SAVERONE 2014 LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Saverone 2014 Ltd.

Opinion on the financial statements

We have audited the accompanying balance sheets of Saverone 2014 Ltd. (the "Company") as of December 31, 2021 and 2020, and the related statements of comprehensive loss, changes in shareholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1B to the financial statements, the Company has incurred net losses and has generated negative operating cash flow since its inception date and has not yet generated sufficient revenues to support its operations. As of December 31, 2021, there is an accumulated deficit of NIS 76,813. These conditions, along with other matters as set forth in Note 1B, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 supporting the amounts and disclosures in the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

FAHN KANNE & CO. GRANT THORNTON ISRAEL

We have served as the Company's auditor since 2016.

Tel Aviv, Israel
March 7, 2022

SAVERONE 2014 LTD.

STATEMENTS OF FINANCIAL POSITION
(New Israeli Shekels in thousands)

	Note	As of December 31, 2021	2020
Assets			
Current assets			
Cash and cash equivalents	4	8,683	37,624
Short-term bank deposits	2F	5,012	-
Deposits restricted as to withdrawal	2G	-	40
Trade receivables		501	359
Other current assets	5	1,159	512
Inventory	6	825	110
Total current assets		16,180	38,645
Non-current assets			
Property and equipment, net	7	238	155
Deferred offering costs	5	1,155	-
Deposits restricted as to withdrawal	2G,8	191	110
Right of use asset, net	8	992	858
Total non-current assets		2,576	1,123
Total assets		18,756	39,768
Current liabilities			
Trade payables		942	888
Other current liabilities	9	3,522	1,965
Current maturities of leasing liabilities	8	467	300
Liability in respect of government grants	10	109	205
Total current liabilities		5,040	3,358
Non-current liabilities			
Liability in respect of government grants	10	1,059	597
Leasing liability, net current	8	605	619
Total non-current liabilities		1,664	1,216
Commitments	11		
Shareholders' equity	12		
Share capital and premium		80,440	80,440
Capital reserve in respect of share-based payment		8,425	5,077
Accumulated deficit		(76,813)	(50,323)
Total shareholders' equity		12,052	35,194
Total liabilities and shareholders' equity		18,756	39,768

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

SAVERONE 2014 LTD.

STATEMENTS OF COMPREHENSIVE LOSS
(New Israeli Shekels in thousands, except per share and share data)

	Note	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues		450	316
Cost of revenues		(288)	(258)
Gross profit		162	58
Research and development expenses, net	14A	(18,847)	(10,593)
Selling and marketing expenses	14B	(2,431)	(2,399)
General and administrative expenses	14C	(5,149)	(4,422)
Operating loss		(26,265)	(17,356)
Financing expenses	15A	(228)	(117)
Financing income	15B	3	3,907
Financing income (expenses), net		(225)	3,790
Loss for the year		(26,490)	(13,566)
Comprehensive loss for the year		(26,490)	(13,566)
Loss per share attributed to shareholders of company shares, par value NIS 0.01 each	16		
Basic and diluted loss per share:			
Basic loss per share		(3.33)	(2.36)
Weighted average of number of shares used to calculate the basic loss per share		7,960,239	5,739,585
Diluted loss per share		(3.33)	(2.44)
Weighted average of number of shares used to calculate the diluted loss per share		7,960,239	5,798,294

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

SAVERONE 2014 LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(New Israeli Shekels in thousands)

	Note	Share capital and premium	Capital reserve in respect of share-based payment	Receipts on account of unallotted shares	Accumulated deficit	Total shareholders' equity (deficit)
Balance as of December 31, 2019		13,902	684	2,402	(36,757)	(19,769)
Share-based payment to employees		-	2,349	-	-	2,349
Share-based payment to service providers	12	-	2,044	-	-	2,044
Issuance of seed shares through private placement transaction	12C1	2,443	-	(2,402)	-	41
Proceeds allocated to shares as part of a private placement transaction of ordinary shares	12C2	2,830	-	-	-	2,830
Conversion of bridge investments into ordinary shares	12C2	15,932	-	-	-	15,932
Issuance of ordinary shares through private placement transaction	12C3	630	-	-	-	630
Issuance of ordinary shares through initial public offering, net of issuance costs	12C4	23,720	-	-	-	23,720
Issuance of units consists of ordinary shares and warrants (series 1) as part of shelf prospectus through public offering, net of issuance costs	12C5	20,887	-	-	-	20,887
Exercise of options into ordinary shares, par value NIS 0.01 each	12C6	96	-	-	-	96
Comprehensive loss for year		-	-	-	(13,566)	(13,566)
Balance as of December 31, 2020		80,440	5,077	-	(50,323)	35,194
Share-based payment to employees		-	1,892	-	-	1,892
Share-based payment to service provider		-	1,456	-	-	1,456
Exercise of non-registered rights into ordinary shares	12C7	-	-	-	-	-
Comprehensive loss for year		-	-	-	(26,490)	(26,490)
Balance as of December 31, 2021		80,440	8,425	-	(76,813)	12,052

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

STATEMENTS OF CASH FLOWS
(New Israeli Shekels in thousands)

	Note	Year ended December 31, 2021	2020
Cash flow from current operations			
Comprehensive loss for the year		(26,490)	(13,566)
Adjustments required to present cash flows from operating activities (Appendix A)		3,357	1,204
Net cash used in operating activities		(23,133)	(12,362)
Cash flows from investment activity			
Change in deposits restricted as to withdrawal		(41)	(110)
Changes in short-term deposits		(5,012)	-
Purchase of property and equipment		(144)	(121)
Net cash used in investment activity		(5,197)	(231)
Cash flows from financing activity			
Deferred offering expenses		(750)	-
Receipt of bridge investments		-	1,107
Receipt of loan from shareholders	15A	-	682
Repayment of loan from shareholders	15A	-	(710)
Receipt of government grants	10	579	368
Proceeds from issuance of ordinary shares, net of issuance costs	12	-	671
Proceeds from issuance of ordinary shares through initial public offering	12	-	23,720
Proceeds from issuance as part of shelf prospectus through public offering, net of issuance costs	12	-	20,887
Proceeds allocated to ordinary shares as part of a private placement	12	-	2,830
Proceeds allocated to liability in respect of price protection mechanism as part of private placement	12	-	600
Repayment of principal in respect of leasing	8	(440)	(143)
Proceeds from exercise of options into ordinary shares	12	-	96
Net cash (used in) provided by financing activity		(611)	50,108
Change in balance of cash and cash equivalents		(28,941)	37,515
Balance of cash and cash equivalents, beginning of year		37,624	109
Balance of cash and cash equivalents, end of year		8,683	37,624

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

STATEMENTS OF CASH FLOWS
(New Israeli Shekels in thousands)

	Note	Year ended December 31, 2021	2020
Appendix A - Adjustments required to present cash flows from operating activities			
Income and expenses not involving cash flows			
Depreciation	7	61	32
Amortization of right for use asset	8	398	171
Interest expense in respect of leasing	8	61	33
Share-based payment to employees and service providers		3,348	4,393
Revaluation of liability in respect of bridge investments		-	(3,240)
Revaluation in respect of price protection mechanism	12C2	-	(667)
Changes in liability in respect of government grants	10	(213)	(85)
		3,655	637
Changes in asset and liability items			
Increase in other current assets		(647)	(359)
Increase in trade receivables		(142)	(286)
Increase in inventory		(715)	(16)
Increase in trade payables		54	476
Increase in other current liabilities		1,152	724
		(298)	539
		3,357	1,176
Appendix B - Non-cash investment and financing activities			
Recognition of right for use asset against a leasing liability	8	532	1,029
Deferred offering expenses not yet paid		405	
Conversion of bridge investments into ordinary shares	12C2	-	15,932
Appendix C - Additional information pertaining to cash flows			
Interest paid	15A2	-	28

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

NOTES TO THE FINANCIAL STATEMENTS
(New Israeli Shekels in thousands)

Note 1 - General

A. Incorporation and operations

Saverone 2014 Ltd. (the "Company") was founded in Israel on November 16, 2014 and commenced its business activity on that date (the "Inception Date"). From the Inception Date, the Company has been active in one operating segment, i.e., development of the technology necessary to create a life-saving system that prevents certain uses of cell phones while driving a motor vehicle (the "Saverone System").

Commencing in 2020, the Company signed a number of pilot agreements for the installation of the aforementioned systems with a number of entities, for the short term, for purposes of assessing the systems in advance of future purchases. It also started executing a number of purchase agreements with various entities.

B. The Company's business position

The Company is currently in the research and development stage and has not yet shown any profits. From the Inception Date and through December 31, 2021, the Company reported losses and a negative cash flow from current operating activity. As of December 31, 2021, the Company has an accumulated deficit of NIS 76,813 and it had a comprehensive loss of NIS 26,490 for the year ended December 31, 2021.

In general and in particular, in view of the circumstances under the possible effects of the COVID-19 virus, as set out in detail in paragraph 1C below, the Company's management has been maintaining forecasts, monitoring its cash flows and has been actively involved in obtaining the financing it needs to continue its operations and to realize its plans which include the implementation of a business plan formulated by the Company's management to complete the development and sale of products based on technologies that are still in their development stage. The ability of the Company to meet its development targets and to realize its business plans, as above, are contingent upon the recruitment of sources of finance which are not guaranteed.

In June 2020, the shares of the Company were listed for trading on the Tel Aviv Stock Exchange, based on a prospectus issued to the public, as part of which the Company raised a net amount of NIS 23,720.

In addition, as part of the preparations of the Company for the above issuance, the entire balance of the bridging investments used to finance Company activity were converted into shares by the date of the aforementioned issuance. In addition, in November 2020, the Company completed financing through a shelf offering, as part of which it raised an addition net amount of NIS 20,887.

As of December 31, 2021, the balance of cash and cash equivalents are insufficient for the Company to realize its business plans for the twelve-month period subsequent to the reporting period. These factors raise significant doubts as to the ability of the Company to continue functioning as a "Going Concern".

The financial statements do not include adjustments to asset and liability values and classifications which would prove to be necessary should the Company be unable to continue functioning as a going concern.

As of the date of signing of the financial statements, the Company has been taking steps to obtain the financing necessary to continue its operations through various sources of funding, including raising equity through an initial public offering on the NASDAQ market. For more information pertaining to deferred issuance costs in connection with the aforementioned issuance, see Note 5 below.

Note 1 - General (Cont.)

C. The ramifications of the spreading of the COVID-19 virus on the business activity of the Company

In December 2019, the COVID-19 pandemic erupted in China and, in the first and second quarters of 2020, it spread to additional countries across the globe. In January 2020, the World Health Organization declared the outbreak of COVID-19 as a global health emergency and in March 2020, it declared COVID-19 to be a global pandemic. The spread of COVID-19 is an extraordinary macroeconomic event in many countries around the world. As a result of COVID-19, many countries, including Israel, have been taking significant steps in an attempt to stem the spreading of the virus. These steps include, inter alia, restriction of civilian movement and employment, closure of businesses and malls, restrictions of gatherings and events, restrictions regarding the transportation of people and goods, closure of international border crossings, reduction in the number of employees permitted to come to their workplaces, etc. COVID-19 and the steps being taken by the various countries, as mentioned above, have had a significant impact on many global and local economies as well as on global capital markets, characterized by extreme volatility in the prices of many securities. In addition, the economic slowdown may lead to a market recession.

Throughout the period commencing from the outbreak of COVID-19, the Israeli government took various steps to prevent the spreadof the virus, taking into consideration the changes that took place in morbidity rates, and also taking into consideration the vaccination rates among the populace. These steps included the imposition of closures, restrictions in movements and gatherings and restrictions in opening places of trade. Notwithstanding the above, the increase in vaccination rates and the changes that occurred in government policies brought about a significant reduction in the restrictions that were imposed on the public, so that as of the reporting date (March 3, 2022), business activity has been taking place in most industries in the Israeli economy, subject to various restrictions.

Notwithstanding, there is still a significant level of uncertainty as to the continued trend in reduction of morbidity and to the nature and scope of the restrictions imposed by the Israeli government and by other countries around the world and the leniencies instituted to mitigate such restrictions, which are not dynamic and which do not vary frequently.

As mentioned in Note 1A above, the Company is engaged in the development of a technology for the creation of a life-saving system that prevents certain uses of cell phones while driving. Accordingly, there may be a significant delay in the implementation of management's plans regarding completion of the development and commencement of sales in commercial volumes and, as a result, Company activity and the financial results of its operations may be significantly impaired due to the restrictions to be imposed in connection with civilian movements and a reduction in market activity.

Note 2 - Significant accounting policies

A. Presentation basis of the financial statements

The financial statements have been prepared on the historical cost basis, except for financial derivatives and financial liabilities measured at fair value through profit or loss.

The statements of comprehensive loss are presented in accordance with the "characteristics of the expense activity" method (the "cost of sales" method).

The financial statements have prepared in accordance with International Financial Reporting Standards (the "IFRS") as issued by the International Accounting Standards Board (the "IASB").

B. Use of significant accounting estimates and assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates and assessments that involve use of judgment and that affect the amounts of assets and liabilities presented in the financial statements, the disclosure of contingent assets and liabilities at the dates of the financial statements, the amounts of revenues and expenses during the reporting periods and the accounting policies adopted by the Company. Actual results could differ from those estimates. Pursuant to International Accounting Standard ("IAS") No. 1, "Presentation of Financial Statements", it is required, inter alia, to provide disclosure regarding the implementation of accounting principles that involves estimates and considerations having significant sensitivity to future events, the occurrence of which may impact the reported amounts.

For information regarding significant estimates and considerations which embody significant sensitivity to future events, see also Note 3 below.

C. The functional currency and the presentation currency of the financial statements

1. The Company prepares its financial statements in accordance with the currency of the country and principal economic environment in which it operates, which constitutes the functional currency from which it is primarily affected (the "Functional Currency"). Taking into consideration that cash balances are held in new Israeli shekels and most of the expenses and income are denominated in new Israeli shekels, the Functional Currency of the Company is the new Israeli shekel.

2. The Company's financial statements are presented in new Israeli shekels.

(New Israeli Shekels in thousands)

Note 2 - Significant accounting policies (Cont.)

D. Assets, liabilities and transactions linked to or in foreign currency

1. Financial assets and liabilities denominated in or linked to foreign currency are presented on the basis of the closing rate of exchange as of each reporting date.

2. Transactions denominated in foreign currency are recorded upon initial recognition at the representative rate of exchange on the date of the transaction. Exchange rate differences deriving from the settlement of monetary items, at exchange rates that are different than those used in the initial recording during the period, or than those reported in previous financial statements, are carried to profit and loss.

3. The following table presents data pertaining to the exchange rate of the U.S. dollar:

	December 31, 2021	December 31, 2020
Representative exchange rate of U.S.$ 1/NIS	3.11	3.215
Consumer Price Index (2020 average)	102.6	100.09

4. The following table presents data pertaining to the rate of change of the exchange rate of the U.S. dollar during the reported periods:

	Year ended December 31, 2021 %	Year ended December 31, 2020 %
Representative exchange rate of US dollar	(3.3)	(7.0)
Consumer Price Index (2020 average)	2.80	(0.69)

E. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments, including short-term bank deposits (with original maturity dates of up to three months from date of deposit) that are not restricted as to withdrawal or use.

F. Short-term bank deposits

Short-term bank deposits in banking institutions for periods in excess of three months following the date of deposit. The deposits are presented in accordance with the terms of their deposit.

G. Deposits restricted as to withdrawal

The balance of cash restricted as to withdrawal includes amounts which the Company deposited in favor of its compliance with the terms of a leasing agreement.

Note 2 - Significant accounting policies (Cont.)

H. Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory comprises purchase costs, conversion costs and costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventory is determined on the basis of the following:

- Finished goods (purchased goods) - the "first-in-first-out" basis.
- Raw material components - the "first-in-first-out" basis.

I. Property and equipment

1. Property and equipment items are presented at cost, less accumulated depreciation and net of accrued impairment losses. Cost includes, in addition to the acquisition cost, all of the costs that can be directly attributed to the bringing of the item to the location and condition necessary for the item to operate in accordance with the intentions of management.

2. The residual value and the useful life span of fixed asset items are tested at least at the end of the fiscal year and any changes are accounted for as changes in accounting estimates.

3. Fixed assets are derecognized in the books when they are realized or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the derecognition of fixed assets are recognized in profit or loss.

4. Depreciation is calculated using the straight-line method, over the estimated useful lives of the fixed asset items or of a discernible component.

The annual depreciation rates are as follows:

	%
Computers	20-33
Office furniture and equipment	6-7
Leasehold improvements	The shorter of the contract period or the life span of the leasehold improvement

J. Impairment of non-monetary assets

Non-monetary depreciable assets are tested for possible impairment in value when events or circumstances occur that may indicate that the carrying value of the given asset is not recoverable. When the carrying value of an asset in the statement of financial position exceeds its recoverable value, the Company recognizes an impairment loss in an amount equal to the difference between the carrying value of the asset and its recoverable value, which is the higher of its fair value less selling costs and its value in use (the present value of the estimated future cash flows expected to derive from the use and realization of the asset). For purposes of assessing a decline in value of assets regarding which it is not possible to make individual assessments of a decline in value, the assets are allocated to the lowest possible level in respect of which there are separate identifiable cash flows (cash-generating units).

An impairment loss recognized in the past may be cancelled only if changes occurred in the estimates used to determine the recoverable value of the asset since the date on which the previous impairment loss was recognized.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 2 - Significant accounting policies (Cont.)

K. Deferred offering costs

Prior to the effective date of an offering of securities, direct and incremental costs (i.e. accounting, consulting, legal and printing fees) attributable to a proposed or actual offering of securities may be deferred and charged against the gross proceeds of the offering upon completion and will be classified on the statements of financial position based on the characteristics of the securities issued, unless the offering of securities is not expected to be accomplished and then such direct and incremental costs will be charged immediately to operations.

L. Capitalization of issuance costs

Specific costs that are directly allocated a future issuance of securities are capitalized and recognized as an asset, on condition that the equity and/or debt raising round in respect of which the costs were generated, as above can be expected to be concluded in the foreseeable future. Upon completion of the fundraising round, as above, the capitalized issuance costs shall be fully offset against the whole proceeds that were raised and shall be classified in the statement of financial position in accordance with the nature of the issued instrument.

To the extent that it is not foreseen that the fundraising round will be completed, the aforementioned capitalized issuance expense is carried to profit and loss when incurred.

M. Research and development expenses

Research and development costs are expensed when incurred. Development expenses are capitalized and recognized as an asset, commencing with the phase during which technological feasibility is achieved, when the company has intentions and the capabilities to complete and use (or sell) the asset, it is expected that the developed asset will generate future economic benefits and it is possible to estimate the development costs in a reliable manner.

The intangible asset is not amortized and it is subject to impairment testing once a year or more frequently if there are signs indicating the existence of possible impairment, until such time as it becomes available for use.

The amortization of the intangible asset commences when the asset becomes available for use, i.e., in the location and condition it requires in order to operate in the manner intended by management. The asset is amortized using the straight-line method, over the estimated remainder of the useful life span of the product.

An expense in respect of development that does not meet the conditions required to be recognized as an asset, as above, is carried to profit and loss when incurred.

As of December 31, 2021, all of the terms for the capitalization of the development costs as an intangible asset were not met.

Note 2 - Significant accounting policies (Cont.)

N. Revenue recognition

The Company has been implementing IFRS No. 15, *Revenues from contracts with customers* ("IFRS 15") which sets out two major approaches in respect of revenue recognition, whereby the revenue will be recognized over the period of the contract or at a specific point in time, and it includes five stages in the analysis of transactions, in order to determine the timing of the revenue recognition and the amount thereof:

- Identifying the contract with a customer
- Identifying separate performance obligations in the contract
- Determining the transaction price (regarding which IFRS 15 sets out principles regarding taking into account variable consideration components, non-cash considerations and significant financing components)
- Allocating the transaction price to separate performance obligations, based on the ratios of the separate sales prices
- Recognizing revenue when/as performance obligation(s) are satisfied, over time or at a point in time, as applicable.

Revenues are recognized when the customer achieves "control" over the goods or the services. The revenue is measured on the basis of the amount of the consideration to which the entity expects to be entitled in return for goods or services promised to the customer and it does not include amounts collected on behalf of third parties.

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

If it is determined that the promised good or service is not distinct, the entity shall combine it with other promised goods or services until a bundle of goods or services that is distinct is identified.

The Company determines at the time of the signing of the contract, in respect of each performance obligation, whether the performance obligation is satisfied over time or at a given point in time.

As part of the determination of the price of the transaction, an entity shall take into consideration the terms of the contract and its customary business practices. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (e.g., sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. In addition, when necessary, in determining the price of the transaction, an entity should assess the existence of a significant financing component, non-cash consideration and consideration payable to the customer.

Note 2 - Significant accounting policies (Cont.)

N. Revenue recognition (Cont.)

The Company assesses whether warranty that was promised to the customer as part of the contract provides the customer with the assurance that the relevant item meets the specification agreed to between the parties or alternatively, constitutes a distinct service in respect of which the Company has a separate performance obligation. As part of this, the entity takes into account various considerations including inter alia whether the customer is offered the option of purchasing a separate warranty, whether the warranty is required by law, the length of the warranty period and the essence of the actions that the Company undertook to perform within the warranty period.

The warranty issued to the customers on the variety of the Company's products provides the customer with assurance that the item supplied meets the characteristics and the specification that were agreed upon between the parties and, accordingly, does not constitute a distinct service in respect of which the Company has a performance obligation and a guarantee.

The following is a breakdown of the conditions under which revenue is recognized from Company activities:

1. **Revenue from the sale of goods**

   Revenues from the selling products are recognized at a given point in time, on the date on which control over the sold good transfers to the buyer. This usually occurs on the date of delivery (once installation has been completed).

2. **Revenues from rendering services**

   Revenues from rendering services are recognized over the period of the agreement in which the customer receives and consumes the benefits provided through the performance of the Company.

O. Taxes on income

Current taxes

Current taxes reflect the amount of taxes on income that has to be paid / can be recouped in respect of taxable income / the loss for tax purposes in the period. The tax liability / asset in respect of current taxes is determined on the basis of the relevant tax rates and tax laws which were in effect, including tax laws actually legislated until the balance sheet date, as well as on the basis of adjustments required in connection with the tax liability in respect of prior years.

Deferred taxes

Deferred taxes are computed as to differences between the amounts included in the financial statements and amounts taken into consideration for income tax purposes.

Deferred taxes were computed at the tax rates expected to apply when the deferred taxes are utilized in the statement of comprehensive loss, based on the tax laws in effect as of the reporting date. The amount of the deferred taxes presented in the statement of comprehensive loss derives from changes that occurred in these balances during the current year (except for taxes deriving from the initial recognition of a business combination and taxes attributed to transactions or items recognized directly in shareholders' equity). Deferred taxes balance is recognized within the limit of the amount of expected taxable income against which the deferred taxes can be utilized.

As of December 31, 2021, the Company did not recognized deferred taxes since their utilization is not expected in the foreseeable future.

Note 2 - Significant accounting policies (Cont.)

P. Financial assets

The classification of financial assets is based on the Company's business model used for the management of financial assets and on the forecasted cash flow characteristics of the financial asset.

Financial assets are classified upon initial recognition into one of the classification categories set out in IFRS No. 9, *Financial Instruments* ("IFRS 9"). Financial assets are reclassified if and only if a change has occurred in the Company's business model. Reclassification is implemented retrospectively.

Investments in debt instruments measured at amortized cost

Debt instruments measured at amortized cost are debt instruments that meet the following two cumulative conditions: the Company's business model is to hold the financial asset for purposes of collecting contractual cash flows expected to derive therefrom and, the contractual characteristics of the financial asset define cash flows relating to payments of principal and interest, at denominated dates, in respect of the as yet unpaid principal balance. These are measured upon initial recognition at their fair value, plus transaction costs. Subsequent to initial recognition, such assets are recognized at amortized cost, on the basis of the effective interest method, net of credit losses.

During the reported periods, the Company did not hold any investments in debts instruments.

Q. Impairment of financial assets

The Company recognizes a provision for loss under the "Expected Credit Loss Recognition Model" for financial debt assets that are not measured at fair value through profit and loss, distinguishing between the following two situations:

1. Financial instruments regarding which there has not been a significant increase in their credit risk since the date of their original recognition or cases in which the credit risk is low - the provision to be recognized shall take into account expected credit losses in twelve-month period following the reporting date, or
2. Financial instruments regarding which there has been a significant increase in their credit risk since the date of their original recognition and the credit risk in respect thereof is not low - the provision to be recognized shall take into account expected credit losses over the remaining life span of the instrument.

For purposes of implementing the abovementioned principle, the Company assesses at each reporting date whether the credit risk of the financial instrument increased significantly from the initial recognition date and, as part of the above, use is made of reasonable and established information that can be obtained without exaggerated cost or effort.

The amount of the forecasted credit losses is recognized in profit and loss. The forecasted credit losses in respect of customers (the provision for doubtful debts) are presented as part of the item entitled "general and administrative expenses".

Note 2 - Significant accounting policies (Cont.)

R. Financial liabilities

Financial liabilities are recognized in the statement of financial position if and only if the Company becomes a party to the contractual provisions of the instrument.

1. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are recognized initially in the financial statements on the basis of fair value, less direct transaction costs, if any were incurred. Subsequent to initial recognition, these financial liabilities are measured at amortized cost, using the effective interest method, which also takes into account direct costs. The effective interest is recognized in statement of comprehensive loss under the "Finance" item. Financial liabilities that are linked to the index or to the exchange rate are measured at amortized cost and are re-measured each period on the basis of the rate of change of the index or the exchange rate, as applicable.

2. Financial liabilities measured at fair value through profit and loss

This group includes financial liabilities that are designated by the Company's management upon initial recognition as financial liabilities presented at fair value through profit and loss if they are qualified to be so designated (e.g., financial liabilities that include an embedded derivative such as the liability in respect of a bridge investment which was converted and the liability in respect of a price protection mechanism which expired in 2020). See also Note 2S below.

Financial liabilities in this category are presented at fair value at each reporting date. Changes in fair value are carried to profit and loss, except for the change in fair value of a financial liability measured at fair value through profit and loss that can be attributed to changes in the credit risk of the liability which is presented as part of other comprehensive income (loss), unless such treatment will generate or increase a lack of accounting matching in profit and loss. Such amounts are not reclassified to profit and loss in subsequent periods. Transaction costs are carried to profit and loss when incurred.

S. Embedded derivative financial instruments not used for hedging purposes

Derivatives embedded in a host contract that is a financial asset under the purview of the Standard are not separated from the host contract. Rather the hybrid contract in its entirety is measured at amortized cost or fair value through profit and loss, based on the criteria for the classification of financial assets, i.e., as being contingent upon the entity's business model and the contractual cash flows of the host contract.

When the host contract is not an asset that is subject to IFRS 9, the embedded derivative is separated from the host contract and is accounted for as a financial derivative, if and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative meets the definition of a derivative and the hybrid instrument in its entirety is not measured at fair value through profit and loss (e.g., when it is eligible to be designated for measurement at fair value through profit and loss).

Changes in the fair value of derivative financial instruments and embedded derivatives that were separated, as above, are regularly carried to profit and loss as financing income or expenses, as applicable.

Note 2 - Significant accounting policies (Cont.)

T. Settlement of financial liabilities through equity instruments

In cases in which a partial or full settlement is made of financial liabilities through equity instruments, the equity instruments transferred to the holder of the financial liability are measured at the fair value of the equity instrument if it is possible to estimate the fair value reliably. In cases in which it is not possible to estimate the fair value reliably, the measurement of the equity instruments is carried out on the basis of the fair value of the financial liability being settled (or a part thereof), at the date of settlement. The difference between the fair value of the equity instruments used to settle the financial liability being settled and the carrying value of the liability is carried to profit and loss.

U. Derecognition and offsetting of financial instruments

1. Derecognition

Financial assets

A financial asset is derecognized when:

- The contractual rights to cash flows from the financial asset have expired; or
- The Company transfers the financial asset and the transfer qualifies for Derecognition.

If the Company did not materially transfer all of the risks and benefits deriving from ownership of the transferred asset, but all of the risks and benefits did not also remain in the hands of the Company, and the Company retained control over the transferred asset, the Company will continue recognizing the transferred asset in accordance with the degree of its continuing involvement therein.

Financial liabilities

A financial liability is derecognized when the liability is settled, i.e., when the obligation defined in the contract has been repaid, cancelled or it expired.

2. Offsetting financial instruments

Financial assets and financial liabilities are presented in the statements of financial position at a net amount only when the Company has an enforceable legal right of offset and there exists the intention to settle the asset and the liability on a net or simultaneous basis. An enforceable legal right to offset exists when it can be enforced at any time, both during the normal course of business and in the event of insolvency, and when it is not contingent on any future event.

V. Issuance of financial instruments as part of a package

The total proceeds received from issuance of financial instruments as part of a package are allocated to identified financial instruments included in the package based on their fair value whereby the fair value is first allocated to financial liabilities measured in subsequent periods at fair value through profit and loss and then it is allocated to financial liabilities measured at fair value only upon initial recognition. The balance of the proceeds is allocated to equity instruments if any, in accordance with the "residual approach". The fair value of the instruments included in the package is determined on the basis of their market values proximate to their date of issue. Issuance costs are attributed to items included in the package on the basis of the manner in which the proceeds of the package are allocated as above.

Note 2 - Significant accounting policies (Cont.)

W. Liability in respect of government grants

Government grants in respect of a research and development project received from the Israeli Innovation Authority (IIA) are recognized as a liability when received and are measured at fair value as of the receipt date, unless at that date, it is reasonably assured that the amount received will not be refunded. Amounts paid as royalties to the IIA in succeeding periods are treated as a settlement of a financial liability. The gap between the amount of the grant received and the fair value of the liability on the recognition date is treated as a government grant and, accordingly, it is carried to profit and loss under the item entitled "Research and Development Expenses". The amount of the liability is reassessed in every period, with any changes in the present value of the cash flows discounted by the original interest rate that was used in the recognition of the liability of the grant being carried to profit and loss. Under circumstances in which management determines in subsequent periods that there is reasonable assurance that the grant will not be refunded, the grant will be carried, on that date, to profit and loss under the item entitled "Research and Development Expenses".

X. Employee benefits

1. Liability in respect of pensions and severance pay

Pursuant to Israeli labor laws and labor contracts and in accordance with Company practice, the Company is required to make severance payments to employees who are terminated and, under certain circumstances, to employees who resign or leave on their own initiative.

The liability of the Company in respect of post-employment benefits is accounted for as a defined contribution plan. The Company has defined contribution plan in accordance with section 14 of Israel's Severance Pay Law - 1963. The actuarial and economic risks in respect of this plan are not borne by the Company. Under this plan, during the employment period, the Company makes regular payments to an independent entity, without the Company having any legal or implied obligation to make any additional payments in the event that sufficient amounts have not been accrued in the plan. Deposits in a defined contribution plan are included as an expense when the amount is deposited in the plan, concurrent with the receipt of the work services from the employee and no additional amount need be provided for in the financial statements. The Company regularly deposits money in respect of its liabilities to make severance payments to part of its employees in pension funds and insurance companies.

The following tabular represents amounts paid with its defined contribution plan:

	Year ended December 31,	
	2021	**2020**
Expenses in respect of defined contribution plans	930	898

2. Short-term employee benefits

Short-term employee benefits include salaries, vacation pay, recreation pay and deposits to the National Insurance Institute (Social Security) if they are expected to be settled within 12 months following the end of the annual reporting period in which the employee renders the relevant services. A temporary change in the timing of the settlement does not result in a reclassification of the employee benefits to short-term. Such benefits are recognized as an expense concurrently with the receipt of the work services. Provisions in respect of such liabilities that have not yet been paid are measured on a non-discounted basis.

Note 2 - Significant accounting policies (Cont.)

Y. Advertising expenses

Costs of advertising, sales promotion and marketing are expensed at the date on which the Company is given access to the advertising products or when the service is rendered to the Company.

Z. Leasing

At the signing date of the agreement, the Company decides whether the agreement is a lease or whether it contains a lease. An agreement contains a lease if it conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. In order to ascertain whether the agreement transfers the right to control the use of an identifiable asset, the Company evaluates whether for the duration of the usage period, the customer has the right to obtain, from a practical standpoint, all of the economic benefits from the use of the identifiable asset, as well as the right to direct the use of the identifiable asset.

The Company determines the leasing period as a period during which the lease may not be cancelled, plus the optional extension period if there is a reasonable degree of certainty that the option will be exercised, plus a period during which the customer is granted the option to cancel if there is a reasonable degree of certainty that the option will not be realized.

The Company presents in its statement of financial position leasing transactions by recognizing an asset that reflects a "usage right", against a liability in respect of leasing which is initially measured at the present value of the future leasing payments, discounted at the interest rate implicit in the lease, or at the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be easily determined.

As part of future leasing payments, the Company includes fixed payments and variable Index-linked or exchange rate-linked payments. In subsequent periods, the leasing liability is measured at the present value of the future leasing payments discounted at the lessee's incremental borrowing rate as of the date of the agreement. If necessary, the balance of the leasing liability is remeasured on a regular basis in order to reflect changes in future leasing payments as a result of changes in the Index.

Right of usage assets are initially measured at cost, which includes the amount of the initial measurement of the liability, pre-paid leasing payments, and direct costs incurred in the lease. In subsequent periods, usage right assets are measured by the cost model, less accumulated depreciation and less accrued impairment losses which have been adjusted to reflect any remeasurements of the leasing liability. Usage right assets are depreciated on the straight-line method over the shorter of the leasing period or the useful lifespan of the asset.

The annual average depreciation rate of the right-of-use assets is as follows:

	%
Office buildings	25

Regarding short-term leases (leases with a leasing period of less than 12 months), the Company implemented the practical leniency granted in IFRS No. 16, *Leases* ("IFRS 16"), whereby such leases are accounted for as an expense on a straight-line basis over the balance of the leasing period or on some other systematic method.

Note 2 - Significant accounting policies (Cont.)

AA. Provisions for legal suits

The Company includes in its financial statements provisions in respect of legal suits if the Company has a legal or constructive obligation to expend economic resources as a result of past events, if it is more likely than not that the Company will have to expend economic resources to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions which meet the conditions for recognition are measured on the basis of the present value of management's best estimate of the cash flows expected to be required to settle the obligation, as of the Statement of Financial Position date. The discount rate for purposes of calculating the present value is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

AB. Share-based compensation

Share-based compensation transactions that are settled by equity instruments that were executed with employees or others who render similar services, are measured at the date of the grant, based on the fair value of the granted equity instruments. The vesting conditions, except for market conditions, are not taken into consideration in estimating the fair value, rather by adjusting the number of equity instruments included in the measurement of the transaction amount. The amount of the fair value so estimated is recorded as an expense against a concurrent recording in equity, over the period in which the employees' right to exercise or receive the equity instruments has vested.

The expense in respect of a share-based payment relating to grants contingent upon vesting conditions that are not market conditions is adjusted at the end of each reporting period in order to reflect the number of the equity instruments expected to vest. Grants contingent upon vesting conditions (that are not market conditions) which are not met, are not recognized as an expense. Amounts recognized in respect of grants that vested are not cancelled even if the equity instruments that were granted were forfeited.

Share-based payment transactions settled by equity instruments executed with other service providers that are not employees are usually measured at the date the services or the goods were received, based on the estimated fair value of the services or goods received, unless their value cannot be reliably estimated. In such a case, the transaction is measured by estimating the fair value of the granted equity instruments. This amount is carried as an expense or is capitalized to the cost of an asset, based on the nature of the transaction.

In the event of a change in the terms of a grant settled by an equity instrument, an additional expense is recognized in respect of any change that increases the total fair value of the share-based payment, with an assessment of such additional expense being carried out by comparing the fair value of the grant immediately prior to the change and immediately after the change.

Cancellation of grant settled by an equity instrument is accounted for as an accelerated vesting. Therefore, the balance of the unrecognized expenses in respect of the grant will be immediately recognized. Notwithstanding, if the grant that was cancelled is replaced by a new grant that is designated to be a replacement grant, the cancelled grant and the new grant are accounted for as a change in the terms of the grant.

Note 2 - Significant accounting policies (Cont.)

AC. Loss per share

The basic loss per share is calculated by dividing the loss attributed to the shareholders of the Company by the weighted average number of ordinary shares in circulation during the period and, if necessary, after deducting the shares held by the Company.

For purposes of calculating the diluted loss per share, the loss attributed to the ordinary shareholders of the Company and the weighted average number of ordinary shares in circulation are adjusted in respect of the possible impact of potential ordinary shares that may derive from the exercising of convertible financial instruments in respect of which there is a dilutive effect.

Until their conversion date into ordinary shares, the seed shares are included in the calculation as part of the ordinary shares of the Company.

AD. Operating cycle

The operating cycle of the Company is one year. Taking this into consideration, current assets and current liabilities include items that are designated and expected to be realized within the normal operating cycle of the Company.

AE. A summary of new reporting standards, relevant to the operations of the Company, issued by not yet gone into effect

1. **Revision to International Accounting Standard No. 1, *Financial Statement Presentation - Disclosure as to Accounting Policy***

   In February 2021, the International Accounting Standards Board (IASB) issued Revision to International Accounting Standard No. 1, *Financial Statement Presentation (IAS 1) - Disclosure as to Accounting Policy* (the "Revision to IAS 1"), under which financial reporting must include disclosure as to material accounting policy in lieu of the current required disclosure as to significant accounting policy.

   The Revision to IAS 1 defines accounting policy as material when it can be reasonably expected that disclosure of such policy, together with the additional information which is included in the financial statements, will impact the decisions made by the major users of the financial statements on the basis of these statements. The Revision to IAS 1 also clarifies that information regarding accounting policy can be expected to be material if, in the absence of such information, users of the financial statements will be prevented from understanding other material information in the financial statements. In addition, the Revision to IAS 1 clarifies that there is no need to disclose information regarding immaterial accounting policy.

   The Revision to IAS 1 is effective for annual reporting periods commencing on or after January 1, 2023. Early adoption is permissible, subject to disclosure of that fact.

Note 2 - Significant accounting policies (Cont.)

AE. A summary of new reporting standards, relevant to the operations of the Company, issued by not yet gone into effect

2. Revision to International Accounting Standard No. 8, *Accounting Policy - Changes in Accounting Estimates and Errors*

In February 2021, the IASB issued Revision to International Accounting Standard No. 8, *Accounting Policy (IAS 8) - Changes in Accounting Estimates and Errors* (the "Revision to IAS 8"), which defines an accounting estimate as a monetary amount that is subject to uncertainty regarding measurement and clarifies what an accounting estimate is and what a change in accounting estimate is. The goal of the Revision to IAS 8 is to assist in the necessary distinction between a change in accounting estimate, the impact of which is measured retrospectively and a change in accounting estimate which is usually implemented retroactively.

The Revision to IAS 8 is effective for annual reporting periods commencing on or after January 1, 2023. Early adoption is permissible, subject to disclosure of that fact.

3. Revision to International Accounting Standard No. 12, *Taxes on Income - Deferred Taxes in Respect of Assets and Liabilities Deriving from the same Transaction*

In May 2021, the IASB issued Revision to International Accounting Standard No. 12, *Taxes on Income - Deferred Taxes in Respect of Assets and Liabilities Deriving from the same Transaction* (the "Revision to IAS 12"), which clarifies that the initial recognition exclusion regarding deferred taxes does not apply to transaction which, on the initial recognition date of an asset and a liability deriving therefrom, cause both a deductible temporary difference and a taxable temporary difference in equal amounts, i.e., recognition of right of usage asset and leasing liability upon initial lease recognition. Thus, deferred taxes should be recognized in respect of such temporary differences.

The initial adoption of Revision to IAS 12 is not expected to have material impact on the classification of the financial statements.

Note 3 - Significant accounting estimates and considerations

The accounting estimates and assumptions that were used in the preparation of the financial statements are tested on a regular basis and are based on past experience and other factors, including future events, the occurrence of which is reasonably expected to occur in view of existing circumstances. The Company makes estimates and assumptions regarding future occurrences. By their very nature, it is rare that such accounting estimates will be identical to actual results. The estimates and assumptions that reflect the highest exposure to material changes in the amount of assets and liabilities in the following year are set out below:

A. Research and development expenses

Development expenses are capitalized and recorded as an asset, commencing with the phase during which technological feasibility is achieved, when the company has intentions and the ability to complete and use (or sell) the asset, it is expected that the developed asset will generate future economic benefits and it is possible to estimate the development costs in a reliable manner. In determining whether an expense qualified for capitalization, management estimates the cash flows expected to derive from the asset, the timing of such flows, the discounting rates and the expected benefit period. As noted in Note 2L above, as of December 31, 2021, management believed the aforesaid conditions were not met and thus development costs were not capitalized.

B. Leasing transactions

Determining the leasing period - In determining the leasing period, the Company takes into consideration the period in which the lease cannot be cancelled, including optional extension periods, the realization of which is reasonable and options to cancel if it is reasonably certain that they will not be realized.

Discount rate in respect of leasing liabilities - The Company discounts the leasing payments using its incremental interest rate which is based on the interest rate that it would have to pay in order to borrow amounts needed to obtain an asset of a value similar to the usage right asset for a similar period, providing similar collateral and in a similar economic environment.

For additional information regarding a leasing transaction, see Note 8 below.

C. Liability in respect of government grants

Government grants in respect of a research and development project are recognized as a liability and are measured at their fair value as of the receipt date, unless at that date, it is reasonably assured that the amount received will not be refunded. In determining these assumptions, management makes use of a forecast regarding revenues expected to derive from the items in respect of which the grants were received and the royalties that have to be paid in respect thereof. There exists a degree of uncertainty in respect of the estimated future cash flows, timing of such cash flows and estimate of the discount rate used in determining the amount of the liability. See also Note 10 below.

D. Share-based payments

The Company evaluates the fair value of share-based payments to employees and other parties rendering similar service, at the grant date, as the amount at which the asset can be exchanged, the liability settled or to exchange the equity instrument that was granted, between a willing buyer and a willing seller, acting rationally in a transaction that is not influenced by special relationship between the parties, using a Black and Scholes model which include assumptions that include the Company's share price, the expected share price volatility, the risk-free interest rate, the expected dividend and the expected option term. In addition, upon grant of options to non-employees, the Company is required to estimate the fair value of the services received under agreements.

For evaluating of share-based payments to be recognized, inter alia, management assess the estimated number of options expected to be vest. See also Note 13 below.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 4 - Cash and cash equivalents

Composition:

	As of December 31, 2021	As of December 31, 2020
Cash in new Israeli shekels	6,152	37,616
Cash in foreign currency	2,531	8
	8,683	37,624

Note 5 - Other current assets

Composition:

	As of December 31, 2021	As of December 31, 2020
Current:		
Governmental institutions	621	411
Advances to suppliers	269	-
Prepaid expenses	164	101
Employees and others	205	-
	1,159	512
Non-current:		
Deferred offering costs (see Note 2K above)	1,155	-

Note 6 - Inventory

Composition:

	As of December 31, 2021	As of December 31, 2020
Raw materials	123	31
Finished goods	703	79
	825	110

(New Israeli Shekels in thousands)

Note 7 - Property and equipment, net

A. Composition and changes in 2021

	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost				
At January 1, 2021	129	58	49	236
Additions	119	8	17	144
At December 31, 2021	248	66	66	380
Accumulated depreciation				
At January 1, 2021	63	15	3	81
Depreciation	50	5	6	61
At December 31, 2021	113	20	9	142
Depreciated cost:				
At December 31, 2021	135	46	57	238
At December 31, 2020	66	43	46	155

Composition and changes in 2020

	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost				
At January 1, 2020	73	42	-	115
Additions	56	16	49	121
At December 31, 2020	129	58	49	236
Accumulated depreciation				
At January 1, 2020	38	11	-	49
Depreciation	25	4	3	32
At December 31, 2020	63	15	3	81
Depreciated cost:				
At December 31, 2020	66	43	46	155
At December 31, 2019	35	31	-	66

B. Depreciation period and depreciation method

In respect to depreciation period and the depreciation method, see Note 2I above.

Note 8 - Leasing

A. On March 4, 2020, the Company signed a rental agreement pertaining to a building and a number of parking spaces, for a period of 48 months, commencing from the date of transfer of the rented property (the "Rental Agreement" and "Initial Rental Period", respectively), in return for a monthly payment of NIS 25, linked to Consumer Price Index, in accordance with the payment dates set out in the Rental Agreement, plus the legally required value added tax. In addition, the Company was granted an option to extend the rental period for another two years, commencing from the end of the Initial Rental Period. In addition, as part of the terms of the lease, the Company was required to make a deposit of NIS 110, restricted as to withdrawal, in order to guarantee its compliance with the terms of the commitment.

In accordance with the provision of IFRS 16, *Leasing*, the Company recognized a right of usage asset in an amount of NIS 1,029, measured in the accounting records at an amount equal to the leasing liability. The leasing liability was measured at the present value of the future leasing payments, discounted on the basis of the estimated incremental interest rate the Company would have to pay in order to borrow a similar amount, for a similar period, to obtain a similar asset at the date of initial recognition of the lease (a rate of 5%).

As part of the leasing period, the Company took into account only the Initial Rental Period as the realization of the option to extend the period was not assessed as reasonably certain.

B. In March 2021, the Company entered into an addendum to the Rental Agreement as noted in paragraph A above (the "Addendum"), under which the Company rented additional space and a storage room, in return for a monthly rent of NIS 14, linked to Consumer Price Index in accordance with payment dates as set out in the Rental Agreement, plus the legally required VAT. All of the other terms of the Addendum are identical to those of the Rental Agreement.

Taking into consideration that the consequences of the Addendum constitute an amended lease that increases the scope of the lease by adding rights to use additional space and consideration that is in line with the scope of the increase in space, these consequences were accounted for as a change in the lease and were accounted for as a separate lease as of the date on which the amended lease went into effect. Accordingly, the Company measured the addition to the rental liability at the present value of the payments relating to the new space by discounting the updated rental payments using the Company's incremental interest rate as of the date the addendum went into effect, determined to be a rate of 5%. As a result, there was an increase in the rental liability in an amount of NIS 532 which was recognized as an increase in the right for usage asset.

In addition, as part of the terms of the Addendum, the Company updated the deposit that is restricted as to withdrawal to an amount of NIS 187 (linked to Consumer Price Index) (in lieu of the original deposit which amounted to NIS 110), in order to guarantee its compliance with all of the terms of the Rental Agreement. As of December 31, 2021, the deposits restricted as to withdrawal balance amounted to NIS 191.

As part of the Addendum and in connection with the balance of the term of the lease, only the period of the original lease was taken into consideration (as defined in the Rental Agreement) due to the fact that the exercise of the extension option was not assessed as being reasonably certain.

(New Israeli Shekels in thousands)

Note 8 - Leasing (Cont.)

C. Right for use asset

Changes in 2021:

	Office building
Cost	
Balance as of January 1, 2021	1,029
Additions	532
Balance as of December 31, 2021	1,562
Accumulated amortization	
Balance as of January 1, 2021	171
Additions	398
Balance as of December 31, 2021	569
Amortized cost as of December 31, 2021	992

Changes in 2020:

	Office building
Cost	
Balance as of January 1, 2020	-
Additions	1,029
Balance as of December 31, 2020	1,029
Accumulated amortization	
Balance as of January 1, 2020	-
Additions	171
Balance as of December 31, 2020	171
Amortized cost as of December 31, 2020	858

D. Amortization period and amortization method

In respect to amortization period and amortization method, see Note 2Z above.

E. Amounts recognized in profit and loss:

	Year ended December 31,	
	2021	**2020**
Amortization of the right for use asset	398	171
Interest expense in respect of leasing	61	33

F. Analysis of contractual payment dates of leasing liability at December 31, 2021:

Up to a year	467
Between 1 - 3 years	673
Total (undiscounted)	1,140

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 9 - Other current liabilities

Composition:

	As of December 31, 2021	2020
Employees and salary-related institutions	1,184	878
Accrued expenses (*)	1,266	1,032
Others	72	55
	3,522	1,965

(*) Includes balance of NIS 90 and NIS 60 in respect of management fees to an interested party as of December 31, 2021 and 2020, respectively (see Note 17A below).

Note 10 - Liability in respect of government grants

Since the Inception Date, the Company has been receiving grants in respect of participation in research and development from the IIA, in a total amount of NIS 1.7 million (an amount of NIS 0.6 million out of which was received in 2021). In return, the Company undertook to pay royalties at a rate of 3% - 3.5% of the revenues to derive from the know-how and technology to be developed as part of the projects in respect of which such financing was received. The liability amount is linked to the U.S. dollar and bears interest at LIBOR rate.

The Company recognized a liability in respect of these grants at the date of initial recognition in an amount equal to the fair value of the liability, based on the present value of the royalty payments to be paid to the Innovations Authority as a percentage of sales, discounted at a discount rate of 20%, as assessed by the Company's management on the basis of an independent third-party valuation. The difference between the amount of the grant received and the amount recognized as a liability, as above, (which amounted to NIS 244) was carried to profit and loss against research and development expenses.

The following tabular represents the changes in liability in respect of government grants in the reported periods:

	Year ended December 31, 2021	2020
Balance as of January 1,	802	519
Government grants received	345	237
Adjustment of the liability in respect of government grants in respect of value of time and exchange rate differentials	31	56
Royalties payable to the Innovations Authority	(10)	(10)
Balance as of December 31,	1,168	802

	Year ended December 31, 2021	2020
Current liability	109	205
Non-current liability	1,059	597
Balance as of December 31,	1,168	802

Note 11 - Commitments

A. CEO service agreement

On February 24, 2020, a Consulting Agreement was signed by the Company and Mr. Uri Gilboa (the "Consulting Agreement" and "Mr. Gilboa", respectively). The Consulting Agreement was in respect of rendering Chief Executive Officer ("CEO") services and its major provisions were as follows:

1. Defining the position, powers and subordination

1.1 Mr. Gilboa was appointed to the full-time position of Company CEO, under which, inter alia, Mr. Gilboa will be responsible for the ongoing management of the Company, including but not limited to, relations with investors, relations with the various authorities regarding the Company's operations, relations with financial institutions that accompany the operations of the Company and with their various consultants, as well as additional activities, all as demanded from time to time by the Company's board of directors (the "Services" and "Board of Directors", respectively).

1.2 During the entire period in which Mr. Gilboa will fulfill his position as the Company's CEO and renders the services under the Consulting Agreement, Mr. Gilboa will report directly to the Company's Board of Directors.

2. The date of commencement of the services

The appointment of Mr. Gilboa as the Company's CEO became effective September 1, 2019 and the Consulting Agreement will continue being in effect until termination, as defined in the Consulting Agreement.

3. Remuneration and fringe benefits

3.1 The Company originally agreed to pay Mr. Gilboa a monthly amount of NIS 60 plus legally-mandated VAT. Such payment includes all of the payments that are due to the CEO in respect of fulfillment of his position and the rendering of the services, including services rendered outside of normal working hours, including days of rest.

3.2 Mr. Gilboa is entitled to receive reimbursement of reasonable expenses incurred to fulfill his position. The reimbursements will be paid against receipts or other document in accordance with the Company's procedures.

3.3 Mr. Gilboa is entitled to insurance coverage, indemnification and exemption from liability, as is customary practice regarding senior officer and directors.

4. Non-negotiable options convertible into ordinary shares

Mr. Gilboa was granted 232,000 non-negotiable options exercisable into ordinary shares of the Company over 4-years period based on a vesting schedule, and may be subject to acceleration upon the occurrence of events set out in the Consulting Agreement. For additional information regarding the cost of the share-based payments, see Note 13 below.

5. Bonus

Mr. Gilboa is entitled to an annual bonus of up to a total amount of NIS 360 or some higher amount, at the discretion of the Company's Board of Directors and subject to provisions of the remuneration policy in effect from time to time. During the year ended December 31, 2020, the CEO was entitled to award of NIS 360.

Note 11 - Commitments (Cont.)

A. CEO service agreement (Cont.)

On February 16, 2021, the shareholders meeting of the Company approved an update in the terms of employment of the CEO, effective for the three-year period commencing from September 1, 2020. These terms included: (1) a monthly compensation of NIS 90, plus VAT, against an invoice (in lieu of the NIS 60 monthly compensation), to be updated annually by 12%, subject to the approval of the Board of Directors of the Company; (2) entitlement to an annual contingent bonus in respect of each year he rendered management services to the Company, in an amount of up to six monthly salaries, as shall be in effect at that time, subject to compliance with goals to be set by the remuneration committee and the Board of Directors of the Company once a year, and in accordance with the Company's remuneration policy, as shall be in effect at that time; (3) a grant of 126,000 options, to vest over a four-year period and which shall be exercisable into an identical number of ordinary shares, at an exercise price of NIS 36 per share.

For more information, including the expenses recorded in respect of the aforesaid commitment regarding transactions with related and interested parties, see Note 17 below.

B. Leasing transaction

On March 4, 2020, the Company signed a rental agreement pertaining to a building and a number of parking spaces, for a period of 48 months, commencing from the date of transfer of the rented property (the "Initial Rental Period"), in return for a monthly payment of NIS 25, linked to a base index, in accordance with the payment dates set out in the Rental Agreement, plus the legally required value added tax. In addition, the Company was granted an option to extend the rental period for another two years, commencing from the end of the Initial Rental Period, in return for an increase of 3% in the monthly rental fee set as part of the initial rental period

In March 2021, the Company entered into an addendum to the abovementioned Rental Agreement, under which the Company rented additional space and a storage room, in return for a monthly rent of NIS 14, linked to the Consumer Price Index in accordance with payment dates as set out in the agreement, plus the legally required VAT. All of the other terms of the Addendum, including the dates of termination of the rental, are identical to those of the original Rental Agreement.

For information pertaining to the accounting consequences of the aforementioned rental agreement in accordance with IFRS 16, *Leases*, see Note 8 above.

(New Israeli Shekels in thousands)

Note 12 - Share capital and reserves

2. **Composition of share capital**

	December 31			
	2021		2020	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares, par value NIS 0.01 each	100,000,000	7,984,706	100,000,000	7,696,626

B. Rights attached to the ordinary shares

The ordinary shares of the Company grant the holders thereof the right to participate and vote in shareholders meetings, the right to receive a dividend, as declared, the right to participate in distributions of bonus shares and the right to participate in the distribution of the assets of the Company upon liquidation.

2. **Changes in the issued and outstanding capital**

	2021		2020	
	Ordinary shares	Non-redeemable seed shares	Ordinary shares	Non-redeemable seed shares
Balance as of January 1	7,696,626	-	907,750	1,910,869
Receipts on account of seed shares not yet allotted (1)	-	-	-	614,149
Private placement of a package including ordinary shares and a financial derivative in respect of hedging mechanism (2)	-	-	277,108	-
Conversion of seed shares to ordinary shares (4)	-	-	2,525,018	(2,525,018)
Conversion of bridge investment to ordinary shares (2)	-	-	1,560,182	-
Private placement of ordinary shares (3)	-	-	39,963	-
Allotment of ordinary shares as part of a prospectus of an IPO (4)	-	-	1,585,400	-
Allotment of ordinary shares as part of a shelf offer (5)	-	-	774,194	-
Shares issued as a result of the exercise of options (6)	-	-	27,011	-
Conversion of non-registered rights into ordinary shares (7)	288,080	-	-	-
Balance as of December 31	7,984,706	-	7,696,626	-

(New Israeli Shekels in thousands)

Note 12 - Share capital and reserves (Cont.)

C. Changes in the issued and outstanding capital (Cont.)

(1) On January 7, 2020, the Company completed a fundraising round of a gross amount of NIS 2,443 (an amount of NIS 2,402 out of which was received in 2019 and recorded as part of receipts on account of shares since it referred to a fixed number of shares) and in consideration, the Company issued 614,149 seed 2 shares, par value NIS 0.01 each.

(2) On February 23, 2020, the Company entered into an agreement with Mor Provident Funds Ltd. ("Mor") whereby, in return for an amount of U.S.$1,000,000 (NIS 3,430), 277,108 ordinary shares of the Company were allotted to Mor at a price of U.S.$3.6087 per share (the "Mor Allotted Shares"). In addition, a hedge was given to Mor whereby to the extent that the Company would execute an IPO within the twenty-four month period following the date of the agreement, and whereby the Company would issue shares to the public at a price which, after deducting 20% from the price, would be less than the price of the Mor allotted shares, the Company would issue to Mor ordinary shares of a number that is equal to the difference between the issuance price less 20% and the price of the Mor allotted shares (the "financial derivative in respect of a price protection mechanism").

As part of the valuation work which was carried out by an independent third-party appraiser at the date of the transaction, similar to the manner of allocation of consideration components of the issuance of a securities package, the total consideration received by the Company was first allocated to a financial derivative in respect of a bridging mechanism which constituted a financial liability that is measured initially and in subsequent periods at fair value through profit and loss in accordance with the provisions of IFRS No. 9, *Financial instruments* (the liability was classified as level 3 in the fair value hierarchy). The balance of the amount was attributed to the allotted shares in accordance with the "residual approach".

Pursuant to the above, at the initial recognition date the consideration received was allocated to identified components which were divided by the independent third-party appraiser was as follows:

	Fair value
Financial derivative in respect of price protection mechanism (A)	600
The allotted shares (B)	2,830
Total consideration	3,430

(A) The estimated fair value of the component of the financial derivative in respect of a price protection mechanism as of the transaction date was calculated using a Black and Scholes model. The parameters used in the fair value calculation using the aforementioned model are as follows:

	As of February 23, 2020
Standard deviation	49.5%
Risk-free interest rate	1.53%
Probability for issuance	50%
Life span in years	0.5

(B) As of the allotment date, the effective price per share was NIS 10.212.

Note 12 - Share capital and reserves (Cont.)

C. Changes in the issued and outstanding capital (Cont.)

(2) (Cont.)

In June 2020, the Company completed a prospectus that was issued to the public, as part of which the shares of the Company were listed for trade on the Tel Aviv Stock Exchange at a price of NIS 16.4 per share (see clause 4 below) which, after deducting 20%, is more than the price of the fundraising in the Mor transaction and, accordingly, there was no need to implement the price protection mechanism. Therefore, the aforementioned price protection mechanism expired and, accordingly, the entire amount that was allocated to the value of the financial derivative in respect of a price protection mechanism, in an amount of NIS 600, was carried to the statement of comprehensive loss as part of financing income for the year ended December 31, 2020. See Note 15B below.

In addition, upon completion of the fundraising transaction with Mor, all the then outstanding bridge investments were fully converted into a number of 1,560,182 ordinary shares. See also Note 15A(3) below.

(3) On May 24, 2020, the Company's Board of Directors approved that the Company amend an investment agreement that was originally signed on April 28, 2020 with Unicorn Technologies, Limited Partnership ("Unicorn"), whereby two partners of Unicorn are interested parties of the Company, whereby in consideration for an investment amount in the Company of U.S.$180,000 (NIS 630), 39,963 ordinary shares of the Company were issued to Unicorn, at a price of U.S.$4.5042 per share.

(4) In June 2020, the Company completed a fundraising round based on a prospectus that was issued through an IPO , under which the Company raised a gross amount of NIS 26 million from the issuance of 1,585,400 ordinary shares, par value NIS 0.01 each, at a price of NIS 16.4 per share. The total direct issuance costs amounted to NIS 2.3 million.

Upon the IPO completion, all outstanding seed shares were fully converted into ordinary shares.

(5) On November 16, 2020, the Company completed a fundraising round on the basis of a shelf prospectus through an offering that was issued to the public, under which the Company raised a gross amount of NIS 21.6 million from an issuance of 387,097 units which consist of 774,194 ordinary shares of the Company, par value NIS 0.01 each, and 387,097 warrants (series 1), at a price of NIS 55.8 per unit. Each warrant is exercisable into one ordinary share at an exercise price of NIS 38 (subject to standard adjustments) per warrant, over a period of 24 months ending November 18, 2022 (inclusive). The total direct issuance costs amounted to NIS 0.7 million.

(6) During the year ended December 31, 2020, 27,011 options were exercised into an identical number ordinary shares in consideration of NIS 96.

(7) In February 2021, a certain service provider exercised 288,080 non-registered rights into an identical number of ordinary shares of the Company, for no consideration.

(New Israeli Shekels in thousands)

Note 13 - Share-based payment

A. Option plan

The Company has adopted the Saverone 2014 Ltd. 2015 Share Incentive Plan (the "Plan"), under which the Company is entitled to grant options, restricted shares and restricted share units to designate participants, to purchase ordinary shares of the Company, par value NIS 0.01 each. Under the Plan, options forfeited or cancelled prior to their expiration date, become available for future grants. Unless stipulated otherwise by the Company's Board of Directors, the unexercised options will expire 10-years period following the grant date. The Plan is subject to article 102 of the Israeli Income Tax Ordinance (New Version) - 1961 (the "Income Tax Ordinance"), as part of the equity track with a trustee. As of December 31, 2021, the Company has 47,499 options available for future grants.

B. Grants

2020

During the year ended December 31, 2020, the Company's Board of Directors approved an allotment of 395,804 options, exercisable into shares of the Company, to a number of grantees, including the Company's CEO. The options are exercisable into one ordinary share of the Company, par value NIS 0.01, based on vesting conditions set out by the Company's Board of Directors, against a cash exercise price of between NIS 0.03 - NIS 23.466 per share (this exercise price is subject to standard adjustments).

The fair value of the inherent benefit in each option as of the grant date was estimated at an amount of NIS 7.44 to NIS 18.9 per share, based on the Black and Scholes model. The fair value of benefit in respect of the grant was estimated at NIS 3,342. This amount will be carried to profit and loss over the vesting period.

2021

During the year ended December 31, 2021, the Company's Board of Directors or the shareholders at a general meeting (to the extent that such approval was required) approved an allotment of 140,000 options exercisable into shares of the Company, to a number of grantees, including the Company's CEO. The options are exercisable into one ordinary share of the Company par value NIS 0.01, based on vesting terms as determined by the Company's Board of Directors, against a cash exercise price of between NIS 25.23 - NIS 36 per share (subject to standard adjustments).

The fair value of the benefit in respect of the grant was estimated at NIS 2,109 based on the Black and Scholes model. This amount will be carried to profit and loss over the vesting period.

The fair value of the options granted, as above, was estimated using the Black and Scholes model. The parameters used in calculating the model were as follows:

	2021 grants	2020 grants
Price per share	NIS 24.1 - 28.5	NIS 5.4 - 29.8
Exercise price	NIS 25.2 - 36	NIS 0.03 - 23.466
Expected volatility (%)	48	48
Expected term (in years)	10	10
Risk-free interest (%)	1.53	1.53
Expected dividend rate (%)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 13 - Share-based payment

B. Grants (cont.)

The following table presents additional information relating to the share-based payment plan:

	2021		2020	
	Number of options	Weighted average of the exercise price	Number of options	Weighted average of the exercise price
Outstanding at the beginning of the year	662,501	5.64	301,995	5.77
Granted	140,000	34.93	395,804	6.40
Forfeited	(5,119)	-	(8,287)	12.12
Exercised	-	-	(27,011)	1.12
Outstanding at the end of the year	797,382	10.61	662,501	5.64
Exercisable at the end of the year	516,135	-	381,173	4.40

As of December 31, 2021, the balance of the expense in respect of a share-based payment in respect of the existing grants which will be recognized in future periods amounts to NIS 1,341.

(New Israeli Shekels in thousands)

Note 14 - Notes to the statements of comprehensive loss

A. Research and development expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses (1) (2)	9,152	7,889
Consulting and professional services	6,122	1,560
Subcontractors	1,772	48
Computer maintenance	515	325
Office maintenance	413	280
Car maintenance	347	278
Depreciation and amortization	458	205
Others	312	142
Less government grants (***)	(244)	(134)
Total	18,847	10,593
(1) Including share-based payment	486	564
(2) Including salary of former interested parties	-	-

(3) See Note 10 above.

B. Selling and marketing expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Share-based payment (1)	1,456	2,044
Salary and related expenses	437	-
Others	538	355
Total	2,431	2,399

(1) On August 8, 2019, the Company signed a service agreement with a certain service provider (the "Service Provider"), under which the service provider will render advertising services over a period of time and at a monetary value of a defined volume and regarding various issues over a period of 15 months, commencing from October 1, 2019 through December 31, 2020 (the "Agreement", the "Services" and the "Service Period", respectively). In return for the Services, the Company undertook, inter alia, to allot to the service provider at the earlier of the end of the utilization by the Company of the Services or at the end of the Service Period shares of the Company which will constitute 6.5% of the issued and outstanding shares of the Company, on a fully diluted basis as was outstanding on April 1, 2019.

The estimated fair value of the Services amounted to NIS 3,500. The Company recognized share-based payment expenses regarding an equity interest settled transaction upon the actual receipt of the Services. Accordingly, advertising expenses were recorded proportionately, whereby they reflect an outline in which the Company made use of the advertising budget agreed upon as part of the Agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 14 - Notes to the statements of comprehensive loss (cont.)

C. General and administrative expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and related expenses (1)(2)	2,747	3,115
Consulting and professional services	1,366	631
Directors fees	450	252
Office expenses	78	64
Others	508	360
Total	5,149	4,422
(1) Including share-based payment	1,406	1,785
(2) Including salary of interested parties	2,457	2,466

Note 15 - Financing income (expenses), net

A. Components of the financing expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Adjustment to liability in respect of government grants (1)	(31)	(56)
Bank commissions and miscellaneous	(1)	2
Interest in respect of shareholders loans (2)	-	(28)
Interest in respect of leasing liability	(61)	(33)
Exchange rate differentials	(135)	(2)
Total	(228)	(117)

(1) See Note 10 above.

(2) In January 2020, the Company signed a loan agreement with various shareholders whereby they would grant a loan to the Company in an aggregate amount of NIS 682, at annual interest of between 4.67% - 6%, for a period of 45 days. In June 2020, the Company repaid the loans, plus interest that was added from the date of receipt of the loans. Accordingly, during the year ended December 31, 2020, the Company recorded interest expenses in an amount of NIS 28.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 15 - Financing expenses, net (cont.)

B. Components of the financing income

	Year ended December 31, 2021	2020
Revaluation of liability in respect of a price protection mechanism (1)(2)	-	667
Revaluation of liability in respect of a Bridge Investment (3)	-	3,240
Interest in respect of bank deposits	3	-
Total	3	3,907

(1) See Note 12C2 above.

(2) Further to the information presented in Note 14B above, the Company undertook toward the Service Provider that in the event that the shares of the Company are not listed for trade on the Tel Aviv Stock Exchange after the passage of a period of 18 months following the signing of the agreement nor are they traded at that time on that exchange, the Service Provider will be permitted to notify the Company in writing that the Company will have to pay him an amount equal to NIS 2,475 in lieu of the shares to be held by him, within 90 days following such notification or, alternatively, to find a buyer for the shares of the Company held by the service provider pursuant to the terms of the agreement (a "Liability in respect of a price protection mechanism"). Taking into consideration the date of realization of the Liability in respect of a price protection mechanism, the liability in respect thereof was classified as a financial liability measured at fair value through profit and loss pursuant to the provisions of IFRS 9, *Financial Instruments*.

The Company estimated the fair value of the Liability in respect of a price protection mechanism, based on a valuation performed by an independent external appraiser, under which the fair value of the Liability in respect of a price protection mechanism was estimated at NIS 67 as of December 31, 2019. It is noted that upon the IPO completion (see Note 12C4 above), the Liability in respect of the price protection mechanism expired and, accordingly, an amount of NIS 67 was carried to the financing item in profit and loss.

(3) During the years 2017 - 2020, the Company entered into bridge investment agreements with several current and new investors, under which the Company raised an amount of US$4,314 (NIS 15,443) (the Bridge Investments"). The Bridge Investments were non-interest bearing and it was determined that Bridge Investments would be settled by way of conversion into shares of the Company pursuant to conversion scenarios, as defined in the Bridge Investment agreements.

In addition, it was stipulated that upon the occurrence of "defined events", some of which are not under the complete control of the Company, as defined in the agreements, including events relating to a material worsening of the business affairs of the Company and subject to the fact that the investors did not decide otherwise, the Company will have to repay in cash to the investors the amount of their original investment. In addition, as part of the agreements signed in the years 2018 - 2019, the Company granted to some of the investors the right to participate in a fundraising round as part of an investment that awards a discount of 25% off the share price to be determined in the fundraising and at a volume equal to the amount of their investment as part of the BridgeInvestments (the "Investment Option").

Note 15 - Financing expenses, net (cont.)

A. Components of the financing expenses(cont.)

(3) (Cont.)

Pursuant to the provisions of IFRS standards, a financial instrument that may require the issuer to transfer cash under circumstances that are beyond the control of the issuer constitute a financial liability ,unless the realization is not realistic or it will be required only upon the occurrence of the liquidation of the issuer. In such a case, since some of the events that may constitute a trigger to the payment would not lead to the final liquidation of the Company, the commitment of the Company toward the investors met the definition of a financial liability. In addition, taking into consideration the various payment alternatives of the liability and the embedded derivatives as part thereof (the conversion possibilities), the Company elected to designate the liability for measurement in its entirety at fair value through profit and loss.

In addition, it was stipulated that the Investment Option, which entitled certain investors the option to participate in future fundraising under circumstances that are under the Company's control, constitutes an equity instrument.

In addition, it was stipulated that the Investment Option, which granted the investors the option to participate in future rounds of fundraising under circumstances that are under the control of the Company, constitutes an equity instrument. Notwithstanding, as part of the valuation work which was carried out by an independent third-party appraiser at the effective dates of the Bridge Investment, no consideration was left for allocation to the Investment Option. The fair value measurement of the liability in respect of the Bridge Investment was classified to level 3 in the fair value hierarchy, using a scenario model. Accordingly, during the year ended December 31, 2020, the Company recorded revaluation income in respect of the liability for the bridging investment in amounts of NIS 3,240.

In February 2020, a private placement that does not meet the definition of a qualifying investment (according to the terms of the Bridge Investment) was completed. Therefore, in April 2020, Bridge Investments whose value at the time amounted to NIS 15,392 were converted into 1,560,182 ordinary shares of the Company, par value NIS 0.01, at a conversion price of US$2.7065 per share that reflects a 25% discount of the effective share price which was derived from an equity fundraising round that took place in February 2020 as part of a private placement (the fundraising round of the Mor investment). See also Note 12C(2) above.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 16 - Loss per share

The following table presents a summary of the loss and number of shares (including adjustments to such data) that were taken into consideration for purposes of computing the loss per share (both basic and diluted).

	Year ended December 31, 2021	Year ended December 31, 2020
Loss attributed to the shareholders of the Company for purposes of computing the basic loss per share	(26,490)	(13,566)
Adjustments for purposes of computing diluted loss per share:		
Changes in fair value of a financial derivative in respect of a price protection mechanism for the Mor transaction which was classified as a financial liability at fair value through profit and loss	-	(600)
Loss attributed to the shareholders of the Company for purposes of computing diluted loss per share	(26,490)	(14,166)

	Number of shares 2021	Number of shares 2020
Weighted number of shares used in computing the basic loss per share	7,960,239	5,739,448
Adjustments for purposes of computing diluted loss per share:		
Number of diluted potential ordinary shares to be issued without consideration, to derive from a financial derivative in respect of a price protection mechanism in the Mor transaction	-	58,846
Weighted number of shares used in computing diluted loss per share	7,960,239	5,798,294

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 17 - Related and interested parties

A. Balances with interested and related parties

	As of December 31, 2021	As of December 31, 2020
Other current liabilities - salaries and related expenses to interested parties (1)	90	60

(1) See also Notes 9 and 11B above.

B. Transactions with interested and related parties

	Year ended December 31, 2021	Year ended December 31, 2020
General and administrative expenses - salaries and related expenses (including share-based payment) to interested parties (2)	1,397	2,466

(1) See also Note 14C above.

(New Israeli Shekels in thousands)

Note 18 - Taxes on income

A. Taxation of the Company in Israel

General

The Company is taxed in Israel pursuant to the provisions of the Israeli Income Tax Ordinance (New Version) - 1961 (the "Ordinance").

The corporate tax rate applicable to the Company for all reported periods is 23%.

B. Losses and deductions for tax purposes - carried forward to future years

As of December 31, 2021, the carryforward net operating losses of the Company amounted to NIS 36 million. The Company did not record deferred taxes in respect of the loss carryforward since their utilization is not expected in the foreseeable future.

C. Final tax assessment

The Company has no final tax assessments since Inception Date. Notwithstanding, pursuant and subject to the provisions of article 145 of the Ordinance, the reports filed with the tax authorities for the years up to and including 2016 are considered as final.

D. The following tabular represents reconciliation between the amount of the "theoretical" tax that would have applied and the amount of the tax on ordinary operating income, as recorded in the statements of comprehensive loss:

	Year ended December 31,	
	2021	**2020**
Pre-tax loss as reported in the statements of comprehensive loss	26,490	13,566
Corporate tax rate	23%	23%
Theoretical tax savings	6,093	3,120
Non-deductible expenses	(770)	(1,010)
Losses and timing differences in respect of which no deferred taxes were recorded	(5,323)	(2,110)
Tax expenses in respect of the reported year	-	-

(New Israeli Shekels in thousands)

Note 19 - Financial instruments and risk management

A. Financial risk management

1. General

The activities of the Company expose it to a range of financial risks: market risks, credit risks and liquidity risks. During each period, the Company assesses the financial risks and makes decisions regarding them accordingly.

Risk management is conducted by management of the Company, which identifies, assesses and hedges the risks to the extent possible.

As of December 31, 2021, the Company has no significant balances of financial assets and liabilities that are linked to any linkage basis whatsoever that differs from the shekel. Therefore, no information regarding linkage bases of such balances has been included in the financial statements.

2. Financial risk factors

A. Exposure to changes in interest rates

The Company has no material exposure to changes in interest rates.

B. Exposure to changes in foreign currency exchange rates

As of December 31, 2019, the Company had liabilities in respect of Bidge Investments denominated in dollars, the repayment of which was supposed to be effected in the form of a conversion into the Company's shares, subject to the occurrence of various scenarios. On the other hand, the financial statements of the Company are measured and presented in shekels. In such view, the Company had an exposure to changes in the exchange rate of the dollar, which were reflected as part of the financing expenses in the statements of comprehensive loss. Notwithstanding, the changes in the exchange rate did not have an impact on the Company's cash flows, rather they had an impact on the number of shares to be issued to the investors upon the conversion of the liability into shares of the Company.

As mentioned in Note 15(A)3 above, in May 2020, the aforesaid liability was fully settled through its conversion into the ordinary shares of the Company.

C. Credit risks

1. As of December 31, 2021, the balances of cash, cash equivalents, short-term bank deposits and deposits restricted as to withdrawal were deposited for mostly in various banking institutions in Israel. The Company’s management regularly assesses the financial strength of the financial institutions the Company works with. Accordingly, Company's management believes that the credit risk in respect thereof is not high.
2. The following is a breakdown of the financial assets in respect of which the Company is exposed to credit risks:

	As of December 31, 2021	As of December 31, 2020
Cash and cash equivalents	8,683	37,624
Short-term bank deposits	5,012	-
Deposits restricted as to withdrawal	191	150
Other current assets	826	411
Trade receivables	501	359
Total	15,213	38,544

(New Israeli Shekels in thousands)

Note 19 - Financial instruments and risk management

A. Financial risk management

2. Financial risk factors

D. Liquidity risks

From the Inception Date through completion of the fundraising rounds that were conducted in 2020, the Company has been financing its research and development activity through private placement transactions and through Bridge Investments. As of December 31, 2021, the Company's working capital amounts to NIS 11 million.

The Company's policy is to manage its liquidity by assessing current forecasts for purposes of managing its cash for operating purposes during the normal course of business. Depending on its current needs, the Company conducts, from time to time, additional rounds of fundraising.

As of December 31, 2021, the balance of the Company's financial liabilities which it expects to repay in cash during the 12 month period following the balance sheet date, amounts to NIS 5,040. In addition, as of the same date, the Company has a liability in respect of grants received which will be repaid through payment of royalties of between 3.5% - 5% of the revenues deriving to the Company in the future from the know-how and technology developed as part of projects in respect of which such funding was received.

B. A summary of financial instruments broken down by group:

	As of December 31,	
	2021	2020
Financial assets measured at depreciated cost		
Cash and cash equivalents	8,683	37,624
Short-term bank deposits	5,012	-
Trade receivables	501	359
Other current assets	826	411
Deposits restricted as to withdrawal	191	150
	15,213	38,544
Financial liabilities measured at depreciated cost		
Trade payables	942	888
Other current liabilities	3,522	1,965
Liability in respect of government grants	1,168	802
	5,632	3,655

C. Fair value of financial instruments

Items, the book value of which approximates their fair value

The Company's financial instruments which are part of its working capital, include cash and cash equivalents, short-term bank deposits, deposits restricted as to withdrawal, trade receivables, other current assets, trade payables, other current liabilities. As of December 31, 2021 and 2020, the balances of these financial instruments in the statements of financial position constitute an approximation of their fair values. In addition, the Company has a liability in respect of government grants and a liability in respect of leasing that is measured at the initial recognition date at fair value and in subsequent periods at the depreciated cost. Taking into consideration that there has not been a significant change in the discount rate used for recognition of the liability and the current discount rate, the balance constitutes an approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
(New Israeli Shekels in thousands)

Note 19 - Financial instruments and risk management

D. Company capital risk management policy

The goals of the Company's capital risk management policy are to preserve its ability to continue operating as a going concern with a goal of providing its shareholders with a yield on their investment and to maintain a beneficial equity structure with a goal of reducing the costs of equity.

The Company may take various steps with a goal of preserving or adapting its equity structure, including the issuance of new shares and warrants through equity fundraising for purposes of meeting its financial obligations and for purposes of continuing its development operations and commencing sales in commercial volumes.