting period, the repayment or settlement of the book value of assets and liabilities, according to the tax rate which is expected to apply on the reversal date.

Deferred taxes are measured according to the tax rates that are expected to apply to the temporary differences on the date of their realization, based on the laws that were enacted, or substantively enacted, as of the reporting date.

Deferred tax assets are recognized in the books with respect to transferred losses and/or deductible temporary differences in the event that taxable income is expected to arise in the future against which

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Income tax (expense) benefit (con.)

2. Deferred taxes (con.):

the transferred losses and/or deductible temporary differences may be used, or in the absence of projected future taxable income, deferred tax assets are recognized only up to the amount of taxable temporary differences. Deferred tax assets are evaluated for each reporting date, and in the event that the attributable tax benefits are not expected to be realized, they are amortized.

Deferred tax assets which were not recognized are re-evaluated on each reporting date and are recognized if the expectation has changed such that taxable income is expected in the future against which it will be possible to use them.

3. Offsetting of deferred tax assets and liabilities

The Company offsets deferred tax assets and liabilities in the event that a legally enforceable right exists to offset the current assets and liabilities, and they are attributable to the same taxable income, which is taxed by the same tax authority in the same assessed company, or in different companies, which intend to realize deferred tax assets and to settle deferred tax liabilities on a net basis, or where the deferred tax assets and liabilities are settled simultaneously.

L. Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers.

i. Identify the contract with a customer
ii. Identify the performance obligations in the contract
iii. Determine the transaction price
iv. Allocate the transaction price to the performance obligations in the contract
v. Recognize revenue when the entity satisfies a performance obligation

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

L. Revenue recognition (con.)

1. Licensing fee segment

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration. The Company provides to its customer with the right of use of its software platform based on SAAS (Software as a service) model and accordingly recognizes revenues over the period of the contract. Deferred revenues represent unearned amounts.

2. Agent solution segment

Revenue is generated from insurance commissions. Revenues from insurance commissions are comprised of the following two sectors:

a) Revenue from life insurance commissions.

b) Revenue from non-life insurance commissions.

Revenue from life insurance commissions is recognized based on the date of eligibility to receive commissions, according to the agreements with the insurance companies, less provisions for to expected cancellations of insurance policies.

Revenue from commissions in non-life insurance are recognized as incurred.

The Company applied judgement and identified the carriers (i.e., insurance companies) as its customers and see the flow of cash as a dominant indicator for that.

The Company applied judgement and identified the carriers (i.e., insurance companies) as its customers. The nature of the promise to the carriers is to provide marketing and distribution services to the carriers, and subsequently to maintain ongoing contact with the carriers' end-customers. As such, the Company identified two performance obligations in its contracts with the carriers.

The Company applied judgement to determine whether it acts as a principal or an agent for the services provided by its sub-agents to the carriers.

The Company has control over the sub-agents' services, due to its day-to-day involvement in the operations of the sub-agents and its responsibility for their professional standards. The Company's platform can also facilitate increased involvement in the sub-agents' activities and it provides the insurance companies a single integrated service that combines the functionality of the platform and the services of the sub-agents. The Company has the ability to negotiate the price

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

L. Revenue recognition (con.)

2. Agent solution segment (con.):

of the services provided to the carriers by both the parties. It is primarily responsible for fulfilling the promise to provide services to the carriers.

As a result, the Company concluded that it acts as a principal in those transactions and should recognize revenue on gross basis from insurance commissions (See also Note 18).

3. Reclassification

The Company reclassified US$1,318 thousand from sales and marketing expenses to costs of sales in 2020, to consistently present all costs of employees and services providers, including sub-agents, utilized in fulfilling the Company's promises to insurance companies. This classification did not have any effect on the profit (loss) for the year.

M. Intangible assets

1. Goodwill
2. Other intangible assets

Intangible assets which are purchased in a business combination are measured at fair value on the date of the business combination.

The fair value of intangible assets that were acquired in a business combination is based on the discounted value of the cash flow expected to arise from the use and sale of such assets. The method requires a determination of a discount rate that is appropriate for the asset type, and for the risk level associated with the asset.

After initial recognition, intangible assets are measured at cost less accumulated amortization and less accumulated impairment losses (see note 12 below).

Intangible assets with a finite useful life are amortized over their useful lifetimes using the straight-line method. Impairment of intangible assets is evaluated for indicators for impairment (see note 12 below). The amortization period and amortization method of intangible assets with finite useful life are reviewed at least at the end of each year. Changes in the useful life or in the expected consumption

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

M. Intangible assets (con.):

2. Other intangible assets

patterns of the economic benefits that are expected to arise from the asset are treated prospectively as a change in accounting estimate. The amortization expenses with respect to intangible assets with finite useful lifetimes are charged to the statement of comprehensive income.

Useful life

The estimated useful lifetime for the current period and comparative periods is as follows (in percent):

	Annual depreciation %
Customer relationship	7-9
Technology	8

Classification of amortization

The current amortization with respect to intangible assets, is charged to the statement of comprehensive income under the item for sales and marketing expenses.

N. Impairment

1. Non-derivative financial assets

Financial assets, contract assets and receivables from finance and operating leases

The Company recognizes a provision for expected credit losses in respect of financial assets at amortized cost.

The Company has elected to measure the provision for expected credit losses in respect of trade receivables at an amount equal to the full lifetime credit losses of the instrument.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Impairment (con.):

1. Non-derivative financial assets (con.):

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Company determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off.

2. Non-financial assets

Timing of impairment test

The book value of the Group's intangible assets is tested for each reporting date in order to determine the existence of impairment financial indicators. In the event that such indicators are found to exist, the asset's estimated recoverable amount is calculated. Once per year, with respect to each cash generating unit which includes goodwill, the Company performs an assessment of the recoverable amount. This is performed on a more frequent basis if impairment indicators have been found.

Determination of cash generating units

For the purpose of the impairment test, the assets are grouped into the smallest group generating cash flows from continuous use, and which are primarily independent of other assets and groups ("Cash Generating Unit").

Measurement of recoverable amount

The recoverable amount of an asset, or of a cash generating unit, is the higher of either the value in use or the fair value less costs of disposal. When determining value in use, the Company discounts projected future cash flows according to the discount rate, which reflects market assessments regarding

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Impairment (con.):

2. Non-financial assets (con.)

the time value of money, and the specific risks relevant to a particular asset or cash generating unit, with respect to which the future cash flows which are expected to arise from the asset or from the cash generating unit have not been adjusted.

Allocation of goodwill to cash generating units

Cash generating units to which goodwill has been allocated are grouped in a manner whereby the level on which the goodwill impairment was tested reflects the lowest level on which the goodwill is monitorable for the purpose of internal reporting, although in any case, it is no larger than the operating segment. In cases where goodwill is not monitored for internal management purposes, the goodwill is allocated to operating segments (before grouping similar segments). Goodwill acquired as part of a business combination is allocated to cash-generating units, including those which existed in the Group also prior to the business combination, and which are expected to produce benefits from the synergy of the combination.

Recognition of impairment loss

Impairment losses are recognized when the book value of the asset or of the cash generating unit exceed the recoverable amount, and are applied to the statement of comprehensive income. As regards cash generating units which include goodwill, an impairment loss is recognized when the book value of the cash generating unit, after grossing up of the balance of goodwill, exceeds its recoverable amount. Impairment losses which are recognized with respect to cash generating units are initially

allocated towards the amortization of the book value of the goodwill attributed to such units, and are later proportionally attributed to the amortization of the book value of the other assets in the cash generating unit.

Allocation of impairment loss for non-controlling interests

The Company chose to allocate impairment loss between the owners of the Company and non-controlling interests according to the same basis which is used to allocated profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Impairment (con.):

2. Non-financial assets (con.)

Reversal of impairment loss

Loss from goodwill impairment is not reversed. With respect to other assets for which impairment losses were recognized in previous periods, on each reporting date, an evaluation is performed to ascertain whether indicators exist which signify that such losses have decreased, or no longer exist. The impairment loss is reversed if a change occurred in the estimates used to determine the recoverable amount, only in the event that the asset's book value, after reversal of the impairment losses, does not exceed the book value less depreciation or amortization which would have been determined had the impairment loss not been recognized.

Associates

The Company determines, on each reporting date, after applying the equity method, whether objective evidence of impairment exists, and whether it will be necessary to recognize impairment loss with respect to the investment in associate companies accounted by the equity method (hereinafter: the "Investment"). The impairment test is conducted with respect to the investment in its entirety, including the goodwill attributed to the associate company accounted by the equity method.

In the event that such objective evidence is found to exist, impairment loss is recognized in the amount of the difference between the recoverable amount of the investment and its value in the financial statements. The recoverable amount is the higher of either fair value or value in use, which is calculated based on a valuation of the net cash flows which are expected to arise from the associate, including cash flows from the activities of the associate, and the consideration from the final disposal of the investment, or an estimation of the present value of the estimated future cash flows which are expected to arise from the dividends which will be received, and from the final disposal. Such impairment loss is not specifically allocated to the goodwill which is included in the investment, and therefore, in subsequent periods, loss is cancelable up to its full amount, if and only if changes have occurred in the estimates which were used to determine the recoverable amount of the investment, from the date when the impairment loss was last recognized. The book value of the investment, after the cancellation of

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Impairment (con.):

3. Non-financial assets (con.)

the impairment loss, may not exceed the book value of the investment which would have been determined according to the equity method, had it not been recognized as an impairment loss.

O. Segment reporting

An operating segment is a component of the Group which fulfills the following criteria:

1. It is engaged in business operations from which it may derive income, and with respect to which it may bear expenses, including income and expenses that are attributable to transactions between the Group's member companies.
2. Its operating results are reviewed on a regular basis by the Group's Chief Operational Decision Maker, in order to reach decisions regarding the resources allocated to it, and in order to assess its performance.
3. Separate financial information is available for the above.

For details regarding financial reporting by segment, see Note 26.

P. Provisions

A provision is recognized when the Group has a current legal or implicit liability as a result of an event which occurred in the past, and which is reliably measurable, and when it is more likely that not that a negative flow of economic benefits will be required in order to settle the liability. The book value of the provision is adjusted in each period in order to reflect the passage of time.

(US Dollar in thousands)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Earnings per share

The Company presents data regarding basic and diluted earnings per share for its ordinary share capital. Basic earnings per share are calculated by dividing the income or loss attributable to the holders of ordinary shares in the Company by the weighted average number of ordinary shares which were outstanding during the year. Diluted earnings per share are determined by adjusting the profit or loss attributed to the holders of ordinary shares in the Company, and adjusting the weighted average of the outstanding ordinary shares and with respect to the effects of all potential diluting ordinary shares (i.e., shares which reduce earnings per share or which increase loss per share).

NOTE 4 – CASH AND CASH EQUIVALENTS:

	December 31, 2021	December 31, 2020
Cash and deposits available for immediate withdrawal	7,615	1,526
Short term deposit	3,000	-
Total	10,615	1,526

The cash in banking corporations bears, as of the financial reporting date, current interest which is based on interest rates with respect to daily bank deposits of 0%-0.01% (as of December 31, 2020 - 0%).

Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 0.33%.

(US Dollar in thousands)

NOTE 5 – TRADE RECEIVABLE, NET

	December 31, 2021	December 31, 2020
Licensing fee – Dorot (1)	1,150	-
Licensing fee – others	49	121
Insurance companies and financial institutions	1,095	623
Total	2,294	744

(1) For details, see Note 30(5)

	December 31, 2021	December 31, 2020
Trade receivable	2,452	744
Customer balances written off during the year due to non-collection (2)	(158)	-
Total	2,294	744

(2) Customer balances written off during the year due to non-collection have occurred purely due to Licensing fee – others above, from a cancellation in operations

NOTE 6 - OTHER RECEIVABLES:

	December 31, 2021	December 31, 2020
Prepaid expenses	725	34
Advances to suppliers	259	88
Government institutions	174	44
Others	162	*15
Total	1,320	181

* Reclassified, for details see Note 2H

(US Dollar in thousands)

NOTE 7 - RELATED PARTIES:

1. ***Identity of interested and related parties***

The Company's related parties as defined in IAS 24 – Related Party Disclosures include mainly the founders, the Company and Gefen management, the directors and the key management personal in the subsidiaries.

2. ***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.

3. ***Benefits to key management personnel (including executive directors)***

The Group's CEO's and senior executives are entitled, in addition to their salaries, to receive non-cash benefits (such as a vehicle, etc.). The Group also deposits, on their behalf, funds as part of a post-employment defined deposit plan. Executives also participate in the plan involving options for Company shares which were granted in years preceding the reporting year (see Note 32).

a. **Employment benefits for key management personnel (i):**

	Year ended December 31, 2021	**Year ended December 31, 2020**
	US in thousand	US in thousand
Salary and related expenses	2,374	1,513
Share-based payments (ii)	850	2,648

i. The benefits include benefits for key management personnel until the conclusion of their employment, and benefits with respect to key management personnel, beginning on the date of their appointment. This amount including also management fee.

ii. This amount is determined based on the value of the warrants as of the date of their allocation, such that the fair value of each tranche is spread over its vesting period.

(US Dollar in thousands)

NOTE 7 - RELATED PARTIES (CON.):

3. Benefits to key management personnel (including executive directors) (con.):

b. Non-Executive Directors

Benefits with respect to the employment of key management personnel who are directors not employed in the Company:

	Year ended December 31, 2021	
	No. of people	US in thousand
Directors' compensation	3	33
Share-based payments (ii)	3	36

Each of the Non-Executive Directors of the Company entitle to AUD$40,000 per annum since the IPO. For Share-based payments see note 32.

c. D&O and compensation plan

Beginning on July 19, 2021, the Company has purchased directors' and officers' liability insurance policies ("D&O insurance") for a period of one year in the amount of US$1,275 thousand. On January 31, 2022, the general meeting of the Company's shareholders approved for the first time the engagement in D&O insurance and the compensation policy for the first time, which includes a clause regarding exemption, indemnification, and insurance for corporate officers.

d. Founders employment agreement

Gefen entered into an executive employment agreement with each of its founders. Two of them serve as Co-Chief Executive Officer, and the third one serves as Chief Architect.

Each Founder is entitled to a gross monthly salary of US$18 thousand since the date of the IPO. Founders are entitled to an annual bonus payment of minimum of two monthly salaries, which shall be paid no later than end of Q1 following the end of each fiscal year, fundraising bonus equal to 0.833% of the net fundraising amount. Annual leave includes 25 days per full year. Yearly transportation expenses up to USD19 thousand. In case of employment termination by the Company, the Executive will be entitled to a 4 month Termination Leave (in addition to the Notice Period) for the employment term until 31 December 2020 and this benefit will be incremented by

(US Dollar in thousands)

NOTE 7 - RELATED PARTIES (CON.):

3. Benefits to key management personnel (including executive directors) (con.):

d. Founders employment agreement

1 month per each additional year up to a maximum of 9 months. During the Termination Leave the Executive will not be required to perform his work duties under the Agreement but will enjoy all rights and renumeration granted to him under this Agreement. For Share-based payments see note 32.

On May 10, 2021 Gefen entered in an amended and restated founders loan. According to the agreement any part of the Principal Amount shall bear simple interest at the rate of 3% annually. The Outstanding Loan Amount shall be repaid to the Shareholder as follows, 50% of the Outstanding Loan Amount repaid from the IPO available funds, and the remaining 50% of the Outstanding Loan Amount will be repaid 2 years after the initial public offering. The Outstanding Loan Amount shall not be subject to prepayment unless approved by the shareholders of the Company. The Outstanding Loan Amount shall not be convertible into equity of Company, under any circumstances. The founder are entitled to a special grant with an aggregate amount of US$915 thousand following the second anniversary of the IPO.

Presented below are details regarding the compensation which was given in 2021 (US$ in thousand), and recognized:

Name	Gender	Position	Scope of position	Holding rate	Salary and related expenses	Expected Bonus	Share-based payments	Accrued loan Interest
Orni Daniel	Male	Co-CEO and Director	100%	15.24%	302	37	201	1
Elad Daniel	Male	Chief architect and Chairman of the Board	100%	15.24%	241	37	201	2
David Nash	Male	Co-CEO and Director	100%	15.24%	242	37	201	6

For additional details regarding share-based payments for founders and Non-Executive Directors, see Note 32.

(US Dollar in thousands)

NOTE 7 - RELATED PARTIES (CON.):

4. Balances of related parties and interested parties

a. Short term payables to related parties

Related party	Item	Nature of transaction	December 31, 2021	December 31, 2020
Key management personal	Other payables, Employee benefits, net	Employees, salaries, and related liabilities (excluding founders)	767	169
Founders	Related party	Salaries, loan and grant	-	1,231
Subsidiary	Related party	Subsidiary purchase liabilities	1,211	-
Subsidiary	Related party	Investee purchase liabilities	418	-
Interested parties	Related party	Debt and ongoing transactions	418	136

b. Long term Payables to related parties

Related party	Item	Nature of transaction	December 31, 2021	December 31, 2020
Former Parent company		Capital note from related party	-	7,413
Founders	Related parties	Salaries, loan and grant	1,217	-
Subsidiary	Liability at business combination	Subsidiary purchase liabilities	1,369	-
Subsidiary	Related parties	Loan	331	-

c. From related parties

Related party	Item	Nature of transaction	December 31, 2021	December 31, 2020
Former Parent company	Related party receivables	Ongoing transactions	16	42
Loan to employee		Ongoing transactions	-	16
Subsidiary	Related party receivables	Ongoing transactions	173	-
Subsidiary	Related party receivables	Loan	71	-

5. Related party transactions

	Year ended December 31, 2021	Year ended December 31, 2020
Share-based payment	1,278	3,460
Revenues received from related parties	123	1,200
Management fees/cost of salary	2,701	1,598
D&O and compensation plan	566	16
Interest to related parties	9	
Cost of sales	217	-

(US Dollar in thousands)

NOTE 8 – LEASES:

The Group has lease contracts for office facilities and vehicles used in its operations. The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised in assessing the lease terms.

A. Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements

	Office facilities	Vehicles	Total
At January 1, 2020	522	2	524
January 1, 2020 business combination	731	59	790
Additions	-	231	231
Terminated leases	(330)	-	(330)
Depreciation expense	(270)	(122)	(392)
Currency translation adjustments	75	(5)	70
As at December 31, 2020	728	165	893
Additions	1,149	81	1,230
July 1, 2021 business combination	84	-	84
Depreciation expense	(437)	(105)	(542)
Currency translation adjustments	24	1	25
As at December 31, 2021	1,548	142	1,690

(US Dollar in thousands)

NOTE 8 – LEASES (CON.):

B. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements:

	Office facilities	Vehicles	Total
At January 1, 2020	(570)	(2)	(572)
Business combination	(786)	(58)	(844)
Additions	-	(231)	(231)
Terminated leases	399	-	399
Accretion of interest	(155)	(11)	(166)
Interest payment	155	11	166
Principal payment	213	112	325
Currency translation adjustments	(86)	3	(83)
As at December 31, 2020	(830)	(176)	(1,006)
Business combination	(85)	-	(85)
Additions	(1,149)	(81)	(1,230)
Accretion of interest	(155)	(15)	(170)
Interest payment	155	15	170
Principal payment	402	90	492
Currency translation adjustments	(3)	(2)	(5)
As at December 31, 2021	(1,665)	(169)	(1,834)

The following are the amounts recognized in profit or loss:

	2021	2020
Depreciation expense of right-of-use assets	542	392
Interest expense on lease liabilities	169	166
Total amount recognized in profit or loss	711	558

C. Analysis of repayment dates of Group's lease liabilities (including principal and interest to be paid)

Expected payment dates	2021	2020
Up to one year	561	297
1-5 years	1,238	709
More than 5 years	35	-
Total	1,834	1,006

(US Dollar in thousands)

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT, NET:

For the year ended December 31, 2021:

	Leasehold improvements	Furniture and office equipment	Vehicles	Computers	Total
Cost:					
As of December 31, 2020	611	276	206	367	1,460
Business combination	32	30	67	30	159
Additions	40	3	109	87	239
Currency translation adjustments	11	5	7	(2)	21
As of December 31, 2021	694	314	389	482	1,879
Accumulated depreciation:					
As of December 31, 2020	192	53	113	308	666
Additions	70	30	44	45	189
Currency translation adjustments	14	(3)	-	(5)	6
As of December 31, 2021	276	80	157	348	861
Net book value:					
As of December 31, 2021	418	234	232	134	1,018

For the year ended December 31, 2020:

	Leasehold improvements	Furniture and office equipment	Vehicles	Computers	Total
Cost:					
As of December 31, 2019	416	74	200	278	968
Business combination	152	177	12	39	380
Additions	21	4	5	32	62
Disposals	-	-	(12)	-	(12)
Currency translation adjustments	22	21	1	18	62
As of December 31, 2020	611	276	206	367	1,460
Accumulated depreciation:					
As of December 31, 2019	110	16	82	225	433
Additions	70	28	37	68	203
Disposals	-	-	(12)	-	(12)
Currency translation adjustments	12	9	6	15	42
As of December 31, 2020	192	53	113	308	666
Net book value:					
As of December 31, 2020	419	223	93	59	794

(US Dollar in thousands)

NOTE 10 –INVESTMENTS IN INVESTEE:

	2021	2020
Associate - Fridman-Berkovitch (1)	694	-
Associate – Eklips (2)	417	-
Total	1,111	-

	Total
As of December 31, 2020	-
Purchase of investees	1,076
Share in loss of associates accounted for using the equity method investee loss	(31)
Currency translation adjustments	66
As of December 31, 2021	1,111

(1) Purchase 50% of Fridman-Berkovitch

In January 2021, Polibit entered into two Share Purchase Agreements ("SPA's"), pursuant to which Polibit purchased 500 Ordinary Shares of Fridman-Berkovitch, Insurance Agency (2009) Ltd. (“Fridman-Berkovitch”), which constitute, at the time of the closing of the SPA's, 50% of Fridman-Berkovitch’s share capital, on a fully diluted basis. The total consideration of the purchase is US$693 thousand, with the following breakdown: US$451 thousand was paid in cash and US$242 thousand will be paid during a two-year period.

Fridman-Berkovitch operates in Israel as an insurance agency since year 2009 and generates its revenues from insurance commissions at life and elementary sectors.

(2) Eklips

In February 2021, Verify entered into a Share Issuance Agreement with Eklips Insurance Agency (2012) Ltd. (“Eklips”). According to the agreement, Eklips agrees to issue 1,000 shares of its registered share capital to Verify, which constitutes 50% of Eklips’s share capital, on a fully diluted basis. The total consideration of the purchase is US$398 thousand. The consideration was paid in July 2021 and from that date, the associate is being accounted under the equity method. The consideration was paid by Verify’s non-controlling shareholders (see note 7).

Eklips has operated in Israel as an insurance agency since 2012, specializing in pension and financial insurance and working primarily with large organizations. 50% from share capital remained in the hands of the original owners, Yossi Sasson.

(US Dollar in thousands)

NOTE 11 –INVESTMENTS IN INVESTMENT FUNDS:

	2021	2020
Investment fund a (1)	1,283	1,240
Investment fund b (2)	226	250
Total	1,509	1,490

(1) During the year 2019, a subsidiary invested a total amount of US$1,122 thousand in a real estate fund. The investment is not liquid for 30 months since initial investment and will be mature during 2022. As of December 31, 2021, the investment annual yield was 5.0% (5.51% as of December 31, 2020).

(2) During the year 2020, a subsidiary invested the total amount of US$239 thousand in a real estate fund. The investment is not liquid for 60 months since initial investment, and it generates quarterly yield based on the fund's performance. As of December 31, 2021, the investment annual yield was 4.69% (2.02% as of December 31, 2020).

- The investment funds of the above two investment are one of the Israeli investment institutions.

(US Dollar in thousands)

NOTE 12 - INTANGIBLE ASSETS, NET:

A. Composition and movement

	Customer Relations	Goodwill	Technology	Total
Cost:				
As of January 1, 2020				
Business combination	6,248	4,034	108	10,390
Currency translation adjustments	469	303	8	780
As of December 31, 2020	**6,717**	**4,337**	**116**	**11,170**
Business combination	3,016	3,242	-	6,263
Currency translation adjustments	344	295	4	638
As of December 31, 2021	**10,077**	**7,874**	**120**	**18,071**
Accumulated depreciation:				
As of January 1, 2020	-	-	-	-
Additions	(464)	-	(9)	(473)
Impairment	-	(3,264)	-	(3,264)
Currency translation adjustments	(33)	-	(1)	(34)
As of December 31, 2020	**(497)**	**(3,264)**	**(10)**	**(3,771)**
Additions	(644)	-	(10)	(654)
Currency translation adjustments	(40)	(110)	(1)	(151)
As of December 31, 2021	**(1,181)**	**(3,374)**	**(21)**	**(4,576)**
Net book value:				
As of December 31, 2020	6,220	1,073	106	7,399
As of December 31, 2021	**8,896**	**4,500**	**99**	**13,495**

(US Dollar in thousands)

NOTE 12 - INTANGIBLE ASSETS, NET (CON.):

B. Impairment test and additional information

Presented below are details regarding the composition of the book value of the intangible assets, excluding Technology per cash generating unit ("CGU"):

	As of December 31, 2021	As of December 31, 2020
Subsidiary:	**Goodwill**	
Polibit	87	85
Kaplan	1,021	988
Verify	3,236	-
Or Hagefen	156	-
Total	**4,500**	**1,073**

Polibit

The Company evaluated the need to record a provision for impairment with respect to the goodwill attributed to Polibit, through a valuation prepared by an independent external valuer last year and a valuation prepared by the Company this year, based on the method of discounting the cash flows from the operation (value in use) which is based, inter alia, on the Company's forecast regarding the rate of growth rate, expected impact of Gefen technology and rate of expenses.

As of December 31, 2020, Polibit's book value was greater than its fair value and therefore an impairment of US$ 3,036 thousand was recorded. In accordance with the valuation as of December 31, 2021, the calculated recoverable amount is higher than the book value of Polibit, and therefore, impairment of goodwill did not occur. Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of December 31, 2021	As of December 31, 2020
Valuation methodology	Discounted Cash Flow	Discounted Cash Flow
Operational discount rate WACC after tax	13.5%	17%
Long term growth rate	3%	1.5%
Long term EBIT Margin	15%	11%
Effective marginal tax	23%	23%
Number of years in the cash flow forecast	5	5
Preparation of valuation	Internal	External

(US Dollar in thousands)

NOTE 12 - INTANGIBLE ASSETS, NET (CON.):

B. Impairment test and additional information (con.):

Kaplan

The Company evaluated the need to record a provision for impairment with respect to the goodwill attributed to Kaplan, through a valuation prepared by an independent external valuer last year and a valuation prepared by the Company this year, based on the method of discounting the cash flows from the operation (value in use) which is based, inter alia, on the Company's forecast regarding the rate of growth rate, expected impact of Gefen technology and rate of expenses.

In accordance with the valuation as of December 31, 2021 and 2020, the calculated recoverable amount is higher than the book value of Kaplan, and therefore, impairment of goodwill did not occur. Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of December 31, 2021	As of December 31, 2020
Valuation methodology	Discounted Cash Flow	Discounted Cash Flow
Operational discount rate WACC after tax	13.5%	15%
Long term growth rate	3%	0.82%
Long term EBIT Margin	24%	21%
Effective marginal tax	23%	23%
Number of years in the cash flow forecast	5	5
Preparation of valuation	Internal	External

(US Dollar in thousands)

NOTE 13 – SHORT-TERM MATURITIES AND LONG-TERM LOAN:

A. Composition of loans

	December 31, 2021	December 31, 2020
Short-term maturities:		
Loans from banking corporations	166	16
Bank account overdraft	319	70
Loans from others	597	* 878
	1,082	964

	December 31, 2021	December 31, 2020
Long-term loans:		
Loans from banking corporations	406	77
Loans from others	63	50
	469	127

(1) For details regarding related parties, see Note 7.
* Reclassified, for details see Note 2H

B. Loan terms*

	December 31, 2021		December 31, 2020	
	Carrying amount	Average Interest	Carrying amount	Average Interest
Loans from bank	563	4.7%	93	3.1%
Loan from financial institutions	265	5.8%	128	6.5%
Loan from Credit fund (1)	-	-	489	26.0%
Loans from others (2)	404	5.8%	311	8.4%
Total	1,232	5.7%	1,021	16.1%

* Not including bank account overdraft

(1) As of September 2018, Gefen signed a financing agreement, under which it may withdraw up to US$14,000 thousand. For the year 2018, the company used US$1,800 thousand, and for the year 2019, the company used an additional US$600 thousand. Loan US$1,800 thousand bears an interest rate of 26% and is repaid in 24 monthly installments, while loan US$600 thousand bears an interest rate of approximately 12% and is repaid in two installments. The remaining part of the loan for the amount of US$489 thousand was repaid on July 27, 2021, after the Initial Public Offering.

(2) In August 2019, Polibit received a loan from a non-bank institution in respect of an allotment of 4.9% of its issued shares.
The loan of US$322 thousand (1,000 thousand NIS) is with no defined repayment date and bears an annual interest of 8.4% monthly paid.

(US Dollar in thousands)

NOTE 14 - OTHER PAYABLES:

	December 31, 2021	December 31, 2020
Employees, salaries and related liabilities	1,579	939
Accrued expenses	1,474	189
Institutions	57	56
Commitment for acquisition transactions	448	-
Others	29	* 24
Total	3,587	1,208

* Reclassified, for details see Note 2H

NOTE 15 – CONVERTIBLE NOTE:

1. In 2020, Gefen has entered into Simple Agreements for Future Equity with certain investors, for an aggregate amount of approximately US$1,491 thousand (US$364 thousand of that amount was received in 2019). According to the agreement, immediately prior to the occurrence of a Liquidity Event (which includes an Initial Public Offering of the securities of the Company or a related entity) or Equity Financing, the convertible note will be converted into ordinary shares in Company or the related issuing entity, in an amount calculated as follows: The relevant Investor's amount of participation in the convertible note, divided by a conversion price reflecting a percentile discount (20% for an IPO consummated in 2021, 25% for an Equity Financing) from the general price at which Company issues shares under the Liquidity Event or Equity Financing. There is no cash repayment for the convertible note. The convertible note was designated to be measured at fair value through profit or loss. As of July 21, 2021, the fair value was US$1,733 thousand.
   Following the Initial Public Offering, the convertible note was converted into ordinary shares.

2. Gefen has entered into certain convertible notes (the "Notes") in order to raise in the aggregate amount of AUD$4 million, (approximately US$2,847 thousand). Conversion: immediately prior to the occurrence of a liquidity event which means the completion of an IPO or Share Sale. Calculation of the conversion shall be as follows: Notes' sum divided by the conversion price which is the lesser of: (i) a price equal to

(US Dollar in thousands)

NOTE 15 – CONVERTIBLE NOTE (CON.):

a 25% discount to the IPO Price or the price payable per ordinary share in respect of a share sale or the price attributable to an ordinary share; and (ii) a deemed pre-money fully diluted equity valuation of the subsidiary Gefen Technologies of US$75 Million. Redemption: only in the event that the Notes are not converted into shares pursuant to the conversion prior to or on the date of twelve (12) months from the date of each Note (the "Redemption Date"), Gefen shall pay the noteholder at the Redemption Date, the combined total of the Notes sum plus the amount that is equal to 20% of the Notes sum. The convertible note was designated to be measured at fair value through profit or loss. As of July 21, 2021, the fair value was US$3,925 thousand.

Following the Initial Public Offering, the convertible note was converted into ordinary shares.

3. In April 2021, Gefen has entered into certain convertible note (the "Additional Notes") in order to raise an aggregate amount of AUD$2.5 million (approximately US$1,875 thousand). The Additional Notes will be converted into the shares of the public company.

   Conversion: immediately prior to the occurrence of a liquidity event which means the completion of an IPO or Share Sale. Calculation of the conversion shall be as follows: Additional Notes' amount divided by the conversion price which is the following: a price equal to a 15% discount to the IPO Price, or the price payable per ordinary share in respect of a share sale.
4. Redemption: only in the event that the Notes are not converted into shares pursuant to the conversion prior to or on the date of twelve (12) months from the date of each Note (the "Redemption Date"), the Company shall pay the noteholder at the Redemption Date, the total of the Notes amount. The convertible note was designated to be measured at fair value through profit or loss. As of July 21, 2021, the fair value was US$2,174 thousand.

Following the Initial Public Offering, the Company's financial liabilities - the convertible notes, were converted into ordinary shares.

	July 21, 2021	December 31, 2020	Conversion to Number of Ordinary Share
Convertible note (1)	1,733	1,919	2,354,123
Convertible note (2)	3,925	4,269	5,333,333
Convertible note (4)	2,174	-	2,941,176
Total	7,832	6,188	10,628,632

(US Dollar in thousands)

NOTE 16 – EMPLOYEE BENEFITS

Employee benefits include post-employment benefits, severance benefits, other long-term benefits and short-term benefits.

For details regarding benefits to founders, see Note 7.

For details regarding share-based payments, see Note 32.

	December 31, 2021	December 31, 2020
Present value of funded obligations	546	758
Present value of unfunded obligations	203	-
Total present value of obligations	749	758
Fair value of plan assets	332	541
Impact of the maximum limit for assets	(35)	(40)
Liability which was recognized with respect to defined benefit plan	452	257
Liabilities with respect to short term benefits*	1,579	939
Total	2,031	1,196

Presented under the following sections:

Other payable	1,579	939
Employee benefits, net	452	257

* The liabilities with respect to short term benefits include liabilities with respect to salary, holiday, compensation and annual bonuses to employees.

Post-employment benefit plans - defined benefit plan

The Group has defined benefit plans with respect to which amounts are deposited in provident funds, pension funds, appropriate insurance policies.

Labor laws and the Severance Pay Law, 1963 (hereinafter: the “Severance Pay Law”) in Israel require the Group to pay severance to employees upon termination of employment, or upon retirement. The Group’s liability with respect to employee benefits is calculated according to a valid employment agreement and is based on the salary of an employee which, in management’s opinion, creates the right to receive severance pay.

(US Dollar in thousands)

NOTE 16 – EMPLOYEE BENEFITS (CON.)

Post-employment benefit plans - defined deposit plan

Most severance payments are subject to the terms of section 14 of the Severance Pay Law, 1963, according to which the Company's current deposits in pension funds and/or in policies in insurance companies exempt it from any additional undertaking towards employees, for which the aforementioned amounts were deposited.

NOTE 17 – SHARE HOLDERS EQUITY:

A. Share capital:

	Authorized		Issued and outstanding	
	Number of ordinary shares as of December 31,			
	2021*	2020	2021*	2020
Ordinary shares of NIS 0.01 par value	150,681,565	40,334,876	127,941,176	40,334,876

* The shares are listed for trade on the Australian Securities Exchange. Holders of ordinary shares are entitled to receive dividends, and voting rights in the Company's general shareholder assemblies, according to a ratio of one vote per share, along with liquidation rights in the Company and director nomination rights in the Company.
* On July 21, 2021, the Company was admitted to the official list of the ASX whereby the company raised AUD$25 million (approximately USD$18.4 million) pursuant to the offer by the issuance of 25,000,000 shares at an issue price of AUD$ 1 per share. The aggregate proceeds received by the Company from the IPO were approximately US$16.4 million, after deducting commissions and additional offering costs of US$1.9 million from the equity.

  Following the IPO, the Company's financial warrants and liabilities were converted to ordinary shares:
  - Contingent consideration in business combination regarding the acquisition of Polibit and Kaplan (see Note 30) were converted into 6,849,261 ordinary shares
  - Convertible notes were converted into 10,628,632 ordinary shares, (see Note 15)
  - Warrants were converted to into 5,128,205 ordinary shares.

(US Dollar in thousands)

NOTE 17 – SHARE HOLDERS EQUITY (CON.):

A. Share capital (con.):

In addition to the IPO, the Company granted stock options and ordinary share as follow:

- Stock options to each of the three founders in the amount of 1,824,839 each (see note 32).
- Stock options to each of the three non-executive directors of the Company in the amount of 150,000 each (see note 32).
- In February 2021, the Company signed an agreement with its corporate finance advisor. The Advisor received 1,672,918 ordinary shares of the Company at nil cost.

Issued and outstanding shares	**Year ended December 31, 2021**
Opening balance	40,334,876
Split (1)	38,327,284
Warrants	5,128,205
Contingent consideration in business combination (1)	6,849,261
Convertible Notes (2)	10,628,632
Shares issued to Corporate Advisor	1,672,918
Initial Public Offering (3)	25,000,000
Closing balance	127,941,176

(1) Issuance of share benefit of the Company's ordinary shares at a ratio of 1.95:1 was affected on May 11, 2021. All share and per share information has been retroactively adjusted to give effect to the issuance of share benefit for all periods presented, unless otherwise indicated.
(2) For more details, see Note 15
(3) For more details, see Note 1(l)

B. Capital reserves
The translation reserve for foreign operations is primarily comprised of effects from the NIS and AUD.

C. Dividends

- There were no dividends paid, recommended or declared during the current and previous financial period.
- The Company intends to invest all cash flow into the business in order to maximise its growth over the next 24 months from listing. Therefore, no dividends are expected to be paid in the near term.

(US Dollar in thousands)

NOTE 18 - REVENUE:

	Year ended December 31, 2021	Year ended December 31, 2020
Net revenue	11,437	10,761
Gross revenue (1)	1,539	121
Total	12,976	10,882

(1) For details, see Note 3(L2)

Revenues are disaggregated in accordance with the disclosure on operating segments – note 26.

NOTE 19 - COST OF SALES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	3,312	*2,856
Agents' commissions	1,539	121
Subcontractors and related expenses	569	210
Office maintenance	197	160
Depreciation	26	32
Share-based payment	15	12
Others	61	61
Total	5,719	* 3,452

* Reclassified, for details Note see 3(K4)

(US Dollar in thousands)

NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Subcontractors	988	1,057
Salary and related expenses	453	223
Share-based payment	349	2,616
Total	1,790	3,896

NOTE 21 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Amortization of customer relations	644	464
Salary and related expenses	523	* 335
Marketing and consulting services to Fineline (1)	404	4,536
Management fees	260	244
Advertising expenses	443	206
Share-based payment to founders	180	-
Total	2,454	*5,785

* Reclassified, for details Note see 3(K4)

(1) For details, see Note 32

(US Dollar in thousands)

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	3,036	1,719
Professional fees	1,470	964
Share-based payment	361	887
Office maintenance	777	659
Depreciation	688	523
Directors and officers insurance (1)	566	15
Others	173	152
Total	7,071	4,919

(1) For additional details regarding directors and officers insurance see Note 7.

NOTE 23 – OTHER INCOME:

	Year ended December 31, 2021	Year ended December 31, 2020
Rent	193	238
Providing office services	158	-
Income from investment	39	70
Others	33	60
Total	423	368

(US Dollar in thousands)

NOTE 24 - FINANCIAL (INCOME) EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Interest on lease liabilities	172	166
Bank commissions and loan interest	49	371
Currency fluctuations	-	20
Change in fair value of financial liab ility	142	1,759
Others	41	-
Total financial expenses	404	2,316
Change in fair value of financial liability	1,578	106
Currency fluctuations	67	-
Others	-	19
Total financial income	1,645	125

NOTE 25 - INCOME TAX (EXPENSE) BENEFIT:

1. General tax rate applicable to income in Israel:

Current taxes for the reported periods and the balances of deferred taxes as of December 31, 2021 are calculated at the tax rate applicable to the Company and its subsidiaries, which is 23%.

2. Final tax assessments

The Company and Gefen have not received final tax assessments by the approval of the financial statements.

- Polibit has received final tax assessments up to and including 2016.
- Kaplan has received final tax assessments up to and including 2017.
- Verify has received final tax assessments up to and including 2018.
- Or Hagefen has not received final tax assessments.

(US Dollar in thousands)

NOTE 25 - INCOME TAX (EXPENSE) BENEFIT (CON.):

3. Components of expenses (income) tax expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax (expenses) income		
With respect to the current period	(197)	(233)
Adjustments with respect to previous years, net	37	-
	(160)	(233)
Deferred tax (expenses) income		
Creation and reversal of temporary differences	227	145
Income tax (expense) benefit	67	(88)

4. Reconciliation between the theoretical tax on the pre-tax loss and the tax expenses:

	Year ended December 31, 2021	Year ended December 31, 2020
Loss before tax	(2,425)	(12,029)
Statutory tax rate	23%	23%
Income tax at the statutory tax rate	**558**	**2,767**
Losses for which no deferred tax assets were created	**(897)**	**(2,979)**
Use of losses from previous years with respect to which no deferred taxes were recorded	**9**	
Expenses not recognized for tax purposes	235	15
Taxes with respect to previous years	12	
Differences in the measurement of assets and liabilities for tax purposes, and for the purpose of the adjusted reports	150	109
Income tax (expense) benefit	67	(88)

(US Dollar in thousands)

NOTE 25 - INCOME TAX (EXPENSE) BENEFIT (CON.):

5. Recognized deferred tax assets and tax liabilities and their changes:

	Deferred tax asset for losses	Deferred tax assets for employee benefit plans	Deferred tax liabilities for intangible assets
Balance as of January 1, 2020	-	53	(1,462)
Creation and reversal of temporary differences	-	39	109
Changes applied to other comprehensive income	-	4	(102)
Balance as at December 31, 2020	-	96	(1,455)
Creation and reversal of temporary differences	-	12	(544)
Changes applied to other comprehensive income	-	3	(70)
Deferred taxes with respect to losses for which deferred taxes were not recorded in the past	100	-	-
Balance as at December 31, 2021	100	111	(2,069)

6. Net losses carried forward:

As at the date of the financial statements, deferred taxes for carryforward losses for tax purposes of US$4.2 million were not recognized, since they are not expected to be utilized, according to the Company's assessment as at the date of the financial statements.

In addition, the calculation of deferred taxes does not take into account the taxes that would be applicable in the case of disposal of investments in subsidiaries and associates, since the Group intends and is able to retain these investments. Deferred taxes in respect of a distribution of profit in subsidiaries and associates were not taken into account since the dividends are not taxable.

(US Dollar in thousands)

NOTE 26 – SEGMENT INFORMATION:

The consolidated entity is organized into two operating segments based on differences in services provided:

- Agent solution segment
- Licensing fee segment

These operating segments are based on the internal reports that are reviewed and used by the Both co-Chief Executive Officers (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews Segment operating profit (loss). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services. The principal services and services of each of these operating segments are as follows:

- Agent solution segment - The Company focus on expanding and scaling its unique digital financial Arena and the business generated for carriers and agents. Transactional agent solutions fees paid by carriers as commissions to the Company.
- License fees segment - revenues from license use by customers.

Summarized financial information by segment, based on the Group’s internal financial reporting system utilized by the Group’s chief operating decision makers, follows:

For the year ended December 31, 2021:

	Agent solution segment	**License fees Segment**	**Total**
Segment revenue	10,049	2,927	12,976
Segment operating profit (loss)	85	(3,720)	(3,635)
Share in loss of associates accounted for using the equity method investee loss	(31)	-	(31)
Financial expenses, net	(416)	1,657	1,241
Profit (loss) before tax	(362)	(2,063)	(2,425)

(US Dollar in thousands)

NOTE 26 – SEGMENT INFORMATION (CON.):

Revenue by geographic region:	Agent solution segment	License fees Segment	Total
Israel	10,049	2,500	12,549
Rest of the world	-	427	427
Total revenue	10,049	2,927	12,976

For the year ended December 31, 2020:

	Agent solution segment	License fees Segment	Total
Segment revenue	6,670	4,212	10,882
Segment operating profit (loss)	903	(10,741)	(9,838)
Financial expenses, net	(94)	(2,097)	(2,191)
Profit (loss) before tax	809	(12,838)	(12,029)

	Agent solution segment	License fees Segment	Total
Revenue by geographic region:			
Israel	6,670	-	6,670
Rest of the world	-	4,212	4,212
Total revenue	6,670	4,212	10,882

(US Dollar in thousands)

NOTE 27 – LOSS PER SHARE:

A. Earnings attributable to holders of ordinary shares of the Company (basic and diluted)

	Year ended December 31, 2021	Year ended December 31, 2020
Earnings (loss) attributed to holders of ordinary shares	(2,446)	(12,417)

B. Weighted average of the number of ordinary shares (basic)

	Year ended December 31, 2021	Year ended December 31, 2020
Balance as of January 1	78,662,160	78,662,160
Impact of shares which were issued during the year	11,164,384	-
Impact of options warrants and convertible notes exercised into shares	10,855,415	-
Weighted average of the number of ordinary shares used to calculate basic earnings (loss) per share	100,681,959	78,662,160

Convertible notes issued in the current period have been omitted from the above calculation as they are anti-dilutive

For details regarding a share issuance by the Company this year, see Note 17.

NOTE 28 - FINANCIAL INSTRUMENTS:

General

The Group is exposed to the following risks, arising from the use of financial instruments:

a. Credit risk
b. Liquidity risk
c. Market risk (which includes currency, interest rate and CPI risks)

This Note provides qualitative and quantitative information about the Group's exposure to each of the above risks, an explanation as to how the risks are managed, and the measurement processes.

NOTE 28 - FINANCIAL INSTRUMENTS (CON.):

Framework for financial risk management

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 main financial instruments are its cash and cash equivalents, other receivables, and trade payables. The Company actively measures, monitors and manages its financial risk exposures. The risk management policies employed by the Company to manage these risks are discussed below.

Market risk

Stock market declines and capital market trends in both shares and bonds may cause a decrease in the volume of agent transactions in the Group, end-customers leave, a shift of customers to more solid products, and lower commissions may materially impair the Group's business results. The factors that may cause such declines are, among others, factors beyond the Group's control and cannot predict them, such as exacerbation of the spread of the coronavirus and its consequences, the state of financial markets in the world and especially in the US and Europe, Economic slowdown in Israel and around the world, deviation from inflation targets, increase in interest rates, etc. Change for the better or expectation for a change for the better in the economic, political, and security situation, including a positive trend and success in eradicating the spread of the virus, may lead to positive developments in the capital market and vice versa. Recently, the crisis between Russia and Ukraine has intensified, and a Russian invasion of Ukraine has begun. This significantly increases the uncertainty in the world capital markets and leads to price declines. The prolongation of the campaign and economic sanctions on Russia could lead to damage to the economies of these countries and the global economy.

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 Company closely monitors the activities of its counterparties which enables it to ensure the prompt collection of the balances. Management monitors the Group's exposure to credit risks on a regular basis.

i. <u>Cash and deposits</u>

   Cash and cash equivalents and bank deposits are deposited in highly rated banks.

NOTE 28 - FINANCIAL INSTRUMENTS (CON.):

Credit risk (con.):

ii. Trade and other receivables

The Group's management regularly monitors customer debts, and the financial statements include provisions for doubtful debts which properly reflect, in the management's estimation, the loss inherent in doubtful debts. In addition, the balances of the trade receivables from insurance companies and financial institutions are spread in highly rated corporations.

iii. Investments funds

The Group is exposed to investment funds, which include investments in real estate and in real estate funds. These assets are exposed to changes in their value, which may result, inter alia, from changes in capital markets, changes in prices of commodities, discount prices, and real estate. By nature, these investments are less volatile than marketable investments.

Foreign 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 Company's functional currency. The Company exposed to foreign exchange risk arising from currency exposure primarily with respect to New Israeli Shekel ("NIS").

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

(US Dollar in thousands)

Statement of financial position according to linkage basis as of December 31, 2021:

	USD	NIS	ERO	AUD	Non-monetary items	Total
Assets						
Cash and cash equivalents	4,174	4,488	-	1,953	-	**10,615**
Bank Deposits	2,401	97	-	-	-	**2,498**
Trade receivable, net	1,180	1,114	-	-	-	**2,294**
Other receivables	-	162	-	-	1,158	**1,320**
Related party receivables	-	259	-	-	-	**259**
Total current Assets	**7,755**	**6,120**	**-**	**1,953**	**1,158**	**16,986**
Non-current assets:						
Right-of-use assets	-	1,690	-	-	-	**1,690**
Property, plant and equipment, net					1,018	**1,018**
Investment in investee	-	1,111	-	-	-	**1,111**
Investment in investment funds	-	1,283	226	-	-	**1,509**
Intangible assets, net	-	-	-	-	8,995	**8,995**
Goodwill	-	-	-	-	4,500	**4,500**
Total non-current assets	**-**	**4,084**	**226**	**-**	**14,513**	**18,823**
TOTAL ASSETS	**7,755**	**10,204**	**226**	**1,953**	**15,671**	**35,809**
Current liabilities:						
Short-term maturities of long-term loan	-	1,082	-	-	-	**1,082**
Trade payables	-	331	-	17	-	**348**
Related party payables	-	2,054	-	-	-	**2,054**
Deferred revenues	-	-	-	-	509	**509**
Lease liabilities	-	561	-	-	-	**561**
Other payables	411	3,119	-	-	57	**3,587**
Total current liabilities	**411**	**7,147**	**-**	**17**	**566**	**8,141**
Non-current liabilities:						
Lease liabilities	-	1,273	-	-	-	**1,273**
Long-term loan	-	469	-	-	-	**469**
Employee benefits, net	-	452	-	-	-	**452**
Related parties	-	1,549	-	-	-	**1,549**
Liability at business combination	-	1,369	-	-	-	**1,369**
Deferred tax liabilities	-	-	-	-	1,858	**1,858**
Total non-current liabilities	**-**	**5,112**	**-**	**-**	**1,858**	**6,970**
Total liabilities	**411**	**12,316**	**-**	**17**	**2,367**	**15,111**
Total capital	-	-	-	-	**20,698**	**20,698**
Total capital and liabilities	**411**	**12,316**	**-**	**17**	**23,065**	**35,809**
Total balance sheet exposure	7,344	(2,112)	226	1,936	(7,394)	-

(US Dollar in thousands)

Statement of financial position according to linkage basis as of December 31, 2020:

	USD	NIS	ERO	AUD	Non-monetary items	Total
Assets						
Cash and cash equivalents	222	1,021	12	271	-	**1,526**
Bank Deposits	-	94	-	-	-	**94**
Trade receivable, net	113	631	-	-	-	**744**
Other receivables	-	15	-	-	166	**181**
Related party receivables	-	269	-	-	-	**269**
Total current Assets	**335**	**2,030**	**12**	**271**	**166**	**2,814**
Non-current assets:						
Right-of-use assets	-	893	-	-	-	**893**
Property, plant and equipment, net	-	-	-	-	794	**794**
Investment in investment funds	-	1,240	250	-	-	**1,490**
Intangible assets, net	-	-	-	-	6,326	**6,326**
Deferred tax assets	-	-	-	-	96	**96**
Goodwill	-	-	-	-	1,073	**1,073**
Total non-current assets	**-**	**2,133**	**250**	**-**	**8,289**	**10,672**
TOTAL ASSETS	**335**	**4,163**	**262**	**271**	**8,455**	**13,486**
Current liabilities:						
Short-term maturities of long-term loan	488	476	-	-	-	**964**
Trade payables	78	183	-	-	-	**261**
Related party payables		1,616	-	-	-	**1,616**
Deferred revenues	515	1,195	-	-	-	**1,710**
Lease liabilities		297	-	-	-	**297**
Other payables	134	1,018	-	-	56	**1,208**
Contingent consideration in business combination	6,327	-	-	-	-	**6,327**
Convertible note	3,341	-	-	2,847	-	**6,188**
Total current liabilities	**10,883**	**4,785**	**-**	**2,847**	**56**	**18,571**
Non-current liabilities:						
Lease liabilities	-	709	-	-	-	**709**
Deferred revenues	38	-	-	-	-	**38**
Long-term loan	-	127	-	-	-	**127**
Employee benefits, net	-	257	-	-	-	**257**
Deferred tax liabilities	-	-	-	-	1,455	**1,455**
Total non-current liabilities	**38**	**1,093**	**-**	**-**	**1,455**	**2,586**
Total liabilities	**10,921**	**5,878**	**-**	**2,847**	**1,511**	**21,157**
Total capital	**-**	**-**	**-**	**-**	**(7,671)**	**(7,671)**
Total capital and liabilities	**10,921**	**5,878**	**-**	**2,847**	**(6,160)**	**13,486**
Total balance sheet exposure	**(10,586)**	**(1,715)**	**262**	**(2,576)**	**14,615**	**-**

(US Dollar in thousands)

NOTE 28 - FINANCIAL INSTRUMENTS (CONT.):

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, 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 on the equity.

As of December 31, 2021

	Rate of change in the NIS currency exchange rate		Rate of change in the AUD currency exchange rate	
	+10%	**-10%**	**+10%**	**-10%**
Profit and loss before tax	(205)	205	194	(194)

As of December 31, 2020

	Rate of change in the NIS currency exchange rate		Rate of change in the AUD currency exchange rate	
	+10%	**-10%**	**+10%**	**-10%**
Profit and loss before tax	(171)	171	(258)	258

(US Dollar in thousands)

NOTE 28 - FINANCIAL INSTRUMENTS (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 Company 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. As of the balance sheet date, the Company has a negative working capital.

The following tables detail the Company'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 Company can be required to pay.

At December 31, 2021	Up to 3 Months	Between 3 and 12 Months	Between 2 and 4 Years	More than 4 Years	Total
Liability at business combination	-	-	1,369	-	**1,369**
Related party receivables	1,307	665	1,301	330	**3,603**
Other payable	1,645	306	-	-	**1,951**
Loans*	197	273	508	478	**1,456**
Lease liabilities	212	550	1,347	90	**2,199**
Trade payable	348	-	-	-	**348**
Total	**3,709**	**1,794**	**4,525**	**898**	**10,926**

At December 31, 2020	Up to 3 Months	Between 3 and 12 Months	Between 2 and 4 Years	More than 4 Years	Total
Convertible note	-	6,188	-	**-**	**6,188**
Contingent consideration in business combination	-	6,327	-	-	**6,327**
Loans*	66	603	185	436	**1,290**
Lease liabilities	105	298	444	495	**1,342**
Related parity receivables	-	304	1,231	81	**1,616**
Trade payable	261	-	-	-	**261**
Other payable	189	-	-	-	**189**
Total	**621**	**13,720**	**1,860**	**1,012**	**17,213**

* Without bank account overdraft

(US Dollar in thousands)

NOTE 29 - FAIR VALUE MEASUREMENT:

Fair value hierarchy:

The following table detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Level 3:	**As of December 31, 2021**	**As of December 31, 2020**
Convertible note	-	(6,188)
Contingent consideration in business combination	-	(6,327)

*There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Convertible note	**Contingent consideration in business combination**	**Total**
Balance at 31 December 2019	(455)	-	(455)
Business combination	-	(6,433)	(6,433)
Gains (losses) recognized in profit or loss	(1,759)	106	(1,653)
Additions	(3,974)	-	(3,974)
Balance at 31 December 2020	(6,188)	(6,327)	(12,515)
Gains (losses) recognized in profit or loss	292	1,286	1,578
Additions	(1,936)	-	(1,936)
Conversion to equity	7,832	5,041	12,873
Balance at 31 December 2021	-	-	-

NOTE 30 - BUSINESS COMBINATION:

1. Purchase of Polibit:

a. On January 1, 2020, Gefen entered into an agreement which providing to the Company with a call option to purchase 51% of the fully diluted equity of Polibit.

b. The consideration of the call option is calculated as 102% of the revenues recognized in Polibit's 2019 financial statements, including fees paid to Polibit’s subsidiary for usage of Polibit’s platform and other consideration as specified in the agreement. 40% of all outstanding debts of Polibit to any third party as of December 31, 2019 resulting from any loans, not related to ongoing credit line provided to Gefen and Polibit's subsidiary from its bank, shall be reduced from the purchase price. In the event of an IPO the consideration will be paid by issuance of shares to the sellers according to a price per share calculated as specified in the agreement taking into account several valuation thresholds.

c. The call option had been exercised immediately on January 1, 2020 and shares of Company will be issued to Polibit’s shareholders upon consummation of an IPO accordingly. In case there is no IPO event until July 2021, the payment will be paid in cash.

d. 51% of the ordinary shares of Polibit were purchased for the total consideration of US$4,138 thousand. Polibit operates as an insurance agency. It was acquired to better execute the strategy of the Company at the insurance segment.

e. Goodwill of US$3,116 thousand represents the expected synergies from merging this business with the agent solution sector.

f. The acquired business contributed revenue of US$4,498 thousand and profit after tax of US$72 thousand to the consolidated entity for the year ended December 31, 2020.

g. The Company evaluated the impairment of the assets purchased as of December 31, 2020, according to an appraisal performed by an external evaluator, and accordingly recorded an impairment of Goodwill amounted to US$3,036 thousand.

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

1. Purchase of Polibit (cont.):

Details of the acquisition are as follows:

Description	Polibit – fair value
Net tangible assets	
Current assets, net of current liabilities	(2,342)
Investment in investment fund	550
Plant and equipment	262
Right of use asset	537
Long term liabilities	(548)
Employee benefits	(15)
Customer Relations and technology	4,626
Deferred Tax liability	(1,065)
Goodwill	3,116
Non- controlling interest	(983)
Acquisition-date fair value of the total consideration transferred	4,138
Representing:	
Payable to sellers	4,138
Cash used to acquire business, net of cash acquired:	-
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	9
Net cash received	9

2. Purchase of Kaplan:

a. In January 1, 2020, Gefen entered into an agreement which providing a call option to purchase 51% of the fully diluted equity of Kaplan. The consideration of the call option is calculated as 102% of the revenues recognized in Kaplan's 2019 financial statements. In the event of an IPO, the consideration will be paid by issuance of shares to the sellers according to a price per share calculated as specified in the agreement taking into account several valuation thresholds.

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

2. Purchase of Kaplan (con.):

b. The call option had been exercised immediately on January 1, 2020, and shares of Company will be issued to Kaplan's shareholders upon consummation of an IPO accordingly. In case there is no IPO event until July 2021, the payment will be paid in cash.

c. 51% of the ordinary shares of Kaplan were purchased for the total consideration of US$2,295 thousand. Kaplan operates as insurance agency. It was acquired to better execute the strategy of the Company at the Insurance world.

d. Goodwill of US$919 thousand represents the expected synergies from merging this business with the agent solution sector.

e. The acquired business contributed revenue of US$2,173 thousand and profit after tax of US$510 thousand to the consolidated entity for the year ended December 31, 2020.

Details of the acquisition are as follows:

Description	**Kaplan – fair value**
Net tangible assets	
Current assets, net of current liabilities	103
Investment in investment fund	1,158
Plant and equipment	118
Right of use assets	253
Deferred tax assets	53
Long term liabilities	(204)
Employee benefits	(115)
Customer Relations	1,729
Deferred Tax liability	(397)
Goodwill	919
Non- controlling interest	(1,322)
Acquisition-date fair value of the total consideration transferred	2,295
Representing:	
Payable to sellers	2,295
Cash used to acquire business, net of cash acquired:	-
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	664
Net cash received	664

NOTE 30 - BUSINESS COMBINATION (CONT.):

3. **Purchase of Verify:**

a. Gefen and Verify Insurance Agency Ltd. ("Verify") signed a license agreement on January 10, 2021, under which Gefen granted Verify a license to use Gefen's platform for US$1,250 thousand which was recognized as income during the first half of 2021.

b. In July 1, 2021, before Verify pay for the use of license agreement (hereinafter, “the Debt"), Gefen and Shabtai-Amir holding partnership, signed a share purchase agreement under which Gefen acquired 51% of the ordinary shares of Verify in two steps as described:

- In the first phase, 30% of the company's share capital was acquired.
- In the second phase, Gefen granted the sellers a put option that allows the sellers to sell 21% of Verify's share capital to Gefen for 30 days beginning 24 month following the signing date, and at the same time, the seller granted Gefen a call option to purchase 21% of the share capital for 12 months from the expiration date of the put option. (See below the option exercise price)

c. The total consideration in this transaction is US$3.2 million and it consists of three components:

- Cash payment in the amount of US$1.6 million. An amount of US$1.25 million was paid in January 2022, and an additional amount of US$0.35 million will be paid by January 2023.
- Debt assignment in the amount of 49% of the Debt.
- Future payment when one of the options will be exercised. The put option discounted exercise price at the acquisition date is USD$1.04 million

d. The Company concluded that it controls Verify because contractual agreements with the other shareholders provide to Gefen 51% of the management shares of Verify’s Board of Directors since the share purchase agreement date.

e. Verify operates as an insurance agency. It was acquired to better execute the Company's strategy in the insurance segment. Goodwill of US$3.1 million was recognized, representing the expected synergies from merging this business with the agent solution sector.

f. The acquired business contributed revenue of US$934 thousand and a loss after tax of US$217 thousand to the consolidated entity for the six months ended December 31, 2021.

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

3. Purchase of Verify (con.):

The following is the fair value of the identified assets and liabilities of the company acquired at the time of acquisition:

Description	Verify – fair value
Net tangible assets	
Current assets, net of current liabilities	(1,484)
Investment in investee	399
Property, Plant and equipment	159
Right-of-use asset	84
Deferred tax liabilities	(509)
Related Parties	(373)
Employee benefits	(195)
Customer Relations	2,346
Goodwill	3,088
Long term loans	(221)
Non- controlling interest	(101)
Acquisition-date fair value of the total consideration transferred	3,193
Representing:	
Payable to sellers	3,193
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	16
Net cash received	16

NOTE 30 - BUSINESS COMBINATION (CONT.):

4. **Purchase of Or Hagefen:**
    1. In August 2021, the Company signed an agreement to purchase 14% of the share capital of Or HaGefen's share capital.
    2. Or HaGefen Ltd is a limited liability company that has submitted (and is yet to receive) a license request to operate as an insurance agency. The insurance agency is expected to receive the activity of an unregistered partnership that holds the activity of an individual that acts as an insurance agent and that was being held by the same shareholders (except the Company).
    3. The Company replaced one of the unregistered partnership's existing partners, who held only 14% of that partnership.
    4. In October 2021, the Company provided Or HaGefen a loan with a principal amount of NIS1.3 million. This loan was previously granted by the partner which the Company has replaced, and the Company provided a new loan to repay that partner's loan.
    5. The Company applied judgment and concluded that it controls Or Hagefen from the following reasons:
        a. Power over Or Hagefen during its contractual agreements with the other shareholders that grants Gefen more than 50% of the voting rights in Or HaGefen's Board of Directors and any material decisions with supermajority rights of which the most significant is nominating the CEO.
        b. Exposure to variable returns of Or HaGefen as Gefen granted a long-term loan agreement in the amount of NIS1.3 million to Or Hagefen that will be repaid from Or Hagefen profits and additional short-term loans that altogether expose Gefen to Or HaGefen's credit risk.
        c. The exposure to variable returns through the investment in its net assets, loans and the future aimed synergies with the operations of Gefen Arena creates a wide spread exposure to Or Hagefen.
    6. Control was gained in December 31, 2021. Therefore, Or HaGefen does not affect the results of the Company's operations during the financial year.
    7. Or Hagefen operates as an insurance agency. It was acquired to better execute the Company's strategy in the insurance segment. Goodwill of US$155 thousand was created, representing the expected synergies from merging this business with the agent solution sector.

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

4. Purchase of Or Hagefen (con.):

The following is the fair value of the identified assets and liabilities of the company acquired at the time of acquisition:

Description	**Or Hagefen – fair value**
Net tangible assets	
Current assets, net of current liabilities	(271)
Customer Relations	670
Goodwill	154
Deferred tax liabilities	(155)
Related Parties	(331)
Long term loans	(349)
Non- controlling interest	375
Acquisition-date fair value of the total consideration transferred	93
Representing:	
Payable to sellers	93
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	93
Less: cash and cash equivalents	-
Net cash received	(93)

NOTE 30 - BUSINESS COMBINATION (CONT.):

5. Arayot

1. Gefen and Dorotnet 2016 Ltd. ("Dorot") signed a license agreement on February 1, 2021, under which Gefen granted Dorot a license to use Gefen's platform for US$1,250 thousand, which was recognized as income during the first half of 2021.
2. Dorot has paid a consideration of US$100 thousand and must pay additional consideration in the amount of US$1,150 thousand ("Debt").
3. On June 1, 2021, Gefen signed a shareholder's agreement with Arayot Insurance and Pension Agency Ltd. ("Arayot") for the establishment of a new Company ("Newco"), where Gefen holds 51% of the shares, and Arayot holds 49% of the shares, both on full-diluted basis.
4. Arayot's business activity is supposed to be performed exclusively within and through Newco, and they will be based on Gefen technology platform.
5. The Newco has not established yet.
6. Arayot has a sub-agency agreement with AKG under which it transfers to AKG agents' fees.
7. Dorot provides services to AKG, for which AKG pays as part of an agreement between the two.
8. In March 29, 2022, Gefen, Arayot, AKG, and Dorot signed a share purchase agreement which is according to the following agreements:

- A Newco will not be established as specified in the agreement between Gefen and Arayot.
- Alternatively, all rights and obligations granted to the shareholders under the shareholders' agreement in the Newco, granted to the shareholders in Arayot. For this purpose, 51% of the issued share capital of Arayot assigned to Gefen on a fully diluted basis and the other shareholders in Arayot, diluted to a holding of 49% of its issued and paid-up share capital on a fully diluted basis.
- Gefen, Dorot, and Arayot confirm and agree that Dorot convert the debt it has towards Gefen under the Arayot License Agreement, and in return for the debt, Gefen received shares in Arayot. The value of the share transferred to Gefen, was estimated by an external independent appraiser.

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

6. Non-controlling interests

The table below summarizes information regarding the Group's subsidiaries, which have non-controlling interests that are material to the group (prior to the cancellation of inter-social transactions).

As of December 31, 2021:

	Ownership rights held by non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Book value of non-controlling interest	Revenue	Total comprehensive profit (loss) for the year	Total comprehensive income (loss) for the year attributed to non-controlling interest
Polibit	49%	4,580	2,079	(3,039)	(1,527)	2,094	1,026	5,275	125	61
Kaplan	49%	3,071	1,867	(659)	(382)	3,897	1,909	2,412	551	270
Verify	49%	2,235	1,349	(2,670)	(1,018)	(105)	(51)	934	(331)	(161)
Or Hagefen	86%	625	-	(374)	(679)	(428)	(368)	-	-	-
		10,511	5,295	(6,741)	(3,606)	5,458	2,516	8,621	346	(170)

(US Dollar in thousands)

NOTE 30 - BUSINESS COMBINATION (CONT.):

6. Non-controlling interests (con.):

As of December 31, 2020:

	Owership rights held by non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Book value of non-controlling interest	Revenue	Total comprehensive profit (loss) for the year	Total comprehensive income (loss) for the year attributed to non-controlling interest
Polibit	49%	4,370	524	(2,601)	(290)	2,004	982	15,106	3	1
Kaplan	49%	2,689	1,896	(848)	(394)	3,344	1,639	2,173	(646)	(316)
		7,059	2,420	(3,449)	(684)	5,348	2,620	17,279	(643)	(315)

NOTE 31 – CONTINGENT LIABILITIES:

In January 2020, Polibit and its related parties received a lawsuit, submitted by a third party ("plaintiff"), based on an agreement between them, as of year 2014.

The lawsuit against Polibit includes two main claims:

(a) Reimbursement of expenses, taxes and other payments amounted to NIS 611 thousand (190).

(b) Transfer of plaintiff's customers to Polibit, prior to the implementation of the agreement of year 2014, amounted to NIS 1,400 thousand (435), that the third party requires for payment.

On March 2022 the claim was stuck out.

NOTE 32 – SHARE BASED PAYMENT:

- **Employees**

  The Company applies IFRS 2 (Share-based payments) to transactions whose award and settlement are share-based. Pursuant to this standard, stock options and performance shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights and a corresponding an increase in Share based payment reserve is being recognised. This fair value was calculated using valuation models taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group Management assumptions.

  ESOP 2021

  On January 2022, the general meeting of the Company adopted 2021 share incentive plan. The objective of this plan is to attract, motivate and retain key employees and the Company considers that the adoption of the plan and the future issue of securities under the plan will provide selected employees with the opportunity to participate in the future growth of the Company. As of the date of publication of the financial statement, the Company has not yet allocated options under this plan.

  ESOP 2018

  On April 2018, Gefen established a share option plan (the "Plan 2018").

  Under the Plan 2018, a total of 2,353,106 options to exercisable ordinary shares have been granted to 61 employees during year 2018. The options have various exercise prices per share, at the range of 0.01- 4.635

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Employees (con.):**

USD. The vesting period is up to 4 years from the grant date, according to the various vesting periods: from an immediate one and up to 4 years.

In 2020 under Plan 2018 a total of 2,199,100 options to exercisable ordinary shares have been granted to 6 employees during year 2020. A total of 1,935,519 of the options vested immediately. The options exercise price per share is 0.01 USD. The vesting period is up to 4 years from the grant date, according to the various vesting periods: from an immediate one and up to 4 years.

The option value as of grant date is 1.482 USD. Contractual life of most of the options under the Plan is 7-10 years since its grant date.

Methodology

The fair value of share options was estimated by using the Black and Scholes model, which is an acceptable model for valuing stock options granted for employees. The valuation model was designed to take into account the terms and conditions of the share options, as well as the volatility of its ordinary shared, on the grant date based on certain assumptions. Those conditions are, among others:

1. The expected volatility is 50%.
2. The dividend rate 0%.
3. Expected term – 3.5-5.5 years.

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

In 2021 and 2020, Gefen recorded a share-based payment expenses at the amount of US$256 thousand and US$3,509 thousand, respectively.

- **Founders**

General conditions

In Accordance with the supplementary prospectus dated June 28, 2021, intended to be read with the prospectus dated May 11, 2021, Gefen has granted 1,824,839 options exercisable to Gefen ordinary shares (the: "Stock Options) to each of the 3 Founders of the Company according to the following vesting schedule. The Stock Options vest and are exercisable at AUD 0.01 in the following tranches at any time on and from the date of issue:

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Founders (con.):**

1. 1,824,839 Options: upon the Company reporting audited annual revenue of not less that AUD 60 million within three years from the date of the IPO ("the IPO") (Milestone1).
2. 1,824,839 Options: upon the Company documenting at least 30,000 Users within three years from the date of the IPO (Milestone2).
3. 1,824,839 Options: upon the Company executing Contracts with here new Tier1 Global Enterprises within five years of the IPO (Milestone3).

Expiration of all Stock Options will be five years from the date of grant.

Methodology

1. The Stock Options fair value was calculated through the Black & Scholes Model which provides a closed form solution for the Valuation of Stock Options.
2. The Black & Scholes Model uses a "continuous time framework" to trace the evolution of an option's key underlying variables by assuming a lognormal distribution of price return.
3. The fair value of the Stock Options was calculated as of the grant date of each option.

Data - The Valuation was based on the following contractual information:

- Grant date
- Amount of granted Stock Options
- Exercise prices
- Vesting Periods
- Vesting Conditions
- Performance Conditions
- Expiration Dates

(US Dollar in thousands)

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Founders (con.):**

  Assumptions - The Valuation was based on the following assumptions:

  - The Share Price is the Company's closing share market price as of the grant date.
  - The expected term of the Stock Option was equal to the Stock Options' contractual term.
  - Risk Free Rate - The estimation of the risk free interest rates were based on the zero coupon yield of AUD Government bonds for the expected term of each option.
  - Expected volatility - Since Gefen only went public on July 21,2021, the estimation of Gefen's expected volatility was based on the average historical volatility of comparable companies. The historical volatility of the comparable companies was based on the daily changes in their share prices and was estimated based on the expected term of each tranche.
  - Expected Dividend Yield – the exercise price of the Stock Options is subject to adjustment for dividends, therefore it was assumed a 0% dividend yield in this calculation.
  - 100% of the three milestones will be met.

  Results – Based on the methodology, estimations and assumptions presented above, the fair value of the Stock Options on the day of the grant is as follows:

Founder	Grant Date	Share Price (AUD)	Exercise Price (AUD)	Expiration Period (Years)	RF	Volatility	Amount Granted	Value of 1 Option (AUD)	Total Value (AUD)
Orni Daniel	21/07/2021	0.805	0.01	5.00	0.55%	79.02%	1,824,839	0.805	1,451,656
David Nash	21/07/2021	0.805	0.01	5.00	0.55%	79.02%	1,824,839	0.805	1,451,656
Elad Daniel	21/07/2021	0.805	0.01	5.00	0.55%	79.02%	1,824,839	0.805	1,451,656
Total							**5,474,517**		**4,354,969**

In 2021 Gefen recorded a share-based payment expenses at the amount of US$602 thousand.

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Directors**

  General conditions

  In Accordance with the supplementary prospectus dated June 28, 2021 intended to be read with the prospectus dated May 11, 2021, Gefen has granted 150,000 Stock Options to each of the 3 Directors of the Company according to the following conditions:

  - 150,000 Stock Options exercisable at AUD 1.50 on or before that date which is 5 years following the date of issue (IPO date).
  - Expiration of all Stock Options will be five years from the date of grant.

  Methodology

  1. The Stock Options fair value was calculated through the Black & Scholes Model which provides a closed form solution for the Valuation of Stock Options.
  2. The Black & Scholes Model uses a “continuous time framework” to trace the evolution of an option’s key underlying variables by assuming a lognormal distribution of price return.
  3. The fair value of the Stock Options was calculated as of the grant date of each option.

  Data - The Valuation was based on the following contractual information:

  - Grant date
  - Amount of granted Stock Options
  - Exercise prices
  - Vesting Periods
  - Vesting Conditions
  - Performance Conditions
  - Expiration Dates

  Assumptions - The Valuation was based on the following assumptions:

  - The Share Price is the Company’s closing share market price as of the grant date.
  - The expected term of the Stock Option was equal to the Stock Options’ contractual term.
  - Risk Free Rate - The estimation of the risk free interest rates were based on the zero coupon yield of AUD Government bonds for the expected term of each option.

(US Dollar in thousands)

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Directors (con.):**

  - Expected volatility - Since Gefen only went public on July 21,2021, the estimation of Gefen's expected volatility was based on the average historical volatility of comparable companies. The historical volatility of the comparable companies was based on the daily changes in their share prices and was estimated based on the expected term of each tranche.
  - Expected Dividend Yield – the exercise price of the Stock Options is subject to adjustment for dividends, therefore it was assumed a 0% dividend yield in this calculation.

Results – Based on the methodology, estimations and assumptions presented above, the fair value of the options on the day of the grant is as follows:

Director	**Grant Date**	**Share Price (AUD)**	**Exercise Price (AUD)**	**Expiration Period (Years)**	**RF**	**Volatility**	**Amount Granted**	**Value of 1 Option (AUD)**	**Total Value (AUD)**
Chava Friedman Shapira	21/07/2021	0.805	1.50	5.00	0.55%	79.02%	150,000	0.41	61,112
Gabriel Chipani	21/07/2021	0.805	1.50	5.00	0.55%	79.02%	150,000	0.41	61,112
Amir Shukrun	21/07/2021	0.805	1.50	5.00	0.55%	79.02%	150,000	0.41	61,112
Total							**450,000**		**183,337**

In 2021 Gefen recorded a share-based payment expenses at the amount of US$36 thousand.

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Ordinary Shares to be Issued to Fineline**

(a) *Marketing and consulting services*

General conditions

Gefen and Fineline (PCB) Cyprus Ltd ("Fineline") entered into an agreement dated September 8, 2020, under the terms of which Gefen received marketing and consulting services from Fineline, in consideration for 2,622,910 ordinary shares of Company or the related listed entity. In connection with the agreement, Gefen issued Fineline a warrant to purchase up to 2,768,576 ordinary shares of Gefen, with an exercise price of US$2.2 per share. The shares and warrant will be of the public entity, their amounts are based on several parameters and therefore might be modified upon actual details at public offering.

Methodology and assumptions

The fair value of granted options was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of Gefen'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 Gefen and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 50%.
- The dividend rate 0%.
- Expected term – 3.5 years.

Results

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

During the year ended December 31, 2020, Gefen recorded a share-based payment expenses in the amount of US$4,536 thousand.

Upon an appraisal prepared by an external evaluator, Gefen recorded the value of the above-mentioned shares and warrant, as selling and marketing expenses at the amount of US$4,536 thousand.

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Ordinary Shares to be Issued to Fineline (con.):**

(b) *Distribution rights*

General conditions

- The Company and Fineline entered into another agreement dated September 8, 2020, of which the Company granted to Fineline curtain distribution rights to its software platform ("the Fineline Agreement"). Upon meeting the Target Revenue (as defined below), Fineline Shall be entitled to 3,000,000 ordinary shares which consist as of the Effective Date, of 4.30% of Gefen's issued and outstanding share capital on a fully diluted basis and subjected to adjustment of share splits, dividends reclassifications.
- Target Revenue (the "Target Revenue") shall mean agreements with Agents who collectively generate recurring revenue in accordance with IFRS of over AUD$ 100 million during a period of 24 months of closing of the IPO (the" Target Revenue Term").
- It is agreed that in the event that Fineline does not achieve the Target Revenue until the end of the Target Revenue Term, then Gefen shall issue to Fineline, within seven days as of the end of the Target Revenue Term, the proportionate amount of Ordinary Shares which Fineline is entitled to receive.
- On the date of the IPO Gefen's Stock split at a ratio of (1.9502:1). In accordance with the Fineline Agreement, up on meeting the Target Revenue (as defined above), Fineline Shall be entitled to 5,850,681 Ordinary Shares.

Methodology and assumptions

The Valuation of the Ordinary Shares to be Issued to Fineline was based on the following parameters:

- The Company's share price at the date of the Company's issue in July 2021, adequately reflects the value of the Company's share at the date of the agreement with Fineline.
- The expected revenue for the period, calculated using a weighted average, is AUD $ 42.5 million, and in accordance with the Fineline Agreement, the expected number of shares to be issued to Fineline is 2,487,027 shares.

(US Dollar in thousands)

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Ordinary Shares to be Issued to Fineline (con.):**

  Results

  Based on the methodology, estimations and assumptions presented above, the fair value of the options on the day of the grant is as follows:

Fineline	Valuation Date	Amount of Ordinary Shares to be Issued	Share Price (AUD)	Total Value (AUD)
Ordinary Shares	21/07/2021	2,487,027	0.994	**2,472,644**

In 2021 and 2020, Gefen recorded a share-based payment expenses at the amount of US$404 thousand and US$4,536 thousand, respectively.

- **Polibit's CEO**

  Polibit granted its CEO a conditional right to receive 10% of the total ordinary shares on issue of Polibit The conditional right will be fulfilled for the actual receipt of shares only after 60 months, during which the CEO will serve as the company's employee. The plan includes monetary compensation if the CEO is fired and reduced monetary compensation if the CEO decides to resign on his own initiative.

  The value of the options was calculated according to the valuation of polibit.

  ,

  Polibit measures the fair value of the compound financial instrument at the measurement date, considering the terms and conditions on which the rights to cash or equity instruments were granted. Polibit first measures the fair value of the debt component and then measures the fair value of the equity component taking into account that the CEO must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components.

  In 2021 Gefen recorded a share-based payment expenses at the amount of US$12 thousand.

(US Dollar in thousands)

NOTE 32 – SHARE BASED PAYMENT (CON.):

- **Ordinary Shares to be Issued to Fineline (con.):**

The options outstanding as of December 31, 2021 and 2020 are comprised, as follows:

	Year ended December 31, 2021	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	2,849,093	$0.183
Share split	2,707,286	$0.094
Granted	5,924,517	$0.089
Forfeited	(204,732)	$0.005
Exercised	(56,796)	$0.762
Outstanding at end of year	11,219,368	$0.090
Exercisable options	5,294,851	$0.183

	Year ended December 31, 2020	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	977,184	$1.203
Granted	2,199,100	$0.01
Forfeited	(327,191)	$2.722
Outstanding at end of year	2,849,093	$0.183
Exercisable options	2,661,597	$0.195

Total expenses - share based payment

	Year ended December 31, 2021	Year ended December 31, 2020
Employees	256	3,509
Founders	601	-
Directors	36	-
Fineline	404	4,536
Polibit's CEO	12	-
Total financial income (expenses)	1,309	8,045

(US Dollar in thousands)

NOTE 33 – REMUNERATION OF AUDITORS:

During the financial year the following fees were paid or payable for services by BDO Ziv haft, the auditors of the company:

	Consolidated	
	Year ended December 31, 2021	Year ended December 31, 2020
Audit services and review of the financial statements	307	182
Other services	68	-
Audit services and review of the financial statements	375	182

NOTE 34 – EVENTS DURING AND AFTER THE REPORTING PERIOD:

- COVID 19 - In the first quarter of 2020, the coronavirus began to spread worldwide, an event declared by the World Health Organization as a global pandemic (the "crisis"). As part of dealing with the crisis, many countries worldwide, including Israel, have imposed restrictions on various activities in the economy, including movement and gatherings restrictions. The crisis and the restrictions imposed and still pose challenges reflected in an unprecedented decline in business activity, both in terms of its intensity and the speed with which it occurred. In December 2020, the US Food and Drug Administration approved, for the first time, the use of the vaccine to prevent the corona pandemic. In mid-December, an extensive vaccination campaign began in Israel, and as of the date of the report, a significant proportion of the population has been immunized. The year 2021 was still marked by the corona crisis and steps to emerge from it taken by the world and Israeli economies - both in the medical aspect, which is reflected in vaccinations and disease reduction and in the economic aspect, which is reflected, among other things, in opening the economy and helping victims of the crisis. Most of the restrictions in Israel have been removed, but the Israeli economy and the world economy are still in the process of recovery, with epidemiological developments and various waves of illness slowing down from time to time.

  Although the continued COVID-19 pandemic spread and its variants during 2021, the Company does not find substantial evidence for adverse changes in its operations. As of this date, the Company is unable to assess what, and for how long, any adverse changes may impact the Group business for the long term.

NOTE 34 – EVENTS DURING AND AFTER THE REPORTING PERIOD (CON.):

- In February 2022, a military confrontation began between Russia and Ukraine, which led, among other things, to the imposition of sanctions on Russia and various reactions in the capital markets in Israel and around the world. At this stage it is difficult to estimate all the effects of the conflict - global and local, in the short and long term. Russia is one of the three largest oil producers in the world and Europe's main source of gas, and as a result of this situation, oil prices have risen to over $ 100 per barrel. The Company is unable to assess the nature and extent of future impacts, in any event, on the environment in which it and its customers, agents and sub-agents operate.
- On July 1, 2021, Polibit approved the appointment of Mr. Hanan Ben-Arie as Polibit's CEO since October 2021.
- On October 8, 2021, the Company announced that its Board of Directors had approved the appointment of Mr. Shlomi Gilad as the Company's CFO.
- On October 17, 2021, the Company had approved the appointment of Mr. Yariv Yanay as General Manager of Gefen Arena (Israel).
- On November 30, 2021, the Company had approved the appointment of Mr. Sammy Bercovich as Gefen Head of Operations.
- Purchase of Roeto Ltd.

  In February 2022, Gefen along with Verify have entered into a binding Share Purchase Agreement to acquire 80% of the issued capital of Roeto Ltd ("Roeto"), an Israeli-based technology company that provides a Software-as-a-Service ('SaaS') Customer Relationship Management ('CRM') platform for life insurance agencies and financial planners.

  This transaction complements the growth strategy set out in the Company's IPO Prospectus of acquiring and onboarding independent "agent networks" in the Gefen Arena operation. The acquisition of Roeto will provide a SaaS CRM platform solution for agents who have been acquired and onboarded in the Gefen Arena operation.