# Gefen International A.I. Ltd

Gefen International A.I. LTD and Controlled Entities

2022 Annual Report

**ARBN 645 436 782**

| | |
|---|---|
| Directors | Elad Daniel<br>Orni Daniel<br>David Nash<br>Amir Shukrun<br>Ross Fielding<br>Hava Freidman Shapira |
| Company secretary | Lucy Rowe<br>Emily Austin |
| Registered office | Level 5, 126 Phillip Street<br>Sydney, NSW 2000<br>Australia |
| Principal place of business | Kalisher 30, Tel Aviv,<br>Yaf, Israel, 6525724 |
| Share register | Automic Registry Services<br>Level 2, 267 St Georges Terrace<br>Perth WA 6000<br>Australia |
| Auditor | BDO Ziv Haft<br>Amot BDO House<br>48 Menachem Begin Road<br>Tel Aviv, Israel 6618001 |
| Solicitors - Israel | Pearl Cohen<br>Derech Menachem Begin 121<br>Tel Aviv Yafo, Israel 6701203 |
| Solicitors - Australia | Steven Casper Paganin<br>Level 3, 535 Bourke Street<br><br>Melbourne Victoria 3000<br>Australia |
| Bankers | Bank Hapoalim<br>Herzl St 179, Rehovot 76110<br>Israel |
| Stock exchange listing | Gefen International A.I. Ltd shares are listed on the Australian Securities Exchange (ASX code: GFN). |
| Website | https://gefentechnologies.com/ |

The directors present their report, together with the financial statements, on Gefen International A.I. Ltd and its controlled entities (collectively, the 'company' or 'Gefen') for the year ended 31 December 2022.

## Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Elad Daniel (appointed May 6, 2021)
Orni Daniel (appointed May 6, 2021)
David Nash (appointed May 6, 2021)
Amir Shukrun (appointed May 6, 2021)
Gabriel Chiappini (appointed July 19, 2021 till June 30, 2022)
Ross Fielding (appointed June 30, 2022)
Hava Freidman Shapira (appointed July 19, 2021)

## Principal activities

Gefen has developed a digital platform marketplace for regulation-heavy industries where carriers (enterprises) use agents to sell complex products to customers where human advice, human expertise and human touch are required. Gefen has the flexibility to empower every stakeholder from the largest carrier to the single independent agent. Highly regulated industries such as insurance and financial services are dominated by carriers and enterprises. These carriers and brands use agents, both independent (un-tied) and affiliated (tied) to deliver their products and services to end customers. Gefen has created a digital platform onboarded by carriers as a platform solution to deliver consistent and compliant messaging, business methodology and sales tools to their agents.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Review of operations

The total loss for the company after providing for income tax amounted to $10,633,000 (December 31, 2021: loss of $2,358,000).

For an overview of the company's operations, refer to note 1 to the consolidated financial statements.

## Significant changes in the state of affairs

The company was admitted to the official list of the Australian Securities Exchange ('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.

There were no other significant changes in the state of affairs of the company during the financial year.

## Likely developments and expected results of operations

The company expect to continue to grow by optimising its existing agent base on the Arena platform and growing the IP value of Gefen’s technology instead of through planned merger and acquisition related activities. Further information about the expected results of operations have not been included in this report because the directors believe that the level of uncertainty is high and it would be likely to result in unreasonable prejudice to the company.

## Environmental regulation

The company is not subject to any significant environmental regulation.

**Information on directors**

| | |
|---|---|
| Name: | Elad Daniel |
| Title: | Chief Architect and Chairman |
| Qualifications: | Bachelor of Engineering, Tel Aviv University |
| Experience and expertise: | Mr Daniel is an expert in initiating, designing, building and implementing digital enterprise platforms from the ground up. Has extensive experience in online marketing, advertising, eCommerce, enterprise ICT and cloud solutions. Mr Daniel co-founded Gefen Technologies in 2016 with Mr Nash. Currently he is responsible for the conceiving and overseeing the existing and future capabilities and technology of the platform and its implementation. Closely involved in all aspects of the product - from broad design to the features, user interface and prioritization of both web and mobile platforms. Incorporates close relationships with the field, innovation, experience and understanding the user, the enterprise and customers. Since 2001, Mr Daniel has been involved in various roles and positions within Israel's technology and startup ecosystem, including acting in the roles of Consulting Executive for Niram-Gitan Group, interim CEO of SQLink and as a co-founder and senior executive of WoodenArk and Mamaherb. Mr Daniel is a former officer (Major) in an elite IDF special forces unit. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | None. |
| Interests in shares: | 19,502,269 ordinary fully paid shares (escrowed 24 months from quotation). |
| Interests in options: | 1,824,839 unlisted options, at an exercise price of $0.01, expiring July 15, 2026 (escrowed 24 months from quotation). |

| | |
|---|---|
| Name: | Orni Daniel |
| Title: | Co-Chief Executive Officer and Executive Director |
| Qualifications: | Bachelor of Laws, cum laude, and Bachelor of Business |
| Experience and expertise: | Mr Daniel oversees the global activity of the company. He has over 15 years' experience in managing global online operations in various industrial sectors, including finance, gaming and e-commerce. Mr Daniel is a pilot in the Israeli Air Force and a is a former squadron deputy commander and is also a Cofounder of Mamaherb, a non-profit organization and the 2009 winner at the World Summit Award endorsed by the United Nations, in the e-Health category. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | None. |
| Interests in shares: | 19,502,269 ordinary fully paid shares (escrowed 24 months from quotation). |
| Interests in options: | 1,824,839 unlisted options, at an exercise price of $0.01, expiring July 15, 2026 (escrowed 24 months from quotation). |

| | |
|---|---|
| Name: | David Nash |
| Title: | Co-Chief Executive Officer and Executive Director |
| Qualifications: | Bachelor of Laws and a Bachelor of Arts (Law & Business Administration) |
| Experience and expertise: | An entrepreneur with over 18 years of experience in entrepreneurship and consulting for multinational companies in a variety of fields especially in online businesses, Mr Nash was involved in founding Gefen Technologies in 2016. Founded Gefen Technologies in 2016. In the current position, responsible for all the commercial aspects of the company, including, strategy and business development, managing directly the sales and marketing processes & business channels relationships, all financial aspects (i.e. planning company budgets, funding, mergers and acquisitions etc.), legal aspects and relationships with customers and suppliers, corporate governance and more. Since 2007, Mr Nash has been involved in various companies in Israel associated with infrastructure and technology, including serving as co-CEO of WoodenArk, that worked in a joint venture with Israel's largest telecommunications company to empower small to medium businesses in Israel by bringing them digital marketing solutions, and acting as CEO of Nitzanim Energy Ltd, a private company engaged in the development and establishment of integrated commercial centres and gas stations in Israel. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | None. |
| Interests in shares: | 19,502,269 ordinary fully paid shares (escrowed 24 months from quotation). |
| Interests in options: | 1,824,839 unlisted options, at an exercise price of $0.01, expiring July 15, 2026 (escrowed 24 months from quotation). |

| | |
|---|---|
| Name: | Amir Shukrun |
| Title: | Non-Executive Director |
| Qualifications: | Bachelor of Economics from Tel Aviv University and MBA in Business (specialized in Finance) from the program for training directors and senior executives at Tel Aviv University |
| Experience and expertise: | Mr Shukrun is the current CEO of the Rishonim Fund for the last seven years. He has vast experience in financing, mezzanine loans, merger and acquisition transactions, invested in over 18 private ventures, serves as a board member in 5 companies. Led investments of over $300M in private equity funds in various industries including: Real Estate - specializing in complex financial instruments, Custom office spaces and high-tech start-ups. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | None. |
| Interests in shares: | 23,962 ordinary fully paid shares. |
| Interests in options: | 563,846 unlisted options, at an exercise price of $0.007, expiring January 6, 2025 (escrowed 24 months from quotation).<br>887,494 unlisted options, at an exercise price of $0.007, expiring June 1, 2026 (escrowed 24 months from quotation).<br>150,000 unlisted options, at an exercise price of $1.500, expiring July 15, 2026 (escrowed 24 months from quotation). |

| | |
|---|---|
| Name: | Ross Fielding |
| Title: | Non-Executive Director |
| Qualifications: | Bachelor of Engineering (majoring in IT and Telecommunications) |
| Experience and expertise: | Mr Fielding has unique experience and expertise in technology and public markets with over 30 years of experience in technology-based companies. He was co-founder and CEO of RXP Services, a technology and digital solutions provider in Australia, which listed on the ASX. |
| Other current directorships: | |
| Former directorships (last 3 years): | RXP Services (ASX: RXP)<br>Australian Mobile Telecommunications Association |
| Interests in shares: | None. |
| Interests in options: | |

| | |
|---|---|
| Name: | Hava Friedman Shapira |
| Title: | Non-Executive Director |
| Qualifications: | Master of Business Administration, Marketing from the New York Institute of Technology |
| Experience and expertise: | Ms Shapira has extensive managerial experience combined with proven business leadership skills and abilities and has a long association with the insurance industry in Israel. She is also a member of the International Women Forum management team in Israel.<br>From 2001 to 2013, she served as the CEO of AIG Israel Insurance Company Ltd, managing the Company from a startup stage to a $200 million portfolio of general and life insurance products.<br>She currently sits on the board of Trustees of the College of Engineering Ort Braude in Carmiel. |
| Other current directorships: | Harel Insurance Investments & Financial Services Ltd (TLV: HARL) |
| Former directorships (last 3 years): | None. |
| Interests in shares: | None. |
| Interests in options: | 150,000 unlisted options, at an exercise price of $1.500, expiring July 15, 2026 (escrowed 24 months from quotation). |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**
Ms Lucy Rowe and Ms Emily Austin is the Joint Managing Principal of Legal and Company Secretarial at Automic Group, which provides fully integrated legal, registry and outsourced company secretarial services. Lucy is an experienced compliance and corporate governance professional, with over 20 years' experience in the financial services, oil and gas, and IT industries. Lucy has held the position of Company Secretary of a number of listed and unlisted public companies over the last 13 years and has also held the position of President of a Not-For-Profit Organisation for the last four years. Lucy holds a Bachelor of Arts and a Graduate Diploma in Legal Studies majoring in financial services law and is an affiliate member of the Governance Institute of Australia. Emily is an experienced Company Secretary and Corporate Governance Advisor to a portfolio of companies including ASX & NSX listed, incorporated overseas and within Australia, Unlisted Public and Private companies, Not for Profits and Charities in range of industries including Technology, Education, Health, Funds and Insurance, Finance and Treasury and oil, gas and mining. Emily is a member of the Governance Institute of Australia.

**Gefen International A.I. Ltd**
**Directors' report**
**31 December 2022**

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended December 31, 2022, and the number of meetings attended by each director were:

| | Full Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| Elad Daniel | 5 | 5 | - | - | 4 | 4 |
| Orni Daniel | 5 | 5 | - | - | 4 | 4 |
| David Nash | 5 | 5 | - | - | 4 | 4 |
| Amir Shukrun | 5 | 5 | - | - | 4 | 4 |
| Gabriel Chiappini | 4 | 4 | - | - | 3 | 3 |
| Ross Fielding | 2 | 2 | | | 1 | 1 |
| Hava Freidman Shapira | 5 | 5 | - | - | 4 | 4 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Shares under option**
Unissued ordinary shares of the company under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| June 1, 2018 | June 1, 2025 | $0.0051 | 1,044,233 |
| December 2, 2018 | December 2, 2025 | $2.3766 | 189,324 |
| May 12, 2020 | May 12, 2027 | $0.0051 | 3,939,414 |
| July 21, 2021 | July 21, 2026 | $0.0070 | 5,474,517 |
| July 21, 2021 | July 21, 2026 | $1.0890 | 450,000 |
| | | | 11,097,488 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued**
The following ordinary shares of the company were issued during the year ended December 31, 2022 and up to the date of this report:

| Date | Movement Up | Movement Down | Holdings Balance |
|---|---|---|---|
| 01-Jan-2022 | | | 60,912,190 |
| 12-Jan-2022 | 56,796 | | 60,968,986 |
| 05-Apr-2022 | 121,880 | | 61,090,866 |
| 15-Jul-2022 | 6,849,261 | | 67,940,127 |
| 16-Sep-2022 | 160,000 | | 68,100,127 |
| 24-Apr-2023 | | | 68,100,127 |

**Warrants**
Unissued ordinary shares of the company under warrants at the date of this report are as follows:

| Grant date | Expiry Date | Exercise price | Number of warrants |
|---|---|---|---|
| September 8, 2020 | June 30, 2025 | $2.20 | 5,558,812 |
| September 8, 2020* | July 21, 2023 | $0.00 | 5,850,681 |

* Warrants are subject to performance conditions, refer to note 32 to the consolidated financial statements.

**Gefen International A.I. Ltd**
**Directors' report**
**31 December 2022**

**State of incorporation**
The company is incorporated in Israel under the Israeli Companies Law. As a foreign company registered in Australia, the company is subject to different reporting regime than Australian companies.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to ensure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001.

**Indemnity and insurance of auditor**
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Officers of the company who are former partners of**
There are no officers of the company who are former partners of BDO Ziv Haft.

**Rounding of amounts**
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**
BDO Ziv Haft continues in office.

**Corporations Act 2001**
As a foreign company registered in Australia, the company will not be subject to Chapters 6a, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. Substantial holders and takeover). Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public company shares resulting in a holding of 25% or more voting rights of the company . In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. Otherwise, the acquisition of the company's securities are generally not restricted by the company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

David Nash
Co-Chief Executive Officer/Director

# GEFEN INTERNATIONAL A.I. LTD.

## CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

## Independent Auditors' Statements to Shareholders of Gefen International A.I 31.12.22

**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, 2022, the related statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2022, 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, 2022, its financial performance, changes in equity and its cash flows for the year ended December 31, 2022, 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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1f in the consolidated financial statements, which indicates that the Company incurred a net loss of 10,633 during the year ended December 2022. As stated in Note 1f, these events or conditions, along with other matters as set forth in Note 1f, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Management plans also described in the note.

**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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

| *Valuation of goodwill and customer relationship* | *How the matter was addressed in our audit* |
|---|---|
| Goodwill is tested for impairment at least on an annual basis. Other intangible assets are tested for impairment when a triggering event has been identified that indicates the carrying amount may not be recoverable.<br>The valuation of goodwill and other customer relationship assets is significant to our audit due to the fact that the impairment test calculations are based on several key assumptions which are estimated by management, and are by nature judgmental. Key assumptions include the expected future cash flows for the five year forecasting period, the discount rates and perpetual growth rate per CGU.<br><br>Disclosures relating to impairment of goodwill and other tangible assets are enclosed in Note 2 and 2(M) to the consolidated financial statements. | Our procedures in respect of this matter included:<br>• We obtained an understanding of management's process and tested the design and implementation of certain related controls.<br>• Using our valuation specialists, we challenged management's key assumptions and estimates used to determine the recoverable value, including those relating to discount rates, growth assumptions, Appraisal Value and terminal growth rates. This included comparing management's assumptions to external data, such as economic growth projections and interest rates.<br>• reviewing the reasonability of the cash flow forecasts to the past performance and reviewing the actual actions to their forecasts . We also compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting.<br>• Performing a sensitivity analysis over key assumptions such as discount rates, forecast growth rates and terminal growth rates and further challenge management's assumptions. |

| *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.<br><br>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.<br><br>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.<br><br>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.<br><br>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:<br>• 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.<br>• 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.<br>• We assessed the appropriateness of the related disclosures in the consolidated financial statements.<br>• We reviewed the Company's analysis that was discussed in the opinion prepared by a third party accounting expert. |

## Other Information

The bord of directors and management are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended December 31, 2022, 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 Bord of Directors and Management for the Consolidated Financial Statements**

The bord of directors and management are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as the bord of 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 bord of 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 bord of directors and management 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 Consolidated 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, 2023

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


| 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

# GEFEN INTERNATIONAL A.I. LTD.

# CONSOLIDATED FINANCIAL STATEMENTS

# AS OF DECEMBER 31, 2022

**TABLE OF CONTENTS**

# GEFEN INTERNATIONAL A.I. LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**(US Dollar in thousands)**

| | Note | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and cash equivalents | 4 | 3,053 | 10,615 |
| Bank Deposits | | 43 | 2,498 |
| Trade receivable, net | 5 | 2,163 | 2,294 |
| Other receivable | 6 | 1,030 | 1,320 |
| Related parties receivable | | 341 | 259 |
| Assets held for sale | 7 | 835 | - |
| **Total current assets** | | 7,465 | 16,986 |
| **Non-Current Assets:** | | | |
| Right-of-use assets | 9 | 874 | 1,690 |
| Property, plant and equipment, net | 10 | 961 | 1,018 |
| Investment in affiliated companies | 11 | 435 | 1,111 |
| Investment in investment funds | 12 | 2,068 | 1,509 |
| Intangible assets, net | 13 | 7,456 | 8,995 |
| Goodwill | 13 | 4,341 | 4,500 |
| **Total non-current assets** | | 16,135 | 18,823 |
| **TOTAL ASSETS** | | 23,600 | 35,809 |

*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, 2022 | December 31, 2021 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current Liabilities:** | | | |
| Short-term maturities of long-term loan | 14 | 810 | 1,082 |
| Trade payables | | 441 | 348 |
| Related party payables | 8 | 2,249 | *843 |
| Liability at business combination | | 674 | *1,516 |
| Deferred revenues | | - | 509 |
| Short-term maturities of lease liabilities | 9 | 400 | 561 |
| Other payables | 15 | 1,859 | *3,282 |
| Liability held for sale | 7 | 1,349 | - |
| | | 7,782 | 8,141 |
| **Non-Current Liabilities:** | | | |
| Lease liabilities | 9 | 516 | 1,273 |
| Long-term loan | 14 | 404 | 469 |
| Employee benefits, net | | 555 | 452 |
| Related parties | 8 | - | 1,549 |
| Liability at business combination | | 977 | 1,369 |
| Deferred tax liabilities | 25 | 1,516 | 1,858 |
| | | 3,968 | 6,970 |
| **Shareholders' equity:** | 17 | | |
| **Equity attributable to owners of parent:** | | | |
| Share capital | | 370 | 370 |
| Additional paid in capital | 17 | 45,443 | 45,350 |
| Share based payment reserve | 31 | 7,120 | 5,397 |
| Capital reserve in respect of transactions with NCI | | 508 | - |
| Foreign exchange reserve | | (218) | 723 |
| Accumulated losses | | (43,038) | (33,658) |
| **Total shareholders' equity** | | 10,185 | 18,182 |
| Non - controlling interest | | 1,665 | 2,516 |
| | | 11,850 | 20,698 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 23,600 | 35,809 |

* Reclassified, for details see Note 2F

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

| Elad Daniel<br>Chairman of the Board of Directors | David Nash<br>Co-CEO and Director | Orni Daniel<br>Co-CEO and Director | Avishai Malka<br>Chief Financial Officer | March 30, 2023<br>Date of approval of financial statements |
|---|---|---|---|---|

# GEFEN INTERNATIONAL A.I. LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

**(US Dollar in thousands except earnings per share)**

| | Note | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|
| Revenue | 18 | 12,268 | 12,976 |
| Operating expenses: | | | |
| Operations and support | 19 | 5,790 | *4,687 |
| Commission and related expense | | 4,246 | *1,539 |
| Selling and marketing expenses | 20 | 2,718 | *1,810 |
| Research and development expenses | 21 | 2,556 | *2,337 |
| General and administrative expenses | 22 | 5,918 | *5,302 |
| Depreciation and amortization | | 1,743 | *1,359 |
| Other (income) loss | 23 | (732) | (423) |
| **Total operating expenses** | | **22,239** | **16,611** |
| **Operating loss** | | **(9,971)** | **(3,635)** |
| Share in loss of affiliated companies | | (27) | (31) |
| Financial income | 24 | 67 | 1,645 |
| Financial expense | 24 | (740) | (404) |
| **Loss before tax** | | (10,671) | (2,425) |
| Income tax benefit | 25 | 38 | 67 |
| **Total Profit for the year** | | (10,633) | (2,358) |
| **Other comprehensive income, net of tax*:*** | | | |
| *Items that will or may subsequently be reclassified to profit or loss:* | | | |
| Adjustments from foreign currency translation | | (1,215) | 377 |
| **Total comprehensive loss for the year** | | (11,848) | (1,981) |
| **Loss for the year attributed to:** | | | |
| The ordinary equity holders | | (9,380) | (2,446) |
| Non-controlling interest | | (1,253) | 88 |
| | | (10,633) | (2,358) |
| **Total comprehensive loss for the year attributed to:** | | | |
| The ordinary equity holders | | (10,321) | (2,151) |
| Non–controlling interest | | (1,527) | 170 |
| | | (11,848) | (1,981) |
| **Earnings per share attributable to the ordinary equity holders:** | | US$ | US$ |
| Basic and diluted loss per share | | 0.07 | 0.02 |

* Reclassified, for details see Note 2F

*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' EQUITY

**(US Dollar in thousands)**

| | Share capital | Additional paid-in capital | Capital reserve in respect of transactions with NCI | Foreign exchange reserve | Share based payment reserve | Accumulated deficit | Total shareholder's deficit | Non - controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2022** | 370 | 45,350 | - | 723 | 5,397 | (33,658) | 18,182 | 2,516 | 20,698 |
| Profit (loss) for the year | - | - | - | - | - | (9,380) | (9,380) | (1,253) | (10,633) |
| Other comprehensive income | - | - | - | (941) | - | - | (941) | (274) | (1,215) |
| Total comprehensive income (loss) | - | - | - | (941) | - | (9,380) | (10,321) | (1,527) | (11,848) |
| Business combination | - | - | - | - | - | - | - | 188 | 188 |
| Capital reserve for transactions with capital contribution to a subsidiary by the Non-controlling interest | - | - | 508 | - | - | - | 508 | 488 | 996 |
| Issuance of share | - | 93 | - | - | (93) | - | - | - | - |
| Share-based payment | - | - | - | - | 1,816 | - | 1,816 | - | 1,816 |
| **Balance at December 31, 2022** | 370 | 45,443 | 508 | (218) | 7,120 | (43,038) | 10,185 | 1,665 | 11,850 |

*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' EQUITY

**(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 CASH FLOWS

### (US Dollar in thousands)

| | Year ended December 31, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Loss for the year | (10,633) | (2,358) |
| *Adjustments to reconcile net loss to net cash provided by operating activities:* | | |
| Increase (decrease) in Investment in investee | 27 | - |
| Change in fair value of convertible note | - | (1,578) |
| Share-based payment | 1,816 | 1,286 |
| Loan interest expenses and exchange rates | 232 | 136 |
| Depreciation and amortization | 1,743 | 1,385 |
| Increase (decrease) in related parties balances | 594 | 118 |
| Increase in employee benefits, net | 163 | 13 |
| (Increase) decrease in other receivables | 588 | (1,089) |
| Increase in trade payables | 116 | 19 |
| Increase in deferred tax, net | (203) | (236) |
| Increase (decrease) in trade receivables | 28 | (1,225) |
| Increase (decrease) in other payables | (2,738) | 526 |
| Decrease in Investment funds | (45) | - |
| Decrease in deferred revenues | (471) | (1,967) |
| **Net cash used in operating activities** | (8,783) | (4,970) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Acquisition of subsidiaries, net of cash acquired (see Appendix B) | (738) | 16 |
| Withdrawal (cash in) a Bank Deposit | 2,455 | (2,404) |
| Investment in investment fund | (696) | |
| Purchase of property, plant and equipment | (260) | (239) |
| Selling an affiliated company | 491 | - |
| Dividend from affiliated company | 39 | - |
| Loan to others | (285) | - |
| Investment in investee | - | (543) |
| **Net cash (used in) provided by investing activities** | 1,006 | (3,170) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Issuance of convertible note | - | 1,936 |
| Receipt of loans | 767 | 716 |
| Repayment of loans | (647) | (1,172) |
| Payment on principal and interest of lease liabilities | (794) | (662) |
| Capital reserve in respect of transactions with controlling shareholders | 597 | - |
| Loan from related parties | 431 | - |
| Issuance of shares net of issuance costs | - | 16,465 |
| **Net cash provided by financing activities** | 354 | 17,283 |
| **Net increase in cash and cash equivalents** | (7,423) | 9,143 |
| **Cash and cash equivalents at the beginning of the year** | 10,615 | 1,527 |
| **Effects of exchange rate changes on cash and cash equivalents** | (139) | (55) |
| **Cash and cash equivalents at the end of the year** | 3,053 | 10,615 |

*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, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Interest paid | 29 | 227 |
| Income tax paid | 185 | 455 |

### APPENDIX B - INVESTMENT IN NEWLY- CONSOLIDATED SUBSIDIARIES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Related parties | | 1,542 |
| Working capital other than cash and cash equivalents | (58) | 2,230 |
| Non- controlling interest | 188 | (274) |
| Deferred tax liability | 205 | 664 |
| Long term loan | 24 | 570 |
| Employee benefits, net | - | 195 |
| Property, plant and equipment assets | (6) | (159) |
| Right-of-use assets | - | (84) |
| Investment & investment funds | - | (399) |
| Laibility at business combination | 356 | 1,369 |
| Deferred revenues | - | 620 |
| Goodwill | (555) | (3,242) |
| Intangible assets | (892) | (3,016) |
| Total cash and cash equivalents receipt | (738) | 16 |

*See Note 29 regarding the business combination.

### APPENDIX C – NON-CASH FINANCING AND INVESTING ACTIVITIES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| onversion of convertible note | - | 7,832 |

*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" along with its subsidiaries the "Group") 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 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.

d. 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.

e. 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 29.

f. The company have incurred losses in each year since our inception, including net losses of approximately $10.6 million and $2 million for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, we had an accumulated deficit of approximately $43 million. These events and conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. The financial statements for 2022 do not include any adjustments that might result from the outcome of this uncertainty.

   This may raise substantial doubts about our ability to continue as a going concern. The Company plans to overcome this uncertainty, raising additional funds, cost reduction initiative and expanding our business operation abroad.

**NOTE 1 – GENERAL (CONT.):**

g. 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 consolidated, with the Company's reports. |
| **affiliated companies** | - | 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. |
| **Roeto** | - | Roeto Ltd. |
| **Or Hagefen** | - | Or HaGefen Ltd. |

(US Dollar in thousands)

**NOTE 1 – GENERAL (CONT.):**

h. Group structure

**(a) Controlled entities consolidated**

| **Entity Name** | **Direct interest in ordinary shares as of December 31** | |
|---|---|---|
| | **2022** | **2021** |
| **Controlled entities of Gefen International A.I. Ltd:** | | |
| Gefen Technologies A.I. Ltd | 100% | 100% |
| **Controlled entities of Gefen Technologies A.I. Ltd:** | | |
| Polibit Insurance Agency (2011) Ltd | 51% | 51% |
| Kaplan Bashetach, Insurance Agency (2011) Ltd | 51% | 51% |
| Verify Insurance Agency Ltd | *51% | - |
| Or Hagefen Ltd (see note 29) | 14% | - |
| Roeto Ltd** | 75% | - |
| **Controlled entities of Polibit Insurance Agency (2011) Ltd:** | | |
| Coyote Technologies | 99% | 99% |
| Bait Lasochen – Polibit (Partnership) | 55% | - |

*The Company concluded that it controls Verify since contractual agreements with 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 29.1.b.

** including indirect holding through Gefen's subsidiaries.

**NOTE 1 – GENERAL (CONT.):**

h. Group structure (con.):

**(b) Affiliated companies**

| **Entity Name** | **Direct interest in ordinary shares as of December 31** | |
|---|---|---|
| | **2022** | **2021** |
| **Associate's entities of Polibit Insurance Agency (2011) Ltd:** | | |
| Friedman Berkovitz, Insurance Agency (2009) Ltd * | - | 50% |
| **Associate entities of Verify Insurance Agency Ltd:** | | |
| Eklips Insurance Agency (2012) Ltd | 50% | - |

*See note 11(1)

## 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**

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

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

**Foreign operations**

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognized in other comprehensive income through the foreign currency reserve in equity.  The foreign currency reserve is recognized in profit or loss when the foreign operation or net investment is disposed of.

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 affiliated companies and derivative financial instruments. For details regarding the method used to measure these assets and liabilities, see Note 3 below, Significant Accounting Policies.

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

**New standards, interpretations, and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an liability instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

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.

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

E. **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.

| 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(M) |
| **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(M) |
| **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. | 3(J) |
| **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(K) |
| **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 17 |

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

F. **Reclassification**

- In the statements of comprehensive income (loss) of 2021, the company re-classified cost items within the various sections of the Operating Expenses in the total amount of USD 2,413 thousand. These items include rental apartment, depreciation, Service providers cost and sub-agents' ones. The management believes that this presentation of the Operating Expenses represents better the cost structure of the company and along align with the current presentation. This re-classification has no effect on the toal operating loss nd the P&L results.

- The Company reclassified USD 1,516 thousand from Related parties and Other account payables December 31, 2021, to consistently present the liabilities business combinations. This classification did not have any effect on the profit (loss) for the year.

**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. <u>Business combinations</u>

   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.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.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):**

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

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. 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.

*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.

## NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):

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

3. Non-controlling interest (con.).

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.

4. Investments in Affiliated companies

Investments in affiliated companies 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 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.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):**

**C. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability; or

B. In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Classification by fair value hierarchy

Assets and liabilities presented in the consolidated statements of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

**D. None – current assets held for sale and disposal groups:**

Non- current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale.
- Management is committed to a plan for sale.
- It is unlikely that significant changes to the plan will be made for that the plan will be withdrawn.
- An active program to locate a buyer has been initiated.
- The asset or disposal group is being marketed a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of a classification.

None – current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CON.):**

**D. None – current assets held for sale and disposal groups (con.):**

Following their classification as held for sale, none – current assets (including those in a disposal group) are not depreciated.
The result of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of the disposal.

**E. Leases**

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, excluding leases where the lease term is 12 months or less, or where the underlying asset is of low-value. These leases expenditures are recognized on a straight-line basis over the lease term. The Group does not have significant leasing acting as a lessor. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the lesee incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee.

• the exercise price of any purchase option granted if it is reasonable certain to exercise that option;

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognized where the lessee is contractually required to dismantle, remove or restore the underlying asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful life of the right of use asset, if rarely, this is judged to be shorter than the lease term. In the scenario that the measurement of lease liabilities takes into

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**E. Leases (con.):**

consideration the purchase option the Group will amortize the right of use assets over the underlying asset's useful life. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the Group's assessment of the term of any lease. The remeasurement being recognized in front of the right of use assets.

**F. Financial instruments**

1. Financial assets

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

Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue (excluding trade accounts receivable which are initially recognized at transaction price) and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade accounts receivable and loan to related party are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade accounts receivable and loan to related party is assessed.

This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables or loan to related party. Such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of comprehensive income. On confirmation that the amount will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Financial Liabilities

The Group's accounting policy for its financial liabilities is as follows:

Amortized cost: other financial liabilities include the following items: bank borrowings, trade accounts payable and liability for royalties payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**F. Financial instruments (cont):**

**2.** Financial Liabilities (cont):

measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**G. Property, plant and equipment**

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

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

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or the estimated useful lives of the improvements, whichever is shorter. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values, depreciation rates, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. At each reporting period the Group examined indicators for impairment. If indicators exist – impairment test is performed (see also Note 2- impairment of non-financial assets). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

### H. Employee benefits

The Company has several employee benefit plans:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The plans are financed by contributions to insurance companies and pension funds and classified as defined contribution plans. 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 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.

### 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.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**J. 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. Current taxes

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

2. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Deferred taxes are recognized in other comprehensive income or directly in equity if the tax relates to those items. Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed in profit or loss, other comprehensive income or equity, based on tax laws that have been enacted or Substantively enacted at the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to Items recognized in other comprehensive income or directly in equity or in business combination. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized on “income tax” within the statements of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

## NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

### K. 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

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 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

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

**K. Revenue recognition (con.)**

2. Agent solution segment (con.):

platform and the services of the sub-agents. The Company has the ability to negotiate and determine the price 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.

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 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.

**L. Intangible assets**

1. Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is capitalized as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**L. Intangible assets (con.)**

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.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. 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

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 |

Intangible assets with a finite useful life are amortized over their useful life. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

**M. Impairment**

**Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group's assessed its financial assets that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

**Impairment of non-financial assets**

The Group performed impairment test on its goodwill and other intangible assets and concluded there is no impairment as of December 31, 2022.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

### N. Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure on internally developed products is capitalized if it can be demonstrated that:

• The product is technically and commercially feasible.

• Adequate resources are available to complete the development.

• There is an intention to complete the product so that it will be available for use or sale.

• The Group is able to sell or use the product.

• Use or sale of the product will generate future economic benefits, and

• Expenditure on the project can be measured reliably.

Since the Development are expenditure not satisfying all the above criteria are recognized in the consolidated statement of
comprehensive income as incurred.

### 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.

### P. Earnings per share

Loss per share is calculated by dividing the net profit attributable to owners of the parent, by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period.

(US Dollar in thousands)

### NOTE 4 – CASH AND CASH EQUIVALENTS:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash and deposits available for immediate withdrawal | 2,650 | 7,615 |
| Short term deposit | 403 | 3,000 |
| **Total** | 3,053 | 10,615 |

### NOTE 5 – TRADE RECEIVABLE, NET

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Trade receivable | 2,163 | 2,452 |
| Customer balances written off during the year due to non-collection (1) | - | (158) |
| **Total** | 2,163 | 2,294 |

(1) 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, 2022 | December 31, 2021 |
|---|---|---|
| Prepaid expenses | 355 | 725 |
| Loan to others | 285 | - |
| Government institutions | 189 | 174 |
| Advances to suppliers | 86 | 259 |
| Employees and related parties | 22 | - |
| Others | 93 | 162 |
| **Total** | 1,030 | 1,320 |

**NOTE 7 - ASSETS HELD FOR SALE :**

In the fourth quarter 2022 the management announced its intention to dispose of Or Hagefen. And began the negotiation with the other shareholders of Or Hagefen. The sale was completed in January 2023.
Or Hagefen Ltd("Or Hagefen") is a 14% owned subsidiary of the Group, with the principal activity of insurance as an insurance agency.
The assets and liabilities of Or Hagefen have been classified as held for sale in the consolidated statement of financial position.
The following major classes of assets and liabilities
classified as held for sale in the consolidated statement of financial position on 31 December:

(US Dollar in thousands)

### NOTE 7 - ASSETS HELD FOR SALE (CONT.):

| | December 31, 2022 |
|---|---|
| **Assets:** | |
| Current Assets: | |
| Cash and cash equivalents | 15 |
| Trade accounts receivable, net | 39 |
| Other accounts receivable | 33 |
| **Total Current Assets** | 87 |
| | |
| Non-Current Assets: | |
| Other non current assets | 90 |
| Goodwill | 137 |
| Intangible assets, net | 521 |
| **Total Non-Current Assets** | 748 |
| **Total Assets held for sale** | 835 |
| | |
| **Liabilities:** | |
| Current Liabilities: | |
| Short term loans and current portion of long term loans | 362 |
| Trade and other accounts payable | 4 |
| Lease liabilities - Short term | 62 |
| Related Parties | 151 |
| **Total Current Liabilities** | 579 |
| | |
| Non-Current Liabilities: | |
| Long term loans | 12 |
| Lease liabilities - long term | 27 |
| Deferred tax liabilities | 120 |
| Related Parties | 611 |
| **Total Non-Current Liabilities** | 770 |
| **Total Liabilities held for sale** | 1,349 |

# GEFEN INTERNATIONAL A.I. LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(US Dollar in thousands)**

### NOTE 8 - RELATED PARTIES:

**Short term payables to related parties**

| Related party | Item | Nature of transaction | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Key management personal | Other payables, Employees, salaries, and related liabilities | Employees, salaries, and related liabilities | 738 | *565 |
| Founders | Related party | Loan and grant | 1,124 | - |
| Subsidiary | Laibility at business combination | Subsidiary purchase liabilities | 494 | 1,211 |
| Subsidiary | Related party | Investee purchase liabilities | - | 418 |
| Interested parties | Related party | Debt and ongoing transactions | 1,125 | 418 |

* Reclassified

**Long term Payables to related parties**

| Related party | Item | Nature of transaction | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Founders | Related parties | Salaries, loan and grant | - | 1,217 |
| Subsidiary | Liability at business combination | Subsidiary purchase liabilities | 977 | 1,369 |
| Key management personal | Employee benefits, net | Employee benefits, net | 312 | *202 |
| Subsidiary | Related parties | Loan | - | 331 |

* Reclassified

**The following transactions arose with related parties:**

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Share-based payment | 1,948 | 1,278 |
| Revenues received from related parties | 27 | 123 |
| Management fees/cost of salary | 2,651 | 2,918 |
| D&O and compensation plan | 960 | 566 |
| Interest to related parties | 8 | 9 |
| Directors’ compensation | 68 | 33 |

**(US Dollar in thousands)**

## NOTE 9 – 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, 2021** | 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 |
| Additions | 111 | 205 | 316 |
| Terminated leases | (258) | (45) | (303) |
| Depreciation expense | (506) | (72) | (578) |
| Allocation to held for sale | (62) | (27) | (89) |
| Currency translation adjustments | (149) | (13) | (162) |
| **As at December 31, 2022** | 684 | 190 | 874 |

(US Dollar in thousands)

**NOTE 9 – 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, 2021** | (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) |
| Additions | (111) | (187) | (298) |
| Terminated leases | 276 | 47 | 323 |
| Accretion of interest | (138) | (14) | (152) |
| Interest payment | 138 | 14 | 152 |
| Principal payment | 541 | 101 | 642 |
| Allocation to held for sale | 64 | 24 | 88 |
| Currency translation adjustments | 149 | 14 | 163 |
| **As at December 31, 2022** | (746) | (170) | (916) |

The following are the amounts recognized in profit or loss:

| | 2022 | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets | 578 | 542 |
| Interest expense on lease liabilities | 152 | 169 |
| **Total amount recognized in profit or loss** | 730 | 711 |

(US Dollar in thousands)

**NOTE 10 – PROPERTY, PLANT AND EQUIPMENT, NET:**

For the year ended December 31, 2022:

| | Leasehold improvements | Furniture and office equipment | Vehicles | Computers | Total |
|---|---|---|---|---|---|
| **Cost**: | | | | | |
| **As of December 31, 2021** | 694 | 314 | 389 | 482 | 1,879 |
| Business combination | - | 2 | - | 4 | 6 |
| Additions | 79 | 2 | 184 | 32 | 297 |
| Disposals | - | - | (40) | (185) | (225) |
| Currency translation adjustments | (49) | (41) | (28) | (44) | (162) |
| **As of December 31, 2022** | 724 | 277 | 505 | 289 | 1,795 |
| **Accumulated depreciation:** | | | | | |
| **As of December 31, 2021** | 276 | 80 | 157 | 348 | 861 |
| Additions | 84 | 30 | 68 | 59 | 241 |
| Disposals | - | - | (3) | (185) | (188) |
| Currency translation adjustments | (25) | (20) | (3) | (32) | (80) |
| **As of December 31, 2022** | 335 | 90 | 219 | 190 | 834 |
| **Net book value:** | | | | | |
| **As of December 31, 2022** | 389 | 187 | 286 | 99 | 961 |

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 |

## NOTE 11 –INVESTMENTS IN AFFILIATED COMPANIES:

**(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.

On 3 July, 2022, The investment in Fridman-Berkovitch, Insurance Agency (2009) Ltd. Was sold.

The company sold the investment for $546 and recorded capital loss of $130 in the books.

**(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.

Eklips has operated in Israel as an insurance agency since 2012, specializing in pension and financial insurance and working primarily with large organizations.

(US Dollar in thousands)

### NOTE 12 –INVESTMENTS IN INVESTMENT FUNDS:

| | 2021 | 2020 |
|---|---|---|
| Investment fund a (1) | 1,133 | 1,283 |
| Investment fund c (3) | 616 | - |
| Investment fund b (2) | 242 | 226 |
| Investment fund d (4) | 77 | - |
| **Total** | 2,068 | 1,509 |

(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, 2022, the investment annual yield was 5.15% (5.0% as of December 31, 2021).

(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, 2022, the investment annual yield was 4.69% (4.69% as of December 31, 2021).

(3) During the year 2022, a subsidiary invested the total amount of US$616 thousand in a real estate fund the investment is not liquid for 72 months since initial investment. The IRR of the investment is 9%

(4) During the year 2022, a subsidiary invested the total amount of US$77 thousand in a real estate fund. The investment is not liquid for 84 months since initial investment with an option for another 36 months of operation. The IRR of the investment is 11.8%, and it generates yearly yield based on the fund's performance of 8.5% approximately.

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

# GEFEN INTERNATIONAL A.I. LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(US Dollar in thousands)**

## NOTE 13 - INTANGIBLE ASSETS, NET:

### A. Composition and movement

| | Customer Relations | Goodwill | Technology | Total |
|---|---|---|---|---|
| **Cost**: | | | | |
| **As of January 1, 2021** | **6,717** | **4,337** | **116** | **11,170** |
| Business combination | 3,016 | 3,242 | - | 6,258 |
| Currency translation adjustments | 344 | 295 | 4 | 643 |
| **As of December 31, 2021** | **10,077** | **7,874** | **120** | **18,071** |
| Business combination | 93 | 555 | 799 | 1,447 |
| Allocation to held for sale | (596) | (137) | - | (733) |
| Currency translation adjustments | (1,073) | (970) | (96) | (2,139) |
| **As of December 31, 2022** | **8,501** | **7,322** | **823** | **16,646** |
| **Accumulated depreciation:** | | | | |
| **As of January 1, 2021** | **(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)** |
| Additions | (845) | **-** | (78) | (923) |
| Allocation to held for sale | 74 | **-** | - | 74 |
| Currency translation adjustments | 176 | 393 | 7 | 576 |
| **As of December 31, 2022** | **(1,776)** | **(2,981)** | **(92)** | **(4,849)** |
| **Net book value:** | | | | |
| **As of December 31, 2021** | **8,896** | **4,500** | **99** | **13,495** |
| **As of December 31, 2022** | **6,725** | **4,341** | **731** | **11,797** |

(US Dollar in thousands)

## NOTE 14 – SHORT-TERM MATURITIES AND LONG-TERM LOAN:

### A. Composition of loans

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Short-term maturities:** | | |
| Loans from others | 322 | 597 |
| Loans from banking corporations | 257 | 166 |
| Bank account overdraft | 231 | 319 |
| | 810 | 1,082 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Long-term loans:** | | |
| Loans from banking corporations | 302 | 406 |
| Loans from others | 102 | 63 |
| | 404 | 469 |

### B. Loan terms*

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying amount | Average Interest | Carrying amount | Average Interest |
| Loans from bank | 559 | 8.22% | 563 | 4.7% |
| Loan from financial institutions | 83 | 5.81% | 265 | 5.8% |
| Loans from others (1) | 341 | 4.31% | 404 | 5.8% |
| **Total** | 983 | 6.63% | 1,232 | 5.7% |

* Not including bank account overdraft

(1) 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 4.8% monthly paid.

(US Dollar in thousands)

**NOTE 14 – SHORT-TERM MATURITIES AND LONG-TERM LOAN (CON.):**

Substantial loan breakdown:

- In 2021, The group received a loan for a total amount of US$160 thousand. The loan bears an annual interest rate of p+5% and is repaid in monthly payments ending October 2026.
- In December 2022, The group received a call Bank loan for a total amount of US$114 thousand. The loan bears an annual interest rate of 8.75%.
- In 2021, The group received a loan for a total amount of US$75 thousand. The loan bears an annual interest rate of p+1.6% and is repaid in monthly payments ending March 2026.
- In 2022, The group received a loan for a total amount of US$99 thousand. The loan bears an annual interest rate of p+3.25% and is repaid in monthly payments ending September 2027.
- In 2022, The group received a loan for a total amount of US$71 thousand. The loan bears an annual interest rate of p+1.8% and is repaid in monthly payments ending June 2026.
- In 2022, The group received a loan for a total amount of US$85 thousand. The loan bears an annual interest rate of p+3.2% and is repaid in monthly payments ending September 2028.

**NOTE 15 – OTHER PAYABLES:**

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Employees, salaries and related liabilities | 1,286 | 1,579 |
| Accrued expenses | 429 | 1,474 |
| Institutions | 55 | 57 |
| Commitment for acquisition transactions | 44 | *143 |
| Others | 45 | 29 |
| **Total** | 1,859 | 3,282 |

* Reclassified, for details see Note 2F

**NOTE 16 – 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

   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.

(US Dollar in thousands)

**NOTE 16 – CONVERTIBLE NOTE (CON.):**

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.

   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 (3) | 2,174 | - | 2,941,176 |
| **Total** | 7,832 | 6,188 | 10,628,632 |

**(US Dollar in thousands)**

## NOTE 17 – SHARE HOLDERS EQUITY:

### A. Share capital:

| | Authorized | | Issued and outstanding | |
|---|---|---|---|---|
| | Number of ordinary shares as of December 31, | | | |
| | 2022 | 2021 | 2022 | 2021 |
| Ordinary shares of NIS 0.01 par value | 150,636,833 | 150,681,565 | 128,279,852 | 127,941,176 |

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.

Through the reporting date, 121,880 warrants were exercised into 121,880 Ordinary shares of NIS 0.01 par value each for the total consideration of approximately US 625.

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. 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 were converted into 6,849,261 ordinary shares.
* Convertible notes were converted into 10,628,632 ordinary shares, (see Note 16)
* Warrants were converted to into 5,128,205 ordinary shares.

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.
- Stock options to each of the three non-executive directors of the Company in the amount of 150,000 each.
- 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.

**(US Dollar in thousands)**

**NOTE 17 – SHARE HOLDERS EQUITY (CON.):**

**B. Capital reserve in respect of transactions with controlling shareholders:**

During the 2022, the minority of the subsidiary, Verify Insurance Agency Ltd., which owns 49% of the company's issued share capital, injected capital of 996 to cover bank debts, including bank loans. The injection of capital was made without any future consideration and without the majority shareholders' obligation to inject equally and recorded as capital reserve.

**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 maximize its growth over the next 24 months from listing. Therefore, no dividends are expected to be paid in the near term.

**D. Loss per share:**

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

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Earnings (loss) attributed to holders of ordinary shares | (9,380) | (2,446) |

**2.** Weighted average of the number of ordinary shares (basic)

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Balance as of January 1 | 127,941,176 | 78,662,160 |
| Impact of shares which were issued during the year | 77,151 | 11,164,384 |
| Impact of options warrants and convertible notes exercised into shares | 164,985 | 10,855,415 |
| Weighted average of the number of ordinary shares used to calculate basic earnings (loss) per share | 128,183,312 | 100,681,959 |

### NOTE 17 – SHARE HOLDERS EQUITY (CON.):

**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 recognized in the income statement over the vesting period of the rights and a corresponding an increase in Share based payment reserve is being recognized. 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.

- **Founders**

  *General conditions*

  In June 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

  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:

  - 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) (Milestone 1).
  - 1,824,839 Options: upon the Company documenting at least 30,000 Users within three years from the date of the IPO. (Milestone 2).
  - 1,824,839 Options: upon the Company executing Contracts with three new Tier 1 Global Enterprises within five years of the IPO (Milestone 3).

**(US Dollar in thousands)**

**NOTE 17 – SHARE HOLDERS EQUITY (CON.):**

**Share based payment (cont):**

- **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 | 0.80 5 | 1,451,656 |
| David Nash | 21/07/2021 | 0.805 | 0.01 | 5.00 | 0.55% | 79.02% | 1,824,839 | 0.80 5 | 1,451,656 |
| Elad Daniel | 21/07/2021 | 0.805 | 0.01 | 5.00 | 0.55% | 79.02% | 1,824,839 | 0.80 5 | 1,451,656 |
| **Total** | | | | | | | **5,474,517** | | **4,354,969** |

In 2022 and 2021, Gefen recorded a share-based payment expenses at the amount of US$1,279 thousand and US$602 thousand, respectively.

**NOTE 17 – SHARE HOLDERS EQUITY (CON.):**

**Share based payment (cont):**

- **Directors**

  *General conditions*

  In June 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*

  The Stock Options fair value was calculated through the Black & Scholes Model at the grant date.

  *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 17 – SHARE HOLDERS EQUITY (CON.):**

**Share based payment (cont):**

- **Directors (cont.):**

  - 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 2022 and 2021, Gefen recorded a share-based payment expenses at the amount of US$ 59thousand and US$ 36thousand, respectively.

### NOTE 17 – SHARE HOLDERS EQUITY (CON.):

**Share based payment (cont):**

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

*(a)* *Distribution rights*

*General conditions*

- The Company and Fineline entered into 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 2022 and 2021, calculated using a weighted average, is AUD $35.5million and AUD $42.5million, respectively. and in accordance with the Fineline Agreement, the expected number of shares to be issued to Fineline is 1,711,887 shares and 2,487,027 shares, respectively.

(US Dollar in thousands)

**NOTE 17 – SHARE HOLDERS EQUITY (CON.):**

**Share based payment (cont):**

- **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 and according to the expectations target as of December 31,2022.

| Fineline | Valuation Date | Amount of Ordinary Shares to be Issued | Share Price (AUD) | Total Value (AUD) |
|---|---|---|---|---|
| Ordinary Shares | 21/07/2021 | 2,126,568 | 0.805 | **1,711,877** |

In 2022 and 2021, Gefen recorded a share-based payment expenses at the amount of US$476 thousand and US$ 404 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 2022 and 2021 Gefen recorded a share-based payment expenses at the amount of US$124 thousand and US$12 thousand, respectively.

  - On September 16,2022, the Group signed a service agreement with a supplier. Under the Agreement, the supplier is entitled to issuance of 160,000 ordinary shares.

(US Dollar in thousands)

## NOTE 18 - REVENUE:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Net revenue | 8,648 | 11,437 |
| Gross revenue (1) | 3,620 | 1,539 |
| **Total** | 12,268 | 12,976 |

(1) For details, see Note 3(K2)

## NOTE 19 - OPERATIONS AND SUPPORT:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Salary and related expenses | 4,261 | 3,312 |
| Rent, IT and office maintenance | 1,029 | 899 |
| Subcontractors and related expenses | 205 | 400 |
| Share-based payment | 45 | 15 |
| Others | 250 | 61 |
| **Total** | 5,790 | 4,687 |

## NOTE 20 - SELLING AND MARKETING EXPENSES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Salary and related expenses | 1,083 | 838 |
| Share-based payment | 490 | 180 |
| Marketing and consulting services to Fineline (1) | 476 | 404 |
| Advertising expenses | 442 | 305 |
| Professional fees | 94 | - |
| Rent, IT and office maintenance | 74 | 76 |
| Others | 59 | 7 |
| **Total** | 2,718 | 1,810 |

(US Dollar in thousands)

## NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Subcontractors | 1,419 | 1,340 |
| Salary and related expenses | 571 | 453 |
| Rent, IT and office maintenance | 289 | 195 |
| Share-based payment | 277 | 349 |
| **Total** | 2,556 | 2,337 |

## NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Salary and related expenses | 2,622 | 3,036 |
| Professional fees | 1,058 | 1,130 |
| Directors and officers insurance (1) | 960 | 566 |
| Share-based payment | 662 | 361 |
| Rent, IT and office maintenance | 340 | 36 |
| Others | 276 | 173 |
| **Total** | 5,918 | 5,302 |

## NOTE 23 – OTHER INCOME:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Rent | 365 | 193 |
| Providing office services | 144 | 158 |
| Income from investment | 134 | 39 |
| Others | 89 | 33 |
| **Total** | 732 | 423 |

(US Dollar in thousands)

## NOTE 24 - FINANCIAL (INCOME) EXPENSES:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Interest on lease liabilities | 151 | 172 |
| Bank commissions and loan interest | 134 | 49 |
| Currency fluctuations | 352 | - |
| Change in fair value of financial liability | - | 142 |
| Liability in behalf of business combination | 37 | - |
| Others | 66 | 41 |
| **Total financial expenses** | 740 | 404 |
| Change in fair value of financial liability | - | 1,578 |
| Deposits and loan interest | 67 | - |
| Currency fluctuations | - | 67 |
| **Total financial income** | 67 | 1,645 |

## NOTE 25 - INCOME TAX 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, 2022 are calculated at the tax rate applicable to the Company and its subsidiaries, which is 23%.

2. **Final tax assessments**

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

   - Gefen Technologies has received final tax assessments up to and including 2017.
   - Polibit has received final tax assessments up to and including 2017.
   - Kaplan has received final tax assessments up to and including 2017.
   - Verify has received final tax assessments up to and including 2018.

**(US Dollar in thousands)**

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

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

| | **Year ended December 31, 2022** | **Year ended December 31, 2021** |
|---|---|---|
| Loss before tax | (10,671) | (2,425) |
| Statutory tax rate | 23% | 23% |
| **Income tax at the statutory tax rate** | 2,454 | 558 |
| Losses for which no deferred tax assets were created | (2,455) | (897) |
| Use of losses from previous years with respect to which no deferred taxes were recorded | - | 9 |
| Expenses not recognized for tax purposes | (188) | 235 |
| Taxes with respect to previous years | 15 | 12 |
| Differences in the measurement of assets and liabilities for tax purposes, and for the purpose of the adjusted reports | 212 | 150 |
| Income tax (expense) benefit | **38** | **67** |

**4. Net losses carried forward:**

As at the date of the financial statements, deferred taxes for carryforward losses for tax purposes of US$5.3 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 affiliated companies, since the Group intends and is able to retain these investments. Deferred taxes in respect of a distribution of profit in subsidiaries and affiliated companies 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 – insurance commissions revenues.

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, 2022:

| | Agent solution segment | License fees Segment | Total |
|---|---|---|---|
| Segment revenue | 11,656 | 612 | 12,268 |
| Segment operating loss | (801) | (9,170) | (9,971) |
| Share in loss of affiliated companies accounted for using the equity method investee loss | (27) | - | (27) |
| Financial expenses, net | (382) | (291) | (673) |
| Loss before tax | (1,210) | (9,461) | (10,671) |

**(US Dollar in thousands)**

**NOTE 26 – SEGMENT INFORMATION (CON.):**

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 affiliated companies accounted for using the equity method investee loss | (31) | - | (31) |
| Financial expenses, net | (416) | 1,657 | 1,241 |
| Loss before tax | (362) | (2,063) | (2,425) |

**NOTE 27 - 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.

**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.

**NOTE 27 - FINANCIAL INSTRUMENTS (CON.):**

**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. Cash and deposits

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

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 through financials institute. These assets are exposed to changes in their value, which may result,

**NOTE 27 - FINANCIAL INSTRUMENTS (CON.):**

## Credit risk (con.):

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:

# GEFEN INTERNATIONAL A.I. LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (US Dollar in thousands)

Statement of financial position according to linkage basis as of December 31, 2022:

| | USD | NIS | ERO | AUD | GBP | Non-monetary items | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 789 | 2,008 | 17 | 239 | - | - | **3,053** |
| Bank Deposits | - | 43 | - | - | - | - | **43** |
| Trade receivable, net | 1,150 | 1,013 | - | - | - | - | **2,163** |
| Assets held for sale | - | 835 | - | - | - | - | **835** |
| Other receivables | - | 400 | - | - | - | 630 | **1,030** |
| Related party receivables | - | 341 | - | - | - | - | **341** |
| **Total current Assets** | **1,939** | **4,640** | **17** | **239** | **-** | **630** | **7,465** |
| **Non-current assets:** | | | | | | | |
| Right-of-use assets | - | 874 | - | - | - | - | **874** |
| Property, plant and equipment, net | | | | | | 961 | **961** |
| Investment in investee | - | 435 | - | - | - | - | **435** |
| Investment in investment funds | - | 1,130 | 323 | - | 615 | - | **2,068** |
| Intangible assets, net | - | - | - | - | - | 7,456 | **7,456** |
| Goodwill | - | - | - | - | - | 4,341 | **4,341** |
| **Total non-current assets** | **-** | **2,439** | **323** | **-** | **615** | **12,758** | **16,135** |
| **TOTAL ASSETS** | **1,939** | **7,079** | **340** | **239** | **615** | **13,388** | **23,600** |
| **Current liabilities:** | | | | | | | |
| Short-term maturities of long-term loan | - | 810 | - | - | - | - | **810** |
| Trade payables | 106 | 327 | - | 8 | - | - | **441** |
| Related party payables | - | 2,249 | - | - | - | - | **2,249** |
| Liability held for sale | - | 1,349 | - | - | - | - | **1,349** |
| Lease liabilities | - | 400 | - | - | - | - | **400** |
| Liability at business combination | - | 674 | - | - | - | - | **674** |
| Other payables | 475 | 1,329 | - | - | - | 55 | **1,859** |
| **Total current liabilities** | **581** | **7,138** | **-** | **8** | **-** | **55** | **7,782** |
| **Non-current liabilities:** | | | | | | | |
| Lease liabilities | - | 516 | - | - | - | - | **516** |
| Long-term loan | - | 404 | - | - | - | - | **404** |
| Employee benefits, net | - | 555 | - | - | - | - | **555** |
| Liability at business combination | - | 977 | - | - | - | - | **977** |
| Deferred tax liabilities | - | - | - | - | - | 1,516 | **1,516** |
| **Total non-current liabilities** | **-** | **2,452** | **-** | **-** | **-** | **1,516** | **3,968** |
| **Total liabilities** | **581** | **9,590** | **-** | **8** | **-** | **1,571** | **11,750** |
| **Total capital** | - | - | - | - | - | **11,850** | **11,850** |
| **Total capital and liabilities** | **581** | **9,590** | **-** | **8** | **-** | **13,421** | 23,600 |
| **Total balance sheet exposure** | **1,358** | **(2,511)** | **340** | **231** | **615** | **(33)** | **-** |

# GEFEN INTERNATIONAL A.I. LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 | - | 843 | - | - | - | ***843** |
| Deferred revenues | - | - | - | - | 509 | **509** |
| Lease liabilities | - | 561 | - | - | - | **561** |
| Liability at business combination | - | 1,516 | - | - | - | ***1,516** |
| Other payables | 411 | 2,814 | - | - | 57 | ***3,282** |
| **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)** | **-** |

* Reclassified, for details see Note 2F

(US Dollar in thousands)

### NOTE 27 - 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, 2022

| | 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 | (251) | 251 | 23 | (23) |

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 | (211) | 211 | 194 | (194) |

(US Dollar in thousands)

**NOTE 27 - 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, 2022 | Up to 3 Months | Between 3 and 12 Months | Between 2 and 4 Years | More than 4 Years | Total |
|---|---|---|---|---|---|
| Liability at business combination | 674 | 977 | - | - | **1,651** |
| Related party payables | 1,124 | 1,125 | - | - | **2,249** |
| Other payable | 518 | - | - | - | **518** |
| Loans** | 155 | 190 | 424 | 375 | **1,144** |
| Lease liabilities | 147 | 386 | 733 | 32 | **1,298** |
| Trade payable | 441 | - | - | - | **441** |
| **Total** | **3,059** | **2,678** | **1,157** | **407** | **7,301** |

** Without bank account overdraft

| 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 | 1,325 | 191 | 1,369 | - | ***2,885** |
| Related party payables | 96 | 665 | 1,301 | 330 | ***2,392** |
| Other payable | 1,531 | 115 | - | - | **1,646** |
| 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** |

* Reclassified, for details see Note 2F

(US Dollar in thousands)

## NOTE 28 - 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

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 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 29 - BUSINESS COMBINATION:

1. **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 has not been paid yet.
   - 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.

**(US Dollar in thousands)**

### NOTE 29 - BUSINESS COMBINATION (CONT.):

1. **Purchase of Verify (con.):**

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.

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 29 - BUSINESS COMBINATION (CONT.):**

2. **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
   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 29 - BUSINESS COMBINATION (CONT.):

**2. 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) |

*** See also note 7**

**NOTE 29 - BUSINESS COMBINATION (CONT.):**

**3. 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. So that Gefen technology shall be responsible for the technologoical and strategic aspects, and Arayot shall be responsible for the execution of the business plan and distribution.
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.

  Gefen has not yet completed the implementation and operation of the platform in Arayot and therefore the share agreement has not yet been closed. Gefen is yet to receive its shares in Arayot and conseqntly the 1,150$ debit is still due..

(US Dollar in thousands)

**NOTE 29 - BUSINESS COMBINATION (CONT.):**

**4. Roeto**

In February 2022, Gefen Technologies along with Verify Insurance Agency Ltd. have entered into a binding Share Purchase Agreement 0f 80,000 Ordinary Shares of Roeto Ltd (“Roeto”), which constitute, at the time of the closing of the SPA's, 80% of Roeto’s share capital, on a fully diluted basis. (70% and 10% respectively). The total consideration of the purchase is 1,171, with the following breakdown: 806 was paid in cash and 365 will be paid after 12 months. Roeto is an Israeli based technology company that provides a SaaS CRM platform for life insurers and financial planners.

Goodwill of 555 represents the expected synergies from merging this business with the agent solution sector. The acquired business contributed revenue of 612 and profit after tax of 43 to the consolidated entity for the period from February 1 to December 31, 2022.

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

| **Description** | **Roeto – fair value (unaudited)** |
|---|---|
| **Net tangible assets** | |
| Current assets, net of current liabilities | 70 |
| Plant and equipment | 6 |
| Long term liabilities | (29) |
| Customer Relations and technology | 892 |
| Deferred Tax liability | (205) |
| Goodwill | 555 |
| Non- controlling interest | (183) |
| **Acquisition-date fair value of the total consideration transferred** | 1,106 |
| | |
| Representing: | |
| Payable to sellers | 1,106 |
| | |
| Cash used to acquire business, net of cash acquired: | **(738)** |
| Acquisition-date fair value of the total consideration transferred | **(750)** |
| Less: cash and cash equivalents | **12** |
| Net cash Paid | **(738)** |

### NOTE 30 – EVENTS AFTER THE REPORTING PERIOD:

1. On January 10, 2023 the company signed an agreement to sale it 100% holdings that reflect 14% of the share capital of Or HaGefen's share capital on a fully diluted bases. As part of the selling agreement the purchaser undertakes to repay all debts in a total amount of $ 530 thousand.
2. On February 24, 2023 and March 24, 2023 the company granted options to a supplier and employees, 600,000and 1,140,000respectively. exercisable at US$0.058 per share with an expiry date on January 30, 2028.

**General information**

The financial statements cover Gefen International A.I. Ltd as an consolidated entity consisting of Gefen International A.I. Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in US dollars, which is Gefen International A.I. Ltd's functional and presentation currency.

Gefen International A.I. Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

Level 5, 126-130 Phillip Street
Sydney, NSW 2000
Australia

**Principal place of business**

Kalisher 30, Tel Aviv
Yaf, Israel, 6525724

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 March 2023. The directors have the power to amend and reissue the financial statements.

**Gefen International A.I. Ltd**
**Shareholder information**
**31 December 2022**

The shareholder information set out below was applicable as at 24 April 2023.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---|---|---|---|---|
| | **Number of holders** | **% Of total shares issued** | **Number of holders** | **% Of total shares issued** |
| 1 to 1,000 | 31 | 0.02% | - | - |
| 1,001 to 5,000 | 99 | 0.48% | - | - |
| 5,001 to 10,000 | 79 | 1.06% | - | - |
| 10,001 to 100,000 | 200 | 10.64% | 3 | 1.44% |
| 100,001 and over | 57 | 87.81% | 9 | 98.56% |
| | 466 | 100% | 12 | 100.00 |
| Holding less than a marketable parcel | 299 | 3.83% | - | - |

## General information

The financial statements cover Gefen International A.I. Ltd as an consolidated entity consisting of Gefen International A.I. Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in US dollars, which is Gefen International A.I. Ltd's functional and presentation currency.

Gefen International A.I. Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| Registered office | Principal place of business |
|---|---|
| Level 5, 126-130 Phillip Street<br>Sydney, NSW 2000<br>Australia | Kalisher 30, Tel Aviv<br>Yaf, Israel, 6525724 |

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 March 2023. The directors have the power to amend and reissue the financial statements.

**Gefen International A.I. Ltd**
**Shareholder information**
**31 December 2022**

The shareholder information set out below was applicable as at 24 April 2023.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---|---|---|---|---|
| | **Number of holders** | **% Of total shares issued** | **Number of holders** | **% Of total shares issued** |
| 1 to 1,000 | 31 | 0.02% | - | - |
| 1,001 to 5,000 | 99 | 0.48% | - | - |
| 5,001 to 10,000 | 79 | 1.06% | - | - |
| 10,001 to 100,000 | 200 | 10.64% | 3 | 1.44% |
| 100,001 and over | 57 | 87.81% | 9 | 98.56% |
| | 466 | 100% | 12 | 100.00 |
| Holding less than a marketable parcel | 299 | 3.83% | - | - |

**Gefen International A.I. Ltd**
**Shareholder information**
**31 December 2021**

## Equity security holders

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| Holder Name | Holding | % IC |
|---|---:|---:|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 12,594,100 | 18.49% |
| HASHTID INVESTMENTS LTD | 10,131,429 | 14.88% |
| GEFEN TECHNOLOGIES HASHATID LIMITED | 5,524,856 | 8.11% |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 3,731,815 | 5.48% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 3,485,846 | 5.12% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 3,125,483 | 4.59% |
| RONNIE KAPLAN | 2,763,726 | 4.06% |
| CITICORP NOMINEES PTY LIMITED | 1,919,547 | 2.82% |
| FIP INVESTMENTS (VIC) PTY LTD <FIP INVESTMENT A/C> | 1,850,000 | 2.72% |
| NITZAN SHMAISER | 1,504,532 | 2.21% |
| OFRI NIR | 1,450,799 | 2.13% |
| OFRI AMIT | 1,450,799 | 2.13% |
| MRS ANNA SANDILANDS | 838,900 | 1.23% |
| DORON NAOR | 562,572 | 0.83% |
| BEARAY PTY LIMITED <BRIAN CLAYTON S/F A/C> | 466,667 | 0.69% |
| MR GEOFFREY CAMERON CLAYTON | 445,000 | 0.65% |
| HIGHBURY INVESTMENT HOLDINGS PTY LTD <THE HIGHBURY A/C> | 428,359 | 0.63% |
| DR JOHN ALOIZOS & MRS MURIEL PATRICIA ALOIZOS | 400,000 | 0.59% |
| CUMBAK PTY LTD <J ALOIZOS FAMILY DISC A/C> | 350,000 | 0.51% |
| SUMREX LTD | 320,512 | 0.47% |
| WHITEHOUSE GROUP NOMINEES PTY LTD <S WHITE SUPERFUND A/C> | 300,000 | 0.44% |
| HUNTER CAPITAL ADVISORS P/L | 300,000 | 0.44% |
| **Total** | **53,944,942** | **79.21%** |
| **Total issued capital - selected security class(es)** | **68,100,127** | **100.00%** |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 20,375,350 | 10 |

Included in options over ordinary shares issued above are 11,409,493 warrants.

The following persons hold 20% or more of unquoted equity securities:

| Name | Class | Number held |
|---|---|---|
| FINELINE PCB (CYPRUS) LTD | Series A Warrants | 5,558,812 |
| FINELINE PCB (CYPRUS) LTD | Series B Warrants | 5,850,681 |

**Substantial holders**
Substantial holders in the company are set out below:

| Holder Name | | |
|---|---|---|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | **Holding Balance** | **% IC** |
| HASHTID INVESTMENTS LTD | 12,594,100 | 18.49% |
| GEFEN TECHNOLOGIES HASHATID LIMITED | 10,131,429 | 14.88% |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 5,524,856 | 8.11% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS LCLIENT DRP> | 3,731,815 | 5.48% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS LCLIENT DRP> | 3,485,846 | 5.12% |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

**Restricted securities**
The company has the following restricted securities on issue:
- 60,179,725 fully paid ordinary shares to be held in escrow until 21 July 2023
- 563,846 options exercisable at $0.007 on or before 6 January 2025 to be held in escrow until 21 July 2023
- 887,494 options exercisable at $0.007 on or before 1 June 2026 to be held in escrow until 21 July 2023
- 5,474,517 options exercisable at $0.01 on or before 15 July 2026 to be held in escrow until 21 July 2023
- 300,000 options exercisable at $1.50 on or before 15 July 2026 to be held in escrow until 21 July 2023

**On-market buy back**
There is currently no on-market buyback program.

**Group cash and assets**
In accordance with Listing Rule 4.10.19, the company confirms that it has been using the cash and assets for the year ended 31 December 2021 in a way that is consistent with its business objectives and strategy.