

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-41491

NAYAX LTD.

(Exact name of Registrant as specified in its charter)

State of Israel

(Jurisdiction of incorporation or organization)

3 Arik Einstein Street, Bldg. B, 1st Floor
Herzliya 4659071, Israel

(Address of principal executive offices)

Yair Nechmad

Chairman and Chief Executive Officer

3 Arik Einstein Street, Bldg. B, 1st Floor

Herzliya 4659071, Israel

+972 3 769380

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol	Name of each exchange on which registered
Ordinary shares, par value NIS 0.001 per share	NYAX	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
As of December 31, 2023, the registrant had outstanding 33,326,736 ordinary shares, par value NIS 0.001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files):

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☒

Emerging Growth Company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☐ U.S. GAAP

☒ International Financial Reporting Standards as issued by the International Accounting Standards Board

☐ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

EXPLANATORY STATEMENT

This Amendment No. 1 on Form 20-F/A (the “Amendment”) to the annual report on Form 20-F for the fiscal year ended December 31, 2023, filed on February 28, 2024 (the “Original Filing”), is being filed by Nayax Ltd. (the “Company”) solely to correct a typographical error in the Report of Independent Registered Public Accounting Firm of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited (the “Audit Report”) in the Original Filing.

In addition to the revised Audit Report, the Company is filing with this Amendment (i) the unchanged consolidated financial statements of the Company to which the revised Audit Report relates, and (ii) currently dated certifications of our principal executive officer and our principal financial officer pursuant to Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, and Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

This Amendment makes no other changes to the Original Filing other than as described above.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements are filed as part of this annual report, beginning on page F-1.

ITEM 19. EXHIBITS

The following documents are filed as part of this annual report.

EXHIBIT INDEX

Exhibit No.	Description
<u>12.1*</u>	<u>Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>12.2*</u>	<u>Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>13.1*</u>	<u>Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>13.2*</u>	<u>Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>15.1*</u>	<u>Consent of Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited</u>
101	The following financial statements from the Company's 20-F for the fiscal year ended December 31, 2023 formatted in Inline XBRL: (i) Inline Consolidated Statements of Comprehensive Loss, (ii) Inline Consolidated Statements of Financial Position, (iii) Inline Consolidated Statements of Changes in Equity, (iv) Inline Consolidated Statements of Cash Flows, and (v) Inline Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Nayax Ltd.

Date: February 28, 2024

By: /s/ Yair Nechmad

Name: Yair Nechmad

Title: Chief Executive Officer

By: /s/ Sagit Manor

Name: Sagit Manor

Title: Chief Financial Officer

NAYAX LTD.
Consolidated Financial Statements
2023 Annual Report

TABLE OF CONTENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u> (PCAOB ID 1309)	F-3
Consolidated financial statements – in thousands of US Dollars:	
<u>Consolidated statements of financial position</u>	F-4 - F-5
<u>Consolidated statements of profit or loss</u>	F-6
<u>Consolidated statements of comprehensive income (loss)</u>	F-7
<u>Consolidated statements of changes in equity</u>	F-8
<u>Consolidated statements of cash flows</u>	F-9 - F-10
<u>Notes to the consolidated financial statements</u>	F-11 - F-66



Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of Nayax Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Nayax Ltd. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022 and the related consolidated statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Tel Aviv, Israel
February 28, 2024

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

We have served as the Company's auditor since 2015.

*Kesselman & Kesselman, Azrieli Town Tower, 146 Derech Menachem Begin St, Tel- Aviv, 6492103, Israel
P.O BOX 7187 Tel-Aviv, 6107120, Israel Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, www.pwc.com/il*

NAYAX LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2023	2022
		(Audited)	
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7	38,386	33,880
Restricted cash transferable to customers for processing activity	8	49,858	34,119
Short-term bank deposits		1,269	83
Receivables in respect of processing activity		43,261	25,382
Trade receivable, net	9	41,300	27,412
Inventory		20,563	23,807
Other current assets		8,772	5,777
Total current assets		203,409	150,460
NON-CURRENT ASSETS:			
Long-term bank deposits		2,304	1,336
Other long-term assets		5,883	2,948
Investment in associate		5,024	6,579
Right-of-use assets, net	10	5,341	7,381
Property and equipment, net	11	5,487	6,668
Goodwill and intangible assets, net	12	96,411	55,116
Total non-current assets		120,450	80,028
TOTAL ASSETS		323,859	230,488

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2023	2022
		(Audited)	
		U.S. dollars in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	13	47,477	7,684
Current maturities of long-term bank loans	13	1,101	1,052
Current maturities of loans from others and other long-term liabilities	14, 15	5,422	4,126
Current maturities of lease liabilities	10	2,145	2,206
Payables in respect of processing activity		104,523	63,336
Trade payables		17,464	14,574
Other payables		25,650	17,229
Total current liabilities		203,782	110,207
NON-CURRENT LIABILITIES:			
Long-term bank loans	13	327	1,444
Long-term loans from others and other long-term liabilities	14,15	14,476	7,062
Post-employment benefit obligations, net		427	403
Lease liabilities	10	4,149	5,944
Deferred income taxes	16	3,108	793
Total non-current liabilities		22,487	15,646
TOTAL LIABILITIES		226,269	125,853
EQUITY:			
Shareholders Equity:	17		
Share capital		8	8
Additional paid in capital		153,524	151,406
Capital reserves		9,643	9,771
Accumulated deficit		(65,585)	(56,550)
TOTAL EQUITY		97,590	104,635
TOTAL LIABILITIES AND EQUITY		323,859	230,488

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31		
		2023	2022	2021
		(Audited)		
		U.S. dollars in thousands		
		(Excluding loss per share data)		
Revenues	18	235,491	173,514	119,134
Cost of revenues	19	(147,198)	(113,476)	(70,970)
Gross Profit		88,293	60,038	48,164
Research and development expenses	20	(21,928)	(22,132)	(19,040)
Selling, general and administrative expenses	21	(70,320)	(64,092)	(45,379)
Depreciation and amortization in respect of technology and capitalized development costs	12	(6,430)	(4,268)	(3,810)
Other expenses	1a,6b	(444)	(1,790)	(1,879)
Share of loss of equity method investee		(1,555)	(1,794)	(538)
Loss from ordinary operations		(12,384)	(34,038)	(22,482)
Finance expenses, net	22	(2,288)	(3,020)	(1,655)
Loss before taxes on income		(14,672)	(37,058)	(24,137)
Tax expenses	16	(1,215)	(451)	(632)
Loss for the year		(15,887)	(37,509)	(24,769)
Attribution of loss for the year:				
To shareholders of the Company		(15,887)	(37,509)	(24,763)
To non-controlling interests		-	-	(6)
Total		(15,887)	(37,509)	(24,769)
Loss per share attributed to shareholders of the Company:				
Basic and diluted loss per share	23	(0.479)	(1.143)	(0.820)

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31		
	2023	2022	2021
	(Audited)		
	U.S. dollars in thousands		
Loss for the year	(15,887)	(37,509)	(24,769)
Other comprehensive income (loss) for the year:			
Items that will not be recycled to profit or loss:			
Gain (loss) from remeasurement of liabilities (net) in respect of post-employment benefit obligations	-	146	431
Items that may be recycled to profit or loss:			
Gain (loss) from translation of financial statements of foreign activities	(170)	(374)	87
Gains on cash flow hedges	42	-	-
Total comprehensive loss for the year	<u>(16,015)</u>	<u>(37,737)</u>	<u>(24,251)</u>
Attribution of total comprehensive income (loss) for the year:			
To shareholders of the Company	(16,015)	(37,737)	(24,181)
To non-controlling interests	-	-	(70)
Total comprehensive loss for the year	<u>(16,015)</u>	<u>(37,737)</u>	<u>(24,251)</u>

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributed to shareholders of the Company							
	Share capital	Additional paid in capital	Remeasurement of post-employment benefit obligations	Other capital reserves	Foreign currency translation reserve	Accumulated deficit	Total equity attributed to shareholders of the Company	Non-controlling interests
	U.S. dollars in thousands							
Balance at January 1, 2021	7	16,689	(329)	9,324	243	(13,433)	12,501	-
Loss for the year	-	-	-	-	-	(24,763)	(24,763)	(6)
Other comprehensive income (loss) for the year	-	-	431	-	151	-	582	(64)
Non-controlling interests from business combination	-	-	-	-	-	-	-	1,530
IPO (See note 1a2)	1	132,559	-	-	-	-	132,560	-
Transactions with non-controlling interests	-	-	-	205	-	-	205	(1,460)
Business combination under common control	-	-	-	(26)	-	-	(26)	-
Employee options exercised	*	1,118	-	-	-	-	1,118	-
Share-based payment	-	-	-	-	-	9,499	9,499	-
Balance at December 31, 2021	8	150,366	102	9,503	394	(28,697)	131,676	-
Changes during the year;								
Loss for the year	-	-	-	-	-	(37,509)	(37,509)	(6)
Other comprehensive income (loss) for the year	-	-	146	-	(374)	-	(228)	-
Employee options exercised	*	1,040	-	-	-	-	1,040	-
Share-based payment	-	-	-	-	-	9,656	9,656	-
Balance at December 31, 2022	8	151,406	248	9,503	20	(56,550)	104,635	-
Changes during the year;								
Loss for the year	-	-	-	-	-	(15,887)	(15,887)	(6)
Other comprehensive (loss) for the year	-	-	-	42	(170)	-	(128)	-
Employee options exercised	*	2,118	-	-	-	-	2,118	-
Share-based payment	-	-	-	-	-	6,852	6,852	-
Balance at December 31, 2023	8	153,524	248	9,545	(150)	(65,585)	97,590	-

*Presents less than 1 thousand

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2023	2022	2021
	(Audited)		
	U.S. dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year	(15,887)	(37,509)	(24,769)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	24,685	9,962	11,963
Net cash provided by (used in) operating activities	8,798	(27,547)	(12,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capitalized development costs	(15,948)	(13,706)	(6,059)
Acquisition of property and equipment	(611)	(1,518)	(2,637)
Loans extended to others	(1,432)	-	-
Investments in associates	-	-	(6,449)
Loans repaid by shareholders	-	-	61
Increase in bank deposits	(2,154)	(480)	(352)
Payments for acquisitions of subsidiaries, net of cash acquired	(18,330)	440	418
Payment of deferred consideration with respect to business combinations	-	(4,500)	(7,335)
Interest received	1,684	76	2
Investments in financial assets	(195)	(6,856)	(446)
Proceeds from sub-lessee	155	-	158
Net cash used in investing activities	(36,831)	(26,544)	(22,639)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Initial public offering (IPO)	-	-	132,560
Interest paid	(2,651)	(504)	(630)
Changes in short-term bank credit	39,135	5,874	(11,393)
Support received (royalties paid) in respect to government assistance plans	(55)	(40)	(199)
Transactions with non-controlling interests	-	(186)	(1,069)
Repayment of long-term bank loans	(998)	(2,282)	(1,971)
Receipt of long-term loans from others	-	6,908	-
Repayment of long-term loans from others	(3,626)	(2,577)	(2,175)
Receipt of loans from shareholders	-	-	8,900
Repayment of loans from shareholders	-	-	(8,900)
Decrease in other long-term liabilities	(249)	(288)	(295)
Employee options exercised	2,177	1,152	718
Principal lease payments	(2,182)	(1,851)	(1,406)
Net cash provided by financing activities	31,551	6,206	114,140
Increase (Decrease) in cash and cash equivalents			
Balance of cash and cash equivalents at beginning of year	33,880	87,332	8,195
Gains (losses) from exchange differences on cash and cash equivalents	906	(6,189)	626
Gains (losses) from translation of cash and cash equivalents of foreign activity	82	622	(184)
Balance of cash and cash equivalents at end of year	38,386	33,880	87,332

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2023	2022	2021
	(Audited)		
	U.S. dollars in thousands		
Appendix A – adjustments required to reflect the cash flows from operating activities:			
Adjustments in respect of:			
Depreciation and amortization	12,505	9,028	7,198
Post-employment benefit obligations, net	25	(107)	139
Deferred taxes	(294)	(181)	25
Finance expenses, net	750	4,544	269
Expenses in respect of long-term employee benefits	237	245	193
Share in losses of associate company	1,555	1,794	538
Long-term deferred income	(85)	(104)	(26)
Expenses in respect of share-based payment	6,027	8,747	8,850
Total adjustments	20,720	23,966	17,186
Changes in operating asset and liability items:			
Increase in restricted cash transferable to customers for processing activity	(15,739)	(10,424)	(5,529)
Increase in receivables from processing activity	(17,880)	(10,986)	(5,429)
Increase in trade receivables	(12,487)	(8,272)	(5,136)
Increase in other current assets	(1,073)	(936)	(1,352)
Decrease (increase) in inventory	3,239	(12,592)	(2,631)
Increase in payables in respect of processing activity	41,187	20,510	13,832
Increase (decrease) in trade payables	1,189	4,519	(3,775)
Increase in other payables	5,529	4,177	4,797
Total changes in operating asset and liability items	3,965	(14,004)	(5,223)
Total adjustments required to reflect the cash flow from operating activities	24,685	9,962	11,963
Appendix B – Information regarding investing and financing activities not involving cash flows:			
Purchase of property and equipment on credit	97	215	118
Acquisition of right-of-use assets through lease liabilities	338	2,048	1,428
Recognition of Sub lease asset	455	-	-
Share based payments costs attributed to development activities, capitalized as intangible assets	825	909	649

The accompanying notes are an integral part of these financial statements.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL

a. Background

1. Nayax Ltd. (hereafter – the “Company”) was incorporated in January 2005. The Company provides processing and software as a service (SaaS) business operations solutions and services via a global platform. The Company is marketing its POS devices and SaaS solutions it developed in more than 60 countries worldwide (including Israel) through subsidiaries (the Company and the subsidiaries, hereafter – the “Group”) and through local distributors.
2. On May 13, 2021, the Company completed an initial public offering (IPO) on the Tel Aviv stock exchange (TASE) in which it sold 4.4 million ordinary shares of NIS 0.001 par value for a gross amount, before issuance costs, of \$141.6 million and \$132.5 million, net of issuance costs. The IPO was a non-uniform offering, as this term is defined by Israeli Securities Regulations (Manner of Offering Securities to the Public), 2007, to institutional investors in Israel and outside of Israel.
3. On September 21, 2022, Company's ordinary shares were listed on the Nasdaq Global Select Market under the symbol NYAX. As of that date, the company is dual listed on Nasdaq and as well as on the Tel Aviv Stock Exchange.
4. In connection with Company's May 2021 IPO on the TASE, the expenses incurred in the profit or loss report for the year ended December 31, 2021, other than underwriter discount and commissions, were \$1,879 thousand and include bonuses in respect of the IPO to a number of its employees for a total of \$979 thousand. In connection with Company's September 2022 listing on Nasdaq, the expenses incurred in the profit or loss report for the year ended December 31, 2022 are \$1,790 thousand.
5. On September 11, 2022 Company's shareholders approved a reverse share split in a ratio of 10:1. All issued and outstanding Company's Ordinary Shares have been retroactively adjusted to reflect the reverse share split for all periods presented in these financial statements prior the approval.
6. In August 2023, the company filed with the Israel Securities Authority a shelf prospectus (the “Shelf Prospectus”). Such Shelf Prospectus allows the Company to raise from time to time funds through the offering and sale of various securities including debt and equity, in Israel, at the discretion of the Company. In October 2023, the company filed with the SEC a Registration Statement on Form F-3 (the “Registration Statement”). Such Registration Statement allows the company to raise fund from time to time through the offering and sale of various securities including debt and equity, at the discretion of the Company. Under the Registration Statement, certain selling shareholders may also offer and sell ordinary shares from time to time in one or more offerings, but we are not entitled to any funds raised from such sales.

b. "Swords of Iron" - War against terror organization Hamas

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attack, Israel's government declared war against Hamas. Other terrorist organizations such as the Hezbollah in Lebanon on Israel's northern border have launched rocket attacks on Israel in support of Hamas. The military campaign against Hamas and other terrorist organizations is ongoing and could escalate in the future into a larger regional conflict. There is no certainty as to the duration, severity, results or implications of the war on the State of Israel generally or on the Company.

While many of Israeli civilians were draft to reserve duty, the company's headquarter activity located in Israeli remain unharmed. With regards to company's source of income, during the first month of the war, a few credit card companies reported on a sharp decrease in transactions in Israel. Despite that, the company has not experienced any material impact on its revenues, mainly due the fact that most of the company's revenue is generated overseas.

As of the date of these financial statements, the end of the war is unknown.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION

a. Basis of presentation:

The financial statements of the Group as of December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, are in compliance with International Financial Reporting Standard (hereafter – “IFRS”), as issued by the International Accounting Standards Board (hereafter – “IASB”) were approved for issue by the Board of Directors (the “Board”) of the Company on February 27, 2024.

In connection with the presentation of these financial statements, the following is stated:

- 1) The principal accounting policies set out below have been consistently applied to all periods presented, unless otherwise stated.
- 2) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise its judgment in the process of applying the Group’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by the Group’s management.
- 3) The Group’s operating cycle is 12 months.

b. Consolidated financial statements

1) Subsidiaries and business combinations

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is obtained by the Company. They are deconsolidated from the date that control ceases.

When assessing control, the Company considers its potential voting rights, as well as such rights held by other parties to determine whether it has power over an investee. Potential voting rights are rights to obtain voting rights of an investee, such as those arising from convertible instruments or options, including forward contracts. Those potential voting rights are considered only if the rights are substantive. Business combinations are accounted for using the acquisition method.

Goodwill represents the excess of the acquisition consideration and the amount of non-controlling interests and acquisition-date fair value of any previous equity interest in the acquired entity over the net identifiable assets acquired and liabilities assumed.

Intra-group transactions and balances, including revenues, expenses and dividends in respect of transactions between Group entities were eliminated. Gains and losses on intra-group transactions that are recognized as assets (such as inventory and property and equipment) are also eliminated.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

b. Consolidated financial statements (continued):

2) Transactions with non-controlling interests' owners which do not result in loss of control

Transactions with non-controlling interests owners which do not result in loss of control are accounted for as transactions with shareholders. In such transactions, the difference between the fair value of any consideration paid or received and the amount in which the non-controlling interests are adjusted to reflect the changes in their proportional interest in a subsidiary are recognized directly in equity and attributed to the owners of the Company.

3) Associates

An associate is an entity over which the Group exercises significant influence, but not control. The investment in an associate is accounted for by the equity method.

4) The equity method

According to the equity method of accounting, the investment is initially recognized at cost and its carrying amount varies such that the Group recognizes its share of the associate's earnings or losses from acquisition date.

Goodwill relating to associates is included in the investment's carrying amount and tested for impairment as part of the entire investment.

The Group's share of post-acquisition profit or loss is recognized in the statements of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate (including any other unsecured long term receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there are any indications that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment (the higher of the value in use and the fair value less costs to sell) and its carrying amount and recognizes the impairment amount in the consolidated statement of profit or loss.

c. Translation of foreign currency balances and transactions:

1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereafter - the "Functional Currency"). When determining the functional currency of Group companies and whether their functional currency is identical to that of the Company, the materiality of the foreign operations as an extension of the reporting entity was taken into account.

The consolidated financial statements are presented in US Dollars which is the functional and presentation currency of the Company and Group entities, except Nayax Retail and Weezmo, whose functional currency is the NIS.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

c. Translation of foreign currency balances and transactions (continued):

2) Transactions and balances

Transactions made in a currency which is different from the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation, if the items are revalued. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end-of-year exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Gains and losses from changes in exchange rates are presented in the statement of profit or loss among "finance expenses, net".

3) Translation of financial statements of Group entities:

The results and financial position of Group entities, whose functional currency is different than the presentation currency, are translated into the presentation currency as follows:

- (a) Assets and liabilities for each statement of financial position statement presented are translated at the closing rate at the date of the statement of financial position;
- (b) Income and expenses for each statement of profit or loss are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and;
- (c) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations whose functional currency is different than that of the Company are recognized in other comprehensive income. When a foreign operation is fully disposed of, exchange differences that were recorded in other comprehensive income are recognized in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from acquisition of foreign operations, are accounted for as assets and liabilities of the foreign operations and translated at closing rate. Exchange differences arising from the translation as aforesaid are carried to other comprehensive income.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term bank deposits, which are not restricted by liens, with original maturities of three months or less. For additional information about the restricted cash to be transferred to customers in respect of processing activity, see note 8 below.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

e. Inventory

Finished goods inventories purchased by the Company are stated at the lower of cost and net realizable value. Cost is determined on a moving average basis. The cost of inventory includes all acquisition costs, conversion costs and other direct costs incurred in bringing the inventory to its current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group periodically reviews the condition and age of the inventory, and makes impairment provisions if necessary.

f. Property and equipment

Property, plant and equipment items are initially recognized at acquisition cost. Subsequent costs are included as incurred in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When a part of a property, plant and equipment item is replaced, its' carrying amount is derecognized.

All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to depreciate their cost to their residual value over their estimated useful lives, as follows:

	%
Computers and peripheral equipment	33
Rental of POS devices	20
Machinery and equipment	10

Leasehold improvements are depreciated by the straight-line method over the earlier of the term of the lease or the estimated useful life of the improvements.

g. Intangible assets:

1) Research and development

Intangible assets arising from development projects or from internally-developed new products, development of internally-used operational systems and integration of external systems with the Group's existing systems, are recognized as intangible assets, subject to the following conditions being met:

- a) The technical feasibility of completing the intangible asset so that it will be available for use exists;
- b) Management intends to complete the intangible asset and use or sell it;
- c) There is an ability to use or sell the intangible asset;
- d) The way the intangible asset will generate probable future economic benefits is demonstrable;
- e) The technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- f) The expenditure attributable to the intangible asset during its development can be reliably measured.

The Group monitors all its development projects to identify costs for recognition as an expense in profit or loss and costs for capitalization as an asset in the statement of financial position by making a distinction between:

- (1) Investments in new products (hardware and software), as opposed to expenses aimed at maintaining normal functionality;
- (2) Investment in integrations and opening markets; and
- (3) Investment in software for own use.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

g. Intangible assets (continued):

1) Research and development (continued):

The Group reviews, in relation to each investment, whether it is designed to substantially enhance the functionality in a way that would increase the economic benefit flowing to the Group (i.e. higher revenue and/or cost savings).

Investments designed to enhance functionality in a way that would increase the economic benefit flowing to the Group are capitalized as an asset and presented within "goodwill and intangible assets, net" in the statement of financial position (subject to satisfying of the terms as instructed in IAS38 and listed in an extract above).

The main types of costs that capitalized as an intangible asset as of December 31, 2023 and 2022 are:

- (1) Payroll costs and related expenses, which are attributed by the Group to the different projects that meet the conditions for capitalization;
- (2) Cost of subcontractors, which are specifically identified to projects that meet the conditions for capitalization.
- (3) Share-based payment expenses attributed apportionately to payroll and related suppliers expenses arises from development.

Research costs are expensed as incurred to the "research and development expenses" item in the statement of profit or loss. Research costs of the Group in the reported periods are immaterial to its financial statements.

Development costs designed to maintain normal functionality or insignificantly enhance functionality, as well as development costs that are not identified with a project that can be capitalized, are expensed as incurred to "research and development expenses" in profit or loss.

Research and development expenses that were previously expensed to profit and loss are not recognized as intangible assets in subsequent reporting periods. Development costs presented as intangible assets are amortized from the point in time in which the asset is available for use, on a straight-line basis, over their useful lives (5 years). Development assets which have not yet reached the point in which the asset is available for use are tested for impairment every year.

2) Distribution rights and Brand

Distribution rights purchased as part of a business combination are recognized at fair value on the acquisition date. Separately purchased distribution rights are recognized at cost, plus directly attributable acquisition costs. The distribution rights have a definite useful life (20 years), and they are presented net of accumulated amortization on a straight-line basis.

3) Customer relationships

Customer relationships purchased as part of a business combination are recognized at fair value on the acquisition date. Separately purchased customer relationships are recognized at cost, plus directly attributable acquisition costs. The customer relationships have a definite useful life (10 years), and they are presented net of accumulated amortization on a straight-line basis.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

g. Intangible assets (continued):

4) Technology

Technology purchased as part of a business combination is recognized at fair value on the acquisition date. Technology has a definite useful life (5-7 years) and is presented net of accumulated amortization on a straight-line basis.

5) Goodwill

Goodwill arising from the acquisition of a business represents the overall excess of: (1) the consideration transferred; (2) the amount of any non-controlling interests in the acquiree; (3) in a business combination achieved in stages, also the existing fair value as of the acquisition date of the Group's previously held equity interest in the acquiree, over the net amount as of the acquisition date, of the identifiable assets acquired and the acquiree's liabilities and contingent liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, as from the acquisition date to each of the cash generating units or groups of cash generating units of the Group that are expected to benefit from the synergies of the combination.

Impairment testing of a cash generating unit to which goodwill was allocated is undertaken annually and whenever there is any indication of impairment of the cash generating unit, by comparing the carrying amount of the cash generating unit, including the goodwill, to its recoverable amount, which is the higher of its value in use and the fair value less costs to sell.

h. Impairment of non-financial assets

Intangible assets that have an indefinite useful life, such as goodwill, as well as intangible assets that are not yet available for use, are not amortized and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that such assets might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units).

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

i. Leases:

The Group accounts for a contract as a lease contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration:

1) The Group as a lessee:

In transactions in which the Group acts as lessee, the Group recognizes a right-of-use asset against a lease liability on the commencement date of the lease contract, except in the case of lease transactions with a lease term of up to 12 months and lease transactions for which the underlying asset value is low; in those cases, the Group recognizes the lease payments on a straight-line basis as an operating cost over the lease period.

As part of the measurement of the lease liability, the Group does not separate between lease and non-lease components, such as: management services, maintenance services and more, which are included in the relevant transaction.

The lease liability on the commencement date includes outstanding lease payments discounted by the interest rate implicit in the lease, if that rate can be readily determined, or by the lessee's incremental borrowing rate. The Group used the incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Subsequent to the commencement date, the Company measures the lease liability using the effective interest method.

The right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life and the lease period. When there are indications for impairment, the Group tests the right-of-use asset for impairment in accordance with the provisions of IAS 36.

2) The Group as a lessor:

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

3) Subleases

In transactions where the Group leases an underlying asset (a head lease) and sub-leases that underlying asset to a third party (sublease), the Group checks whether the risks and rewards relevant to the right-of-use asset were transferred by, among other things, checking the sub-lease period in reference to the useful life of the right-of-use asset arising from the head lease.

When substantially all the risks and rewards incidental to ownership of the right-of-use asset were transferred, the Group accounts for the sub-lease as a finance lease. At sublease commencement date, the leased asset is derecognized and a "receivable in respect of finance lease" is recognized in an amount equal to the present value of the lease proceeds discounted by the lease's implicit interest rate. Any difference between the balance of the leased asset prior to derecognition and the receivable balance in respect of the lease is recognized in profit and loss.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

j. Financial instruments:

Hedge accounting

Cash flow hedges

The objective of hedge accounting is to represent in the financial statements the effect of risk management activities that use financial instruments to manage the exposures arising from certain risks that could affect profit or loss or other comprehensive income. The Company reduces its exposure by entering into forward foreign exchange contracts and option contracts with respect to operating expenses that are forecasted to be incurred in currencies other than the US Dollars. Majority of the Company's revenues and operating expenditures are transacted in US Dollars. However, certain operating expenditures are incurred in or exposed to other currencies, primarily the New Israeli Shekel. The Company has established forecasted transaction currency risk management programs to protect against fluctuations in fair value and the volatility of future cash flows caused by changes in exchange rates. The Company's currency risk management program includes foreign exchange contracts designated as cash flow hedges. These foreign exchange contracts generally mature within 3 months.

Changes in the fair value of derivatives used to hedge cash flows, in accordance with the effective portion of the hedge, are recorded through other comprehensive income directly in a other capital reserve. With respect to the non-effective part, changes in the fair value are recognized in the statement of income. The amount recognized in the capital reserve is reclassified in the statement of income in the same period as the hedged cash flows affected profit or loss under the same line item in the statement of income as the hedged item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss remains in other comprehensive income and is presented in the hedging reserve in equity until the forecasted transaction occurs or is no longer expected to occur and then is reclassified to the statements of income.

Classification of financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows in respect thereof.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

j. Financial instruments (continued):

Classification of financial assets (continued):

Financial assets at amortized cost are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at fair value through profit or loss are financial assets not classified into one of the categories of financial assets at amortized cost or financial assets at fair value through other comprehensive income.

The Group's financial assets at amortized cost are included in the following items: "receivables in respect of processing activity", "trade receivable", "other current assets", "cash and cash equivalents", "short-term bank deposits", "restricted cash transferable to customers in respect of processing activity", "long-term receivables", "long-term bank deposits" in the statement of financial position.

Recognition and measurement

Ordinary course purchase and sales of financial assets are recorded in the Group's books of accounts on the date on which the asset is delivered to the Group or by the Group.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership associated with these assets. Financial assets at fair value through profit or loss are presented in subsequent periods at fair value. In subsequent periods, financial assets at amortized cost are measured based on the effective interest method.

Financial assets measured at fair value through profit or loss are initially recognized at fair value and transaction costs are carried to profit or loss. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in profit or loss under "finance expenses, net", in the period in which they are incurred.

Impairment of financial assets measured at amortized cost

The Group recognizes a provision for loss in respect of expected credit losses on debt instruments measured at amortized cost and lease receivables.

At each statement of financial position date, the Group assesses whether the credit risk of the financial asset has increased significantly since it was initially recognized, whether assessed on an individual or collective basis. For that purpose, the Group compares the risk of default at the reporting date with the risk of default on the initial recognition date, taking into account all reasonable and supportable information that is available, including forward-looking information.

For financial assets that experience a significant increase in their credit risk since initial recognition, the Group measures the impairment for loss at the amount of expected credit losses over the entire life of the instrument. Otherwise, the provision for loss is measured at the expected credit loss in a 12-month period.

However, the Group measures the provision for loss at an amount equal to expected credit losses over the instrument's life for trade receivables or assets in respect of contract with customers arising from transactions within the scope of IFRS 15, and for receivables in respect of lease, stemming from transactions within the scope of IFRS 16.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

j. Financial instruments (continued):

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, only when there is an immediate legally enforceable right (which is not conditional upon the occurrence of a future event) to offset the recognized amounts under all of the following circumstances: in the ordinary course of business, in the event credit default, insolvency or bankruptcy of the entity and of all counterparties, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss.

Financial liabilities measured at amortized cost:

Upon initial recognition, the Group measures the financial liabilities at fair value, net of transaction costs. Any differences between the amount of initial recognition (net of transaction costs) and the redemption value are recognized in the statement of profit or loss over the term of the financial liability, in accordance with the effective interest method.

Fees paid in respect of receipt of a credit facility are recognized as transaction costs attributed to the relevant loan, to the extent that it is probable that a portion or all of the credit facility amount shall be utilized. In such a case, the recognition of fees is deferred until the funds are actually withdrawn as part of the loan. If there is no evidence that a portion or all of the credit facility will be utilized, the fee is capitalized as a prepaid payment in respect of financing services and amortized over the term of the relevant credit facility.

Financial liabilities measured at fair value through profit or loss:

The Group measures these financial liabilities at fair value each reporting period. Transaction costs are recognized in profit or loss. Financial liabilities are classified as current liabilities, unless if the Group has an unconditional right to defer the settlement of the liability by at least 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

k. Trade receivables

Trade receivables are amounts due from customers for sales of POS devices or services performed in the ordinary course of business.

l. Trade payables

Trade payables are the Group's obligations to pay for goods or services that have been rendered by suppliers in the ordinary course of business.

m. Income taxes

Income tax expenses or benefit for the reported years include current and deferred taxes. Taxes are recognized in profit or loss, except for taxes arising from business combination and taxes relating to items carried to other comprehensive income or directly to equity, which are also recognized in other comprehensive income or equity, respectively, together with the item in respect of which they were created.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

m. Income taxes (continued):

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted in the countries in which Group companies operate and generate taxable income at the statement of financial position date. The Group periodically evaluates the tax aspects applicable to its taxable income based on the relevant tax laws and makes provisions in accordance with the amounts expected to be paid to the tax authorities.

The Group recognizes deferred income tax using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The amount of deferred taxes is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income. Deferred tax assets are recognized in respect of unused carryforward losses, if it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

The Group does not recognize deferred taxes on temporary differences arising on investments in subsidiaries, since the timing of the reversal of the temporary differences is controlled by the Group and it is probable that these temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are set off only if: (a) An enforceable legal right exists to set off current tax assets against current tax liabilities; and; (b) Deferred tax assets and liabilities relate to income tax imposed by the same tax authority on the same entity or on different entities that intend to settle the balances on a net basis.

n. Revenue recognition

The Group has revenues from sales of Point of Sales (POS) devices, software as a service (SaaS) and payment processing fees.

1) Revenue measurement

The revenue of the Group is measured at the amount of the consideration to which the Group expects to be entitled in exchange for transferring promised terminals or services to a customer, excluding amounts collected on behalf of third parties, such as certain selling taxes. Revenue is presented net of VAT and after elimination of intra-group revenue.

2) Timing of revenue recognition

The Group recognizes revenue when the customer obtains control of the promised goods or service under the contract with the customer. For each performance obligation, the Group determines, when entering into a contract, if it satisfies the performance obligation over time or at a point in time.

The group satisfies a performance obligation over time if one of the following criteria is met: (1) the customer is receiving and consuming the benefits of the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to that date.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

n. Revenue recognition (continued):

3) Types of revenues of the Group

Revenue from sales of POS devices

The Group sells POS devices to customers.

Pursuant to IFRS 15, goods or services promised to a customer are distinct if the customer can benefit from the good or service supplied (either on its own or together with other resources that are readily available); and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The POS devices sold to the Group's customers enable multiple functionalities. The sale of the POS device does not oblige the customer to purchase a full solution or to make a further purchase of the Group's services. Accordingly, the POS devices constitute a performance obligation that is separate from the service component, and the Group recognizes revenues from sales of POS devices at a point in time, when control of the POS devices is transferred to its customers.

SaaS revenue and payment processing fees (hereafter –"Recurring revenue")

The Group provides management services and payment processing services. The consideration for the management services includes monthly fees in respect of each POS device. The consideration for the payment processing fees includes processing services, which are mostly calculated as a percentage of the transaction's value and/or a defined fee for each processed transaction. Payment is made per the normal payment terms of the Company, which are generally 15 to 60 days from the date of the invoice. The revenue from those services is recognized in the period the services are rendered.

The Group recognizes the payment processing fees collected from its customers on a gross basis, since the Group controls the specified services before it is transferred to the customers, in accordance with the provisions of IFRS 15. In particular, the Group is primarily responsible for fulfilling the promise to provide the payment processing services to the customer, and the Group has discretion in establishing the price for the specified services. As a payment service provider, the Group acts as a merchant of record for its merchants. The Group bears the risk of chargebacks if amounts cannot be recovered from the customer. The fees paid to the processing companies are recognized as expenses under cost of revenue.

Allocation of the consideration in transactions that include the sale of POS devices and the above related services is based on the relative stand-alone selling price of each performance obligation based on the price at which a good or service is sold separately.

o. Share-based payments

From time to time, the Group's Board of Directors approves plans for the award of options to the Group's employees and suppliers, whereby the Group receives services from its employees and/or suppliers in consideration for equity instruments (options) of the Group.

The amount recognized for share-based payments to employees is determined in reference to the fair value of the options granted on the grant date. Non-market vesting terms are included among the assumptions used to estimate the number of options expected to vest, such that the expense is recognized during the vesting period. As to other service providers, the cost of the transactions is measured in accordance with the fair value of the goods or services received in return for the equity instruments that were granted. Where it is not possible to measure reliably the fair value of the goods or services received in consideration for equity instruments, they are measured at the fair value of the granted equity instruments.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION (continued):

o. Share-based payments (continued):

At each statement of financial position date, the Group revises its estimates as to the number of options expected to vest, based on the non-market vesting conditions, and recognizes the impact of the change compared to the original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

p. Earnings (Loss) per share

The computation of basic earnings (loss) per share is based on the profit (loss) attributable to holders of ordinary shares, divided by the weighted average number of ordinary shares outstanding during the period. When calculating the diluted earnings (loss) per share, the Group adds to the average number of ordinary shares outstanding, that was used to calculate the basic earnings per share, the weighted average of the number of shares to be issued assuming that all shares that have a potentially dilutive effect would be converted into shares. Potential Ordinary Shares are only taken into account in cases where their effect is dilutive (reducing the earnings per share or increasing the loss per share).

q. Provisions

Provisions are recorded when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

r. New International Financial Reporting Standards, amendments to standards and new interpretations:

1. Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments require entities to disclose their material rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

These financial statements are prepared in accordance with the amendments to IAS 1 as they are effective for annual periods beginning on January 1, 2023.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As part of the financial reporting process, the Group's management is required to make certain assumptions and estimates that affect the value of assets, liabilities, income, expenses and some of the disclosures provided in the Group's consolidated financial statements. By their nature these estimates may be subjective and complex and may therefore differ from actual results.

The accounting estimates and judgments used in the preparation of the financial statements are continually reviewed and are based on historical experience and other factors, including expectations as to future events that are believed to be reasonable under the current circumstances.

Set forth below is a description of the material accounting estimates and judgments used in the preparation of financial statements, at the formulation of which the Group was required to make assumptions as to circumstances and events involving significant uncertainty. The Group takes into account, as applicable, the relevant facts, historical experience, impact of external factors and reasonable assumptions in accordance with the circumstances.

1) Development assets

The Group capitalizes development costs and recognizes them as intangible assets in accordance with the accounting policy listed in note 2(g). In accordance with this policy, costs incurred in respect of development projects are recognized as development assets only when a number of conditions listed in that note are met, whereas other development expenses, that do not meet these terms, are recognized as an expense in profit or loss as incurred.

The Group's management exercises judgment as to the fulfillment of the conditions allowing capitalization of development costs for each of the development projects it implements; in cases where management determines that those conditions are, indeed, met, development assets are recognized at the amount of the development costs invested in the project that are eligible for capitalization.

The Group's management also determines the relating estimated useful life and amortization expenses of the said development assets. The estimate is based on the projected period for the marketing of the products to be developed on the basis of the said development assets. These estimates may change significantly as a result of technological innovations and the activity of the Group's competitors, in response to extreme cyclical changes in the sector.

The Group's management shall increase the amortization expenses when the estimated useful life will decrease compared to previous estimates, or, alternatively, it shall recognize impairment or write-off development assets that have become technologically obsolete.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued):

2) Distribution rights, customer relationship and technology

Distribution rights, customers relationship and technology recognized as a result of business combinations carried out by the Group are amortized on an ongoing basis on a straight-line basis in accordance with expected useful life. The Company assesses the need to change the intangible assets' useful lives on an ongoing basis.

3) Determining the lease terms

The Group applies IFRS 16 to account for leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Based on historical experience and its business plans, the Company assesses whether it is expected that the extension options included in the lease agreements it entered into shall be exercised or not.

4) Fair value of share-based payments

The fair value of the Group's equity instruments that were granted to its employees is determined using valuation methods. Fair value of stock-option awards was determined using a the Black-Scholes option pricing model, which requires a number of assumptions, of which the most significant are the share price, volatility, and the expected option term. Expected volatility was calculated based on comparable public companies in the same industry. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term.

5) Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses and unused deductible temporary differences, if it is probable that future taxable income will exist against which they can be utilized. A management estimate is required to determine the amount of the deferred tax asset that can be recognized based on the timing, amount of expected taxable income, its origin and tax planning strategy.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management plan focuses on the uncertainty of the financial markets seeking to minimize potential negative impacts on the Group's financial performances. Group's risk management is carried out under policies approved by senior management. This policy relates to management of market risks, credit risks, liquidity risks and capital risks (cash management risks).

1) Market risks:

a) Foreign exchange risks

The Group operates internationally and is exposed to fluctuations in exchange rates of various currencies, primarily with respect to the exchange rates of the NIS, Euro, GBP and AUD against the US Dollar.

Foreign exchange risks arise from commercial transactions, assets or liabilities, or net investments in foreign operations which are denominated in a currency which is not the entity's functional currency.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):

Financial risk factors (continued):

1) Market risks (continued):

a) Foreign exchange risks (continued):

The following table presents a sensitivity test as of December 31, 2023, 2022 and 2021 to reasonably possible changes in the exchange rates, when all other variables remain unchanged. The impact on pre-tax income of the Group is due to changes in financial assets and liabilities.

Foreign currency	Years	Sensitivity test for changes in exchange rate	
		Income (loss) from change	
		10% increase in exchange rate	10% decrease in exchange rate
US Dollars in thousands			
NIS	2023	(1,762)	1,762
	2022	(2,168)	2,168
	2021	1,408	(1,408)
EUR	2023	(1,698)	1,698
	2022	1,288	(1,288)
	2021	788	(788)
GPB	2023	123	(123)
	2022	713	(713)
	2021	824	(824)
AUD	2023	40	(40)
	2022	201	(201)
	2021	184	(184)

b) Risk in respect of interest rate change

Risks related to interest rates stem from changes in interest rates, which may have an adverse effect on the Group's net income or cash flows. Changes in interest rates trigger changes in the Group's interest income and expenses in respect of interest-bearing assets and liabilities.

The Company does not have material assets or liabilities bearing variable interest, as it has only loans from an Israeli bank which have the Prime interest's impact, which the effect of possible changes in Prime rate with that respect is immaterial. Therefore, the Group's revenues and operating cash flows are not materially impacted by changes in market interest rates.

2) Credit risks

Credit risk is managed on a Group level. Credit risks arise mainly from cash and cash equivalents, bank deposits, and credit exposures to receivables. The Group carries out a risk assessment by assessing the credit quality of each customer, taking into account the customer's financial position, past experience, and other factors. The Group settles the processing fee before remitting funds to the customers.

The loss allowance for trade receivables as of December 31, 2023 and 2022 was determined as follows:

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):

2) Credit risks (continued):

December 31, 2023	<u>Not overdue</u>	<u>Over 30 days overdue</u>	<u>Over 60 days overdue</u>	<u>Over 120 days overdue</u>	<u>Total</u>
	US Dollar in thousands				
Gross carrying amount – trade receivables	25,023	1,818	3,851	12,473	43,166
Less – provision of allowance for credit loss	-	-	-	(1,866)	(1,866)
Trade receivable	<u>25,023</u>	<u>1,818</u>	<u>3,851</u>	<u>10,607</u>	<u>41,300</u>

December 31, 2022	<u>Not overdue</u>	<u>Over 30 days overdue</u>	<u>Over 60 days overdue</u>	<u>Over 120 days overdue</u>	<u>Total</u>
	US Dollar in thousands				
Gross carrying amount – trade receivables	17,361	1,439	1,818	9,226	29,844
Less – provision of allowance for credit loss	-	-	-	(2,432)	(2,432)
Trade receivable	<u>17,361</u>	<u>1,439</u>	<u>1,818</u>	<u>6,794</u>	<u>27,412</u>

Most of the Group's cash and cash equivalents as of December 31, 2023 and 2022 were deposited with Israeli, European and American banks.

In the opinion of the Group, the credit risk arising from those balances with banks is low.

In respect of the processing activity, the Group has a restricted cash balance for transfer to customers and is also entitled to receive proceeds from international processing companies. In the opinion of the Group, the credit risk arising from the balances with those processing companies is low.

3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and credit facilities to fund operations. In view of the dynamic nature of its business activity, the Group maintains financing flexibility through maintaining the availability of credit facilities from banks, loans from shareholders and investments in share capital.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):

3) Liquidity risk (continued):

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented in the table represent undiscounted cash flows.

	Less than one year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
	US Dollars in thousands				
December 31, 2023:					
Short-term loans	47,477	-	-	-	47,477
Long-term bank loans	1,110	370	-	-	1,480
Long-term loans from others	3,835	-	-	-	3,835
Liability in respect of purchase of servers	99	74	-	-	173
Lease liabilities	2,325	1,897	2,022	495	6,739
Payables in respect of processing activity	104,523	-	-	-	104,523
Trade payables	17,464	-	-	-	17,464
Other payables	25,650	-	-	-	25,650
Total	202,483	2,341	2,022	495	207,341

	Less than one year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
	US Dollars in thousands				
December 31, 2022:					
Short-term loans	7,874	-	-	-	7,874
Long-term bank loans	1,136	1,515	-	-	2,651
Long-term loans from others	3,917	3,699	-	-	7,616
Liability in respect of purchase of servers	193	177	-	-	370
Lease liabilities	2,402	2,392	3,400	483	8,677
Payables in respect of processing activity	63,336	-	-	-	63,336
Trade payables	14,574	-	-	-	14,574
Other payables	17,229	-	-	-	17,229
Total	110,661	7,783	3,400	483	122,327

Group Management periodically reviews the ratio between future cash flows that will arise from maturities of its liabilities and the future cash flows that will arise from maturities of its financial assets; where necessary, the Group changes its liability mix and the timing of their maturity.

4) Capital risk:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

From time to time the Group assesses, as applicable, the need to raise funds from external investors.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):

4) Capital risk (continued):

Changes in financial liabilities, the cash flows in respect of which are classified as cash flows from financing activities:

	Short-term credit	Long-term bank loans	Loans from others	Lease liabilities	Other liabilities	Total
	US Dollars in thousands					
Balance at January 1, 2023	7,684	2,496	7,367	8,150	362	26,059
Changes in 2023:						
Liabilities added in respect of new leases	-	-	-	595	-	595
Liabilities added in respect of loans from banks and others	39,135	-	-	-	-	39,135
Cash flows paid	-	(998)	(3,626)	(2,182)	(182)	(6,988)
Amounts recognized in profit or loss and other changes	658	(70)	179	(269)	(10)	488
Balance at December 31, 2023:	<u>47,477</u>	<u>1,428</u>	<u>3,920</u>	<u>6,294</u>	<u>170</u>	<u>59,289</u>
Balance at January 1 2022	-	5,166	3,220	6,895	721	16,002
Changes in 2022:						
Liabilities added in respect of new leases	-	-	-	2,014	-	2,014
Liabilities added in respect of loans from banks and others	5,874	-	6,908	-	-	12,782
Liabilities added in respect of acquisitions	2,000	-	-	1,696	-	3,696
Cash flows paid	-	(2,282)	(2,577)	(2,146)	(288)	(7,293)
Amounts recognized in profit or loss and other changes	(190)	(388)	(184)	(309)	(71)	(1,142)
Balance at December 31 2022:	<u>7,684</u>	<u>2,496</u>	<u>7,367</u>	<u>8,150</u>	<u>362</u>	<u>26,059</u>
Balance at January 1 2021	11,589	7,329	5,703	6,474	994	32,089
Changes in 2021:						
Liabilities added in respect of new leases	-	-	-	1,428	-	1,428
Cash flows paid	(11,393)	(1,971)	(2,175)	(1,406)	(295)	(17,240)
Amounts recognized in profit or loss and other changes	(196)	(192)	(308)	399	22	(275)
Balance at December 31 2021:	<u>-</u>	<u>5,166</u>	<u>3,220</u>	<u>6,895</u>	<u>721</u>	<u>16,002</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - SEGMENT REPORTING

The Group operates in a single reportable segment; the center of its activities is in Israel, and all of its sales are carried out in USA, Europe, UK, Australia, Israel and the rest of the world.

Set forth below is a breakdown of revenues from external parties by geographic regions:

	For the year ended December 31		
	2023	2022	2021
	US Dollars in thousands		
USA	83,528	60,270	36,887
Europe (excluding UK)	72,887	48,664	36,475
UK	26,391	21,931	16,577
Australia	22,484	17,235	12,672
Israel	13,095	14,129	10,764
Rest of the world	17,106	11,285	5,759
	<u>235,491</u>	<u>173,514</u>	<u>119,134</u>

Set forth below is a breakdown of the non-current assets, excluding deferred tax assets and financial assets, by geographic regions:

	December 31	
	2023	2022
	US Dollars in thousands	
Israel	97,209	60,459
USA	13,696	6,863
Rest of the world	1,027	2,096
	<u>111,932</u>	<u>69,418</u>

In 2023, 2022 and 2021, the Group did not have any single customer representing 10% or more of its sales.

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES

a. Acquisition of Roseman Engineering Ltd.

On January 31, 2023, the Company entered into a binding agreement for the purchase of the entire share capital (hereinafter "Purchased Shares") of Roseman Engineering Ltd. and Roseman Holdings Ltd. (hereinafter, together, "Roseman"). Roseman are private entities founded under the law of the State of Israel that manage smart systems in the fields of refueling, charging stations and management system for vehicle fleets. In consideration of the transaction, the Company will pay Roseman NIS 15,000 thousand (the "Purchase Price"). On December 21, 2023, the company received the approval of the Israeli Competition Authority (hereinafter the "ICA"). The agreement is subject to certain closing conditions and as of the date of these financial statements, the purchase is still pending certain closing conditions.

b. Acquisition of Retail Pro

On November 30, 2023, (hereinafter "The Closing Date") the company successfully concluded its acquisition of Retail Pro International, LLC (hereinafter "RPI"), a leading global entity in retail Point of Sale (POS) software. RPI owns an intellectual property catering to both mid-size and global retailers with a full-featured, flexible product designed to navigate the complexities of the global retail landscape.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

b. Acquisition of Retail Pro (continued):

The purchase price for the transaction represents an implied enterprise value of \$34.5 million on a cash-free debt-free basis, to be paid partially in cash and the remainder in cash or equity, subject to certain earnout targets being met (refer to note 15). The deal was initially financed with in debt provided by local Israeli Bank. The remaining amount of approximately \$14.6 million will be paid over a three-year period, contingent upon meeting specific earnout targets, and may be settled in either cash or equity at the company's discretion (hereinafter "Contingent Liability"). It will be broken up into 5 payments, with the first payment of 33% of the deferred consideration (approximately \$5.5 million) being due January 1, 2025, and the rest being broken up into 4 semi-annual payments of 16.67% of the deferred consideration (approximately \$2,768 thousand each) beginning July 1, 2025. The first payment of the deferred consideration will include a reduction of \$2 million due to a portion of deferred revenues.

The following table presents the consideration for RPI's acquisition, and the amounts recognized for assets acquired and liabilities on the of the acquisition, at fair value:

	US Dollars in thousands
Consideration paid in cash	18,759
Contingent Consideration	12,141
Total consideration	30,900
Amounts recognized on merger date:	
Cash and cash equivalents	430
Trade receivables	1,854
Other receivables	280
Property and equipment	140
Technology	20,148
Customer relations	7,092
Brand	3,031
Trade payables	(1,339)
Other payables	(924)
Deferred Tax Liability	(2,626)
Total identifiable assets, net	28,086
Goodwill (*)	2,814
Total Consideration	30,900
Cash flows in respect of the acquisition	18,759
Cash and cash equivalents of subsidiary	430
Acquisition of subsidiary, less cash acquired	18,329

(*) The elements and factors that the Company paid above the fair value of the tangible and intangible assets recognized, represent as goodwill for RPI's, expressed by synergy of good reputation and talented workforce. Thus, the goodwill resulted from the acquisition of RPI represents the excess of the acquisition consideration on the fair value over the net identifiable assets acquired and liabilities in closing date.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

b. Acquisition of Retail Pro (continued):

Other expenses for the year ended December 31, 2023 were approximately \$444 thousand, primarily attributable to professional fees incurred in connection with RPI acquisition.

The following is information about revenues and losses of the Group under the assumption that the RPI transaction was completed on January 1, 2023: (1) The Group's revenues for the year ended December 31, 2023, would have been \$251,391 thousand, compared to \$235,491 thousand as reported, and; (2) The Group's losses for year ended December 31, 2023, would have been \$8,910 thousand compared to \$14,489 thousand as reported.

The additional revenue included in the consolidated income statement since Acquisition Date resulting from consolidating RPI's results was \$503 thousand during the year. Additionally, the consolidation of RPI resulted in an increase by \$310 thousand in the loss for the year.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

c. On Track Innovation Ltd.

On January 19, 2022 the Company entered into a binding term sheet with On Track Innovations Ltd. (hereinafter - "OTI"), according to which the parties shall engage in a two-phase transaction, where in the first phase the Company shall provide a loan to OTI (hereinafter - "Loan") and thereafter the Company and OTI shall negotiate to acquire 100% of OTI's shares by way of reverse triangular merger (hereinafter - "Merger").

On January 27, 2022, the Company executed a Loan agreement with OTI, according to which the Company extended a Loan to OTI totaling \$5.5 million to repay its outstanding debts. The Loan will be repaid in two years, bearing a 10% annual interest rate. The loan shall be secured by a floating charge over OTI's assets.

According to the Loan Agreement, the Company may, in its sole discretion, extend the Loan with additional amounts, in order to pay to any creditor of OTI from the date of the Loan agreement and until the closing of the Merger in order to allow OTI to continue to operate in the ordinary course (hereinafter - "Additional Amounts"). Additional Amounts, if any, will be deemed to be as part of a Loan and the terms of the Loan will apply to them in full.

On April 25, 2022 and on July 5, 2022 the Company extended OTI an additional loan amount of \$1 million and \$1.6 million, respectively. The loan was accounted for as a financial asset at fair value through profit or loss.

If the Merger agreement will not be put to the vote of the shareholders of OTI or if it will not be approved by the shareholders of OTI by the dates in the Loan agreement, for a reason that is not directly and exclusively related to the Company, then (a) the Company shall have the right to either demand the immediate repayment of the Loan from OTI only, or convert it into OTI's equity based on the determined price in the Loan agreement (b) if the Company elected not to demand the immediate repayment or conversion, the interest on the Loan shall be increased to the mentioned interest rate in the Loan agreement, and (c) OTI shall pay, upon demand by the Company, to the Company an agreed amount in the Loan agreement.

On March 17, 2022, the merger agreement with OTI were completed under the preliminary terms as noted at the binding sheet which OTI will become a private wholly-owned subsidiary of the Company. On May 10, 2022, OTI's general assembly of shareholders approved the Merger agreement.

On June 9, 2022, the transactions under the Merger Agreement were completed and the shareholders of OTI received from the Company an aggregate cash consideration of \$4.5 million. The cash consideration was paid in full on July 18, 2022 and the long-term liability OTI received from the Company, as part of the first phase of the merger considerations, was eliminated in the consolidated financial statements.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

c. On Track Innovation Ltd. (continued):

The following table presents the consideration for OTI's merger, and the amounts recognized for assets acquired and liabilities on the of the merger, at fair value:

	As of June 9, 2022
	US Dollars in thousands
Deferred consideration	4,500
Total consideration	4,500
Amounts recognized on merger date:	
Cash and cash equivalents	440
Trade receivables	983
Inventory	3,569
Other receivables	1,397
Right of use assets	1,722
Property and equipment	660
Other assets	145
Technology	1,711
Customer relations	5,046
Short-term bank loans	(2,001)
Trade payables	(1,392)
Other payables	(1,982)
Lease liability	(1,696)
Other long term liabilities	(69)
Long term liability from the Company (*)	(6,757)
Total identifiable assets, net (**)	1,776
Goodwill (***)	2,724
Total Consideration	4,500
Cash flows in respect of the acquisition, as presented in cash flows from investing activities	
Cash and cash equivalents of subsidiary included in consolidated for the first time	440
Acquisition of subsidiary, less cash acquired, as presented in cash flows from investing activity	440

(*) The long-term liability from the Company was eliminated in the consolidated financial statements.

(**) Due to accumulated loss for tax, deferred tax liabilities were offset up to their aggregated value recognized at the day of the acquisition.

(***) The elements and factors that the Company paid above the fair value of the tangible and intangible assets recognized, represent as goodwill for OTI's, expressed by synergy of good reputation and talented workforce. Thus, the goodwill resulted from the acquisition of OTI represents the excess of the acquisition consideration on the fair value over the net identifiable assets acquired and liabilities in closing date.

The following is information about revenues and losses of the Group under the assumption that the OTI transaction was completed on January 1, 2022: (1) The Group's revenues for the year ended December 31, 2022, would have been \$179,008 thousand, compared to \$173,515 thousand as reported, and; (2) The Group's losses for year ended December 31, 2022, would have been \$42,166 thousand compared to \$37,332 thousand as reported.

The additional revenue included in the consolidated income statement for the year ended December 31, 2022 and from the Acquisition Date resulting from consolidating OTI's results was \$7,610 thousand during the year. Additionally, the consolidation of OTI resulted in an increase of \$909 thousand in the loss for that year.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

d. Collaboration agreement of IoT Technology Holdings Ltd.

On June 21, 2023, a new agreement of collaboration (hereinafter "New Agreement") was signed between the Company, Bank Hapoalim (hereinafter "BHP"), Mr. Alon Feit (hereinafter "Feit"), IoT Capital Ltd. (hereinafter "IoT Capital"), and IoT Technology Holdings Ltd., a new Israeli company (hereinafter "IoT Technology" or the "Receiving Company", all together the "Collaborators" or the "Parties"). The New Agreement replaces an older agreement (hereinafter "the Old Agreement") signed on June 9, 2022 between the Parties which was signed to establish and operate an innovative international platform, which shall provide financing options mainly for small and medium businesses for acquiring POS devices, automated vending machines and electric vehicle charging stations. Under the terms of the Old Agreement, the Parties shall incorporate IoT Technology with an initial holding structure according to which 49.1% of IOT's share capital shall be held by the Company, 30.9% by Feit, and 20% by Bank Hapoalim. For further information on the Old Agreement, please refer to Note 6(g) in the 20-F for the year ended December 31, 2022 as published on March 1, 2023.

Under the terms of the New Agreement, the initial holding structure remained unchanged as determined by the Old Agreement. The New Agreement also sets the same amounts as determined by the Old Agreement where the Company shall invest in the Receiving Company an amount of \$1.5 million, Feit shall invest an amount of \$0.5 million, and Bank Hapoalim shall invest an amount of \$1.5 million and provide an additional loan of \$1.5 million. Similar to the Old Agreement, the New Agreement also includes three options, where;

- a) First Call Option - a Call Option granted to the Company to buy from BHP and Feit such number of shares that following the exercise of the First Call Option, the Company will hold 50.1% of the voting rights in IoT Technology, such that the Company will be able to consolidate the Company in its financial statements. The option can be exercised by the Company between two to eleven years from signing of the New Agreement date. As of December 31, 2023, the fair value of the First Call Option was determined to be \$1,822 thousand.
- b) Second Call Option - a Second Call Option granted to the Company to buy from BHP and Feit such number of shares that following the exercise option the Company will hold 100% from IoT Technology. The option can be exercised by the Company at any time during a period of ten years following the exercise of the First Call Option and in no event later than fourteen years from the signing of New Agreement.
- c) Put Option - the Put Option granted by the Company to BHP and Feit to sell the remaining shares of IoT Technology. The Put Option shall be exercisable commencing at any time following the lapse of two years following the signing of the New Agreement and ending upon the lapse of the Second Call Option period.

For all the three options above, the exercise consideration to be paid depends on IOT's annual revenue volume ("ARV"). Such ARV will be determined by IOT's average monthly revenue of the recent 3 months (prior to the exercising of the option) times 12. The pre-determined multipliers range from 10 to 15, times the percentage acquired for the exercising of the Call & Put Options, respectively. In exercising the Second Call Option, should the compound annual growth rate ("CAGR") over the 3-year period preceding the notice of exercise of the Second Call Option shall be 35% or more, the ARV shall be 20 times.

The investment in IoT Technology shares is treated under the equity method as required by IAS 28 "Investments in Associates and Joint Ventures". As of December 31, 2023, the following table presents the balances related to the investment in IoT Technology:

	US Dollars in thousands
Financial assets at fair value through profit or loss (*)	1,822
Liability for deferred consideration	1,500
Deferred income (**)	418

(*) The options mentioned above are measured at fair value through profit and loss used the Monte Carlo option pricing model.

(**) Deferred income represents an advance for providing future services by the Company to IoT Technology.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Below is the composition of cash and cash equivalents by US Dollar and other currencies:

	December 31,	
	2023	2022
	US Dollars in thousands	
US Dollar	14,673	11,415
New Israeli Shekel	9,777	1,498
Euro	3,044	11,182
British pound sterling	2,026	3,909
Australian Dollar	1,078	1,650
Other currencies	7,788	4,226
	38,386	33,880

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - RESTRICTED CASH TO BE TRANSFERRED TO CUSTOMERS IN RESPECT OF PROCESSING ACTIVITY

Nayax Europe, a subsidiary of the Group, holds a Payment Institution License from the central bank of Lithuania and is licensed to hold and transfer funds to the Group's customers across Europe for the purpose of the Group processing activity in Europe. In accordance with the requirements of the central bank of Lithuania, the funds of Nayax Europe's customers are held in a segregated account before being transferred to customers. As of December 31, 2023 and 2022, \$49,858 and \$34,119 thousand, respectively, were held in segregated accounts for the Group's customers.

NOTE 9 - TRADE RECEIVABLES

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components then they are recognized at fair value. The balance subsequently measured at amortized cost less allowance for credit losses. Below is the composition of trade receivables in net values:

	December 31,	
	2023	2022
	US Dollars in thousands	
Open accounts	43,166	29,844
Less – provision of allowance for credit loss	(1,866)	(2,432)
Trade receivables - net	<u>41,300</u>	<u>27,412</u>

For information about receivable aging and calculating the impairment of accounts receivables in 2023 and 2022, see note 4(2).

b. Changes in provision of allowance for credit loss:

	US Dollars in thousands
Balance as of January 1, 2023	2,432
Amounts provided against profit or loss in respect of receivables for which the provision for loss is measured over the entire life of the receivable balance	<u>(566)</u>
Balance as of December 31, 2023	1,866
Balance as of January 1, 2022	1,549
Amounts provided against profit or loss in respect of receivables for which the provision for loss is measured over the entire life of the receivable balance	<u>883</u>
Balance as of December 31, 2022	<u>2,432</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LEASES

a. General

As of December 31, 2023, the Group had right of use assets related to leased buildings used as the Group's used for operating activities. Set forth below are the right-of-use asset years of depreciation and the interest rates used to discount the lease payments:

	Years of depreciation	Interest rate
Buildings	2-4	1.5%-5%
Technological equipment	3-5	3.88%

b. Composition and movement of right-of-use assets:

The following is the composition of right-of-use asset balances as of December 31, 2023:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Cost:			
Balance as of January 1, 2023	10,947	331	11,278
Additions during the year	338	-	338
Disposals	(455)	(331)	(786)
Other changes	257	-	257
Balance as of December 31, 2023	11,087	-	11,087
Depreciation and amortization:			
Balance as of January 1, 2023	3,579	318	3,897
Depreciation during the year	2,167	11	2,178
Disposals	-	(329)	(329)
Balance as of December 31, 2023	5,746	-	5,746
Right-of-use assets - net	5,341	-	5,341

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LEASES (continued):

b. Composition and changes in right-of-use assets (continued):

The following is the composition of right-of-use asset balances as of December 31, 2022:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Cost:			
Balance as of January 1, 2022	7,382	331	7,713
Additions during the year	2,048	-	2,048
Additions in respect of acquisition	1,722	-	1,722
Disposals	(462)	-	(462)
Other changes	257	-	257
Balance as of December 31, 2022	10,947	331	11,278
Depreciation and amortization:			
Balance as of January 1, 2022	2,186	252	2,438
Depreciation during the year	1,731	66	1,797
Disposals	(338)	-	(338)
Balance as of December 31, 2022	3,579	318	3,897
Right-of-use assets - net	7,368	13	7,381

The following is the composition of right-of-use asset balances as of December 31, 2021:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Cost:			
Balance as of January 1, 2021	5,752	331	6,083
Additions during the year	1,428	-	1,428
Other changes	202	-	202
Balance as of December 31, 2021	7,382	331	7,713
Depreciation and amortization:			
Balance as of January 1, 2021	1,136	186	1,322
Depreciation during the year	1,050	66	1,116
Balance as of December 31, 2021	2,186	252	2,438
Right-of-use assets - net	5,196	79	5,275

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LEASES (continued):

c. Composition and changes in lease liabilities

The following table summarizes the composition of lease liability balances as of December 31, 2023:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Balance as of January 1, 2023	8,141	9	8,150
Additions during the year	338	-	338
Interest expenses	330	-	330
Lease payments	(2,503)	(9)	(2,512)
Other changes	(12)	-	(12)
Balance as of December 31, 2023	6,294	-	6,294
Current maturities of lease liabilities	2,145	-	2,145
Long-term lease liabilities	4,149	-	4,149
Balance as of December 31, 2023	6,294	-	6,294

The following table summarizes the composition of lease liability balances as of December 31, 2022:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Balance as of January 1, 2022	6,769	126	6,895
Additions during the year	2,014	-	2,014
Additions in respect of acquisition	1,696	-	1,696
Disposals	(131)	-	(131)
Interest expenses	293	3	296
Lease payments	(2,036)	(111)	(2,147)
Other changes	(464)	(9)	(473)
Balance as of December 31, 2022	8,141	9	8,150
Current maturities of lease liabilities	2,197	9	2,206
Long-term lease liabilities	5,944	-	5,944
Balance as of December 31, 2022	8,141	9	8,150

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LEASES (continued):

c. Composition and changes in lease liabilities (continued):

The following table summarizes the composition of lease liability balances as of December 31, 2021:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Balance as of January 1, 2021	6,245	229	6,474
Additions during the year	1,428	-	1,428
Interest expenses	207	7	214
Lease payments	(1,506)	(114)	(1,620)
Other changes	395	4	399
Balance as of December 31, 2021	6,769	126	6,895
Current maturities of lease liabilities	1,387	115	1,502
Long-term lease liabilities	5,382	11	5,393
Balance as of December 31, 2021	6,769	126	6,895

- d.** The Group incurred expenses in the amounts of \$330, \$209 thousand and \$168 thousand in 2023, 2022 and 2021, respectively, related to short-term leases, which were included in research and development expenses and selling, general and administrative expenses.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2023, are as follows:

	<u>Leasehold improvements</u>	<u>Computers and peripheral equipment</u>	<u>Rented POS devices</u>	<u>Machines and equipment</u>	<u>Total</u>
US Dollars in thousands					
Cost:					
Balance as of January 1, 2023	3,956	15,380	606	586	20,528
Additions	13	641	54	-	708
Acquired through business combinations	-	140	-	-	140
Disposals	-	(83)	-	-	(83)
Translation differences	-	(7)	(21)	-	(28)
Balance as of December 31, 2023	<u>3,969</u>	<u>16,071</u>	<u>639</u>	<u>586</u>	<u>21,265</u>
Accumulated depreciation:					
Balance as of January 1, 2023	883	12,391	316	270	13,860
Depreciation during the year	311	1,414	237	42	2,004
Disposals	-	(83)	-	-	(83)
Translation differences	-	(2)	(1)	-	(3)
Balance as of December 31, 2023	<u>1,194</u>	<u>13,720</u>	<u>552</u>	<u>312</u>	<u>15,778</u>
Net book value:					
As of December 31, 2023	<u>2,775</u>	<u>2,351</u>	<u>87</u>	<u>274</u>	<u>5,487</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - PROPERTY AND EQUIPMENT (continued):

Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2022, are as follows:

	<u>Leasehold improvements</u>	<u>Computers and peripheral equipment</u>	<u>Rented POS devices</u>	<u>Machines and equipment</u>	<u>Total</u>
	<u>US Dollars in thousands</u>				
Cost:					
Balance as of January 1, 2022	3,638	6,245	523	547	10,953
Additions	79	1,388	227	39	1,733
Acquired through business combinations	239	8,043	-	-	8,282
Disposals	-	(269)	-	-	(269)
Translation differences	-	(27)	(144)	-	(171)
Balance as of December 31, 2022	<u>3,956</u>	<u>15,380</u>	<u>606</u>	<u>586</u>	<u>20,528</u>
Accumulated depreciation:					
Balance as of January 1, 2022	511	3,772	215	230	4,728
Depreciation during the year	372	1,271	113	40	1,796
Disposals	-	(265)	-	-	(265)
Acquisitions during the year	-	7,622	-	-	7,622
Translation differences	-	(9)	(12)	-	(21)
Balance as of December 31, 2022	<u>883</u>	<u>12,391</u>	<u>316</u>	<u>270</u>	<u>13,860</u>
Net book value:					
As of December 31, 2022	<u>3,073</u>	<u>2,989</u>	<u>290</u>	<u>316</u>	<u>6,668</u>

Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2021, are as follows:

	<u>Leasehold improvements</u>	<u>Computers and peripheral equipment</u>	<u>Rented POS devices</u>	<u>Machines and equipment</u>	<u>Total</u>
	<u>US Dollars in thousands</u>				
Cost:					
Balance as of January 1, 2021	2,452	4,889	407	450	8,198
Additions	1,186	1,372	100	97	2,755
Acquired through business combinations	-	3	-	-	3
Disposals	-	(26)	-	-	(26)
Translation differences	-	7	16	-	23
Balance as of December 31, 2021	<u>3,638</u>	<u>6,245</u>	<u>523</u>	<u>547</u>	<u>10,953</u>
Accumulated depreciation:					
Balance as of January 1, 2021	289	2,646	154	62	3,151
Depreciation during the year	222	1,148	61	168	1,599
Disposals	-	(26)	-	-	(26)
Translation differences	-	4	-	-	4
Balance as of December 31, 2021	<u>511</u>	<u>3,772</u>	<u>215</u>	<u>230</u>	<u>4,728</u>
Net book value:					
As of December 31, 2021	<u>3,127</u>	<u>2,473</u>	<u>308</u>	<u>317</u>	<u>6,225</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – GOODWILL AND INTANGIBLE ASSETS

Composition of intangible assets and accumulated amortization thereon, grouped by major classifications, and changes therein in 2023 are as follows:

	Capitalized Development costs **	Distribution rights and Brand*	Customer relationships purchased *	Technology **	Goodwill (a)	Patents **	Total
US Dollars in thousands							
Cost:							
Balance as of January 1, 2023	49,806	5,292	8,884	4,456	10,196	806	79,440
Additions	16,773	-	-	-	-	-	16,773
Acquired through business combinations	-	3,031	7,092	20,148	2,814	-	33,085
Disposals	(138)	-	-	-	-	-	(138)
Translation differences	(26)	-	(60)	(30)	(144)	-	(260)
Balance as of December 31, 2023	<u>66,415</u>	<u>8,323</u>	<u>15,916</u>	<u>24,574</u>	<u>12,866</u>	<u>806</u>	<u>128,900</u>
Accumulated amortization:							
Balance as of January 1, 2023	18,206	2,261	1,693	2,055	-	109	24,324
Amortization	5,386	315	1,574	984	-	62	8,321
Disposals	(138)	-	-	-	-	-	(138)
Translation differences	(3)	-	(7)	(8)	-	-	(18)
Balance as of December 31, 2023	<u>23,451</u>	<u>2,576</u>	<u>3,260</u>	<u>3,031</u>	<u>-</u>	<u>171</u>	<u>32,489</u>
Net book value:							
As of December 31, 2023	<u>42,964</u>	<u>5,747</u>	<u>12,656</u>	<u>21,543</u>	<u>12,866</u>	<u>635</u>	<u>96,411</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – GOODWILL AND INTANGIBLE ASSETS (continued):

Composition of intangible assets and accumulated amortization thereon, grouped by major classifications, and changes therein in 2022 are as follows:

	<u>Capitalized Development costs **</u>	<u>Distribution rights *</u>	<u>Customer relationships purchased *</u>	<u>Technology **</u>	<u>Goodwill (a)</u>	<u>Patents **</u>	<u>Total</u>
US Dollars in thousands							
Cost:							
Balance as of January 1, 2022	34,209	5,292	4,188	2,921	8,271	806	55,687
Additions	14,615	-	-	-	-	-	14,615
Acquired through business combinations	1,261	-	5,046	1,711	2,724	-	10,742
Translation differences	(279)	-	(350)	(176)	(799)	-	(1,604)
Balance as of December 31, 2022	49,806	5,292	8,884	4,456	10,196	806	79,440
Accumulated amortization:							
Balance as of January 1, 2022	13,454	1,996	843	1,546	-	47	17,886
Amortization	3,642	265	902	564	-	62	5,435
Acquisitions during the year	1,116	-	-	-	-	-	1,116
Translation differences	(6)	-	(52)	(55)	-	-	(113)
Balance as of December 31, 2022	18,206	2,261	1,693	2,055	-	109	24,324
Net book value:							
As of December 31, 2022	31,600	3,031	7,191	2,401	10,196	697	55,116

Composition of intangible assets and accumulated amortization thereon, grouped by major classifications, and changes therein in 2021 are as follows:

	<u>Capitalized Development costs **</u>	<u>Distribution rights *</u>	<u>Customer relationships purchased *</u>	<u>Technology **</u>	<u>Goodwill (a)</u>	<u>Patents **</u>	<u>Total</u>
US Dollars in thousands							
Cost:							
Balance as of January 1, 2021	27,477	5,292	1,636	2,111	3,478	806	40,800
Additions	6,708	-	-	-	-	-	6,708
Acquired through business combinations	-	-	2,478	769	4,615	-	7,862
Disposals	(30)	-	-	-	-	-	(30)
Translation differences	54	-	74	41	178	-	347
Balance as of December 31, 2021	34,209	5,292	4,188	2,921	8,271	806	55,687
Accumulated amortization:							
Balance as of January 1, 2021	10,244	1,730	423	1,015	-	-	13,412
Amortization	3,240	266	407	523	-	47	4,483
Disposals	(30)	-	-	-	-	-	(30)
Translation differences	-	-	13	8	-	-	21
Balance as of December 31, 2021	13,454	1,996	843	1,546	-	47	17,886
Net book value:							
As of December 31, 2021	20,755	3,296	3,345	1,375	8,271	759	37,801

* Amortization of customer relationship and distribution rights are included under selling, general and administrative expenses.

** Amortization of technology, patents and development costs are included in “depreciation and amortization in respect of technology, patents and capitalized development costs”.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – GOODWILL AND INTANGIBLE ASSETS (continued):

(a) Goodwill

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management. The discount rate was a pre-tax measure using a rate of return that reflects the relative risk of the investment, as well as the time value of money. Five years of cash flows were included in the discounted cash flow model. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

1. Retail Pro International LLC. - As part of the business combination for the purchase of Retail Pro International LLC. (hereinafter – "RPI") the Company recognized goodwill in the total amount of \$2,814 thousand (see note 6). The following key assumptions were used to determine the value in use of the CGU as at December 31, 2023:

	<u>RPI</u>
Growth rate	3%
Discount rate	16.1%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

2. On Track Innovations Ltd. - As part of the business combination for the purchase of On Track Innovations Ltd. (hereinafter – "OTI") the Company recognized goodwill in the total amount of \$2,724 thousand. The following key assumptions were used to determine the value in use of the CGU as at December 31, 2023:

	<u>OTI</u>
Growth rate	3%
Discount rate	18.9%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – GOODWILL AND INTANGIBLE ASSETS (continued):

(a) Goodwill (continued):

3. Nayax Retail - As part of the business combination for the purchase of Nayax Retail Ltd. (hereinafter – "Nayax Retail"). As part of the business combination related to the acquisition of Nayax Retail, the Company recognized intangible assets (goodwill) in the total amount of \$2,358 thousand.

The following key assumptions were used to determine the value in use of the CGUs as at December 31, 2023:

	<u>Retail</u>
Growth rate	3%
Discount rate	22.1%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

4. Weezmo - As part of the business combination related to the acquisition of Weezmo, intangible assets of goodwill at \$4,078 thousand were recognized.

The following key assumptions were used to determine the value in use of the CGUs as at December 31, 2023:

	<u>Weezmo</u>
Growth rate	3%
Discount rate	21%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

5. Vendsys - As part of the business combination related to the acquisition of Greenhithe Software Solutions Ltd (hereinafter – "VendSys") the Company recognized goodwill in the total amount of \$891 thousand. The following key assumptions were used to determine the value in use of the CGU as at December 31, 2023

	<u>Vendsys</u>
Growth rate	4%
Discount rate	12%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – CREDIT AND LOANS FROM BANKS

a. Short-term bank credit(*)

- 1) The company is a party to a short-term credit facility with an Israeli bank with commitments totaling \$15 million (NIS 54 million). As of December 31, 2023, a total of \$11 million (NIS 42 million) was outstanding under the short-term credit facility. The short-term credit facility bears a prime based variable interest rate.
- 2) In May 2023 the company received a short-term credit facility in the amount of NIS 17 million from an Israeli bank that bears a prime based variable interest rate.
- 3) In July 2023, the Company entered into an additional short-term credit facility with an Israeli bank in the amount of \$9.75 million, which was later increased to \$30 million. The short-term credit facility bears a prime based variable interest rate. In November 2023, the same bank approved an additional loan amount of \$17 million that will be used as a bridge loan for the purchase of Retail Pro's intellectual property and the purchase of all of Retail Pro's equity rights by a fully owned subsidiary of the company.

(*) Financial covenants

Under the credit facilities above of the financing agreements, the Company is required to meet certain financial covenants. As of December 31, 2023, the Company met all the covenants.

- b. As of December 31, 2023, a wholly owned subsidiary of the Company has a short-term loan of \$2 million (NIS 7.2 million) from an Israeli bank. The short-term loan bears a foreign exchange market variable interest rate. The loan is renewed monthly, in the Company's sole discretion.

	December 31,	
	2023	2022
	US Dollars in thousands	
Long-term bank loans	1,428	2,496
Less - current maturities	(1,101)	(1,052)
	<u>327</u>	<u>1,444</u>

- 1) In May 2020, the Company received a long-term loan from the Bank, backed by a government guarantee, in the amount of NIS 15 million (\$4.25 million). The loan bears interest of Prime + 1.5%, payable monthly beginning in May 2021. The loan's principal will be returned in 48 monthly installments beginning in May 2021.

The carrying amount of the credit and loans from banks reasonably approximate their fair value.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - LONG-TERM LOANS FROM OTHERS

	December 31,	
	2023	2022
	US Dollars in thousands	
Long-term loans from others *	3,920	7,367
Less – current maturities	(3,601)	(3,585)
	<u>319</u>	<u>3,782</u>

(*) The balance is composed of loans received from an acquirer of the Group.

(**) The carrying amount of the credit and loans from others reasonably approximate their fair value.

Below is the composition of the loans:

- a. In February 2020, the Group received a loan in the amount of Euro 3.5 million (\$3.8 million). The loan bears effective annual interest of 4.74% and is being returned in 24 equal monthly instalments beginning in February 2021. In March 2021, following the COVID crisis, the Company received an approval to defer repayment of the said loan by six months and was fully repaid during 2023.
- b. In December 2, 2022 the company received an additional loan in the amount of Euro 6.5 million (\$6,850 million). The additional amount bears effective annual interest rate of 10% and is being returned by an equal 25 instalments where the last payment is expected to be on January 2025.

NOTE 15 - OTHER LONG-TERM LIABILITIES

Composition of other long-term liabilities, net of current maturities

	December 31,	
	2023	2022
	US Dollars in thousands	
Contingent consideration, see note 6 (*)	12,141	1,006
Liability for forward contract for acquisitions (**)	1,485	1,536
Other	531	738
	<u>14,157</u>	<u>3,280</u>

(*) With regards to liability for contingent payment as of December 31, 2023, the company recognized a contingent liability as part of the acquisition of RPI, see note 6. As of December 31, 2022 the long-term employee benefit, which was not included in the application of the purchase method to the acquisition of VendSys is estimated at \$1,006 thousand.

(**) The Company issued to Tigapo a put option enabling an additional investment of up to \$1 million. The put option is a liability financial instrument measured at fair value through profit or loss. As of December 31, 2023 and 2022, the put option was valued in the amount of \$1,485 and \$1,536 thousands.

NOTE 16 - INCOME TAXES

a. Taxation of the Company in Israel

1) Tax rates:

The Company's income in Israel (except for income qualifying for reduced tax rates under Israel encouragement law, see paragraph 2 below) is taxed at regular rates. The Israeli corporate tax rate in 2018 and thereafter is 23%. Capital gains of the Company in Israel are subject to tax at the regular corporate tax rate applicable during the tax year.

2) In December 2020, the Company received an in-agreement tax ruling, indicating that the enterprise of the Company meets the definition of a Technological Preferred Enterprise, and that the income of the Company from selling POS devices, provision of processing SaaS are deemed "technology income" as defined by Section 51 to the Encouragement of Capital Investment Law, 1959 (hereinafter - "the Law"), which are subject to 12% tax, while income attributed to production are "preferred income", as this term is defined by Section 51 to the Law, which are subject to 16% or 7.5% tax (depending on the production activity place). This tax ruling applies to the Company beginning in the 2020 tax year through 2024.

3) In February 7, 2021, the Company received an in-agreement tax ruling, indicating that the restructuring that the Company completed during 2022 which holding the entire (100%) share capital of Dually, is tax exempt.

b. Taxation of subsidiaries outside of Israel

Subsidiaries that are incorporated outside Israel are assessed for tax under the tax laws applicable in their countries of residence. The principal tax rates applicable in 2022 to subsidiaries outside Israel are as follows:

Companies incorporated in the United States – tax rate of 34.7% (including federal, state and branch profits tax). The company incorporated in the UK – tax rate of between 19% to 25%. The company incorporated in Australia – tax rate of 30%. The company incorporated in Lithuania – corporate tax rate of 15% and in US – 21%. Generally, inter-company transactions between the Company and subsidiaries outside Israel are subject to the provisions and reporting requirements set out in the Income Tax Regulations (Determination of Market Terms), 2006.

c. Carry forward losses

Deferred tax assets on carryforward losses are recognized if the exercise of the relevant tax benefit is expected in the foreseeable future against a taxable income.

As of December 31, 2023 and 2022, the carryforward tax losses stemming from the Company in Israel amounted to \$32,531 and \$34,458 thousand, respectively.

The Group recognizes deferred taxes in respect of carryforward losses stemming from the Group only up to the amount of the liability for deferred tax, since the utilization of those losses is not expected in the foreseeable future. Carryforward tax losses accrued in Israel may be offset over an unlimited time.

d. Tax assessments

The limitation period in Israel of tax assessments filed by taxpayers in respect of tax year 2013 and thereafter is 4 years from the end of the tax year in which a tax return was filed.

Accordingly, the Company's tax assessments through tax year 2018 are considered to be final.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued):

e. Tax rate reconciliation:

The reconciliation of the theoretical tax benefit (expense) by the Israeli statutory tax rate to the Company's effective benefit (expense) taxes are as follows:

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Loss before taxes on income	(14,672)	(37,058)	(24,137)
Tax rate	23%	23%	23%
Theoretical tax benefit	3,375	8,523	5,551
Share-based payment expenses which are not deductible	(1,388)	(2,012)	(2,035)
Carry forward losses without deferred taxes recognition	(3,176)	(6,872)	(3,249)
Other	(26)	(90)	(899)
Effective tax expenses	<u>(1,215)</u>	<u>(451)</u>	<u>(632)</u>

f. Deferred income tax:

The composition of deferred taxes as of statement of financial position dates and the change thereof in those years is:

	Intangible assets	Provisions for employee rights	Other	Losses for tax purposes	Total
	US Dollars in thousands				
Balance at January 1, 2023	(1,074)	44	44	193	(793)
Change in 2023:					-
Recognized in income statement	(421)	535	(44)	224	294
Deferred taxes created in acquisition of subsidiary	(2,626)	-	-	-	(2,626)
Recognized in translation currency difference reserve	17	-	-	-	17
Balance at December 31, 2023	<u>(4,104)</u>	<u>579</u>	<u>-</u>	<u>417</u>	<u>(3,108)</u>
Balance at January 1, 2022	(1,111)	-	-	23	(1,088)
Change in 2022:					-
Recognized in income statement	(77)	44	44	170	181
Recognized in translation currency difference reserve	114	-	-	-	114
Balance at December 31, 2022	<u>(1,074)</u>	<u>44</u>	<u>44</u>	<u>193</u>	<u>(793)</u>
Balance at January 1, 2021	(998)	208	91	414	(285)
Change in 2021:					
Recognized in income statement	665	(208)	(91)	(391)	(25)
Deferred taxes created in acquisition of subsidiary	(747)	-	-	-	(747)
Recognized in translation currency difference reserve	(31)	-	-	-	(31)
Balance at December 31, 2021	<u>(1,111)</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>(1,088)</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - INCOME TAXES (continued):

f. Deferred income tax (continued):

Deferred taxes are presented in the statement of financial position as follows:

	December 31,	
	2023	2022
	US Dollars in thousands	
Non-current assets	-	-
Non-current liabilities	(3,108)	(793)
	<u>(3,108)</u>	<u>(793)</u>

g. Taxes on income included in profit or loss:

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Current tax expenses	(1,509)	(632)	(607)
Deferred tax income (expenses)	294	181	(25)
	<u>(1,215)</u>	<u>(451)</u>	<u>(632)</u>

NOTE 17 – CAPITAL AND RESERVES

a. Composition:

The share capital as of December 31, 2023, is composed of Ordinary shares, all having ILS 0.001 par value, as follows:

	Number of shares		In thousands	
	Authorized	Issued and paid	Authorized	Issued and paid
	December 31, 2023		December 31, 2023	
Ordinary shares	<u>70,000,000</u>	<u>33,326,736</u>	<u>70,000</u>	<u>33,327</u>

The share capital as of December 31, 2022, is composed of Ordinary shares, all having ILS 0.001 par value, as follows:

	Number of shares		In thousands	
	Authorized	Issued and paid	Authorized	Issued and paid
	December 31, 2022		December 31, 2022	
Ordinary shares	<u>70,000,000</u>	<u>32,956,004</u>	<u>70,000</u>	<u>32,956</u>

The share capital as of December 31, 2021, is composed of Ordinary shares, all having ILS 0.001 par value, as follows:

	Number of shares		In thousands	
	Authorized	Issued and paid	Authorized	Issued and paid
	December 31, 2021		December 31, 2021	
Ordinary shares	<u>70,000,000</u>	<u>32,752,242</u>	<u>70,000</u>	<u>32,752</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – CAPITAL AND RESERVES (continued):

a. Composition (continued):

In April 2021, all ordinary A shares of NIS 0.001 par value and all ordinary B shares of NIS 0.001 par value – both issued shares and shares included in the Company's authorized capital – were converted into ordinary shares of NIS 0.001 par value each based on a 1:1 ratio, such that subsequent to the conversion, the Company's capital comprises only ordinary shares.

In April 2021, the Company increased the registered share capital by 32,000,000 Ordinary shares par value NIS 0.001 each.

In May 2021, the Company completed an IPO. For additional information see note 1.

b. Share-based payment:

As of December 31, 2023, the Company has two equity-settled compensation plans to employees and service providers of the Company and its subsidiaries, under which options were allotted: (1) the option plan approved by the Company's Board of Directors in February 2013 (hereafter – the "2013 Plan"); and (2) global equity-settled incentive plan adopted by the Company's Board of Directors in December 2018 (hereafter – the "2018 Plan"), as follows:

Under the 2013 Plan, employees of Group companies may be awarded options (hereafter – the "2013 Options"). A 2013 Option may be exercised into one ordinary share against payment of an exercise price set by the Board of Directors on the grant date. Under the 2018 Plan, employees of Group companies may be awarded options (hereafter – the "2018 Options"). A 2018 Option is exercisable into one ordinary share against the payment of exercise price set by the Board of Directors on grant date.

1. **Replacement of options allotted under the 2013 Plan by options under the 2018 Plan:** On October 15, 2020, the Company's Board of Directors resolved to offer holders of options offered under the 2013 Plan in the capital gains track with a trustee under Section 102(b)(2) to the Israel Income Tax

Ordinance [New Version] ("2013 Employee Options" and the "Offerees") to replace the 2013 Employee Options in their possession with new options under the 2018 Plan, with terms that differ from those of the 2013 Employee Options (including a change of exercise price, change of number of options and change of vesting and expiration dates of the options), and with the new options under the 2018 Plan to be Allotted under the capital gains track with trustee under Section 102 to the Ordinance (the "Change of Terms").

According to a tax ruling received from the Israel Tax Authority (ITA) on November 10, 2020, the Company's Board of Directors approved on that day, in relation to interested Offerees, to cancel 249,340 of 2013 Employee Options allocated to them and replace those with 246,000 options that were allotted on November 10, 2020 to those same Offerees under the 2018 Plan.

The new allotments, as above, are governed by the provisions of the capital gains track with trustee under Sections 102(b)(2) and 102(b)(3) to the Ordinance, as applicable.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – CAPITAL AND RESERVES (continued):

b. Share-based payment (continued):

2. **January 2021 award:** On January 7, 2021, the Company allotted to two employees of the Company 40,000 options each (a total of 80,000 options) under the 2018 Plan.

The vesting period of the options is four years, where 25% of the options vest on the first anniversary of grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not exercised by the fifth anniversary of grant date will expire.

The 40,000 options have an exercise price of \$6.7 (hereinafter: "Part A Options") and 40,000 options have an exercise price of the par value of the shares (NIS 0.001) and also include accelerated vesting in the event of an IPO or at the termination of the employee's service, meaning that they vested upon completion of the IPO of the Company (hereinafter: "Part B Options").

3. **March 2021 award:** On March 24, 2021, the Company allotted 282,500 options to employees of the Company and subsidiaries under the 2018 Plan. The exercise price of 253,000 options is \$6.7 each (hereinafter: "Part C Options") and the exercise price of 29,500 options that were allotted to employees of subsidiaries in the US is \$19.5 each (hereinafter: "Part D Options").

The vesting period of the options is five years, with 20% of the options vest on the first anniversary of grant date, and after that, additional 5% of the options vest on the last day of each subsequent calendar quarter. Options not exercised by the end of the quarter following the end of vesting period will expire.

4. **May 2021 award:** On May 13, 2021, the Company allotted Mr. Yair Nechmad and Mr. David Ben Avi 725,000 options each, which are convertible into ordinary Company shares. The options shall vest over a five-year period (through 2025), subject to attaining the following targets:

- a. To the extent that revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) is at least 30%, and subject to a gross profit rate of not less than 40% in that calendar year, 75,000 options will vest and be exercisable into ordinary shares of the Company over a five-year period.
- b. Additionally to the options vested in accordance with paragraph a. above, for revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) of at least 30% and up to 45%, and subject to a gross profit rate of not less than 40% in that calendar year, up to 70,000 additional options will vest and be exercisable into ordinary shares of the Company over a five-year period, with the number of options vesting under this paragraph calculated linearly, based on the revenue growth rate of between 30% and 45% over the previous year.

Should the Company fail to meet the targets set out above in a certain calendar year, the options attributed to that calendar year will expire.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – CAPITAL AND RESERVES (continued):

b. Share-based payment (continued):

5. **August 2021 award:** On August 22, 2021, the Company's board of directors approved an allotment to employees of the Company and subsidiaries and to service providers of 196,750 options under the 2018 Plan and of 50,000 restricted share units (RSUs). The vesting period of the options and RSUs is the same as March 2021 award.
6. **November 2021 award:** On November 11, 2021, the Company's board of directors approved an allotment to employees of the Company and subsidiaries of 167,500 options under the 2018 Plan. The vesting period of 127,500 options is the same as March 2021 award and the vesting period of 40,000 options is three years, with 25% of the options vest on the grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not exercised by the end of the quarter following the end of vesting period will expire.

On March 28, 2022, the Company's board of directors approved re-pricing for August and November 2021 awards. According to a tax ruling received from the Israel Tax Authority (ITA) on May 31, 2022, the exercise price for 191,750 options was updated to \$20.39 and the incremental fair value is \$486 thousand.

7. **March 28, 2022 award:** On March 28, 2022, the Company allotted 215,500 options and 45,000 restricted share units (RSUs) to employees of the Company and subsidiaries.
8. **June 30, 2022 award:** On June 30, 2022, the Company allotted 170,000 options and 6,000 restricted share units (RSUs) to employees of the Company and subsidiaries.
9. **September 29, 2022 award:** On September, 2022, the Company allotted 54,500 options and 18,600 restricted share units (RSUs) to employees of the Company and subsidiaries.
10. **December 20, 2022 award:** On December, 2022, the Company allotted 10,667 restricted share units (RSUs) to employees of the Company and subsidiaries.

The vesting period of all grants rewarded during the year ended December, 31 2022 of both options and RSUs are 4 years, with 25% of the options vest on the first anniversary of grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not exercised within 5 years of inception date will expire.

11. **June 26, 2023 award:** the Company allotted 27,500 options and 137,524 restricted share units (RSUs) to employees of the Company and subsidiaries. The vesting period of the options and RSUs is 4 years, with 25% of the options vest on the first anniversary of grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not exercised within 5 years of inception date will expire.
12. **November 30, 2023 award:** the Company allotted 96,731 restricted share units (RSUs) to employees of the Company and subsidiaries. The vesting period of the RSUs is 4 years, with 25% of the RSU will vest on the first anniversary of grant date, and after that, additional 6.25% of the RSU's will vest on the last day of each subsequent calendar quarter.

The Company used the Black and Scholes option pricing model to measure the fair value of the share options on award dates. The key assumptions used by the Company in this model and the fair value of each option are as follows:

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – CAPITAL AND RESERVES (continued):

b. Share-based payment (continued):

Allotment date	Share price	Exercise price	Expected option life	Risk-free interest rate	Average standard deviation (**)	Option fair value
November, 2023– RSUs	\$19.57	-	-	-	-	\$19.57
June 26, 2023 – Options	\$19.34	\$18.83	5	3.96%	67.80%	\$11.03
June 26, 2023 – RSUs	\$19.34	-	-	-	-	\$19.34
The weighted average for 2023	\$19.92	-	-	-	-	\$19.92
The weighted average for 2022	\$11.1	-	-	-	-	\$11.1
The weighted average for 2021	\$17.3	-	-	-	-	\$17.3
December 20, 2022 - RSUs	\$19.7	-	-	-	-	\$19.7
September 29, 2022 – Options	\$23.9	25.5	5	3.98%	54.45%	\$11.8-\$23.9
September 29, 2022 - RSUs	\$23.9	-	-	-	-	\$23.9
June 30, 2022 – Options	\$18.5	\$16.7	5	3.01%	54%	\$9.7-\$10.8
June 30, 2022 – RSUs	\$18.5	-	-	-	-	\$18.5
March 28, 2022 – Options	\$18.4	\$20.4	5	2.50%	56%	\$8.7
March 28, 2022 – RSUs	\$18.4	-	-	-	-	\$18.4
November 11, 2021	\$39	\$6.7/\$38.8	5.25	1.21%	55%	\$19/\$33.2
August 22, 2021 – Options	\$31.7	\$30.6	5.25	0.83%	55%	\$15.5
August 22, 2021 – RSUs	\$31.7	-	-	-	-	\$31.7
May 13, 2021	\$31.9	\$31.9	5.88-9.88	1.05%-1.65%	53.1%-54.67%	\$16.2-\$20.1
March 24, 2021 – Part C Options	\$19.5	\$6.7	5.25	0.88%	50%	\$14.1
March 24, 2021 – Part D Options	\$19.5	\$19.5	5.25	0.88%	50%	\$8.7
January 7, 2021 – Part A Options	\$9.7	\$6.7	5	0.46%	51%	\$5.3
January 7, 2021 – Part B Options	\$9.7	NIS 0.001	5	0.46%	51%	\$9.7

(**) The expected volatility was determined based on comparable companies.

All allotments to employees and offices in Israel carried out as part of the plan are subject to the terms set out in Section 102 of the Income Tax Ordinance. The allotments to Israelis who are not employees are subject to Section 3(i) to the Income Tax Ordinance. Foreign employees and service providers are subject to the tax law in the relevant countries.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – CAPITAL AND RESERVES (continued):

b. Share-based payment (continued):

Below is a breakdown of the options and the weighted average exercise price during the reported periods:

	December 31, 2023		December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options and RSU outstanding at beginning of year	3,823,052	19.3	3,633,778	19.1	1,830,695	6.0
Options and RSU granted (1)	264,256	18.8	520,767	16.5	2,226,750	27.5
Options exercised	(370,732)	6.57	(203,748)	5.0	(231,962)	5.3
Options forfeited	(366,633)	26.1	(126,211)	17.0	(140,719)	8.5
Options expired	(10,823)	14.76	(1,534)	6.7	(50,986)	5.3
Options and RSU outstanding at end of year	<u>3,339,120</u>	<u>17.84</u>	<u>3,823,052</u>	<u>19.3</u>	<u>3,633,778</u>	<u>19.1</u>
Options and RSU exercisable at end of year	<u>1,550,358</u>	<u>11.67</u>	<u>1,502,887</u>	<u>12.3</u>	<u>928,970</u>	<u>5.6</u>

As of December 31, 2023, 2022 and 2021, the weighted-average remaining contractual life of exercisable options were 3.5, 2.7 and 3.11 years, respectively.

As of December 31, 2023, 2022 and 2021, the range of exercise prices for share options outstanding at the end of the period was NIS 0.001-\$25.52, NIS 0.001-\$25.52 and NIS 0.001-\$38.8 , respectively.

The expenses related to share base compensation for each of the three years in the period ended December 31, 2023, 2022 and 2021 are \$6,033, \$8,747 and \$8,850 thousand, respectively.

The amounts of expense recognized as capitalized development costs and included as intangible assets for each of the three years in the period ended December 31, 2023, 2022 and 2021 are \$824, \$909 and \$649, respectively.

The balance of unrecognized benefit as of December 31, 2023, assuming that all conditions set were met, is \$9,828 thousand.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - REVENUES

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Revenue from the sale of integrated POS devices	84,406	68,726	47,987
Recurring revenue:			
SaaS revenue	58,920	45,274	34,641
Payment processing fee	92,165	59,514	36,506
	151,085	104,788	71,147
	235,491	173,514	119,134

NOTE 19 - COST OF REVENUES

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Cost of integrated POS devices sales	68,433	62,872	40,165
Cost of recurring revenue	78,765	50,604	30,805
	147,198	113,476	70,970

As of the periods ended December 31, 2023, 2022 and 2021, cost of revenue includes employee related costs and share based compensation in the amount of \$7,385, \$6,352 and \$4,058 thousand, respectively.

NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Payroll and related expenses	15,309	14,820	12,970
Suppliers and subcontractors	3,416	4,193	2,557
Office and maintenance	684	602	539
Share-based payment	1,148	1,279	1,846
Depreciation and amortization	1,371	1,238	1,128
	21,928	22,132	19,040

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Payroll and related expenses	36,520	32,402	24,141
Share-based payment	4,627	7,097	7,004
Office and maintenance	2,749	2,365	1,814
Advertising and sales promotion	2,192	2,599	1,612
Depreciation and amortization	4,444	3,366	2,199
Computers and IT systems maintenance	5,196	4,452	2,396
Professional fees	8,443	5,903	2,718
Provision for credit losses and bad debts	-	630	1,019
Other expenses	6,149	5,278	2,476
	<u>70,320</u>	<u>64,092</u>	<u>45,379</u>

NOTE 22 - FINANCE EXPENSES, NET

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Interest on bank loans and bank fees	1,704	993	964
Change in fair value options	310	(423)	414
Finance expenses in respect of loans from others	591	70	217
Finance expenses in respect of shareholders and related companies	(24)	(15)	136
Finance expenses in respect of other liabilities	161	167	202
Finance expenses in respect of leases liabilities	330	260	214
Financing income in respect of finance sub-lease	(17)	-	(2)
Exchange rate differences	(767)	1,968	(490)
	<u>2,288</u>	<u>3,020</u>	<u>1,655</u>

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 - LOSS PER SHARE

a. Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	For the year ended December 31,		
	2023	2022	2021
Loss for the year attributed to holders of ordinary shares (US Dollars in thousands)	(15,887)	(37,509)	(24,763)
Weighted average of number of ordinary shares in issue (in thousands)	33,149	32,817	30,191
Basic loss per ordinary share (in dollars)	<u>(0.479)</u>	<u>(1.143)</u>	<u>(0.820)</u>

b. Diluted

Instruments that can potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share, as their impact was anti-dilutive:

	Thousands of shares		
	As of December 31,		
	2023	2022	2021
Options and RSU issued as part of share-based payment	<u>3,339</u>	<u>3,823</u>	<u>3,634</u>

NOTE 24 – RELATED PARTIES

a. Transactions with related parties:

	For the year ended December 31,		
	2023	2022	2021
	US Dollars in thousands		
Payroll, options and payments to related parties employed by the Company	2,671	5,378	6,512
Payroll to directors	176	207	25
Transactions - associated companies	2,202	766	900
Shareholders – interest expenses, net	-	-	141

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – RELATED PARTIES (continued):

b. Balances with related parties:

	December 31,	
	2023	2022
	US Dollars in thousands	
Receivables – associated companies	3,555	983
Trade payables – related companies and parties	97	95
Other payables – related companies and parties	41	42

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – RELATED PARTIES (continued):

c. Related parties' employment terms:

- 1) Employment terms of controlling shareholder and director – Mr. Yair Nechmad – for his service as the Company's CEO:

Payment of management and consulting fee to Mr. Yair Nechmad for serving as CEO are performed under a November 2016 agreement (in this paragraph (1), the "Agreement"). Under the Agreement, the services are provided by Mr. Nechmad through Yair Nechmad Ltd., which is fully controlled by Mr. Yair Nechmad, in consideration for a management fee at a monthly cost of NIS 50 thousand (\$14.5 thousand), and reimbursement of various expenses.

On March 10, 2021, the Board of Directors and the general meeting of the shareholders of the Company approved a revision to the terms of engagement between the Company and Mr. Yair Nechmad, effective January 1, 2021, as follows: The management fee of Mr. Yair Nechmad, CEO of the Company, through Yair Nechmad Ltd, was changed to a monthly cost of NIS 150 thousand (\$46 thousand), instead of NIS 50 thousand (\$15 thousand).

On May 4, 2021, the Board of Directors and general meeting of the Company approved engagement in revised service agreements with Mr. Yair Nechmad, in which the monthly management fee of each of them was revised to NIS 140 thousand (\$43 thousand), beginning on the date completing the IPO on the Tel Aviv Stock Exchange, i.e. May 13, 2021. This amount is to increase each calendar year by 2.5% so the payment for each of the 12 months during the year ended December 31, 2023 accounted to NIS 147 thousand (\$40 thousand). For information about the share-based payment to Mr. Yair Nechmad, see note 17 above.

Arnon Nechmad, the son of Yair Nechmad, was hired by a wholly-owned subsidiary of the Company, in November 2021, prior to that was an employee of another wholly-owned subsidiary of the Company and, in 2023 became an employee of the Company. Mr. Nechmad received compensation of approximately \$81,000, \$83,000 and \$42,000 in 2023, 2022 and 2021, respectively.

Tal Tannenbaum, who became the daughter-in-law of Yair Nechmad in August 2022, has been a part-time employee of the Company since December 2021. Ms. Tannenbaum received compensation of approximately \$55 thousand, \$26 thousand and \$22 in 2023, 2022 and 2021 respectively. The company granted to Ms. Tannenbaum 500 options in the March 28, 2022 grant.

- 2) The employment terms of controlling shareholder and director, Mr. David Ben Avi, for his service as the Company's CTO:

Payment of management and consulting fee to Mr. David Ben Avi for serving as the Company's CTO is under a November 2016 agreement (in this paragraph (2), the "Agreement"). Under the Agreement, services are provided by Mr. Ben Aviv through David Ben Avi Holdings Ltd., which is fully controlled by Mr. Ben Avi, in consideration for a monthly management fee at the cost of NIS 50 thousand (\$14.5 thousand), and reimbursement of various expenses.

On March 10, 2021, the Board of Directors and the general meeting of the shareholders of the Company approved a revision to the terms of engagement between the Company and Mr. David Ben-Avi, effective January 1, 2021, as follows: The management fee of Mr. David Ben Avi, CTO of the Company, through David Ben Avi Holdings Ltd, was changed to a monthly cost of NIS 150 thousand (\$46 thousand), instead of NIS 50 thousand (\$15 thousand).

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – RELATED PARTIES (continued):

c. Related parties' employment terms: (continued):

On May 4, 2021, the Board of Directors and general meeting of the Company approved engagement in revised service agreements with Mr. David Ben Avi, in which the monthly management fee was revised to NIS 140 thousand (\$43 thousand), beginning on the date completing the IPO on the Tel Aviv Stock Exchange, i.e. May 13, 2021. This amount is to increase each calendar year by 2.5% so the payment for each of the 12 months during the year ended December 31, 2023 accounted to NIS 147 thousand (\$40 thousand). For information about the share-based payment to Mr. David Ben-Avi.

The total expenses related to Mr. Ben Avi's brother, Shai Ben Avi, who is employed by the Company as chief architect, and to a company wholly-owned by Mr. Ben Avi's brother in 2023, 2022 and 2021 was \$356 thousand, \$375 thousand and \$382 thousand, respectively.

The total expenses related to Oded Frenkel, Mr. Ben Avi's brother-in-law, who is employed by the Company as Chief Customer Officer in 2023, 2022 and 2021 was \$212 thousand, \$236 thousand and \$259 thousand, respectively. Mr. Frenkel received options in 2023 to purchase 2,500 ordinary shares at the exercise price of \$18.83 per share, in 2022 to purchase 2,500 ordinary shares at the exercise price of NIS 65.7 per share, and options in 2021 to purchase 2,500 ordinary shares at the exercise price of \$6.70 per share.

The total expenses related to Reuven Amar, Mr. Ben Avi's brother-in-law, who is employed by the Company as Engineering Lab Manager in 2023, 2022 and 2021 was \$177 thousand, \$206 thousand and \$193 thousand, respectively. Mr. Amar received options in 2023 to purchase 2,500 ordinary shares at the exercise price of \$18.83 per share, options in 2022 to purchase 2,500 ordinary shares at the exercise price of NIS 65.7 per share, and options in 2021 to purchase 2,500 ordinary shares at the exercise price of \$6.70 per share.

3) Payments to Mr. Amir Nechmad – controlling shareholder and director

In 2023, 2022 and 2021, the amount paid by the Company to Mr. Amir Nechmad for services rendered to the Company by companies under his control including directors' fees amounted to \$22 thousand, \$28 thousand and \$96 thousand, respectively.

Mr. Amir Nechmad, through Ofer R.G Ltd. (a company wholly owned by Mr. Amir Nechmad), provided shareholders' loans to the Company in the period ended December 31, 2021 that carried an annual interest of 6%, and with an aggregate amount of \$7.6 million. According to the terms of the loan agreements, Ofer R.G Ltd. had a right to call the loans at any time, but provided that the Company received a ten business days' advance notice. In May 2021, the Company fully repaid the above shareholders' loans.

In April 2021, Mr. Amir Nechmad, through Ofer R.G Ltd., provided the Company a \$2 million credit line, from which the Company was able to draw at any time. Amounts drawn by the Company, as above, carried annual interest of 6%.

According to the terms of the credit line, Ofer R.G. Ltd had a right to call loans taken at any time, but provided that the Company is provided a ten business days' advance notice. In June 2021, the Company repaid the full amount it utilized out of the credit line totaling \$1.3 million.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – RELATED PARTIES (continued):

c. Related parties' employment terms (continued):

4) Directors insurance:

The Company has a directors and office holders insurance policy with limit of liability of NIS 67 million (\$20 million) any one occurrence and in the aggregate plus excess limit of \$5 million Side A Insurance for the directors & officers only.

- 5) On March 9, 2021, the Company's controlling shareholders – Mr. Amir Nechmad, Mr. Yair Nechmad, Yair Nechmad Ltd (for the purpose of the shareholders agreement, Yair Nechmad and Yair Nechmad Ltd are considered as a single shareholder) and Mr. David Ben Avi ("the Controlling Shareholders") – entered into a shareholders' agreement ("the Shareholders' Agreement"). The agreement formalizes the issue of their voting on different matters, including the appointment of directors, and sets certain limitations on the transfer of Company shares, including a first right to offer in relation to the sale of shares on and off a stock exchange, a tag along right and liens on shares. The effective date of the Shareholders' Agreement is September 30, 2020.

NOTE 25 - LIENS, GUARANTEES AND COMMITMENTS

a. Liens

As of the approval date of these financial statements, the company has floating charge obligations to a local Israeli banks in order to secure credit line facilities and the activity related in the Israeli banks. In respect of a guarantee provided by the Israeli banks, the Company also provided specific liens in the amount of approximately \$2.3 million.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25 - LIENS, GUARANTEES AND COMMITMENTS (continued):

b. Contingent liability

During the year ended December 31, 2023, the ICA requested from the Company certain documents and information related mainly to its acquisition of OTI. The Company has provided the requested information and commenced discussions with the ICA. While we cannot predict the outcome, it is possible that the ICA may seek to take enforcement actions against the Company, which could include imposing a fine on the Company, the amount of which could be material. The dialog with the ICA continues and it is difficult to assess when or how this process will conclude, or what results it may have to the Company.

c. Commitments

1. As part of an agreement with a European acquire payment processor for the provision of loans, the Group has undertaken in December 4, 2022 to reach, in aggregate, a minimum processing turnover of Euro 250 million (\$264 million) transactions per month and to reach minimum turnover of 3.5 million transactions per annum which includes at least 55% through Visa credit. The agreement stipulates that in the event that the Group fails to meet the assignable thresholds, the event shall constitute a breach event (as defined in the agreement), which will establish a contractual right for the acquirer the right to demand of an immediate repayment of the outstanding balance of the loans.
2. In November 2016 and February 2018, the Company and the European acquire payment processor entered into a processing agreement where under the Group undertakes to reach a minimum processing turnover in Europe. Furthermore, under the agreement a minimum fee will be paid out of the processing funds that are cleared using the processing agency's services. In 2020, the Company signed an agreement to extend the terms of minimum processing turnover until December 31, 2025. As of December 31, 2023 and the date of these financial statements, no changes regarding to processing agreement took place.

As of December 31, 2023, the company met all the criterias as they set in the agreement above.

NOTE 26 –SUBSEQUENT EVENTS:

Long term loan - Retail Pro International LLC acqustion

In November 2023, the Company acquired Retail Pro International LLC. The Company funded the cash portion of the consideration payable at the closing, with a short-term credit facility that the Company received (see note 6(b)). In February 25, 2024, the Company received from the same bank an approval for a long-term loan through bank financing. The long-term loan was fully executed and bears a SOFR based variable interest rates. The long-term loan did not require a change in the covenants.

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yair Nechmad, certify that:

1. I have reviewed this annual report on Form 20-F/A of Nayax Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.

Date: February 28, 2024

By: /s/ Yair Nechmad
Yair Nechmad
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE
SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sagit Manor, certify that:

1. I have reviewed this annual report on Form 20-F/A of Nayax Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.

Date: February 28, 2024

By: /s/ Sagit Manor
Sagit Manor
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F/A of Nayax Ltd.(the “Company”) for the year ended December 31, 2023 (the “Report”), I, Yair Nechmad, Chief Executive Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2024

By: /s/ Yair Nechmad
Yair Nechmad
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Nayax Ltd. and will be retained by Nayax Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F/A of Nayax Ltd.(the “Company”) for the year ended December 31, 2023 (the “Report”), I, Sagit Manor, Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2024

By: /s/ Sagit Manor
Sagit Manor
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Nayax Ltd. and will be retained by Nayax Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-267542) and Form F-3 (No. 333-274812) of Nayax Ltd. of our report dated February 28, 2024 relating to the financial statements, which appears in this Form 20-F/A.

Tel-Aviv, Israel
February 28, 2024

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

*Kesselman & Kesselman, Derech Menachem Begin 146, Tel-Aviv 6492103, Israel,
P.O Box 7187 Tel-Aviv 6107120 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, www.pwc.com/il*
