ERECH FINANCE CAHALAHA LTD

Consolidated Financial Statements

as at December 31, 2021

This is an English convenience translation of the Company's condensed consolidated financial statements as at December 31, 2021 and for the period of one year ended on that date. In any case in which there is a discrepancy between this translation and the Hebrew original, the Hebrew original shall prevail.

ERECH FINANCE CAHALAHA LTD

Annual financial Statements 2021

ERECH FINANCE CAHALAHA LTD

Consolidated Statements on the financial position

	Note	As at December 31 2021	2020
		NIS thousands	
Assets			
Current Assets:			
Cash and cash equivalents	2(k), 5	7,392	1,397
Restricted deposits	13	3,301	5,603
Credit to customers, net	6(a)	71,382	42,725
Trade receivables		50	574
Financial assets at fair value through profit or loss	7	3,049	5,883
		85,174	56,182
Non-current assets:			
Credit to customers, net	6 (b)	10,415	8,649
Fixed assets	8	28	49
Other assets	9	-	696
Restricted deposits	13	-	2,490
.Other investments	10	3,917	2,261
Trade receivables	7 (b)	2,036	2,195
Deferred taxes	2 (l) (12	2,968	751
		19,364	17,091
Total assets:		104,538	73,273
Liabilities and equity			
Current Liabilities:			
Credit from banking corporations	13	10,004	23,684
Credit from related parties and others	13	14,584	13,175
Bond convertible into shares	15	-	4,245
Trade payables	14	676	1,083
Income tax payable	12	1,090	704
		26,354	42,891
Non-current liabilities			
Trade payables		140	153
Liability for royalties to the Innovation Authority		93	158
Credit from others	13	24,792	-
		25,025	311
Total Liabilities		51,379	43,202
Equity:			
Share capital, share premium, options and capital reserves	17	65,430	43,342
Surpluses		(11,813)	(12,837)
Total equity attributed to the owners of the Company		53,617	30,505
Non-controlling interests	11(b)(1):	(458)	(434)
Total equity		53,159	30,071
Total liabilities and equity		104,538	73,273

Naor Eliyahu	**Yossi Wasserman**	**David** Gerbi
Chairperson of the Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**

Date of approval of the financial statements by the Company’s Board of Directors: March 23, 2022

The attached notes constitute an integral part of the consolidated financial statements

ERECH FINANCE CAHALAHA LTD

Consolidated Statements on Comprehensive Earnings

	Note	2021	2020	2019
		For the year ending December 31		
		NIS thousands		
Revenue from provision of credit to customers	19	13,390	10,070	6,592
Cost of provision of credit to customers	20	3,237	2,285	1,949
Income from provision of credit to customers		10,153	7,785	4,643
Provisions for credit losses	6b	1,501	1,375	597
Income from the provision of credit to customers, net, less provisions for credit losses		8,652	6,410	4,046
Research and development Expenses	21	222	558	1,353
Marketing and sales expenses		-	-	104
Administrative and general expenses	22	5,786	5,480	3,701
Other expenses (income), net	9, 22(a)	541	(154)	748
		6,549	5,884	5,906
Operating income (loss)		2,103	526	(1,860)
The Company's share in the losses of an affiliate Company	10	(52)	-	-
Financing income	25	-	1,740	-
Financing expenses	25	(1,515)	-	(4,744)
Pre Taxes on Income Earnings (Loss)		536	2,266	(6,604)
Taxes on income revenue (expenses)	12(c).	358	(1,043)	(175)
Comprehensive earnings (loss) for the year		894	1,223	(6,779)
Comprehensive earnings (loss) attributed to:				
The shareholders of the Company		1,024	1,345	(6,664)
Non-controlling interests	11	(130)	(122)	(115)
		894	1,223	(6,779)
Earnings (losses) per share attributed to the Company's Shareholders -				
Basic earnings per share (in NIS)	23	0.46	0.74	(4.13)
Diluted earnings (loss) per share (in NIS)		0.31	0.57	(4.13)

The attached notes constitute an integral part of these consolidated financial statements

ERECH FINANCE CAHALAHA LTD

Statement on Changes in Equity

	Note	Share capital	Capital reserve share-based payment	Capital reserve for transactions with a controlling interest	Capital fund for transactions with non-controlling interests	Option warrants	Share premium	Surpluses	Total	Non-controlling interests	Total equity
		NIS thousands									
Balance as at January 1, 2019		1,829	2,297	1,272	(116)	1,386	19,159	(7,518)	18,309	(379)	17,930
Transactions during the year ending December 31, 2019:											
Transactions with controlling interests		-	-	26	-	-	-	-	26	83	109
Expiry of options for service providers		-	(2,297)	-	-	-	2,297	-	-	-	-
Allocating options for service providers	18	-	502	-	-	-	-	-	502	-	502
Comprehensive loss for the period		-	-	-	-	-	-	(6,664)	(6,664)	(115)	(6,779)
Balance as at December 31, 2019		1,829	502	1,298	(116)	1,386	21,456	(14,182)	12,173	(411)	11,762
Transactions during your ending December 31, 2020:											
Transactions with controlling interests		-	-	33	-	-	-	-	33	99	132
Issuance of shares and option warrants		-	-	-	-	1,850	7,436	-	9,286	-	9,286
Exercising and expiry of options, net		-	(198)	-	-	(218)	4,081	-	3,665	-	3,665
Capital component of convertible bonds	15	-	-	-	-	1,417	-	-	1,417	-	1,417
Allocating options for service providers	18	-	2,586	-	-	-	-	-	2,586	-	2,586
Comprehensive earnings for the period		-	-	-	-	-	-	1,345	1,345	(122)	1,223
Balance as at December 31, 2020		1,829	2,890	1,331	(116)	4,435	32,973	(12,837)	30,505	(434)	30,071
Transactions during the year ending December 31, 2021:											
Transactions with controlling interests		-	-	(26)	-	-	-	-	(26)	106	80
Exercising and expiry of options, net		-	(1,026)	-	-	(1,409)	17,209	-	14,774	-	14,774
Conversion of bonds		-	-	-	-	(1,417)	7,443	-	6,026	-	6,026
Allocating options for service providers		-	1,084	-	-	230	-	-	1,314	-	1,314
Comprehensive earnings for the period		-	-	-	-	-	-	1,024	1,024	(130)	894
Balance as at Friday, December 31, 2021		1,829	2,948	1,305	(116)	1,839	57,625	(11,813)	53,617	(458)	53,159

The attached notes constitute an integral part of these consolidated financial statements

ERECH FINANCE CAHALAHA LTD

Consolidated Statements on Cash Flows

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Net earnings (loss) for the year	894	1,223	(6,779)
Expenses (revenues) that are not involved in the cash flows			
Change in deferred taxes	(2,216)	(301)	(803)
Capital gain on disposal of other assets	-	(1,463)	-
The Company's share in the losses of an affiliate Company	52	-	-
Transactions with controlling interests	(26)	33	26
Chang in fair value of a negotiable investment	2,627	(1,502)	-
Change in fair value of other investments	(268)	(261)	-
Decrease in the value of intangible asset	696	1,668	748
Change in liability for grants received from the Innovation Authority	27	(51)	23
Movement in share-based payment reserve	1,084	2,586	502
Depreciation expenses	26	38	46
Transactions with non-controlling interests recognized opposite a capital reserve	106	99	83
	2,108	846	625
Changes in the assets and liabilities entries			
Increase in credit to customers, net (including long-term)	(30,423)	(4,510)	(5,561)
Increase (decrease) in financial asset at fair value though profit or loss, net	874	(683)	5,905
Decrease (increase) in trade receivables	182	**880**	(760)
Increase (decrease) in credit from banking corporations	(13,680)	7,397	4,000
Increase (decrease) in credit from others	31,448	(5,955)	3,367
Increase (decrease) in credit from associated parties	(5,038)	(14)	(268)
Increase (decrease) in income tax payable, net	386	**173**	(86)
Increase in other accounts payable	(513)	**(336)**	(991)
Change in restricted deposit	4,792	(4,046)	(1,645)
Change in bonds convertible into shares	18	(1,766)	2,725
	(11,954)	(8,860)	6,686
Net cash derived from (used for) current operations	(8.952)	(6,791)	532
Cash Flow from Investment Operations:			
Investment in fixed assets	(5)	(4)	-
Investment in negotiable securities	(663)	-	-
.Other investments	(1,440)	(2,000)	-
Consideration from the disposal of an intangible asset	500	500	-
Net cash used for investment operations	(1,608)	(1,504)	-
Cash flow from financing operations:			
Issuance of shares and option warrants	1,763	4,525	-
Exercising option warrants, net	14,792	3,666	-
Net cash deriving from financing operations	16,555	8,191	-
Increase (decrease) in cash, cash equivalents and banking credit	5,995	(104)	532
Cash, cash equivalents and banking credit at the beginning of the period	1,397	1,501	969
Cash, cash equivalents and banking credit at the end of the period:.	7,392	1,397	1,501
<u>Appendix A – Additional information on the cash flows:</u>			
Interest paid	2.52**4**	1,471	1,360
Interest received	7,529	5,649	5,496
Taxes paid	1,420	1,181	718
<u>Appendix B – Additional information on non-cash operations</u>			
Conversion of bonds into capital	4,263	**6,177**	-

The attached notes constitute an integral part of these consolidated financial statements

Note 1 - General

a. ERECH FINANCE CAHALAHA LTD (hereinafter – “the Company”) was incorporated in Israel in February 2007 and its equities were listed for trading on the Tel Aviv Stock Exchange in August 2010 and its registered address is 5 Eliav Yaakov St., Jerusalem.

b. The Company deals in the extra-banking credit provision field in the framework of loans and credit facilities against deferred receivables to small, medium scale corporations, associations and private borrowers, through Erech Loans Cahalaha Ltd. The Company and Erech Loans Cahalaha Ltd. have a license extended by the Commissioner of the Capital Market, Insurance and Savings valid until December 31, 2021. This license was extended until December 31, 2026. Furthermore, the subsidiary, K.M.B.Y. Ltd was granted a basic license valid until December 31, 2026 The Company intends expanding its operations in the extra-banking financing fields through the Company as well.

Furthermore, the Company deals in research, development, producing and marketing products for stabilized and improving conditions in the injection region. The Company has commenced operations in the field of “insulin at mealtimes,” which is administered to diabetics and it is continuing with research and development of long-term insulin technology. In addition, the Company is also engaged in promoting Injection Site Treatment & Stabilization Technology (ISTS) for improving the effectiveness of other drugs, which are administered subcutaneously. On July 15, 2020, the Company engaged in an agreement for sale of the Eye-Pen, operation under its ownership, to Next Gen Biomed Ltd. (Hereinafter: “Next Gen”). This engagement constitutes a part of the Company’s long-term strategy to focus on extra-banking credit operations, following the Board of Directors’ Resolution dated June 10, 2019 See Note 9 below for additional details.

c. The Effect of the Covid 19 Pandemic -

The Covid 19 pandemic in Israel and globally at the beginning of 2020, had significant economic implications. Many countries, including the State of Israel adopted drastic measures in an attempt to prevent the spread of the virus, which had a substantial effect on economic activity in Israel. The steps adopted also included closure of work places and diminishing activity in the economy.

In view of closure of the economy during the Covid 19 period, the Company adopted a number of direct actions, after it had examined the possible implications of the activity. On the one hand, the Company acted immediately to reduce the credit volumes initiatively and, simultaneously raise its interest margin, all this in order to reduce risks. Demands for credit remain stable and even increased, but, potentially, there was a certain increase in requests from drawers and customers for extending the repayment dates of the liabilities, when, in certain cases, the Company active deliberative the in each and every case, to extend and facilitate matters for drawers and customers in relation to repayments. These actions enabled the Company's customers to meet their commitments vis-à-vis it and to hedge risks during this period. In the reports period there was a substantial decrease in the morbidity rates in Israel in view of administering inoculations to the general adult population in Israel. Most of the restrictions that had been imposed were removed and the economy began to recover, which was also noticeable among the Company’s customers.

As at the date of this report, alleviations are being considered for the economy As at the date of publishing this report, the spread of the Covid 19 virus had no material and direct effect on the Company’s operations. However, the Company’s Executive cannot estimate and quantify the effect of continuance of a renewed spread of the virus on future results of its business operations.

d. Definitions:

In these financial statements –

The Group	-	Erech Finance Cahalaha Ltd. And its consolidated companies
Subsidiaries	-	Insuline GmbH, Erech Loans Cahalaha Ltd., K.M.B.Y. Ltd. and Pancrea Tech Ltd.
Financial assets at fair value through profit or loss	-	Medivie Therapeutic Ltd. and Next Gen Ltd.
Interested parties and controlling shareholders	-	As defined in the Securities (Annual Financial Statements) Regulations, 5770 – 2010
Related parties	-	As defined in International Accounting Standard 24 – Disclosures in the Context of a Related Party IAS24).
Affiliated Company		A Company treated using the equity method

Note 2 - The Principles of the Accounting Policy

a. The presentation basis of the financial statements:

The Company's financial statements for December 31, 2021 and 2020 and each of the three years in the period ending on December 31, 2021, comply with the International Financial Reporting Standards, which are standards and interpretations that were published by the International Accounting Standard Board (hereinafter – the IFRS Standards) which include an additional disclosure required pursuant to the Securities (Annual Financial Statements) Regulations, 5770 – 2010.

b. The basis for evaluation

The financial statements were prepared on the basis of historical cost apart from treatment of financial instruments.

c. The Operational Currency and the Presentation Currency

The Company's consolidated financial statements are presented in NIS thousands, which is the Company's operational currency and are rounded off to the nearest thousand, unless specified otherwise. The shekel is the currency that represents the primary economic environment in which the Company operates.

d. The operational turnover period

The Company's operational turnover period is 12 months

e. The analysis format for expenses recognized in the profit and loss statement

The Company analyzes the expenses that were recognized in profit or loss statement pursuant to the classification method based on the characteristic of the activity of the expenses.

f. Capital management

The Company's capital management targets are to maintain the Company's ability to continue its operations, with the goal of imparting a return for Shareholders and to maintain an optimal capital structure which would result in reducing capital costs.

The Company is likely to adopt various measures with the goal of maintaining and adapting its capital structure, including establishing a policy for the dividend distribution paid to the Shareholders, return of capital to the Shareholders, issuing new shares or selling assets for the purposes of reducing liabilities.

g. Sectorial reporting

Sectorial operations are reported pursuant to the same basis used for the needs of the financial statements submitted to the chief operational decision-maker in the Company, who is responsible for allocating resources to the Company's operational sectors and evaluating their performances.

h. Consolidated financial statements

1. Subsidiaries and combining businesses

The subsidiaries are entities controlled by the Company. The Company controls an entity when the Company has the power of influencing the investee entity, it has exposure or rights to variable returns from its involvement in the entity and it has the ability to use its influential strength on the investee entity in order to have an influence on the sum of the return deriving for it from that entity. The subsidiaries' financial statements have been included in the consolidated financial statements from the date of attaining control until the date of loss of control.

The Group's accounting treatment of the combinations of businesses is executed using the purchase method. The consideration that is transferred for acquiring a subsidiary (hereinafter – the acquired company) is calculated as the sum of the fair value of the assets transferred by the Group, the liabilities created for the Group vis-à-vis the previous owners of the acquired company and the capital rights issued by the Group. The transferred consideration includes the fair value of each asset or liability, which derive as a result of the conditional consideration arrangement. Costs relating to the acquisition are recognized in profit or loss on their capitalization. The identifiable assets that were acquired and liabilities and contingent liabilities that the Group accepted in the framework of combining businesses (apart from certain exceptions detailed in the International Financial Reporting Standard 3 "Combinations of Businesses" (amended)); (hereinafter – IFRS 3R) are first measured at their fair value on the date of the acquisition. In the framework of each business combination transaction, the Group determines whether to recognize rights that do not impart control in the acquired company, which are the present rights of ownership and impart their holders with a proportionate share of the net assets of the entity at the time of dissolution, according to their fair value or according to the present proportionate share of the ownership instruments in sums that were recognized for the acquired company's identifiable net assets. This determination was made separately for each transaction.

Note 2 - The Principles of the Accounting Policy (continued):

All the other components of the rights that do not impart control are measured at the fair value on the date of the acquisition, unless another measuring basis is required pursuant to the IFRS standards.

The conditional consideration that was created for the Group in the framework of combining businesses, is measured at its fair value on the date of combining the businesses. Changes following the fair value of the construct additional consideration, which is classified as an asset or liability, are recognized, pursuant to International Reporting Standard 9 "Financial Instruments" (hereinafter – IFRS 9) in profit or loss. A conditional consideration classified as capital is not really valued and its following the disposal will be treated in the framework of capital.
Intra-group balances and transactions, including the Group's revenue and expenses are canceled. Profits and losses deriving from intra-group transactions and that are recognized in assets are also canceled. The intragroup losses as aforementioned could indicate a decreased value of the assets that was examined and treated as detailed in Section 15 below.

2. Rights that do not impart control

Rights that do not impart control are the capital in a subsidiary that cannot be attributed, directly or indirectly to the Parent Company and which include additional components such as: A share-based payment that was settled with capital instruments of the subsidiaries and options for shares of the subsidiaries.

3. Investments in companies treated according to the equity method (affiliates)

An affiliate company is an entity in which the Company has a material influence, but no control which is, for the most part manifested in a holding of 20% to 50% of the voting rights. Investments in companies treated according to the equity method. Pursuant to the equity method, initially the investment is recognized according to its cost and the bookkeeping value changes so that the Company recognizes its share in the profit or loss of the affiliate company or the joint transaction from the acquisition date.
The Company's share in profit or loss of the affiliated companies is entered to profit and loss against the value of the book value of the investment.
Loans extended to an affiliate constitute a part of the investment in it and are presented together in the statement on the financial position in the framework of an investment in an affiliate company.
The Company's share in the losses of the affiliate company, to which the loans were extended, which exceed the investment in the shares of that affiliate company, is entered pursuant to the rate of the loans that were extended by the Company from the sum of the loans that were extended to the affiliated company by all the Shareholders. See Note 11 for additional details.

i. Financial assets

a. Classification:

The Group classifies its financial asset into the following categories: Financial assets at fair value through profit or loss. The classification is dependent on the business model in which the financial assets are held and the contractual conditions of the cash flows for them.
For assets valued at fair value, changes in the fair value will be recognized in profit or loss.The Group re-classifies the financial assets that are debt instruments, only when there has been a change in its business model for managing the financial assets.

1) Financial liabilities at an amortized cost

Financial assets at an amortized cost are financial assets that are held in the framework of a business model, the purpose of which is to hold the financial assets in order to collect contractual cash flows and their contractual conditions provide eligibility, on defined dates, to the cash flows that are only principal and interest payments for the unpaid principal sum.
These assets are classified as current assets, apart from maturities for a period exceeding 12 months after the date of the statement on the financial position, which are classified as non-current assets. The financial assets at amortized costs of the Group are included in the entries: "Accounts receivable," "cash and cash equivalents" and "credit to customers, net."

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not classified in one of the other categories. They are classified as non-current assets, unless the Executive intends realizing the investment in them with in a period of 12 months after the date of the statement on the financial position, or their redemption does not exceed 12 months after the date of the statement on the financial position when they are classified as current assets.

Note 2 - The Principles of the Accounting Policy (continued):

b. Recognition and evaluation

The acquisition and sale in the regular manner of financial assets are recorded in the Group's books on the date of binding the transaction, which is the date on which the Group undertakes to acquire or sell the asset. The investments were initially recognized in the fair value with the addition of the transaction costs, for all the financial assets that are not valued at fair value through profit or loss, apart from to customers. Financial assets that are valued at fair value through profit and loss are initially recognized and the transaction expenses are entered to profit or loss. Financial assets are removed when the rights to receive cash flows from them expire or are transferred and the Group materially transferred all the risks and benefits for the ownership of those assets. Financial assets at fair value through profit including other and financial assets at fair value through profit or loss are valued in the following periods at fair value. Financial assets at amortized cost are valued in the following periods at the amortized cost, on the basis of the effective interest method.

Profits or losses, deriving from changes in the fair value of the financial assets at fair value through profit or loss are presented in profit or loss in the framework of "financing revenues or expenses" in the period in which they originated.

c. Decline in the value of financial assets

The Group recognize the provision for a loss for anticipated credit losses on financial assets that are debt instruments valued at the amortized cost.

On each date of the statement on the financial position, the Group examines whether there has been a significant increase in the credit risk of the financial asset from the date of its initial recognition, on an individual or group basis. To this purpose, the Group compares the risk for the occurrence of failure in the financial instrument on the date of report with the risk for the occurrence of failure in the financial instrument on the date of its initial recognition, while taking all the reasonable information that can be established, including forward-looking information, into account.

The group measures the provision for loss in a sum equivalent to the anticipated credit losses throughout the lifespan of an instrument for financial assets in which there has been a significant rise in the credit risk since their initial recognition date. Otherwise, the provision for losses will be measured at the sum equivalent to the anticipated credit losses in a 12-month period. The contractual credit differentials sum (or the cancellation) is recognized in profit or loss in the framework of "profits (losses) from a decline in the value of financial assets and assets for contracts with customers – net."

The Group assumes that the credit risk will not rise substantially from the date of their initial recognition for financial instruments with low credit risks.

j. Share capital

The Company's Ordinary Shares are classified in capital.

k. Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits in banking corporations, other short-term deposits with high liquidity and a deposit period that does not exceed 3 months.

l. Current and deferred taxes

The tax expenses for the reported years include both current and deferred taxes. Taxes are recognized in the comprehensive statement on profits.

The sum entered as current taxes is calculated on the basis of the taxation laws that were legislated or the legislation of which was completed in practice at the date of the statement on the financial position, in the countries in which the Company operates and produced taxable income. Every period, the Company Executive examines the tax aspects applicable to its taxable income for tax purposes, pursuant to the relevant tax laws and creates a provision pursuant to the anticipated sums for payment to the tax authorities.

The Company recognizes deferred taxes on the liability method for temporary differences between the sums of the assets and liabilities, included in the financial statements and the sums that will be taken into account for tax purposes. The deferred taxes sum is established pursuant to the tax rates (and the tax laws) that were legislated or the legislation of which was completed in practice as at the date of the statement on the financial position and that are expected to apply when the deferred taxes assets are recognized or when the deferred taxes liabilities are settled.

Recognition of the deferred taxes assets is executed for the deductible temporary differences for tax purposes within the limits of the sum of the provisions, the exploitation of which can be expected in the future against taxable incomes.

Deferred taxes assets and liabilities are set off only if:

- There is an enforceable legal right to set off current taxes against current tax liabilities;
- And the deferred taxes assets and liabilities related to taxes on income that are imposed by that Tax Authority on that text entity or on various text entities, which intend settling the balances on a net basis.

Note 2 - The Principles of the Accounting Policy (continued):

m. Government grants

Government grants are recognized when there is reasonable confidence that the grants will be received and the Company will comply with all the conditions for receiving the grant.
Government grants that were received from the National Authority for Technological Innovation in Israel (hereinafter – "the Innovation Authority"), for support of the research and development operations, which include a commitment to payments and royalties to the state that are conditional on executing future sales deriving from the development, are recognized on the date of the receipt as a liability, if economic benefits are expected as an expense from the research operations which will result in sales that entitle the state to royalties, according to their fair value. If, on the date of receiving the grants no economic benefits are expected as aforementioned, the grants are credited to profit or loss as a reduction of research and development expenses.

In the event in which the liability is not recognized on the date of receiving the grants, on each reporting date, the Company examines whether, on that date, there is reasonable confidence that economic benefits are expected from the research and development and, if positive, it recognizes the appropriate liability that reflects the fair value of the anticipated royalties payments and, simultaneously recognizes the research and development expense.
The sums paid as royalties are recognized as settling the liability. Grants received from the Chief Scientist for a refund of research and development expenses, are recognized in the profit and loss statement as a refund of expenses in the suitable entry.

n. Fixed assets

Fixed asset items are presented at cost with addition of the direct acquisition costs, less accrued depreciation and do not include regular maintenance expenses. The costs include spare parts and auxiliary equipment that serve the fixed assets.
Depreciation is calculated at equal annual rates using the straight-line method throughout the useful lifespan of the asset as follows:

	%
Laboratory equipment	15
Computers and peripheral equipment	33
Electronic equipment	15

The useful lifespan, depreciation method and residual value of each asset are examined at least at the end of each year and the changes are treated as accounting estimate changes in the manner of from now on. Reducing the assets is stopped at the earlier between the date on which the asset is classified as held for sale and the date on which the asset is removed

o. Other assets

Research expenses are recognized as an expense at the time of their creation. Expenses that are created for development projects (real late to design an examination of new products or improvements) are recognized as intangible assets when the following conditions exist:

- There is a technical feasibility for completing the intangible asset, so that it will be available for use;
- The Executive intends completing the intangible asset for use or sale;
- The intangible asset can be used or sold;
- The manner in which the intangible asset will produce economic anticipated future economic benefits can be illustrated;
- Suitable-technical, financial and other resources –available for completing the development for the use or sale of an intangible asset; and
- The cost that can be attributed to the intangible asset during its development can be evaluated reliably.

Other development expenses that do not comply with these conditions are recognized as an expense at the time of their creation. The development costs that were recognized in the past as an expense are not recognized as an asset in a later period. Development costs that were capitalized are presented as intangible assets and are amortized from the point in time in which the asset is available for use, i.e. When it is in the location and condition necessary for it to be operated as the Executive intended, pursuant to the straight-line method over its useful lifespan

Note 2 - The Principles of the Accounting Policy (continued):

As a part of a merger transaction in 2018, the Company has 2 major intangible assets that are attributed to technology and intellectual property in development. In view of the sale of one of the assets in the Nextgen transaction in 2020 (see Note 9) Company has remained with one intangible asset.

p. Value decline of non-financial assets

Assets with an undefined useful lifespan, such as goodwill and intangible assets that are still not available for use, are not amortized and their value decline is examined once a year. The value decline of other non-financial assets are examined, if there have been events or changes in the circumstances that indicate the fact that their book value is irrecoverable. In addition, see Section 15

The loss sum recognized for the value decline is equal to the sum in which the book value of the asset rises over its recoverable sum. The recoverable sum of the asset is the higher between the fair value of the asset less the sales costs and its usage value. For the purposes of examining the value decline, the assets are divided into lower levels, for which there are separate identifiable cash flows (cash yielding units). Non-financial assets, apart from goodwill, the values of which have declined, are examined for the purposes of identifying a possible cancellation of the value decline that was recognized for them on each date in the statement on the financial position. For the purposes of examining a value decline of the Company's intangible assets, every period, the company was assisted by an external and independent appraiser, who performed the fair value evaluations for one asset (which was realized during 2020) using the income approach and in a specific manner in the "surplus profits capitalization" method and for the second asset in the income approach in a specific manner in the "exemption from royalties" method. A derived value comparison in valuing the balance in the financial statements, indicates that there is a need for performing amortization for a value decline. See Note 9 for additional details..

q. Share-based payment

The Group activates a number of programs for share-based payments to employees, who are paid with the Company's capital instruments, in which the Group receives services from employees in consideration for the capital instruments (options) of the Group's Companies. The fair value of the services received from the employees in consideration for granting the options is recognized as an expense in the profit or loss statement. The total sum entered as an expense is determined while relating to the fair value of the options that were granted:

- While taking the execution conditions, which are market conditions into account (for example, the entity's share price).
- Without taking the effects of the service conditions and non-market vesting conditions into account (for example, meeting profitability and sales targets continuing work with the Company for a specific period) and
- Taking into account the effect of any conditions whatsoever that are not maturity conditions (for example, a demand from employees to save).

r. Trade payables

Trade payables include the Group's commitments to pay for merchandise or services that were acquired from suppliers during regular business. Trade payables are classified as current liabilities when the payment is supposed to be made within one year or less (or during the regular operational cycle of the business, if it should be longer than a year), otherwise they are classified as non-current liabilities.

Trade payables are recognized initially at fair value and afterwards they are valued at the amortized cost, based on the effective interest method.

s. Complex financial instruments

Complex financial instruments that were issued by the Company include unindexed bonds specified in the Company's operational currency and which are convertible into a fixed number of Ordinary Shares of the Company according to the holder's choice. Therefore, the conversion option constitutes a capital component.

The liability component of a complex financial instrument is initially recognized at the fair value of a similar liability, which does not include a conversion option. The capital component is recognized initially by subtracting the fair value of the financial liability from the fair value of the complex financial instrument in its entirety. Direct transaction costs are allocated to the liability component and the capital component according to the proportion of the initial value at which they are recognized. After the initial recognition, the liability component of the complex instrument is valued at an

Note 2 - The Principles of the Accounting Policy (continued):

amortized cost using the effective interest method. The capital component of the complex instrument is not revalued during the following periods, apart from when converting the complex instrument or on its expiry

t. Recognition of Revenues

Recognition of revenues for commercial transactions in deferred receivables is according to the effective interest method. I.e., the interest calculated according to this method for the proportionate part that has accrued since the date of the commercial transaction in receivables up to the end of the reporting period. The revenue is recognized, as aforementioned, when the consideration is expected and can be estimated reliably.

u. Research and development

Expenses relating to research operations executed with the goal of acquiring new scientific or technical knowledge and understanding are entered to profit and loss on their creation.

v. Earnings per share

Calculating the basic earnings per share is, as a rule, based on earnings that are distributable to the Ordinary Share Holders (earnings less preferred dividends and accrued interest that is attributed to the preference shareholders), which are distributed on the weighted average of the existing number of Ordinary Shares in the cycle.

w. Transactions with a controlling shareholder

Assets and liabilities for which a transaction was executed with a controlling shareholder are valued according to the fair value at the time of the transaction.
In view of the fact that reference is to a transaction on the capital plane, the Group credits the difference between the fair value and the consideration from the transaction to capital.

x. Standards, amendments and interpretations of existing standards that are still not in force and that the Company has not chosen their advance application:

1. Amendment to IAS 1, Presenting the Financial Statements: Classifying current or non-current liabilities (hereinafter - “the amendment”)

The amendment replaces certain classification requirements of liabilities as current or non-current. Thus, for example, pursuant to the amendment, a liability must be classified as non-current when the entity has a right to defer payment to a period of at least 12 months after the reporting period, which is of substance and that exists to the end of the reporting period, despite the demand for a right that is “unconditional.” Pursuant to the amendment, the right only exists on the reporting date if the entity complies with the conditions for deferring payment as at that date. Furthermore, the amendment clarifies that the right of converting the liability will affect the classification of the instrument in its entirety as current or non-current, unless the conversion component is capital. The amendment must be implemented in the reporting periods commencing on January 1, 2024 with an option for early implementation. The amendment must be implemented retrospectively, including amendment of the comparative figures. The Group has not yet commenced examining the implications of implementing the amendment on its financial statements.

3. Amendment to IFRS 3, combinations of businesses (hereinafter -"the amendment")

This amendment replaces the requirement to recognize liabilities in combinations of businesses pursuant to the conceptual framework. This is because the interaction between these instructions and the instructions established in IAS 37 regarding recognition of the liabilities was not clear in certain cases.
This amendment adds an exception to the principle of recognition of liabilities in IFRS 3. Pursuant to the exception, contingent liabilities will be recognized pursuant to the requirements of IAS 37 and IFRIC 21 and not pursuant to the conceptual framework. This amendment avoids spreads in timing the recognition of the liabilities which was likely to cause profits and losses immediately after combining the businesses (day 2 gain or loss). The amendment also clarifies that contingent assets will not be recognized on the date of combining the businesses. The amendment will come into force in the reporting period commencing as of January 1, 2022 or thereafter. The Group is examining the implications of the amendment on its financial statements without any intention for advance implementation.

Note 2 - The Principles of the Accounting Policy (continued):

Amendment to IAS 12 Taxes on Income: Deferred tax relating to assets and liabilities deriving from a transaction

The amendment diminishes the incidents of the exemption from recognition of deferred taxes as a result of temporary provisions that were created on the date of the initial recognition of the assets and/or liabilities, so that the aforementioned exemption shall not apply to transactions that create temporary equal and setting off differences.
As a result, entities are required to recognize a deferred tax asset or liability for these temporary differences on the date of initial recognition of the transactions that create the temporary equal and setting off differences, for example lease transactions and provisions for dissolution and rehabilitation.
The amendment must be implemented as of the annual reporting periods commencing on January 1, 2023, by amending the opening balance of the surpluses were as adjusted to another capital entry during the period in which the amendment as aforementioned was adopted. Early implementation is possible. According to the Company, the amendment is not expected to have a material effect on the financial statements.

Note 3 – Material Estimates and Considerations:

The estimates and considerations are tested perpetually and are based on past experience and additional factors, including expectations in relation to future events, which are considered to be reasonable, in light of the existing circumstances.

a. Significant accounting estimates and assumptions

The Group formulated estimates and assumptions regarding the future. By nature, it is rare for the accounting estimates that are made to be identical to the actual related results. The estimates and the assumptions in respect of which there is a significant risk of making significant adjustments in the book values the assets and the liabilities during the following financial year, are detailed below,

The fair value of derivatives and other financial instruments

The fair values of financial instruments, which are not traded in an active market are determined using evaluation methods. The Group exercises judgment, for the purpose of selecting the various evaluation methods and for the purpose of making assumptions, which are based primarily on existing market conditions on each date of the statement on the financial position. The Group used an analysis of the discounted cash flows in order to determine the fair value of a range of financial assets, which are measured at fair value and which are not traded in an active market.

b. Considerations having a significant impact on the implementation of the corporation's accounting policies

1) Provisions for credit losses

As a part of the Company's regular business procedure, there is a risk regarding the chances of collecting the debts and deployment regarding the timing of collecting the sum to be collected. When there is an indication to the fact that difficulty in collecting the credit that was extended to the Group's customers, is expected, the Company records a provision for credit losses. In addition to a specific provision and reliant on past experience, the Company records a general provision for credit losses, see Note 6 as well.

2) Deferred taxes

Recognition of a deferred tax asset in respect of losses for tax purposes, which is based on the Company Executive's expectations of taxable profits in the future, against which it will be possible to exploit the losses that are carried down.

Note 4 - Financial instruments and financial risk management :

Financial risk management

Financial risk factors

The Group's operations expose it to a range of risks, for example: Market, credit and liquidity risks.

The Group's risks management policy is intended to examine and trace the risks facing the Group, to provide an appropriate response to the risks and define controls that would ensure supervision of those risks and which would diminish the negative effects on the Group's financial results.

This policy is reviewed routinely, in order to verify that the policy has been adapted to financial changes occurring in the markets.

The Credit Committee is responsible for risk management, pursuant to the policy approved by the Company Executive and Board of Directors. The risk array that the Company adopts is uniform in relation to all of the customers.
After identifying and assessing the financial risks by the Credit Committee, a modus operandi is adopted in accordance with the outline of principles formulated by the Company's Executive regarding credit and interest risks.

1) Market risk

Market risk is the risk that changes in market prices, such as a change in interest rates or preliminary information on negative developments in the market, will affect the Company’s income or the value of its holdings. The purpose of market risk management is to manage and control exposure to market risks in the framework of conventional parameters.

The major market risk to which the Group is exposed is the interest risk. The interest risk is the risk of damage to the Company's profits and equity capital as a result of interest rate changes. The Company receives credit from financial institutions and banking corporations on a significant scale. Inter alia, the cost of the aforementioned credit is affected by the level of the Bank of Israel's (BoI) benchmark interest rate.

A BoI benchmark interest rate decline would increase the margin, while an interest rate hike would cut the margin.

The Company believes that, the BoI benchmark rate will remain unchanged for a lengthy period and, accordingly, its exposure to such situations is immaterial.

2) Credit risk

The main credit risk facing the Company operating in this field is the credit risk, which could be caused because a borrower is unable to meet his obligations vis-à-vis the Company.

The book value of the financial assets is the amount that best represents the Company's maximum exposure to credit risk.

The Group minimizes risks by managing a setup that enables a professional examination of a customer and the collateral that he presents to it, stringent distribution of the risks in the credit portfolio, assimilation of customer absorption procedures and examining the nature of the transactions.

The Group's experience, accumulated over the years in all regarding the manner of examining customers and regular controls over the Company's credit portfolio, enable it to minimize the risks when absorbing customers, who might not be able to repay the financing.

Both the Company's new customer absorption procedure and the examination of the borrower's solidity for the purpose of extending the financing are stringent. The Company does not engage with customers whose settlement ability is not sufficiently high. Thus, in most cases, the customers' identity is that of reliable customers with financial strength that is known to the Company already prior to the engagement period.

As a condition for the receipt of a loan from the Company, the borrower undertakes to furnish the Company with post-dated checks of the customer, pursuant to what has been established in the agreement between the parties, except for a loan to a related party – see Note 6a. In certain cases, the borrower undertakes to furnish personal checks of the guarantors at the level of their guarantees.

Note 4 - Financial instruments and financial risk management (continued):

As a condition for the receipt of credit against deferred receivables, the borrower undertakes to furnish the Company with checks, the value of which is equivalent to the level of the loan and the interest that the Company collects for the loan. Since the checks are in the borrower's name, the borrower is required to sign a personal guarantee for the settlement of the checks.

3) Liquidity risk

The Group's approach is to guarantee to the extent possible its compliance with the credit facilities. Compliance with the credit facilities is essential in order to ensure that there are sufficient funds for the operational needs of the Group, without deviating from its credit facilities.

The Group's forecasts for using the cash at its disposal include an examination of its needs, compliance with certain liquidity ratios and compliance with the regulatory conditions and additional legal requirements

Following are the contractual payment dates of the financial commitments in non-capitalized sums based on the future contractual rates as at the reporting date, including an estimate of interest payments:

2021 *in NIS thousands*	**The Value In the books**	**Cash Flow Contractual**	**Up to year**	**1-2 Years**	**2-4 Years**	**above Five Years**
Financial Commitments						
That are not derivatives						
Credit from banking corporations	10,004	10,303	10,303	-	-	-
Credit from related parties and others	39,380	41,391	14,791	26,600	-	-
Trade payables	1,906	1,906	1,766	-	140	-
	51,290	53,600	26,860	26,600	140	-

2020 *in NIS thousands*	**The Value In the books**	**Cash Flow Contractual**	**Up to year**	**1-2 Years**	**2-4 Years**	**above Five Years**
Financial Commitments						
That are not derivatives						
Credit from banking corporations	23,684	24,412	24,412	-	-	-
Credit from related parties and others	13,175	13,876	13,876	-	-	-
Current loans convertible bonds	4,245	4,325	4,325	-	-	-
Trade payables	1,940	1,940	1,787	-	153	-
	43,044	44,553	44,400	-	153	-

Note 5 - Cash and Cash Equivalents

The Company's major cash balance is in unindexed shekels

The book value of the cash and cash equivalents constitutes a reasonable approximation of their fair value because the capitalization effect is immaterial.

Note 6 - Credit to customers, net

a. Credit to customers, net - short-term

	As at December 31	
	2021	**2020**
	NIS thousands	
Open debts and checks for collection	91,287	51,779
Credit to related parties for which no Checks for collection were received (1)	510	454
Provisions for credit losses (2)	(4,543)	(3,043)
Less - prepaid income (3)	(15,872)	(6,465)
Total credit to customers	71,382	42,725

Regarding financial stipulations, see Note 13b Regarding balances with related parties - See Note 24

b. Credit to customers, net - long-term

	As at December 31	
	2021	**2020**
	NIS thousands	
Open debts and checks for collection	11,495	8,897
Less - prepaid income (3)	(1,080)	(248)
Total credit to customers	10,415	8,649

The major balance of credit to customers, net is in unindexed shekels.

(1) Open debts and checks for collection

- Comprehensive balance as at December 31, 2021 including a balance of NIS 510 thousand for a related party (2020 – NIS 454 thousand). Pursuant to an agreement between the parties, in addition to the loan, the Company extend credit facilities bearing monthly interest of 1% to this related party. The credit facilities are without any settlement date and pursuant to positive cash flows of the borrower. Some of the Shareholders in the Company are guarantors for the balance of this related party's loan.

- As at December 31, 2021, the debit balance for 3 customers with credit risks rose to a total of NIS 9.7 million (2020 NIS 8.8 million for 2 customers). The Company has contacted the debtors in relation to one customer in favor of a debt repayment arrangement and, in 2020 a debt arrangement was achieved. A provision of NIS 600 thousand was made for the aforementioned debt in 2019. In addition, in relation to the second customer, in 2019, the Company reached an arrangement for the unpaid debt balance with the debtors and guarantors and, according to the Company Executive's estimate, a provision of NIS 1,820 thousand was recorded up to December 31, 2021 See Note 6(2)b below for additional details regarding the claim submitted against the customer. Regarding 1/3 customer, the Company is acting at exercising the guarantees and a provision of NIS 500 thousand as at December 31, 2021, was recorded.

(2) Provisions for credit losses

a. In 2021, the Group updated the provisions for credit losses in the sum of NIS 1.5 million.

b. On May 12, 2020, a request for and instituting legal proceedings order was submitted against one of the Company's customers in the framework of insolvency proceedings in the Beer Sheva District Court. The customer's debts and those of its shareholders amounted to NIS 4.5 million There are personal guarantees of the controlling shareholders of the customer in the sum of NIS 3 million against the existing debts to the Company, The Company believes that the chances of collecting the guarantees are high. Subject to the aforementioned, during 2021, the Company increased the provision by NIS 320 thousand after, in 2020, the Company had placed the provision on a sum of NIS 1.5 million (a total of NIS 1.82 million). As at the present, a debts claim for collecting the debt is being conducted.
The Company examined International Financial Reporting Standard 9 and included in its financial statements as at December 31, 2021, the general provision in a sum of NIS 1,403 thousand (December 31, 2020 – NIS 726 thousand) regarding debts for which no specific provision was recognized. The general provision rate is, inter alia, based on an analysis of the collection data and the history of the Company's customers' repayments. During 2020, the Company increased the general provision rate from 0.5% to 1.5% in view of the outbreak of the Covid 19 pandemic and apprehension regarding its economic effects on the business sector. In 2021, the general provision rate was left at 1.5% in view of the fact that this rate reflects the Executive's estimation. As at December 31, 2021, the balance of the provision for credit losses was NIS 4.5 million.

Note 6 - Credit to Customers, net(continued)

Sums that are entered to credit losses are included in the entry “provision for credit losses" in the comprehensive profit statement sums entered to the provisions are usually deleted when collecting additional money is not expected.

The movement in the provision for credit losses that the Company executes is as follows:

	As at December 31	
	2021	**2020**
	NIS thousands	
Balance as at the beginning of the year	(3,043)	(1,668)
Provisions for credit losses	(1,501)	(1,375)
Balance as at the end of the year	(4,544)	(3,043)

See Note 3b1 for additional details regarding the accounting policy adopted by the Company

(3) Advance revenues

The Company records advance revenues for transactions the payment dates of which are not yet due. The interest part, the revenue for which was not recognized from these transactions constitutes the balance of the advance revenues as at the balance sheet date.

(4) Material customers

1. Balance

	As at December 31	
	2021	**2020**
	NIS thousands	
Customer A	-	5,350
Customer B	10,716	-
Customer C:	8,337	-

2. Revenue from extending credit to customers

	For the year ending December 31		
	2021	**2020**	**2019**
	NIS thousands		
Customer A	-	734	-
Customer B	1,459	-	-
Customer C:	333	-	-

(*) The customers balances of material customers B and C are comprised of a number of drawers.

Note 7 - Financial assets at fair value through profit or loss

a. Engagement with Medivie Therapeutic Ltd.

On January 22, 2018, Erech Loans Cahalaha Ltd. (A company fully held by the Company) (hereinafter: “Erech Loans”) engaged in an exchange loan agreement in the sum of NIS 5 million with Medivie Therapeutic Ltd. (Hereinafter: “Medivie”).

On March 25, 2018, Erech Loans informed Medivie of a decision to exercise all the options allocated to it in the framework of the aforementioned agreement, into Medivie’s Ordinary Shares. Following exercising the options as aforementioned, Erech Loans held 151,515 of Medivie’s Ordinary Shares, which constituted 7.36% of the holding and voting rate in Medivie (6.95% on full dilution) and it became an interested party in Medivie. On December 17, 2019 instead of the loan agreement dated January 22, 2018, the Company, the controlling shareholder of Medivie and Medivie signed a new agreement (hereinafter: “The allocation agreement”), the details of which follow:

a. As a part of the transaction, Medivie will allocate 61,637 of Medivie’s shares without a par value. (hereinafter: “The shares” or “the restricted stock units”). The deadline for completing the allocation as aforementioned will be December 31, 2019 (hereinafter: “the allocation date”).

Note 7 - Financial assets at fair value through profit or loss(continued)

b. The aforementioned allocation will be subject to the provisions of any law and to receiving all the relevant regulatory authorizations, including the Tel Aviv Stock Exchange Ltd authorization.

c. After the allocation, during the second half of January 2020, the controlling shareholder in Medivie irrevocably undertakes to lend the Company a quantity of shares equal to the quantity of shares as aforementioned in Section a above (hereinafter: "the swap") so that the Company would be able to sell its shares on which the restriction instructions apply pursuant to the law. In exchange, the Company will transfer the restricted stock units to the controlling shareholder in Medivie This commitment of the controlling shareholder in Medivie will be valid for 12 months from the date of the allocation.

d. If the price of the Company's share as at the date on which the swap is executed shall be lower than NIS 28.89 per share, the Company must allocate, at the most, 21,000 Ordinary Shares of the Company without a par value to Erech Finance, so that for each decline of 50 agarot in the share price below NIS 28.89, the Company will allocate 1,500 Ordinary Shares of the Company without a par value to Erech Finances.

e. If the Company allocates additional shares as aforementioned in Section d above to Erech Finances (hereinafter: "the additional shares"), the controlling shareholder in Medivie irrevocably undertakes to lend the Company a quantity of shares equal to the additional quantity of shares. So that the Company would be able to sell its shares on which the restriction instructions apply pursuant to the law. In exchange, Erech Finance must transfer the aforementioned restricted stock units in Section d above to the controlling shareholder in Medivie. This commitment of the controlling shareholder in Medivie will be valid for 12 months from the date of the allocation as shall be established pursuant to Section d above.

f. On March 24, 2020, Medivie announced that it had received the Stock Exchange's authorization to allocate 82,637 of Medivie's shares to the Company. These shares were allocated to the Company on April 27, 2020.

At the beginning of 2021, the Company sold its holdings in Medivie and recorded gains of NIS 1.007 thousand, which are included in the financing revenues entry.

b. Engagement with Next Gen Biomed ltd.

a. On July 15, 2020, the Company engaged in an agreement for sale of the Eye-Pen, operation under its ownership (hereinafter: "The operation") to Next Gen Biomed Ltd. (hereinafter: "Next Gen"). This engagement constitutes a part of the Company's long-term strategy to focus on extra-banking credit operations, On November 30, 2020 the draft of the transaction was updated. Following is a summary of the main terms of the agreement for the sale of the operations, in the framework of which the following was agreed upon between the parties:

1. The Company will transfer to Next Gen and/or to a subsidiary company that will be established on its behalf for the purpose of absorbing the operations, while, in consideration, Next Gen will allocate options to Erech Finance, which are exercisable into 2,350,000 Ordinary Shares, each without a par value for a period of 12 months in consideration for a strike price of 30 agarot for each option.
2. Next Gen has undertaken to pay Erech Finance a cash amount of NIS 1 million in 2 equal and sequential payments, when the first payment must be made on completing the transaction and the second payment must be made during the following quarter. As at the date of the financial statements, the full sum had been paid
3. The Company and Next Gen have reached updated agreements on all issues relating to the mechanism for the distribution of profits as a result of sales of the product and/or the dividend distribution from the Eye-Pen product such that the agreements of July 2020 will be updated and the following will be established to replace them: Up to a general profit sum of NIS 15 million from the Eye-Pen product (hereinafter "the profit mark"), which will be distributed as follows: (a) 51% of the profits will be transferred to Next Gen and (b) 49% of the profits will be transferred to the Company. After crossing the profit mark, all the profits from the Eye-Pen product will be transferred to the credit of Next Gen and the Company will not have any direct and/or indirect right in all regarding the Eye-Pen product operations.
4. Next Gen has undertaken to enter the Company's shoes, as is customary in transactions of this sort, and to exempt Erech Finance from previous commitments regarding the Eye-Pen product.

As a result of the aforementioned transaction, the aforementioned options were allocated to the Company and in 2021, the Company converted the options into shares The shares were recorded as a financial asset at fair value through profit or loss and were revalued in the sum of NIS 3,049 thousand as at December 31, 2021. In addition, the Company recorded its rights to receive future profits in the "other long-term accounts receivable entry in the sum of NIS 2,036 thousand. In contrast, a commitment at the rate of 7% of the fair value of the forecast consideration for the Company from the aforementioned profit distribution mechanism in Section 3 above remains in the Company's books, in view of the rights of the Research Manager in all regarding the activity of the Eye-Pen product. For the purposes of determining the aforementioned sums the Company based itself on the appraisal of an external and independent appraiser regarding the Company.

Note 8 - Fixed Assets

Cost	Laboratory equipment	Production line	Computers and peripheral equipment	Furniture and electronics equipment	Total
			NIS thousands		
Balance as at January 1, 2021	54	2,593	439	149	3,235
Additions during the Year	-	-	5	-	5
Balance as at December 31, 2021	54	2,593	444	149	3,240
Accrued depreciation					
Balance as at January 1, 2021	53	2,593	406	134	3,186
Additions during the Year	1	-	12	13	26
Balance as at December 31, 2021	54	2,593	418	147	3,212
Amortized cost as at December 31 2021	-	-	26	2	28
Amortized cost as at December 31 2020	1	-	33	15	49

Note 9 - Other Assets

In the framework of the merger transaction that was completed on April 8, 2018, two major intangible assets were recognized that are attributed to technology and intellectual property in development, for the development by the Company of **products that are intended for diabetics, who use insulin pumps.** On February 4, 2019, the Company received approval for completing the registration and approval for marketing the Eye-Pen from the American Food and Drug Administration (FDA). On February 20, 2019, the Company received a notice prior to acceptance of a request for a patent in Europe, subject to payment of the registration fee, the heading of which was: Drug Dispensing-Tracking Device and Method. The validity of the patent is until October 2033 and the patent request in Europe is a continuation of the national phase of the international request.

On December 15, 2019, the Company signed an agreement for examining the feasibility of a product with Moore Research Applications Ltd., a subsidiary under full ownership of Clalit Health Services (hereinafter: "The agreement," "Moore Applications" and "Clalit"), which serves as Clalit's applicative arm.

Following are the main details of the agreement:

i. The Parties will examine the feasibility of the Eye-Pen product, which is intended to manage diabetes for patients treated with insulin injections. The agreement was signed afterwards and, based on the approval of the Innovation Authority, which is financing 40% of the costs of the feasibility test as a part of the R&D Program in the framework of the run in course in the digital health field.

ii. The test will be conducted through the run in program for the product, which, inter alia, will be conducted by Clalit at the installations with the aid of Clalit's personnel and on patients, insurants or Clalit members, subject to signing Informed Consent Forms were based on abilities, data or information available on the Clalit and Moore Applications network. The commercial principles that will guide the parties in relation to future sales of the Eye-Pen product have been agreed upon, should the feasibility test be to Clalit's satisfaction.

iii. The agreement is subject to the presence of the mandatory authorizations pursuant to any law for an activity that is performed by the Parties pursuant to this agreement, which includes the following authorizations: a) The Supervisor of Data Protection at Clalit; b) the relevant Helsinki Committee, (which, if necessary, includes the authorization of the Committee for Using Clalit's Data); c) The Company's engagement interface development agreement, or any other system development agreement with another company which will be agreed upon by the Parties.

The aforementioned operation will be sold in the framework of a transaction as follows:

Sale of the Eye-Pen Operations

On July 15, 2020, the Company engaged in an agreement with Next-Gen for the sale of the Eye-Pain operations (hereinafter – the Nest-Gen transaction), which was updated on November 30, 2020. See Note 7 above for additional details.

On December 31, 2021, the Company remained with one intangible asset for which a value decline was examined. Pursuant to the Executive's evaluation, a provision of NIS 696 thousand was made for the full balance of the asset (in 2020 the Company made a provision of NIS 1668 thousand and in 2019 a provision of NIS 748 thousand).

Note 10 - Other Investments

a. The investment in Up-Capital Finance Ltd.

On June 25, 2020, Erech Loans Cahalaha Ltd. (hereinafter: "Erech Loans") engaged in a loan and share acquisition agreement and a royalties agreement with Up-Capital Finance Ltd. (hereinafter; "Up-Capital").
Following is a summary of the loan and share acquisition agreement, in the framework of which the Parties agreed on the following:

1. The Transaction: Erech Loans will extend a loan of NIS 3 million to Up-Capital in three tranches (hereinafter: "The loan") in consideration Erech Loans will be entitled to 115 Ordinary Shares in Up-Capital, constituting approximately 10% of Up-Capital's issued and paid-up share capital (on full dilution).
2. When signing, Erech Loans will transfer NIS 1 million to Up-Capital, constituting the first tranche of the loan. In consideration for the first tranche of the loan, Up-Capital will allocate 115 Ordinary Shares in Up-Capital to Erech Loans.
3. After Erech Loans receives confirmation from Deloitte Israel that the financial software is ready for use, Erech Loans will transfer an additional NIS 1 million to Up-Capital, which will constitute the second of the three loan tranches.
4. On completion of an independent transaction (i.e. one that is not linked to the Company and/or related parties), for the use of the software, or any other commercial agreement on Up-Capital's part, Erech Loans will transfer an additional NIS 1 million to Up-Capital, which will constitute the third tranche one of the loan and in total, as at that date, the sum of Erech Loans will be NIS 3 million.
5. It must be clarified that, despite the aforementioned in Sections 3-4, the tranches will be transferred to Up-Capital over an interval of no less than two months between each tranche.
6. The loan will bear the minimal interest rate as required by the Income Tax Ordinance.
7. Regarding each tranche interest accrual will commence on the date of transferring the tranche to Up-Capital. Repayment of the loan vis-à-vis Erech Loans will be Pari Paso in relation to the other owners loans of NIS 105 thousand in Up-Capital, as at the date of signing the agreement on the earlier date between the dates detailed below: (a) 4 years from the signing date; or (b) Up-Capital reports an annual turnover of NIS 7.5 million to the Company. Once a year, Up-Capital must repay NIS 750 thousand of the principal with addition of the accrued interest up to that date and with the addition of 1/4 of the balance of the existing loan sum. However, Up-Capital has a reserved the right to make early payment of the loan at any date.
8. Erech Loans will be entitled to appoint a Director on its behalf on Up-Capital's Board of Directors, on the assumption that Erech Loans holds at least 9% of Up-Capital's issued and paid Up-Capital.
9. The salary of Up-Capital’s managers will be established during the first 12 months following the date of signing pursuant to Up-Capital’s Business Plan. During each following year, this salary can be raised by up to 5% of Up-Capital’s gross profit.
10. It has been agreed that subject to a number of sundry conditions, inter alia, Erech Loans will be entitled to the following rights: A pre-emptive right; a right of first refusal; anti-dilution; and a right to a joint sale.
11. Erech Loans will establish a subsidiary company with Up-Capital (hereinafter: The joint subsidiary company"), the substance of which will be providing the financial services, which Up-Capital is interested in providing in Israel. Unless agreed otherwise, Erech Loans will hold 22% of the joint subsidiary company’s shares, while, Up-Capital will hold 78% of the joint subsidiary company’s shares. Until establishment of the joint subsidiary company, Erech Loans and Up-Capital engaged in a royalties agreement pursuant to which Erech Loans will transfer royalties to Up-Capital in respect of the use of the software, in an amount of 78% of the gross profit, as defined in the agreement for the following month, less Up-Capital's expenses for providing services to Erech Loans.
12. As at December 31, 2020, Up-Capital met the first of the milestones mentioned in Section 3 above and the Company transferred an additional NIS 1 million to Up-Capital (and a total of NIS 2 million). On the other hand, 115 Ordinary Shares in Up-Capital were allocated to Erech Loans, as provided in Section 1 above.
13. During 2021, Up Capital completed the second and last milestone in the agreement signed between it and a subsidiary and is entitled to an additional loan of NIS 1 million (a total of NIS 3 million). As at December 31, 2021, the Company had transferred the full sum.

Note 10 - Other Investments (continued):

14. On June 10, 2021, representatives from Up-Capital informed the Company of the fact that a Memorandum of Understanding between Up-Capital and 2 buyers for the acquisition of up to 20% of Up-Capital's share capital had been signed for a consideration of up to NIS 20 million (hereinafter – the Memorandum of Understanding). The Memorandum of Understanding, in the framework of which the Parties will complete procedures and sign a binding agreement with authorizations of organs in the mandatory institutions, will remain in force until July 9, 2021. In July 2021, Up Capital informed the Company that the Parties were continuing to conduct negotiations regarding the investment agreement and that an additional interested party in the investment had been included with whom negotiations were being conducted on the aforementioned principles.

15. On September 9, 2021, Up-Capital informed the Company that the Memorandum of Understanding had expired and negotiations regarding the aforementioned investment had stopped and that Up-Capital would continue to examine additional options for raising funds.

16. The allocation of Up-Capital's shares to the Company:

    a. As a part of a structural change that Up-Capital executed, on December 9, 2021 a transaction between the Company and Up-Capital was completed, pursuant to which the Company would transfer its holdings in the subsidiary, Up-Capital Finances Israel Ltd. ("the share transfer" and "Up-Capital Israel," respectively), which constitutes 22% of Up-Capital Israel's issued and paid up share capital to Up-Capital, so that after the aforementioned transfer, Up-Capital will hold 100% of Up-Capital Israel's issued and paid up capital.

    b. In consideration for the share transfer, the Company would be allocated Up-Capital shares constituting 12% of Up-Capital\s issued and paid up capital, so that, after the aforementioned allocation, the Company would hold 22% of Up-Capital's issued and paid up capital (through Erech Loans Cahalaha Ltd., a company fully owned by the Company).

17. On December 9, 2021, Up-Capital informed the Company that a number of transactions between Up-Capital's Shareholders (or parties that are not associated with the Company) had been completed and that, pursuant to one of them, one of the founders of Up-Capital had engaged in an agreement with a third-party ("the acquisition agreement," "the founder" and the acquirer, "respectively), in the framework of which the acquirer acquired Up-Capital shares ("the acquisition"), which, after their acquisition, constitute 51% of Up-Capital's issued and paid up capital, so that, after the acquisition the acquirer became a controlling shareholder in Up-Capital, in consideration for NIS 4,700 thousand, of which NIS 700 thousand are a part of a consideration conditional on milestones as detailed below:

    - NIS 350 thousand will be paid to the founder according to the earlier between the two ("the first conditional consideration"): (1) Five months after the date of signing the acquisition agreement; or (2) Up-Capital will have at least three active customers;

    - An additional NIS 350 thousand will be paid to the founder according to the earlier between the two ("the second conditional consideration"): (1) six months from the date of consolidation of the conditions for payment of the first conditional consideration; or (2) Up-Capital's monthly gross profit after deducting operating expenses and before reducing interest or taxes will be NIS 83.3 thousand.

18. On December 9, 2021, signing the Memorandum of Understanding between Up-Capital and the aforementioned acquirer was completed and, pursuant to signing a binding agreement, an owners loan of NIS 2.4 million will be extended to Up-Capital by the acquirer("the Memorandum of Understanding" and "the owners loan, "respectively).

19. Pursuant to the Memorandum of Understanding, every month, NIS 200,000 out of the total owners loan will be extended to the disposal of Up-Capital, when, as at that date, NIS 400 thousand of the owners loan had already been extended to Up-Capital. The owners loans must be repaid to the acquirer on the earlier date between: (1) January 28, 2024; or (2) Up-Capital's annual profit will be at least NIS 7.5 million

20. .The interest terms as well as the additional loan terms as is conventional in their definition in an agreement of this type, will be defined in the final binding loan agreement to be signed between Up-Capital and the acquirer within 45 days from the date of signing the Memorandum of Understanding.

Note 10 - Other Investments (continued):

21. **The Investment Composition**

As at December 31, 2021, an independent external appraiser appraised the fair value of the investment in Up-Capital, in the framework of the aforementioned agreement, at NIS 2,261 thousand. Following is the composition of the aforementioned investment, pursuant to the appraisal:

	As at December 31, 2021	As at December 31, 2020
	NIS thousands	NIS thousands
Fair value – the equity component	2,206	1,826
Fair value – the loans component	1,474	1,388
	3,680	3,214
Less – the fair value of the commitment to an additional investment	-	(953)
	3,680	2,261

b. The engagement for establishing companies for extending extra banking finance to merchants on the electronic trading site (E-Commerce)

- On January 11, 2021, the Company's signed a founders agreement with Nala Digital Commerce Ltd, (hereinafter – " Nala Digital Commerce"), a public company listed on the Tel Aviv Stock Exchange Ltd. for establishing new companies for the purposes of extending loans and financing to merchants on the electronic commercial site, i.e. E-Commerce ("the agreement" and "the new company," respectively), this by developing software tools that are intended to extend financing that will be backed up through securities in the form of online assets ("the operational field").

  The new company will extend short-term credit to merchants and businesses, digital storekeepers on the E-Commerce websites (for example Amazon), in a manner that would provide working capital for them for the purposes of the online stores, so that that the working capital would enable short-term liquidity for those aforementioned storekeepers, merchants and businesses. Furthermore, the new company intends acting to extend financing in favor of advancing payments to which the merchants and businesses are entitled from the various E-Commerce sites. This mechanism would aid in bridging over the flow spreads while collecting conventional interest in the market.

  Messrs. Abraham Tsarfati and Ziv Eisner, directors in the Company (hereinafter – "the Directors") are included among the founders of the new company. The Company's engagement with the Directors was approved by the Company Board of Directors and the Company's Audit Committee on December 21, 2020 at meetings that Messrs. Abraham Tsarfati and Ziv Eisner did not attend. This engagement was approved on March 15, 2021 at a General Meeting of the Company's Shareholders pursuant to Section 275 of the Companies Law, 5759 – 1999.

- Following are the main points of the agreement between the Company, Nala Digital Commerce and the Directors (hereinafter – "the Parties").

  The Israeli company –The Parties will work at establishing a new Israeli company, which will deal in the activity field in Israel ("the Israeli company"). Thus, its shareholders and the proportion of the holdings between them as at the establishment date, shall be so that the Company will hold 35% of the Israeli company's shares, the Directors will hold 5% of the Israeli company and Nala Digital Commerce will hold 60% of the Israeli company's issued and paid up capital.

  The Company will be given an acquisition option ("the Call options") to acquire additional shares in the Israeli Company during a period of up to 24 months from the date of signing the agreement, which, as at the allocation date will constitute 10% of the Israeli company's share capital on a full dilution basis so that, if the Call option is exercised and no additional shares were allocated from the date of establishing the Israeli company until that exercise date, the shareholders and holding rates among them will be: the Company – 45%, Nala Commerce 50.8%, and the Directors 4.2%.

  In consideration for the Call option shares, the Company must pay the Israeli company the following consideration: (a) if the Call option is exercised during a period of 12 months from the date of signing the agreement – the Company must pay the Israeli company USD 180 thousand; (b) if the Call option is exercised during the period between 12 months from the date of signing the agreement and 24 months from signing the agreement – the Company must pay the Israeli company USD 300 thousand.

Note 10 - Other Investments (continued):

The international company –The Parties will work at establishing a new international company, which will deal in the activity field outside of Israel ("the international company"). Thus, its shareholders and the proportion of the holdings between them as at the establishment date, shall be so that the Company will hold 20% of the international company's shares, the Directors will hold 8% of the international company and Nala Digital Commerce will hold 72% of the international company's issued and paid up capital.

Each of the Israeli company's Board of Directors and the international company's Board of Directors must appoint up to four Directors so that two Directors will be appointed on behalf of the Company and two on behalf of Nala Digital Commerce. The Chairperson of the Board will be appointed by Nala Digital Commerce and, in the event of a stalemate inverts, the Chairperson of the Board shall have a deciding vote.

In each of the Israeli company and international company, transfers of shares shall also be subject to the right of first refusal, the right to tag along and the bring along obligation, all pursuant to the requirements as detailed in the expansion of the agreement.

The Company will undertake to extend a sum of USD 1,050,000 to the Israeli company in the following manner: (a) An owners loan of USD 300 thousand, of which $100,000 will be extended on the date of completing the transaction and the balance will be extended pursuant to the time schedule established in the agreement, at the minimal interest rate pursuant to the Income Tax Regulations regarding owners loans ("the Erech Finances loan"). Erech Finances will serve for the regular operations of the Israeli company. No profits will be distributed to the Israeli company shareholders prior to fully settling the Erech Finances loan. (b) A credit line agreement between the Israeli company and the Company, in the framework of which the Company will extend credit of up to USD 750,000 at an interest rate as established in the credit line agreement to the Israeli company from time to time, pursuant to the Israel the Company's requirements for the purposes of its operations.

As at the determining date and as long as the Israeli company does not have a license for extending credit pursuant to the Control over Financing Services (Organized Financing Services) Law, 5776 – 2016, the Israeli company will activate the services through a license for providing credit services owned by the Company, in consideration for an acceptable usage fee, which will be calculated as detailed in the agreement.

A condition precedent for completing the transaction is the approval of the transaction by the Company's Shareholders (pursuant to the provisions in Section 275 of the Companies Law, 5759 – 1999),within 45 days from the date of signing the agreement (unless the Parties decide to extend the aforementioned date). On March 15, 2021, the transaction was approved at the General Meeting.

In July 2021, Kiara Fintech Ltd. was established and as at December 31, 2021 a sum of USD was transferred.

After the reporting date, on January 9, 2022, the Company exercised the Call options in consideration for USD 180 thousand. After exercising the Call options, the Company will be issued shares that constitute 10% of the Israeli company's equity and the Company's holding rate will be 45% of the Israeli company's capital.

a. **The Investment Composition**

	As at Friday, December 31, 2021
	NIS thousands
Fair value – the loans component	246
Fair value – the options component	43
Total	289
The Company's share in the losses for the period	(52)
	237

Note 11 - Subsidiaries

a) K.M.B.Y. Ltd.

As at December 31, 2021, the Company holds 100% of the registered share capital of K.M.B.Y. Ltd. (hereinafter: "K.M.B.Y."). K.M.B.Y. specializes in extending extra-banking loans to small and medium scale businesses, associations and institutions, which are budgeted by government financing, which belong primarily to the Ultra-Orthodox sector.
Since 2018, K.M.B.Y. has been operating in a limited format.
K.M.B.Y. holds a basic license for extending credit, which was granted by the Commissioner of the Capital Market, Insurance and Savings, which is valid until December 2026.

b) Pancrea Tech Ltd.

The Company operates through the subsidiary company Pancrea-Tech Ltd. (hereinafter: "Pancrea") in the biomed – drug development field.

Pancrea is a private start-up company, which deals in the research and development of a drug in the Type 1 diabetes field and certain types of cancer, using unique technology and know-how. The Group is not a guarantor for Pancrea's losses beyond its investment.

Information regarding considerations and assumptions for determining control of Pancrea

As at December 31, 2021, the Company holds 62.1% of Pancrea's issued and paid up share capital. The remaining 37.9% of the issued and paid up capital is held by various Shareholders, when 24.1% of them are held by the founding family. In an agreement between the Company and its Shareholders, a list of events for which adapting decisions necessitates approval of a majority of the Shareholders and events for which only the Board of Directors' approval is required, was established. The events requiring approval of the majority of the Shareholders include a change in Pancrea's share capital which would result in diluting the rights that do not impart control and/or an issuance of other securities, authorization for acquiring or realizing operations or assets in substantial volumes, the decision on a material change in the nature of the operations and approval of a transaction that deviates from Pancrea's normal business course.

The Group believes that these instructions impart rights that do not impart control over the ability to influence transactions or events that deviate from the normal course of business and, therefore, constitute protection of the rights that do not impart control which do not prevent the continued control of the Group in Pancrea. Under the aforementioned circumstances, the Group has reached the conclusion that Pancrea is controlled by it and, as such, it is consolidated in its financial statements.
Within the framework of the Company's Board of Directors' meeting on July 16, 2018, inter alia it was resolved that the Group should make an approach to the shareholders of Pancrea-Tech Ltd. that they participate in accordance with their relative holdings in Pancrea in an internal round of fund raising amounting to USD 250,000, required for realizing a part of Pancrea's research and development operations. It was further resolved that if the additional shareholders do not participate in accordance with their holdings rates, then the Group will finance the research and development operations against increasing its holdings of Pancrea-Tech shares.

As of the date of the signing of the financial statements, only one shareholder has agreed to participate in accordance with he is holding rate, in an amount of a few thousand dollars.

Based on this budget, the Company is continuing the development operations within a budgetary framework of USD 20,000, which at this stage, has been approved, within the framework of a decision by the Company, in June 2019, to reduce the investments in companies in the biomed field and the investment in Pancrea Tech has also been reduced.

(1) **Rights that do not impart control:**

The following table summarizes information regarding Pancrea, including adjustments to fair value that were made on the acquisition date, in which there are rights that do not impart control that are material to the Group (before the cancellation of inter-company transactions):

	As at December 31	
	2021	2020
	NIS thousands	
Expenses payable and accounts payable	39	29
Related parties	1,170	1,116
	1,209	1,145
Capital deficit	(1,209)	(1,145)
	-	-

Note 11 – Consolidated Companies (Continued):

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Financing expenses, net	335	270	249
Research and development Expenses	-	26	19
Administrative and general expenses	9	6	2
Loss	344	302	269

c) **Insuline Medical GmbH**

In January 2011, the Company established a wholly owned subsidiary in Germany, Insuline Medical GmbH (hereinafter: "The subsidiary" or "Insuline GmbH") for marketing and distributing the Company's products in Germany. As at the date of the annual financial statements, the subsidiary company in Germany is in a liquidation process.

Note 12 - Taxes on Income

a. Company's Tax in Israel:

The tax rate

Following are the relevant tax rates for the Company in 2019-2021

2019-23%

2020-23%

2021-23%

On December 22, 2016, the Knesset Plenum approved the Economic Streamlining (Legislation Amendments for Attaining the Budget Targets for the Budget Yours 2018 and 2019) Law, 5777 – 2016, which, inter alia, established a decrease in companies tax from 25% to 23% in two tranches. The first tranche to a rate of 24% as of January 2017 and the second tranche to a rate of 23% as of January 2018.

As a result of lowering the tax rate up to 23%, the deferred taxes balances as at December 31, 2020 and 2021 were calculated pursuant to the new tax rates that had been established in the Economic Streamlining (Legislation Amendments for Attaining The Budget Targets for the 2017 and 2016 budget years) Law, according to the tax rate expected to apply on the conversion date.

The current taxes for the report periods are calculated pursuant to the tax rates presented in the above table.

b. Deferred Taxes

Deferred tax assets have been recorded for the revaluation of a financial asset, for the carried down losses for the Company and for the provision for doubtful debts.

c. Taxes on Income Included in the Profit or Loss Statements in the Presented Periods

1) As follows:

	For the year ending December 31		
	2021	**2020**	**2019**
	NIS thousands		
Current taxes for the earnings of the reported year	1,830	1,319	952
Deferred taxes	(2,216)	(301)	(803)
Tax expenses for previous years	28	25	26
Taxes on income Expenses (revenues)	(358)	1,043	175

Note 12 - Taxes on Income (continued)**:**

2) Following is a reconciliation between the amount of the "theoretical" tax that would have applied if all the income had been taxable pursuant to the regular rates applicable to the Company in Israel (see a above) and the tax sum entered in the profit or loss statements for the reporting year:

	2021		2020		2019	
	%	**NIS thousands**	**%**	**NIS thousands**	**%**	**NIS thousands**
Pre-taxes on income earnings (loss) as reported in the profit or loss statements		536		2,266		(6,604)
The theoretical tax for these earnings	23	123	23	521	23	(1,519)
The tax increase derives from losses for tax purposes that were created in the reporting year for which no deferred taxes were entered (subsidiaries)		1,259		144		1,541
Losses carried down for which deferred taxes were created for the first time		(1,918)		-		-
Increase (decrease) in taxes for previous years		28		25		26
The tax increase derives from permanent provisions – expenses that are not recognized for tax purposes		150		353		127
Taxes on income expenses (revenues)		(358)		1,043		175

d. Tax Assessments

Pursuant to the provisions of the law, the self-assessments that have been submitted by the Group's companies up to 2016 are deemed to be final.

Note 13 - Credit from Banking Corporations and Related Parties and Others

a. Short-term credit composition

	Interest rate as at Th December 31, 2020	As at December 31 2021	2020
		in NIS thousands	
Loans from banking corporations (*)	Prime + (1.25% - 1.8%)	10,004	23,684
Loans from others	6% -4.5%	13,855	6,952
Loan from related parties (**)	5.0% - 6.4%	729	6,223
		24,588	36,859

(*) The prime interest rate as at December 31, 2021 is 1.6% (as at December 31, 2020 – 1.6%).
(**) The balance for 2020 includes a loan of NIS 3 million from I.B.I. (See below)

The Company intends to take short-term loans from banking corporations and on Call loans linked to the prime interest rate.
Loan from others bear unlinked interest at a rate of 4.5% – 6%. These are short-term loans up to a period of one year.
In order to secure the Company's debts vis-à-vis the banking and other corporations, personal guarantees of the controlling shareholders in the Company have been provided against them. Furthermore, the Company deposits checks for custody at a rate of 150%-200% of the usage of the credit facilities – see Notes 13b and 16c.
The book value of the short-term loans and on Call loans are close to their fair value.
Loans from related parties of NIS 0.7 million (as at December 1, 2020 – NIS 6.2 million) bear annual interest at a rate of 5%. The difference between these interest rates and the market interest-rate is entered to capital reserve.
On October 21, 2018, a Shareholders Meeting approved an engagement in a framework agreement with the controlling shareholders in the framework of which the Group would receive credit from the controlling shareholder or from entities or individuals associated with them, provided that the credit that will be extended to the Group, would be extended under market conditions and, at the least under conditions that third parties, who are not associated with the controlling shareholders in the Group extended credit. The total volume of credit that will be extended to the Group by the controlling shareholders and/or related parties shall not, in any event, exceed a rate of 40% of the credit portfolio volume at that date. As at December 31, 2021, the credit volume from the related parties had not exceeded 40%.

On December 24, 2020, the Company engaged in a loan agreement with I.B.I., pursuant to which, I.B.I. will extend a loan of NIS 3 million for a period of 12 months. Extending the loan as aforementioned, will serve the Company for expanding its operations in the extra-banking financing field and enable it to enlarge its customer portfolio in view of the large demand facing the Company for providing credit by it. The loan principal will bear annual interest at a rate of 6.4%. This interest rate does not deviate from the current conventional interest rates in the market. Furthermore, the Company will make a one-time payment of 2.5% of the balance of the loan to I.B.I. for setting up the loan. Both the interest and one-time payments for setting up the loan were paid immediately on signing the agreement. The Company will repay the loan principal in five equal payments of NIS 600 thousand commencing from the 8th months after the date of extending the loan principal.
As collateral for the full repayment of the loan principal, the Company has provided the following guarantees: (1) A check for 120% of the loan that was extended (2) encumbrances of the controlling shareholder's shares in the sum of the loan) 3) a personal guarantee of the controlling shareholders (4) a promissory note from a related company. During 2021, the full loan was repaid.

On January 31, 2021, the Company's subsidiary, Erech Loans Cahalaha Ltd., ("the subsidiary") signed an agreement for receiving a credit line of NIS 10 million ("the credit line") from a financial entity not associated with the Company, which will serve the subsidiary for expanding its operations in the extra-banking financing field. This credit line will bear annual interest at a rate that does not deviate from the current conventional interest rates in the market and the interest will not be linked to the Index or to any currency whatsoever. The Company provided collateral in favor of the financing entity as is conventional in similar agreements, which, inter alia, includes providing personal guarantees of the controlling shareholders in favor of the Company, without them being entitled to receive any consideration of any kind and type whatsoever from the Company.
Pursuant to the aforementioned agreement, debts of expert customers are not by way of a final and absolute assignment, so that the Company did not transfer the full risks and benefits deriving from the ownership of the debts that were assigned. Therefore, the debts of the customers were not subtracted and a current financial liability is recognized at a level of the cash received for them. As at December 31, 2021 the aforementioned liability was included in the credit from related parties and others entry.

Note 13 - Credit from Banking Corporations and Related Parties and Others (continued)

b. Contractual limitations and financial covenants

a) Banking Corporation A

The Company's engagement conditions with banking corporations imposes various restrictions including complying with financial covenants.

The condition for extending any credit whatsoever from the entire or a part of the facilities and/or continuing to extend all or some of the facilities will be in compliance with the condition as follows:

The Company must furnish the bank with post-dated negotiable checks and/or negotiable bills for collection and/or custody and/or other collateral for signing, endorsement or the Group's guarantee (hereinafter: "Negotiable receivables") in a manner that the total sum of the negotiable receivables as shall be at any time after multiplying them by the safety factor detailed below, shall not be less at any time than the sum actually used of the facilities in the account.
The safety factor will be calculated as follows:

(1) Unindexed negotiable receivables the payment date of which is up to 6 months, a safety factor of 0.7
(2) Negotiable receivables the payment date of which exceeds 6 months and up to one year, a safety factor of 0.5.
(3) Negotiable receivables the payment date of which exceeds one year, a safety factor of 0.

The Company undertook that if the total sum of the negotiable receivables, after multiplying them by the safety factor, is less than the sum actually used of the facilities in the account, the Company will work at increasing the sum of the negotiable receivables in the account so that, after multiplying them by the safety factor, they will be equal to or exceed the sum actually used from the facilities.
During August 2021, the subsidiary did not renew a credit line of NIS 8 million from Banking Corporation A. On August 18, 2021 (the termination date of the engagement), the Company had complied with all the contractual restrictions and financial covenants vis-à-vis Banking Corporation A and had fully settled the credit line.

Banking Corporation B

The Company's engagement conditions with banking corporations imposes various restrictions including complying with financial covenants. The Company has a credit line of NIS 10 million against a deposit of NIS 4 million

The condition for extending any credit whatsoever from the entire or a part of the facilities and/or continuing to extend all or some of the facilities will be compliance with the condition as follows:

1) Financial Ratios pursuant to the Company's Solo Financial Statements

- **a.** The tangible equity, including loans/capital notes from related parties, shall not be less than NIS 10 million.
- **b.** The ratio between the tangible equity, including loans/capital notes from related parties and the total balance sheet shall not be less than 35%.
- **c.** As of the audit report for 2018, the Company will accumulate tangible equity in the sum of no less than NIS 1 million every year.
- **d.** The Company will not distribute a dividend at a rate exceeding 50% of the current annual profit.

Note 13 - Credit from Banking Corporations and Related Parties and Others (continued):

2) Other Liabilities

a. Cash deposits will be deposited in the account at a rate of 40% of the usage of the credit line.
b. Postdated checks for collection/custody must be deposited in the accounts at a rate of 200% of the usage of the credit line, against which cash deposits will not be made and subject to the following conditions:
   - The maximum sum of the checks from a specific debtor deposited in the account, shall not exceed a sum of NIS 500 thousand.
   - The payment date of the check shall not exceed 120 days.
   - The Company must send the bank for discounting, checks of signatories when the extent of the Company's exposure against them does not exceed NIS 1 million at any time.
   - The Company must send the bank checks for the purposes of discounting, which reflect current commercial operations only and which constitute the consideration for a sales transaction that was executed and in consideration of which was supplied to the drawer of the check.
c. The bank is entitled to refuse to accept checks from a particular entity at its discretion.
d. The credit to be extended to the Group – will serve the Group only for operations in the check discounting field.

3) The Commitment for not Creating Encumbrances

a. The Group undertakes not to encumber, pledge nor undertake to encumber or pledge in any form whatsoever and for any purpose whatsoever, any assets whatsoever and/or any part thereof of its assets as they are at present and shall be in the future, in favor of any third party whatsoever without receiving the bank's prior written consent.

b. Despite the aforementioned, the Group shall be entitled to create a first fixed lien in favor of any third party whatsoever on an asset, the acquisition of which was financed by that third party and in whose favor the fixed lien will be registered (hereinafter: "A specific lien for acquiring an asset"), subject to the following conditions:
   - Each specific lien for acquiring an asset will be used by the person who received it as aforementioned as collateral for the Company's debts and liabilities vis-à-vis him for the credits that were actually used for the purposes of acquiring that asset.
   - A bond, in view of which a specific lesion was created, must include an explicit section that establishes that the specific lesion will be canceled immediately on settling the financing that was extended for acquiring the encumbered asset.

During 2021, the subsidiary did not renew the credit line to Banking Corporation B and had fully paid the credit line. On the date of not renewing the credit line, the Company had complied with all the contractual restrictions and financial covenants vis-à-vis Banking Corporation B and had fully settled the credit line.

b) Banking Corporation C

On March 15, 2020, the Company engaged with Banking Corporation C in an agreement for receiving a credit line of NIS 10 million (hereinafter: "The bank" and "the credit line," respectively), so that the credit line will be valid for a year and will bear annual interest at a rate of prime + 1.4%. For the purposes of guaranteeing the credit, the Company deposited a deposit of NIS 4 million and the controlling shareholders in the Company extended personal collateral for guaranteeing the Company's debts and liabilities vis-à-vis the bank. During 2021, the bank reduced the deposit level to NIS 3 million.

The condition for extending any credit whatsoever from the entire or a part of the facilities and/or continuing to extend all or some of the facilities will be compliance with the following conditions:

1) Financial Ratios pursuant to the Company's Solo Financial Statements

a. The tangible equity, including loans/capital notes from related parties, shall not be less than NIS 10 million.
b. The tangible equity rate shall not be less than 20% of the 2019 balance sheet and 25% of the tangible balance sheet pursuant to the Auditor's report for 2020.
c. As of the audit report for 2019, the Company will accumulate tangible equity in the sum of no less than NIS 1 million every year.
d. The Company will not distribute a dividend at a rate exceeding 50% of the current annual net profit.

Note 13 - Credit from Banking Corporations and Related Parties and Others (continued):

2) Other Liabilities

a. Cash deposits will be deposited in the account at a rate of 30% of the usage of the credit line.
b. Postdated checks for collection/custody must be deposited in the account at a rate of 150% of the usage of the credit line, against which cash deposits will not be made.
c. Reliance on a single drawer up to a sum not exceeding NIS 1 million is limited to 5 customers, reliance on a single drawer up to a sum not exceeding NIS 500,002 the rest of the customers.
d. Personal collateral without limitation as to sum of the three controlling shareholders.

.As at the date of the statement on the financial position, the Company complies with the restrictions imposed on it by virtue of the credit that was extended to it from Banking Corporation C

c. Long-term credit composition

On August 16, 2021, the Company and its consolidated company signed an agreement with Moore Provident Funds Ltd. (Hereinafter: the Lender) to receive a credit line (not renewable) (hereinafter – the credit agreement) in a sum of up to NIS 50 million For the purposes of expanding the Company and subsidiary's operations in the following fields: Discounting postdated checks, loans, factoring and reverse factoring The credit line will be in force from the date of signing the credit agreement until 6 months from the date of signing it and the full credit sum and payments accompanying it, must be repaid within 24 months from the date of signing it, as detailed in the agreement. The balance of the used credit will bear fixed interest at a rate that does not deviate from the convention in agreements of this type, subject to an interest increment in the event of certain breachers that were established between the parties and which, inter alia, include: (a) A minimum tangible equity level (b) the tangible equity to balance sheet ratio; (c) the collateral debt ratio; (d) the value of the deposit of the positive shares; (e) the credit portfolio dispersal; (f) the portfolio mix of the discounting and loans financed in the aforementioned credit line. Furthermore, arrears interest was established for sums that were not paid and commissions, including for the unused credit line. In the framework of the aforementioned agreement, the Company allocated 12,735 option warrants to the lender for acquiring 12,735 Ordinary Shares of the Company without a par value that are expired visible against a cash payment of the strike price of 6932.5 agarot so that each of the option warrants is exercisable during a 24 month period. The option warrants were valued at NIS 250,000 pursuant to the "Black and Scholes" formula.
If the lender realizes all the securities as shall be at its disposal after the allocation as aforementioned, without other negotiable securities being exercised or converted into shares in the Company, as is expected to hold the Company part of shares at a rate of 4.95% of the Company's issued and paid-up share capital (3.94% on full dilution). Allocating the option warrants is subject to receiving the Stock Exchange Ltd's approval for trading in the shares deriving from exercising the options. The exchange's approval was received in September 2021
The used credit line, bears annual interest of 6.3% payable monthly. The unused credit line bears annual interest of 0.75% payable monthly. The controlling shareholders in the Company encumbered some of their shares in the Company in a first lien and assignment by way of encumbrance without limitation as to sum, including the assets and rights accompanying them, for this agreement. Furthermore, the Company's rights in the bank accounts detailed in the aforementioned agreement and the rights deriving from them and the receivables deriving from them and from the loan and factoring transactions and on the assets and rights accompanying all these were encumbered in favor of the lender. As at December 31, 2021, the Company had used facilities of NIS 25 million out of the aforementioned sum. On February 15, 2022, the Company completed using the credit and withdrew the remaining NIS 25 million.

.As at the date of the statement on the financial position, the Company complies with the restrictions imposed on it by virtue of the credit that was extended to it from lender.

Note 14 - Accounts Payable

	As at December 31	
	2021	**2020**
	in NIS thousands	
Expenses payable	359	369
Employees and Institutions for Salaries	10	11
Related parties	36	75
Trade payables	128	164
Royalty liabilities to the Innovation Authority - short-term	93	-
Others (1)	50	464
	676	1,083

(1) In 2020, the balance included a liability to the Research Manager of NIS 385 thousand for the Next Gen transaction An additional balance is classified for the accounts payable entry in the non-current liabilities. See Note 7b above for additional details regarding the Next Gen transaction.

(2) The fair value of the accounts payable balance is equal to or close to their book value.

Note 15 - Bonds Convertible into Shares

a. On August 8, 2018, the Group engaged in an agreement for bonds convertible into shares with I.B.I. Investments Ltd. (hereinafter: "I.B.I.") Within the framework of this agreement, I.B.I. Placed bonds worth NIS 10.5 million for the Company

. The bonds bear annual interest of 3.75%. During the two years from the date of signing the bond, the bond will be convertible entirely or partially, into the Company's shares that, after their conversion constitutes up to 15% of the Company's shares which embodies a company value of NIS 60 million for the Company (after the money).

If the Company sells medical products worth USD 5 million during the 2019 financial year, the bond will be convertible into the Company's shares according to a company value of NIS 70 million. I.B.I. will have the option of extending the loan principal for an additional year when the value of the conversion in the extended period will be NIS 85 million (after the money).

I.B.I. was also allocated option warrants that, after the conversion will constitute 5.01% of the Company's capital (on full dilution) and at I.B.I's discretion. Thus, in addition to the option warrants that were allocated to I.B.I. on the transaction date at a rate of 4.99%, I.B.I. has the option of converting the bond principal, so that after the conversion as aforementioned it will hold the Company's shares that constitute 15% of the Company's capital on full dilution.

b. The net consideration for the convertible bond was split by an external an independent appraiser in the Company, for the purposes of measuring the liability component, which was initially recognized on the basis of the fair value and which was treated pursuant to the amortized cost method (by using the effective interest embodied therein, which was calculated on the date of issuing it, as provided below) and to the conversion component, which was entered to equity.

c. Because the allocated options include varying prices they were valued by an external and independent appraiser in the Group using the binomial method. The share price was calculated according to the average of the last 30 days as at the date of the valuation. The strike price varies pursuant to the exercise time. For an exercise date of less than two years and a week, the strike price will be NIS 31.58. After this period and until the option expiry date, the strike price was set at NIS 44.74. Riskless interest is based on an unindexed government bond yield pursuant to the balance of the option's life.

d. The capital component for the initial bond, was valued according to the residual method and the residual sum was attributed to this component and is in the amount of NIS 1,088 thousand, unchanged since 2018. On exercising the said option in Section 15h below, since August 2021, this component has been removed.

e. Contractual limitations and financial covenants:
   - The tangible equity of the active companies will, at no time, be less than NIS 14 million.
   - The financial debt to EBITDA ratio shall not exceed NIS 8 million at any time.
   - The tangible equity rate of the active companies of the balance sheet total shall not be less than 20%.
   - The customer credit to the net financial debt ratio shall not be less than 135%

f. To guarantee full and punctual existence of the sums, a first single fixed lien unrestricted as to sum and without the participation of others in the Company's bank account was registered and the controlling shareholders also encumbered some of their shareholding to the total value of NIS 10.5 million. Furthermore, the controlling shareholders have guaranteed, the bond unrestricted as to sum.

g. Further to the aforementioned, on August 6, 2020, the Company's Board of Directors resolved to approve the Company's engagement in a document for amending the bond with I. B. I., In the framework of which NIS 6,261,400 on account of the original bond principal will be redeemed by way of exercising some of I. B. I.s existing bonds into Ordinary Shares of the Company (170,050 options will be converted into 170,050 shares as a strike price of NIS 28 for each option warrant) under the original bonds and the balance of NIS 1.5 million will be paid in cash on August 8, 2020. It must be clarified that, pursuant to the original bond conditions, there will be an adjustment of the quantity of existing options, i.e. 134,688 options and their strike price will be adapted as stated on the original bonds that it will be NIS 44.74 per option warrant. In addition to the existing options, the Company will allocate 170,050 options convertible into 170,050 Ordinary Shares of the Company to I.B.I. at a strike price of NIS 45 per option warrant.

The bond principal balance, i.e. NIS 4,238,600 must be redeemed in one payment on August 8, 2021, should I,B.I. Not exercise the existing options balance as aforementioned. To obviate any doubt, the aforementioned bond principal balance, will continue to bear interest pursuant to the provisions in the sections of the original bond.

Note 15 - Bonds Convertible into Shares (continued)

On August 19, 2020, a private supplementary allocation of 19,765 options to I.B.I. was completed **("the supplementary options")** The Company's Board of Directors also confirmed engagement in an amendment document for the original bond, in the framework of which it was established that I.B.I. would receive an additional series of 170,050 options convertible into 170,050 of the Company's shares.

h. On May 26, 2021, I.B.I. converted 134,688 option warrants for a strike price of NIS 44.744 for each option warrant. Thus, the payment for exercising the option warrants as aforementioned, was executed via converting the Company's bond principal vis-à-vis I.B.I. (with the addition of accrued interest up to the conversion date) and the balance of NIS 1,762,861 was transferred to the Company's bank account in cash. On August 17, 2021,I. B. I. exercised 267,604 options into 267,604 shares for a price of NIS 46.71 per share and a total of NIS 12.5 million, which were transferred to the Company in cash.

Note 16 - Engagements and Collaterals

a. Engagements

Grant from the Innovation Authority

- In March 2016, the Company's request to receive a grant from the Innovations Authority was approved. The sum of the grant that was approved for this program was NIS 720,000 at a financing rate of up to 40%. I.e., up to a sum of NIS 288,000. The program that was approved terminated on November 30, 2016. The Company undertook to pay royalties at a rate of 3-3.5% of sales that were the fruits of the research and development that were financed as aforementioned, in a sum of up to 100% of the grant sum that had been received. As at the date of the financial statements, the royalties had not yet been paid. The Company recognized the commitment for all the grants that were received, when they were capitalized as at December 31, 2021.

- On December 15, 2019, the Company signed an agreement for examining the feasibility of a product with More Research Applications Ltd., a subsidiary under full ownership of Clalit Health Services. The Parties engaged in an agreement for examining the feasibility of one of the Company's products that is intended for managing diabetes for patients treated with insulin injections. As a part of this agreement, the Innovation Authority approved the project in the sum of NIS 1.2 million. The Innovation Authority extended financing of 40% of the R&D program costs out of this sum, in the framework of the run in program course in the digital health field. See Note 9 above for additional details.

- Further to the content in Note 7 above, regarding the Next Gen transaction, in view of the sale of the EYE-PEN, operation, some of the Company's liabilities, including vis-à-vis the Innovation Authority, were transferred as a part of the aforementioned transaction..

b. Collaterals

To guarantee the Company's debts vis-à-vis the banking corporations and other lenders, personal guarantees of the controlling shareholders in the Company were given, in addition to a wealth report that was issued for the banks once a year. See Note 13 and Note 15

c. Encumbrances

The Company registered current and fixed liens on the bills of others of any kind and type whatsoever under the Company's ownership and/in which the Company has or shall have a right in favor of the banking corporations. See Note 13 regarding restricted deposits that were extended following the demand of the banking corporations B and C for engaging in extending credit vis-à-vis More Provident Funds Ltd., as well. See Note 15g regarding an encumbrance in favor of the bond, which was removed when converting the bonds during 2021.

d. Claims

On October 7, 2019, the Company received a Statement of Claim from a third party for a sum of NIS 1.3 million for payments that that third party claims is owing to him, ostensibly, to receive from the Company in relation to raisings that the Company completed and for additional reasons.t On January 27, 2021, there was a preliminary hearing in the case and a decision was handed down by the Court that main evidence affidavits and an expert's opinion must be submitted by the Parties. As at the date of submitting the main witness affidavits and the expert's opinion. On March 16, 2022, there was an additional preliminary hearing, in which the Court decided to appoint an expert on their behalf and an additional preliminary hearing was set for July 10, 2022. According to the legal consultants, the chances of the claim being accepted in its format are not very high. Accordingly, the Company did not make a provision in its financial statements

Note 17 - Equity:

a. share capital composition

		As at December 31	
		Registered	Issued and paid up
Ordinary Shares without a par value	2021	2,536,961	2,536,961
Ordinary Shares without a par value	2020	2,050,104	2,050,104

b. Movement in dare capital

	Number of shares without a par value
Balance as at January 1, 2021	2,050,104
Exercising share options warrants	486,857
Balance as at December 31, 2021	2,536,961
Balance as at December 31, 2020	2,050,104

c. Private allocation

On August 6, 2020, the Company raised capital by way of a material private offer to a number of institutional offerees. In the framework of the aforementioned raising, the Company allocated 170,050 Ordinary Shares without any part value. In consideration for a cash payment of 2800 agarot per share and 170,050 nonnegotiable option warrants that can be exercised into 170,050 of the Company's shares during a period of 30 months as of the date of allocating the option warrants against a Cash strike price 4,500 ag. In consideration for the share and options allocation as aforementioned, the Company received a total of NIS 4.76 million.

d. Rights Accompanying the Shares

The Ordinary Shareholders of the Company have the right to participate in the General Meeting of the Company and receive dividends should the Company declare a distribution.

e. Negotiable Option Warrants

Pursuant to the conditions in the shelf offer report dated February 8, 2018, all in all, 251,586 option warrants (Series 8) of the Company and 89,852 option warrants (Series 9) of the Company were issued, against the acquisition of 179,704.45 option warrants (Series 7) of the Company.

As at December 31, 2019, the Company has 243,430 negotiable option deeds Series 8 with the addition of a strike price of NIS 40.00. On January 26, 2020, the Court acceded to the Company's request and confirmed extending the options expiry date until March 20, 2020. In 2020, 91,604 34 options were exercised into 91,654 shares and their consideration was entered to equity. The balance of the options expired on the aforementioned date.

As at, December 31, 2020, the Company has 89,852 negotiable option deeds Series 9 with the addition of a strike price of NIS 81. After the balance sheet date, on February 15, 2021, the Court acceded to the Company's request and confirmed extending the options expiry date until June 27, 2021.

From the beginning of 2021 until June 27, 2021 (the options expiry date), 1,283 option warrants Series 9 had been exercised against an issue of 1,383 Ordinary Shares. As a result of exercising the options, the Company's equity increased by NIS 103 thousand. On June 27, 2021, the balance of the options that have not been exercised (88,569 options) expired.

Capital reserves for transactions with a controlling shareholder – Assets and liabilities regarding which a transaction was transacted with a controlling shareholder, are measured pursuant to fair value on the transaction date. The Company enters the difference between the fair value and the consideration from the transaction to capital reserves for transactions with a controlling shareholder.

Note 18 - Share-Based Payment Transactions

a. **Movement in option warrants to consultants and employees during the year**

The following table includes the number of share option warrants, the weighted average of their strike price and the changes made in the options plans for employees, Directors and consultants during the regular period.

	For the year ending December 31	
	2021	
	Number of Option Warrants	Weighted average of the strike price
		NIS
Share option warrants as at the beginning of the year	163,939	4,384,778
Share option warrants allocated during the year	-	-
Share option warrants exercised during the year	(37,682)	(1,025,533)
Share option warrants as at the end of the year	126,257	3,359,245
Share option warrants that are exercisable at the end of the year	54,604	1,455,687

b. On March 31, 2019, 21 Insuline Up 2010 options of the partner CEO, who terminated his employment in the Company on December 31, 2018, expired.

c. On July 21, 2019, the Company Board of Directors and the Remunerations Committee resolved to approve an unexceptional immaterial private offer of option warrants of the Company, not listed for trading The offeree is not a stakeholder in the Company and will not become a stakeholder in the Company as a result of this offer.

The Conditions of the Option Warrants:

- The strike price of all the offered option warrants is 2,752 agarot for each option warrant. The strike price will be linked to the Consumer Price Index
- The final expiry date of all the option warrants is on the termination of 10 years from the date of allocating the option warrants.
- On the date of exercising the option warrant, it will be possible to choose one of the two following exercising methods:
  - Exercising at the full price: The offeree can exercise the option warrant in consideration for the full strike price of the option warrants.
  - Net Exercising mechanism: All the shares deriving from the option warrant will not be allocated to the offeree unless the quantity reflects the sum of the pecuniary benefit embedded in the option warrant
- .Despite the aforementioned, pursuant to the provisions and instructions from the Exchange, the option warrants shall not be exercisable on the determining date for distributing bonus shares, to an offeree by way of rights, a dividend distribution, capital consolidation, capital split or capital reduction (each of the aforementioned will be termed below: “A company event”) if the “ex-day” of a company event falls prior to the determining day of the company event no exercising will be executed on “the ex-day” as aforementioned.
- On the date of exercising the option warrants into shares, the allocated shares will be registered for trading on the Exchange in the name of Bank Hapoalim’s Nominee Company and as of the allocation date, they will have equal in rights to all intents and purposes to the existing Ordinary Shares in the Company’s equity.

The Consideration of the Securities Offered

- The offered securities are allocated to the offeree without a consideration.

Note 18 - Share-Based Payment Transactions (continued)

- Granting option warrants to the offeree will be executed pursuant to Section 3i of the Ordinance and/or pursuant to other instructions in the Ordinance that shall apply in the future to the options allocation as aforementioned.
- The shares deriving from the option warrants will be subject to the blocking instructions pursuant to the law as provided in this report. The securities allocation date shall be soon after receiving the Exchange's approval.

On September 19, 2019, the Exchange's approval was received for the aforementioned offer. These options were exercised at the end of 2020.

d. On August 4, 2019, the Company resolved to summon a Special Meeting on the subject of a private allocation to officers in the Company.
At the meeting, approving an allocation of options pursuant to a capital remuneration for the senior officers in the Company, as a long-term remuneration was proposed pursuant to the Company's remuneration policy. Within the frame of reference of the allocation, the Company will allocate a total of 158,565 non-negotiable option warrants, exercisable into 158,565 of the Company's Ordinary Shares (hereinafter: "The options") when some of them will be allocated to the officer, without a consideration. The purpose of the options allocation to the officers is to draw and preserve quality personnel to the Company, to grant an additional incentive to the offerees and promote the Company's businesses via providing the offerees with an opportunity to receive remuneration in securities pursuant to the offer report and to maintain the Company's cash flows in a manner of providing capital centers instead of a financial incentive, all pursuant to the Company's remuneration policy On September 15, 2019, the General Meeting approved an allocation of 158,565 nonnegotiable option warrants without a consideration to the controlling shareholders in the Company and to 2 additional Directors in the Company. On November 19, 2019, the Exchange's approval was received for the aforementioned offer.

During January 2021, officers in the Company converted 34,182 option warrants into shares.

e. On January 22, 2020, the Company allocated to an offeree, who serves as an external service provider to the Company, who is not a senior officer, director, controlling shareholder or relative (hereinafter: "The offeree") 5,250 option warrants not listed for trading and nonnegotiable that can be exercised into 5,250 Ordinary Shares of the Company, each without any par value, which would constitute 0.32% of the Company's issued and paid up capital after the allocation. The strike price of the described option warrants, is 3,391 agarot for each option warrant,. The strike price is not linked to the Consumer Price Index. The final expiry date of all the option warrants is on the termination of 10 years from the date of allocating the option warrants. In the report period, 3,500 options were exercised into shares.

f. On December 31, 2019, an appraiser appraised the economic value of the options that were allocated in the framework of the aforementioned agreements at NIS 4,405 thousand. Following are the data used in determining the fair value of the options:

	Options to controlling shareholders	**Options to a Consultant**
Share price:(in NIS)	NIS 34.45	NIS 36.17
Strike Price	NIS 27.52, the options were allocated at a strike price linked to the Consumer Price Index.	NIS 27.52, the options were allocated at a strike price linked to the Consumer Price Index.
Maturity period	3 Years	No maturity period
Dividend rate	0%	0%
The riskless interest rate	0.99%	1.1%
The option's Lifespan	10 Years	10 Years
Volatility	73.7%	76%

g. As at the date of the report, expenses of NIS 1,084 thousand were recognized in the financial statements for these options (2020 – NIS 2,586 thousand and 2019 – NIS 502 thousand), which are included as a part of administrative and general expenses.

Note 19 -Revenue from extending credit to customers

	For the year ending December 31		
	2021	**2020**	**2019**
		NIS thousands	
Revenue from interest and commissions from customers *	13,390	10,070	6,592

* A sum of NIS 1,019 thousand from this balance for related parties (2020 – NIS 940 thousand, 2019 –NIS 707) thousand See Note 24 – Transactions and balances with controlling shareholders and related parties as well.

Note 20 - Cost of providing credit to customers

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Interest for credit from banking and other corporations.	2,874	1,736	1,506
Interest expenses to associated parties	363	549	443
Total	3,237	2,285	1,949

See Note 24 - Transactions and balances with controlling shareholders and related parties as well.

Note 21 - Research and Development Expenses:

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Salary and social benefits expenses	-	363	873
Subcontractors	30	222	115
Office, overseas traveling and other	-	-	60
Patents:	191	147	266
Depreciation expenses	1	32	39
Grant from the Innovation Authority	-	(206)	-
Total	222	558	1,353

Note 22 - Administrative and General Expenses:

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Salary and social benefits expenses	138	136	110
Professional services (a)	1,265	1,070	1,335
Management fees for related parties	2,487	1,389	1,200
Management fees – share-based payment (b)	990	2,198	276
Office, insurance and other	624	280	522
Directors remuneration expenses (c)	282	407	258
Total	5,786	5,480	3,701

(a) Including a balance for optional warrants that were given to a legal consultant of the Company in 2019.
(b) Including the balance for exercisable option warrants - See Note 18.
(c) Including the balance for option warrants - See Note 18/

Note 22a - Other Revenue (Expenses)

	For the year ending December 31		
	2021	2020	2019
	NIS thousands		
Capital gain from the sale of intangible asset	-	1,463	-
Value hike (decline) - other investment	323	261	-
Value decline - intangible asset	(696)	(1,668)	(748)
Other	(168)	98	-
Total	(541)	154	(748)

Note 23: Earning (loss) per share

Basic

The basic earnings per share are calculated by dividing the earnings attributed to shareholders of the Company by the weighted average of the number of issued Ordinary Shares.

Following is the calculation of the basic earnings-per-share

	For the year ending December 31		
	2021	**2020**	**2019**
		NIS thousands	
Earnings (loss) for the year are attributed to company shareholders	1,024	1,345	(6,664)
The weighted average of the Ordinary Shares - par value (Thousands)	2,202	1,826	1,615
Basic earnings (loss) per share – NIS	0.46	0.74	(4.13)

Note 24 - Transactions and balances with controlling shareholders and related parties

Key management personnel in the Company, who are included, together with other entities, in the definition of related parties" as provided in- IAS 24) include the members of the Board of Directors and the Company CEO.

a. Other transactions with related parties

Management fees for related parties and participation in the remuneration

- Pursuant to an agreement between the controlling shareholders in the Group, for the management services, the Company paid management fees of NIS 1200 thousand in each of the years 2018-2020.
- On February 17, 2020, the Company's Board of Directors resolved that the Company would participate in the salaries of the employees in Erech Municipal Taxation and Real Estate Management Ltd., which would provide the Company with appraisal and account management services to the extent of 20% and 50% respectively Furthermore, the Company will participate in the refunds to the controlling shareholders in the Company, deriving from t quarterly management fees that are collected from the controlling shareholders in the Company in view of extending personal guarantees of the controlling shareholders as a part of the transactions transacted with I.B.I.
- On July 19, 2020, the General Meeting of the Company approved an exceptional transaction in the framework of which, the Company engaged in an incentive program to bring special financing transactions to the Company with Directors, who serve on the Company's Board of Directors, pursuant to which, from time to time, the Directors are entitled to bring special financing transactions to the Company in which the return is likely to be high and especially worthwhile, and the Company must decide whether to accept them at its sole discretion and without any obligation on its part. In consideration for the aforementioned, the Directors will be entitled to a monthly remuneration of NIS 4,300 with the addition of legal VAT, instead of any remuneration that they would have been entitled to up to the date of the Shareholders' Meeting.
- On July 8, 2020, the Company Board of Directors resolved to approve an indemnification for controlling shareholders in the Company for a demand to exercise personal guarantees extended by them as cover for the officers in the Company. The indemnity sum that the Company will grant to all the office bearers will be a sum of NIS 250,000, which must be paid from the Company's equity capital. The transaction was approved by a special majority at a Shareholders Meeting of the Company, which took place on August 27, 2020.
- On March 15, 2021, the General Meeting approved the terms of the controlling shareholders' transaction. At the Meeting, it was proposed to approve the terms for the tenure and employment of controlling shareholders in the Company, who serve as the Chairperson of the Company's Board of directors, the Company CEO and director, the VP Operations and director, for a period of three years as of February 15, 2021 (termination of the previous tenure conditions period of the controlling shareholders). Controlling shareholders shall be entitled to a monthly consideration for the services (together) of NIS 200,000 with the addition of legal VAT, which must be paid at the controlling shareholders' choice (a) via a company under ttheirjoint ownership; or (b)to a company under the ownership of any of the controlling shareholders, thus, each of the control shareholders shall be entitled to a monthly payment of NIS 66,666+ legal VAT.

Note 24 - Transactions and Balances with controlling shareholders and Related Parties (continued):

a. Other transactions with related parties (continued):

- Further to the contents in Note 15h regarding exercising options by I. B. I., I.B.I. became an interested Party in the Company For additional details regarding the bond for conversion that the Company issued to I.B.I., see Note 15.

- Regarding details about the loan agreement signed between I.B.I. and the Company, See Note 3a above for it and the Company.

- On December 27, 2021, the General Meeting approved the remuneration policy of the officers in the Company, which had been approved by the Company Board of Directors on November 21, 2021, after the Company's Remunerations Committee's recommendation. The remunerations policy will be in force for 3 years from the date of the General Meeting's approval.

b. Balances with interested parties and related parties

Composition:

	As at December 31	
	2021	**2020**
	NIS thousands	
Assets		
Credit to customers, net	2,564	5,880
Liabilities		
Trade payables	36	75
Bonds convertible into shares	-	4,245
Credit from related parties	729	6,223
	765	10,543

	For the year ending December 31		
	2021	**2020**	**2019**
	NIS thousands		
Financing income	1,019	940	707
Financing expenses	(363)	(549)	(443)
	656	391	264
Management fee expenses, net (including share-based payment)	3,477	3,587	1,476
Administrative and general expenses/other expenses	215	-	46
Total revenue (expenses) for related parties	(3,036)	(3,196)	(1,258)

Note 24 - Transactions and Balances with controlling shareholders and Related Parties (continued):

b. Balances with interested parties and related parties (Continued)**:**

Further to the provisions in Section 8 a above, the management fees, to which the controlling shareholders in the Company are entitled will be updated, as of February 15, 2021. Following are the proforma data that reflect the profit and loss statement, including which management fees to the controlling shareholders were approved as of January 1, 2019.

	For the year ending, December 31, 2020		
	As Reported	**Proforma Adjustments**	**Proforma data**
Revenue from extending credit to customers	10,070	-	10,070
Cost of provision of credit to customers	2,285	-	2,285
Income from provision of credit to customers	7,785	-	7,785
Provisions for credit losses	1,375	-	1,375
Income from the provision of credit to customers, net, less provisions for credit losses	6,410	-	6,410
Research and development Expenses	558	-	558
Administrative and general expenses	5,480	1,200	6,680
Other income net	(154)	-	(154)
Operating income (loss)	526	(1,200)	(674)
Financing income	1,740	-	1,740
Pre Taxes on Income Earnings (Loss)	2,266	(1,200)	1,066
Taxes on income expenses	1,043	(138)	905
Total earnings for the year	1,223	(1,062)	161
Comprehensive earnings (loss) attributed to:	1,223	(1,062)	161
The shareholders of the Company	1,345	(1,062)	283
Non-controlling interests	(122)	-	(122)
Earnings (losses) per share attributed to the Company's Shareholders -			
Basic earnings per share (in NIS)	0.74	(0.64)	0.10
Diluted earnings (loss) per share (in NIS)	0.57	(0.49)	0.08

Note 24 - Transactions and Balances with controlling shareholders and Related Parties (continued):

b. Balances with interested parties and related parties (Continued)**:**

	For the year ending, December 31, 2019		
Revenue from extending credit to customers	As Reported	Proforma Adjustments	Proforma data
Cost of provision of credit to customers	6,592	-	6,592
Income from provision of credit to customers	1,949	-	1,949
	4,643	-	4,643
Provisions for credit losses	597	-	597
Income from the provision of credit to customers, net, less provisions for credit losses	4,046	-	4,046
Research and development Expenses	1,353	-	1,353
Marketing and sales expenses	104	-	104
Administrative and general expenses	3,701	1,200	4,901
Other income net	748	-	748
Loss from Operations	1,860	1,200	3,060
Financing expenses	4,744	-	4,744
Pre Taxes on Income Loss	6,604	1,200	7,804
Taxes on income expenses	175	(138)	37
Comprehensive loss for the year	6,779	1,062	7,841
Comprehensive loss attributed to:	6,779	1,062	7,841
The shareholders of the Company	6,664	1,062	7,726
Non-controlling interests	115	-	115
Earnings (losses) per share attributed to the Company's Shareholders -			
Basic and diluted loss per share (in NIS)	(4.13)	(0.73)	(4.86)

Note 25 - Other Financing Expenses(Revenues)

	For the year ending December 31		
	2021	**2020**	**2019**
	NIS thousands		
Other financing expenses (income) (see Note 7a above)	(1,007)	18	1,998
Revaluation of the royalties liability to the Scientist	27	(51)	23
Revaluation of bonds convertible into shares (*)	18	(248)	2,723
Revaluation of negotiable securities (see Note 7b above)	2,414	(1,459)	-
Other	63	-	-
Total	1,515	(1,740)	4,744

(*) These expenses include financing expenses for updating the current value of the liabilities component and for updating the fair value of the liability component and four updating the fair value of the liability option as a part of the Company's convertible loan, following extending a convertible loan of I.B.C. Investment House Ltd. To the Company and updating the effect of changing the agreement as detailed above in Note 15h, based on the valuation given by an independent external appraiser.

Note 26 - Operational Sectors

General

The Company presents the operational sectors pursuant to the instructions in IFRS 8.

The reportable operational sectors are: Extra-banking credit and Biomed Drug Development The sectorial earnings are the operating income that each sector produced. Allocating operating costs among the sectors is executed pursuant to the developments consolidated by the Company in relation to the types of cost. The sums presented regarding the assets of the sector are valued consistently in accordance with the manner of measuring them in the financial statements. These assets are allocated to the sectors based on the sector's operations and the physical location of the asset. All the Company's operational assets are located in Israel and its corporate operations are executed in Israel

On June 10, 2019, the Company Board of Directors resolved two separate the Company's biomed operations from its extra-banking financing operations. To this purpose, a designated subsidiary was established to which all the intellectual property rights will be transferred, including the rights to use products and technology that were developed by the Company (hereinafter: "The subsidiary"). The subsidiary will work at finding financing sources for the purposes of continuing its operations by tracing strategic or financial cooperation with third parties from the pharma world and/or other financing entities, which might have an interest in a footprint in the global diabetes market, this for the purposes of trading the products that the Company had developed and, inter alia, the Eye-Pen product and the Insupad and introducing them to the market (see Note 7 above for additions regarding the sale of the Eye-Pen activity during 2020). The Company's Executive has clarified that its intention is to continue supporting the Biomed operation, to the extent that there is a need, simultaneously with finding additional investors for the Company**.** As at the date of approving the financial statements, no transfer of the operation to the subsidiary had been executed.

a. **Sectorial information for the reported sectors:**

	Extra-banking credit	**Biomed**	**Total**
	NIS thousands		
For the year ending December 31, 2021			
The sector's income	13,390	-	13,390
The sector's earnings (loss)	4,468	(2,365)	2,103
For the year ending Thursday, December 31, 2020			
The sector's income	10,070	-	10,070
The sector's earnings (loss)	3,931	(3,405)	526
For the year ending December 31, 2019			
The sector's income	6,592	-	6,592
The sector's earnings (loss)	2,636	(4,496)	(1,860)

b. **Adjustment of sectorial earnings to pre-taxes on income earnings:**

	Year ending December 31		
	2021	**2020**	**2019**
	NIS thousands		
The Sectorial earnings (losses) as above	2,103	526	(1,860)
The Company's share in the losses of an affiliate	(52)	-	-
Financing income (expenses)	(1,515)	1,740	(4,744)
Pre Taxes on Income Earnings (Loss)	536	2,266	(6,604)

Note 26 - Operational Sectors (continued):

c. Information on the assets and liabilities of the sectors

	Extra-banking credit	Biomed	Total
	NIS thousands		
December 31, 2021 :			
Total assets	96,808	7,730	104,538
Total liabilities	50,519	860	51,379
December 31, 2020 :			
Total assets	64,495	8,778	73,273
Total liabilities	41,391	1,811	43,202

Note 27 - Events after the Statement on the Financial Position date

a. On February 15, 2022, the Securities Authority announced that it was extending the validity of the Company's shelf prospectus until November 26, 2022.

b. Further to the content in Note 24b regarding the related parties, during March 2022, a related party fully settled its debts to the Company and, as at this date there is no credit to related parties.

c. Further to the content in Note 13c, on February 15, 2022, the Company completed using the credit line and withdrew the remaining 24 million, so that the credit balance vis-à-vis More is NIS 50 million.

d. Further to the contents of Note 10 regarding the investment in Kiara after the report date, on January 9, 2022, the Company exercise the Call options in consideration for $180,000. After exercising the Call options, the Company will be issued shares that constitute 10% of the Israeli company's equity and the Company's holding rate will be 45% of the Israeli company's capital.