

ZOOMD TECHNOLOGIES LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

ZOOMD TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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**Independent Auditor's Report to the Shareholders and the Board of Directors of
ZOOMD TECHNOLOGIES LTD.**

Opinion

We have audited the consolidated financial statements of ZOOMD TECHNOLOGIES LTD. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Shay Rami Chalaf.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
April 20, 2021

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ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)

	<u>Note</u>	<u>As at December 31,</u>	
		<u>2020</u>	<u>2019</u>
Assets			
Current assets			
Cash and cash equivalents		2,571	5,890
Trade receivables	4	3,713	4,628
Other receivables and prepaid expenses	5	567	961
		<u>6,851</u>	<u>11,479</u>
Non-current assets			
Long term deposits		47	159
Fixed assets, net	7	83	99
Rights to use assets	6	1,331	1,739
Intangible assets, net	8	11,126	12,547
		<u>12,587</u>	<u>14,544</u>
Total assets		<u>19,438</u>	<u>26,023</u>
Liabilities and Equity			
Current liabilities			
Trade payables		2,034	3,186
Other payables and accrued expenses	9	3,895	3,260
		<u>5,929</u>	<u>6,446</u>
Non-current liabilities			
IIA liability	14	294	433
Lease liabilities	18.F	697	1,105
Reserve for employee benefits	10.B	177	168
		<u>1,168</u>	<u>1,706</u>
Shareholders' equity			
Share capital and premium	11	39,035	39,035
Reserve for share-based payment transactions and other reserves		4,965	4,790
Accumulated deficit		(31,659)	(25,954)
		<u>12,341</u>	<u>17,871</u>
Total Liabilities and Equity		<u>19,438</u>	<u>26,023</u>

The financial statements were approved by the board of directors of the company.

“Amit Bohansky”
Amit Bohensky - Chairmen of the board

“Ofar Eitan”
Ofar Eitan - CEO

“Tsvika Adler”
Tsvika Adler - CFO

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(USD in thousands, except of share data)

		Year ended December 31,	
Not	2 0 2 0	2 0 1 9	
Revenue		25,423	27,052
Cost of sales and services		17,503	19,105
Gross profit		7,920	7,947
Operating costs and expenses:			
Research and development expenses	15	5,916	4,916
Selling, administrative and general expenses	16	7,252	6,439
		13,168	11,355
Operating Loss		(5,248)	(3,408)
Listing expenses		-	(1,519)
Finance Income	17a	8	6
Finance expense	17b	(465)	(1,375)
Finance expense, net		(457)	(2,888)
Net loss and Comprehensive Loss		(5,705)	(6,296)
Net loss per share:			
Basic and diluted		0.06	0.07
Shares used in calculation of net loss per share:			
Basic		100,515,741	87,524,949
Diluted		100,515,741	87,524,949

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands)

	<u>Share capital</u>	<u>Share capital and premium</u>	<u>Reserve for share-based payment transactions and other reserves</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
Balance - January 1, 2019	73,758,097	27,898	4,170	(19,658)	12,410
Conversion of convertible loan	5,970,069	3,672	-	-	3,672
Exercise of warrants	1,927,053	1,485	-	-	1,485
Share-based compensation	-	-	620	-	620
Exercise of options	35,709	(*)	-	-	-
Issuance of shares (net of issuance expenses)	11,574,990	5,980	-	-	5,980
Loss for the year	-	-	-	(6,296)	(6,296)
Balance - December 31, 2019	93,265,918	39,035	4,790	(25,954)	17,871
Share-based compensation	-	-	175	-	175
Exercise of options	1,545,763	(*)	-	-	-
Loss for the year	-	-	-	(5,705)	(5,705)
Balance - December 31, 2020	94,811,681	39,035	4,965	(31,659)	12,341

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

	Year ended December 31,	
	2020	2019
<u>Cash flows - operating activities</u>		
Net loss	(5,705)	(6,296)
Adjustments to reconcile net loss to net cash from operating activities (Appendix A)	3,511	4,044
	(2,194)	(2,252)
Interest Payments	(109)	31
Net cash used in operating activities	(2,303)	(2,221)
<u>Cash flows - investing activities</u>		
Investment in deposits	-	(89)
Capitalized software development costs	(392)	-
Purchase of property, plant, and equipment	(23)	(96)
Net cash used in from investing activities	(415)	(185)
<u>Cash flows - financing activities</u>		
Lease liabilities	(588)	(147)
Increase in deposits	(13)	-
Issuance of shares	-	4,782
Exercise of warrants	-	57
Net cash provided from (used in) financing activities	(601)	4,692
Increase (decrease) in cash and cash equivalents	(3,319)	2,286
Cash and cash equivalents at the beginning of the financial year	5,890	3,604
Cash and cash equivalents at the end of the financial year	2,571	5,890

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

ZOOMD TECHNOLOGIES LTD.
APPENDICES TO CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

Cash flows from operating activities:

	Year ended December 31,	
	2020	2019
A. Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	2,472	2,162
Change in employee benefit liabilities, net	9	14
Cost of share-based payment	175	620
Listing expenses	-	1,519
Convertible loans and warrants revaluation	-	1,118
Finance expenses net	254	(129)
 Changes in assets and liabilities:		
Increase (decrease) in trade receivables and other receivables	1,309	(1,965)
Increase (decrease) in trade and other payables, and other current and non-current liabilities	(569)	751
Changes in IIA liabilities	(139)	(46)
	3,511	4,044
 B. Significant non-cash transactions:		
Conversion of Convertible loans	-	3,672

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

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

A. Description of Business:

Zoomd Technologies Ltd. (formerly DataMiners Capital Corp.) (the "**Company**") was incorporated under the *Business Corporations Act* (Alberta) on October 1, 2013 and completed its initial public offering on May 29, 2014. The Company develop a proprietary patented technology and targets the needs of many segments of the digital marketing industry, it focused on efficient user acquisition for companies and products aimed at mobile users. The Company leverages onsite search providing increased monetization and engagement for publishers as well as more efficient management of digital advertising budgets for media agencies and advertisers, targeting usually mobile app user acquisition. The Company was designated as a Capital Pool Company as such term is defined by Policy 2.4 ("**Policy 2.4**") of the TSX Venture Exchange (the "**TSXV**") with no commercial operations or assets other than cash and its only business being the identification and evaluation of assets or businesses with a view to completing a "Qualifying Transaction" as such term is defined by Policy 2.4.

On May 28, 2019, the Company, Zoomd Ltd. ("**Zoomd**") and Dotima 2019 Ltd. ("**Subco**"), a wholly-owned Israeli subsidiary of the Company, entered into an agreement and plan of merger (the "**Business Combination Agreement**") pursuant to which the Company and Zoomd agreed to effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" which upon completion, would result in a reverse takeover of the Company by the shareholders of Zoomd (the "**Transaction**"). The Transaction, which was completed on August 28, 2019, constituted the Company's Qualifying Transaction under Policy 2.4. Pursuant to the terms of the Business Combination Agreement, the Company acquired all the issued and outstanding shares of Zoomd by way of an amalgamation between Zoomd and Subco, with the amalgamated entity becoming a direct, wholly-owned subsidiary of the Company.

Concurrently with the Qualifying Transaction, Zoomd raised CAD\$9.3 million (approximately US\$7 million) pursuant to a private placement (the "Concurrent Financing").

Upon the completion of the Qualifying Transaction the Company issued an aggregate amount of 90,921,209 common shares to the shareholders of Zoomd (including those holding common shares of Zoomd FinanceCo Ltd. as a result of the Concurrent Financing) in exchange for all the issued and outstanding shares of Zoomd.

Prior to the consummation of the Transaction Zoomd was required to make a share split (the "**Share Split**") 1:9.674629454 adjustment to its share capital (the "**Ratio**"), so that immediately prior to the closing of the Transaction (i) Zoomd issued to each of its shareholders, with respect to each ordinary share of Zoomd held, additional ordinary shares (rounded to the nearest whole number) (keeping the ratio of 1:9.674629454) (the "**Bonus Shares**"); and (ii) the number of ordinary shares or rights convertible into, exercisable or exchangeable into, or entitling the holder thereof to receive directly or indirectly, additional ordinary shares of Zoomd under any option or warrant to purchase ordinary shares currently outstanding or otherwise granted by Zoomd (the "**Outstanding Options**") was adjusted as per the Ratio so that each one ordinary share issuable under such Outstanding Option shall be increased by and additional amount of 9.674629454 ordinary shares (rounded to the nearest whole number).

As the Company's operations did not constitute a business, the acquisition was not within the scope of IFRS 3 but, nevertheless, resulted in consolidated financial statements that are similar to those produced under reverse acquisition accounting, except that no goodwill arises, with the difference between the fair value of the shares issued by the accounting acquirer and the fair value of the accounting acquiree's identifiable net assets represents a service of listing for its shares under IFRS 2 Share-based Payments and recognized as an expense in the consolidated statements of net loss and comprehensive loss .

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL (Cont.)

A. Description of Business(Cont.):

As the acquirer for accounting purposes, Zoomd's net assets are included in the consolidated statements of financial position at their carrying amounts.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Since then, several measures have been implemented worldwide in response to the increased impact from COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to certain business sectors globally, resulting in economic and other difficulties in many regions worldwide.

The Company took a number of steps to mitigate the impact of the pandemic on its operations for 2020, including decreasing all employees' salaries by 25% for April and May 2020 and reducing some of its service providers' expenses. From July 2020, the Company decreased most of its employees' salaries and some of its service providers costs by 10%. Further steps may be taken based on the Company's financial situation and after considering the Company's revenue growth.

The COVID-19 pandemic did not have a material effect on the Company's working capital, debt covenants, planned growth or funding of future development activities and capital expenditures.

B. Reverse asset acquisition

These consolidated financial statements include the completion of the reverse acquisition transaction. Zoomd, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Company in a capital transaction on August 28, 2019. The comparative figures that are presented in the consolidated financial statements are those of Zoomd with the exception that the presentation of share capital has been adjusted retroactively to that of the Company, the legal acquirer. The consolidated statement of loss and comprehensive loss includes the full results of Zoomd. As the acquirer for accounting purposes, Zoomd's net assets are included in the consolidated statements of financial position at their carrying amounts.

The consideration effectively transferred for the acquisition of Zoomd Technologies Ltd (formerly known as DataMiners Capital Corp) is as follows (amounts are USD in thousands):

	Amount
Category:	
Fair value of 524,000 post-consolidated DataMiners Capital Corp shares(*)	396
Fair value of 1,475,000 post-consolidated DataMiners Capital Corp finder's fee shares	1,113
Total Value to DataMiners Capital Corp Shareholders	1,509
Less - cash	(6)
Add: accounts payable	16
Net assets (liabilities) acquired	10
Listing expenses	1,519

(*) Fair value was determined as the per share price in the fund raising completed concurrently of CDN\$1 (USD\$0.75)

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL (Cont.)

C. Definitions:

- The Company** - ZOOMD TECHNOLOGIES LTD.
- Subsidiaries** - Companies that are controlled by the Company (as defined in IAS 27) and whose accounts are consolidated with those of the Company.
- Related Parties** - As defined in IAS 24.
- NIS** - New Israeli Shekel.
- US Dollars or USD-** The U.S. dollar.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Applying international accounting standards (IFRS):

Statement of compliance:

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

The significant accounting policies were applied on a consistent basis for all reporting periods presented in the financial statements, except for changes in accounting policies that were due to the application of standards, amendments to standards and interpretations that took effect on the date of the financial statements, and the application of standards, amendments to standards and interpretations that are not in effect and were early adopted by the Company, as detailed below.

B. Format for presentation of Consolidated statement of Net Loss and Comprehensive Loss:

The Company presents assets and liabilities in the Statement of Financial Position divided into current and non-current items.

C. Format for analysis recognized in Consolidated statement of Net Loss and Comprehensive Loss:

(1) Format for analysis of expenses recognized in Income statement:

The Company's expenses in the Income statement are presented based on the nature of the activity of the expenses in the entity.

(2) The Company's operating cycle is 12 months.

D. Basis of preparation:

The financial statements were prepared on the historical cost basis, except for: Property, plant and equipment and intangibles assets are presented at the lower of the cost less accumulated amortizations and the recoverable amount; Liabilities to employees as described in Note 10.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont.)

E. Foreign currencies:

(1) Translation of foreign currency transactions:

In preparing the financial statements, transactions in currencies other than the entity's functional currency (USD) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary

items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(2) Recognition of exchange differences:

Exchange differences are recognized in profit or loss in the period in which they arise.

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'US\$', which is the company's functional and the company's reporting currency.

F. Cash and cash equivalents:

Cash and cash equivalents include demand deposits and term deposits in banks that are not restricted as to usage, with an original period to maturity of not more than three months.

Deposits that are restricted as to usage are classified as pledged deposits.

Deposits with an original period to maturity exceeding three months, which as of the statement of financial position do not exceed one year, are classified as short-term investments.

G. Basis of consolidation:

General:

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of net loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to align with those used by the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. Goodwill is tested, at the cash-generating unit (or group of cash generating units) level, for impairment annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed.

The Company is composed of one operating segment, goodwill is tested at the company's level, which represents the lowest level within the company at which goodwill is monitored for internal management purposes in accordance with IAS 36. The impairment test is performed by comparing the carrying amount (which mainly comprises acquired intangible assets, goodwill and capitalized development costs) and the recoverable amount of the cash generating unit ("CGU"). The recoverable amount of the CGU is the higher of its fair value less costs of disposal and its value in use.

I. Intangible Assets:

Intangible assets are nonmonetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost and subsequently measured at cost and amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period at the following rates.

	<u>%</u>
Customer relationships	20
Brand	20
Technology	14.3

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

• **Derecognition of intangible assets:**

An intangible asset is derecognized on disposal, or when no future economic benefit is expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

J. Impairment of tangible and intangible assets other than goodwill:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of such exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Impairment of tangible and intangible assets other than goodwill: (Cont.)

group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss to be recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

K. Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Internally-generated intangible assets – research and development expenditure(Cont)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.(See Note 8).

L. Fixed Assets, Net:

Property and equipment are measured at cost, net of accumulated depreciation and net of accumulated impairment. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following rates:

	<u>%</u>
Computer and Software	33
Furniture and Equipment	7-15
Leasehold improvements	20

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease (including the period of renewal options that the Company is reasonably certain to exercise).

M. Financial assets:

(1) General:

Financial assets are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument, using settlement date accounting.

Financial assets were classified in the categories detailed below based on the Company's business model for managing the financial assets and based on the contractual cash flow characteristics of the financial asset:

- Financial assets at fair value through profit or loss' (FVTPL); and
- Debt instruments at amortized cost.

(2) Financial assets at FVTPL:

All financial assets, whether designated or required to be measured at fair value through profit and loss, are initially measured at fair value and any changes in fair value subsequent to initial recognition are recognized in profit or loss. Transaction costs directly attributable to those assets are recognized in profit or loss as incurred. The Company does not currently have any financial assets carried at fair value.

(3) Debt instruments at amortized cost:

Debt instruments held according to a business model whose objective is achieved by collecting the contractual cash flows and whose contractual terms give rise to cash flows that are solely payments of principal and interest.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets(Cont.):

were initially measured at fair value plus directly attributable transaction costs, except for receivables that were initially measured at their transaction price. Subsequent to initial recognition, these assets are measured at amortized cost.

When, and only when, the Company changes its business model for managing financial assets it shall reclassify assets between categories.

(4) Impairment of financial assets:

The Company recognized impairment loss allowance for expected credit losses in respect of account receivables. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights of possible outcomes.

The impairment loss allowance reduces the carrying amount of the asset.

The Company measures the expected credit losses such that they reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and reasonable and supportable information which is reasonably available at the reporting date without undue cost or effort including information about past events, current conditions and forecasts of future economic conditions. The Company updates the provision for impairment at the end of each reporting period and changes in the recognition are recognized in profit or loss as impairment gain or loss.

The Company measured expected credit losses at the amount of the lifetime expected credit losses of the instrument in respect of receivables, assets arising from contracts with customers and lease receivables. Lifetime expected credit losses of the instrument in respect of receivables. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Company measured expected credit losses on a collective basis. The Company aggregates receivables and assets in respect of contracts with customers according to shared credit risk characteristics.

The Company derecognizes all or a portion of the gross carrying amount of a financial asset when it no longer reasonably expects to recover the asset.

At the end of every reporting period, the Company assesses whether the credit risk of a financial asset has significantly increased since the date of initial recognition by comparing the risk of a default event as of reporting date to the risk of a default event as of the date of initial recognition. The Company considers a default event to have taken place when it is expected that the debtor will not pay the full amount of the debt to the Company or when contractual payments are more than 90 days overdue.

In order to make such an assessment the Company takes into account supportable information (quantitative and qualitative), which is reasonably available, that may be obtained without undue cost or effort, including past experience and forward-looking information. Among other things, the Company takes into account the following information:

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets: (Cont.)

(4) Impairment of financial assets: (Cont.)

- increase in unemployment rates;
- Internal and external credit ratings;
- Significant changes in external market indicators of credit risk in respect of a particular financial instrument;
- Existing or forecast adverse changes in business, financial or economic conditions or in the regulatory, economic or technological environment that are expected to cause a significant change in a borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
- Existing or forecast significant change in the borrower's operating results;
- Significant increase of the credit risks of other financial instruments of the same borrower.

Furthermore, the Company assumes that the credit risk of a financial instrument has not increased significantly since the date of initial recognition if the Company determined at the end of the reporting period that the financial instrument has low credit risk (i.e., the financial instrument has a low default risk) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and if adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the borrower's ability to pay those obligations.

N. Financial liabilities and equity instruments issued by the Company:

Classification as debt or equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or at amortized cost. The Company holds no financial assets or issued financial liability carried at FVTPL nor issued a convertible liability as of December 31, 2020.

O. Revenue recognition:

The standard determines a five-step model for the application of the standard. In accordance with the model, revenues from contracts with customers are recognized in the consolidated statements of net loss and comprehensive loss when control over the goods or services is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration receivable according to the terms of the contract, net of amounts collected in favor of third parties (such as taxes).

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Revenue recognition(Cont.):

Revenue is recognized in the consolidated statements of net loss and comprehensive loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if relevant, can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

The Company generates revenues from two different models:

- Revenues from advertisers are based on actual KPI's achieved, at the end of each month capped by the contracted budgeted amounts.
- Revenues from advertisers are based on the Company's installed search engine at publisher's site. When an end-customer uses the Company's search engine, the Company generates revenue from the Advertisers, with whom it has contracted budget that is based on appearances, and split the revenues with the publishers, such 60% to 70% of the revenues collected are passed through to the publisher and recognized in profit or loss as cost of revenues.

Revenues from Advertisers are recognized as the services are rendered. Revenues are presented on a gross basis as the Company acts as a principal and is exposed to the risks associated with the transaction.

P. Business Combinations:

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred to the former owners of the acquiree and equity interests issued, in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If after reassessment, the net acquisition date amounts of the identifiable assets acquired and liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Q. Leases:

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short term leases and leases of low value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. Leases: (Cont.)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options

The non-current lease liability is presented as a separate line in the consolidated statement of financial position. Current lease liability is presented under other payables and accrued expenses.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any adjustments during the periods presented

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. Loss per share:

Basic loss per share is computed with regard to loss attributable to the Company's ordinary shareholders and is calculated for loss from continuing operations attributable to the ordinary shareholders of the reported entity, should such be presented. Basic loss per share is to be computed by dividing loss attributed to owners of the Company (numerator), by the weighted average of the outstanding ordinary shares (denominator) during the period. In the computation of diluted loss per share, the Company adjusted its loss attributable to its ordinary shareholders by multiplying their diluted loss per share and the weighted average of the outstanding shares for the effects of all the dilutive potential ordinary shares of the Company.

S. Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those anticipated cash flows.

When some or all of the economic benefits to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

T. Share-based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black Scholes Merton model.

When the equity instruments granted do not vest until such employees and service providers complete a defined period of service, comply with the conditions for exercise or defined market conditions are present, the Company recognizes the share-based payment arrangements in the financial statements over the vesting period against an increase in shareholders' equity.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to the reserve for share-based transactions.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted on the date the entity obtains the goods or the counterparty renders the service.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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U. Taxation:

Income tax expense represents the sum of the tax currently payable and deferred tax.

(1) Current tax:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of loss and comprehensive loss, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(2) Deferred tax:

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to Income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

V. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received, and the Company will comply with the attached conditions.

Government grants received from the Israeli Innovation Agency ("IIA") formerly the OCS, are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing revenues.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction (partial or full settlement) of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future revenues and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

W. Employee benefits:

According to Israeli law the Company is generally required to pay severance compensation to an employee at the time of dismissal, death or retirement (including employees who leave the place of employment under other specified circumstances). The calculation of the obligation related to the termination of the employee-employer relationship is based on the employee's salary and the years of service.

Commencing January 2013, the Company has defined contribution plans, in accordance with Section 14 of the Israeli Severance Pay Law, according to which the Company makes monthly payments to insurance policies for its employees. Upon termination of employment, employees will be entitled to receive only the amounts accrued in the insurance policies with respect to severance pay. Deposits to a defined contribution plan for severance pay or for pensions are recognized as an expense at the time of the deposit to the plan concurrent with obtaining the labor services from the employee, and no additional provision in the financial statements is required.

Short term employee benefits:

Short term employee benefits are benefits which it is anticipated will be utilized or which are to be paid during a period that does not exceed 12 months from the end of the period in which the service that creates entitlement to the benefit was provided.

Short term company benefits include the company's liability for short term absences, payment of grants, bonuses and compensation. These benefits are recorded to the consolidated statements of net loss and comprehensive loss when incurred. The difference between the amount of the short-term benefits to which the employee is entitled and the amount paid is therefore recognized as an asset or liability.

Paid vacation days:

In accordance with the Israeli Yearly Vacation Law-1951, Company employees are entitled to a number of paid vacation days for each year of employment. In accordance with the law and its appendix, and as determined in the agreement between the Company and the employees, the number of vacation days per year to which each employee is entitled is based on the seniority of the employee.

Employees may use vacation days based on their needs and with the Company's consent, and to accrue the remainder of unused vacation days. The vacation days utilized first are those credited for the current year and subsequently from any balance transferred from the prior year (on a "LIFO" basis). An employee who ceased working before utilizing the balance of vacation days accrued is entitled to payment for the balance of unutilized vacation days.

ZOOMD TECHNOLOGIES LTD.
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

X. Fair Value Measurement:

The Company uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 Unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. The Company recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Y. Exchange Rates and Linkage Basis:

(1) Balances in foreign currency or linked thereto are included in the financial statements based on the representative exchange rates, as published by the Bank of Israel, that were prevailing at the balance sheet date.

(2) Following are the changes in the representative exchange rate of the US dollars and Euro vis-a-vis the NIS:

	Representative exchange rate of the Euro	of the dollar
	(NIS per €1)	(NIS per \$1)
As of:		
December 31, 2020	3.94	3.21
December 31, 2019	3.87	3.45
Increase (decrease) during the Year ended:	%	%
December 31, 2020	1.8	(6.9)
December 31, 2019	(9.7)	(8)

ZOOMD TECHNOLOGIES LTD.
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Z. Adoption of new and revised Standards :

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption.

The Company has benefited from a 50% discount for 2 months on its lease payment on building in Israel and the remaining 50% lease payments will be paid in 12 installments. The discount reduces payments in the period from April to May 2020 by approximately US95 and increases in payments in the period to May 2021 by US50. The Company has remeasured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of US82, which has been recognised as a negative variable lease payment in profit or loss. The Company continued to recognize interest expense on the lease liability.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ZOOMD TECHNOLOGIES LTD.
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Z. Adoption of new and revised Standards (Cont.) :

Amendments to IAS 1 and IAS 8 Definition of material - The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- **Amendments to IFRS 3 – Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- **IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION

A. General:

In the application of the Company's accounting policies, which are described in Note 2 above, the Company management is required, in certain cases, to make significant accounting judgments regarding estimates and assumptions that impact the reported amounts of assets, liabilities and contingent liabilities as at the date of the financial statements, as well as the reported amounts of revenue, expenses, gains and losses during the reporting period. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

Management reviews the estimates and underlying assumptions on an ongoing basis. Changes in accounting estimates are only recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

The assumptions used in the Company estimates are based on contractual commitments where sensitivity is insignificant. In addition, in the process of applying the Company's accounting policies, management makes various judgments, apart from those involving estimations, that can significantly affect the amounts recognized in the financial statements.

Other estimates or assumptions used in our allowances are based on the Company's historical experience. Any sensitivity analysis of the effect of changes in critical estimates and assumptions would show negligible effect on the Company's financial position or results of operations.

B. Significant judgments in applying accounting policies:

The following are the significant judgments that the management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Share based payments - The Company accounts for its share-based compensation to employees in accordance with the provisions of IFRS 2 "Share-based Payment," which requires measuring the cost of share-based compensation based on the fair value of the award on the grant date. The cost is recognized as compensation expense over the requisite service period which is usually the vesting period, based upon the grant date fair value of the equity or liability instruments issued. The Company recognizes the compensation expenses over the vesting period using the accelerated method pursuant to which each vesting tranche is treated as a separate amortization period from the grant date to the vesting date and classifies these amounts in the financial statements based on the department to which the related employee reports.

The Company selected the Black-Scholes Merton option pricing model as the most appropriate method for computing the fair value of its share-based awards, using the standard parameters established in that model including estimates relating to the fair value of its ordinary shares, volatility, estimated life of the instruments, risk-free interest rates and dividends yield as described below.

(1) Option Valuations:

The determination of the grant date fair value of options using an option pricing model is affected by estimates and assumptions with respect to a number of complex and subjective variables. These variables include the expected volatility of the Company's share price over the expected term of the options, share option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

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NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Cont.)

B. Significant judgments in applying accounting policies: (Cont.)

(1) Option Valuations(Cont.):

Fair Value of the Ordinary Shares - Since the Company's shares were not publicly traded until August 28, 2019 (the date the Company completed the Qualified Transaction), the Company estimated the fair value of its ordinary shares, as discussed below in "Valuation of the Company's ordinary shares". From August 28, 2019 the Company's shares are publicly traded.

Volatility - The expected share price volatility was based on the historical equity volatility of the ordinary shares of comparable companies that are publicly traded.

Expected Term - The expected term of options granted represents the estimated period of time that options granted are expected to be outstanding. Since adequate historical experience is not available to provide a reasonable estimate, the expected term is determined based on the midpoint between the available exercise dates (the end of the vesting periods) and the last available exercise date (the contracted expiration date).

Risk-Free Rate - The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the expected term of the options.

Expected Dividend Yield - The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

If any of the estimates and assumptions used in the Black-Scholes Merton model change significantly, the Company's share-based compensation for future awards may differ materially from those projected and recorded previously.

(2) Valuation of the Company's ordinary shares:

In the absence of an active market for the Company's ordinary shares until August 28, 2019, the fair value of its ordinary shares for purposes of determining the exercise price for award grants was determined by the Company's management, with the assistance of a third party valuation expert, and approved by the Company's board of directors.

Government Grants - The Company received research and development funding from the State of Israel through the IIA in the form of grants which the Company is required to return with interest under certain conditions. Pursuant to regulations under the Encouragement of Industrial Research and Development Law 5744- 1984 (the "Research Law"), royalties on the Company's revenues will be payable to the Israeli government, at the rate of 3% (or at an increased rate under certain circumstances), up to an aggregate of 100% (which may be increased under certain circumstances) of the dollar-linked value of the total grants received in respect of the approved plans, plus interest at the rate of 12-month London Interbank Offered Rate, or LIBOR. Such grants qualify as "forgivable loans" in accordance with IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", since they are repayable only if the Company generates revenues related to the underlying project.

In accordance with IAS 20, the grant is accounted for as a liability unless it is more likely than not that the Company will meet the terms of forgiveness of the loan, in which case the forgivable loan is accounted for as a government grant and recognized as a reduction of the research and development expenses. The Company considers it more likely than not that the project underlying its IIA grants will reach the revenue generating stage and therefore, it records a liability in respect of the IIA grants. (See Note 2.U)

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NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Cont.)

B. Significant judgments in applying accounting policies: (Cont.)

(2) Valuation of the Company's ordinary shares(Cont):

In calculating the present value of future payments to the IIA, the Company used a discount rate of 25% which is commensurate with early stages companies.

Due to the fact that the Company is still generating insignificant amounts of revenues from the technology that is subject to these royalties, the sales forecast is highly subjective and may vary significantly in the future. As more information is gathered to assist the Company's management in making forecasts, the liability would be updated. Any updates in the expected cash outflows and the liability will be recorded to profit and loss each period.

Impairment of non-current assets - The Company has made significant investments in intangible assets and goodwill. Pursuant to IAS 36, goodwill must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

Estimating recoverable amounts of assets and Cash Generating Units ("CGU") must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the future market conditions and the long-term growth rate into perpetuity (terminal value) or the fair value less costs to the sell the CGU. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Company's impairment evaluation and hence results. The Company operates in one segment. Recoverable amounts are based on fair value of the whole company based on recent transaction and other indication of fair value of the Company's share.

NOTE 4 - TRADE RECEIVABLES

A. Composition:

	As at December 31	
	2020	2019
Trade receivable	4,005	4,456
Impairment loss allowance	(292)	(172)
	3,713	4,628

B. Management of the credit risk by the Company:

Before receiving a new customer and during the year, the company conducts research on the financial strength of the customer, and also requests the customer to provide credit references from other suppliers with whom the customer maintains business relations. In addition, the Company purchases a credit insurance policy for all its customers.

From total trade receivable balance as of December 31, 2020, the sum of \$609 is with respect to debt owed by significant customers. The Company does not have additional customers whose purchase from the Company exceeds 10% of the Revenues for the year ended December 31, 2020.

The average credit period on sales of services for 2020 is 53 days.

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NOTE 4 - TRADE RECEIVABLES (Cont.)

C. Changes in the allowance for doubtful debts:

	As at December 31	
	2020	2019
Balance at beginning of the year	172	125
Changes in allowance for expected credit loss	120	47
Balance at the end of the year	292	172

NOTE 5 - OTHER RECEIVABLES AND PREPAID EXPENSES

Composition:

	As at December 31,	
	2020	2019
Deposits	29	29
Prepaid expenses	236	363
Government entities	290	539
Other	12	30
	567	961

NOTE 6 - RIGHT OF USE ASSETS

COMPOSITION:

	As at December 31,			
	2020		2019	
	Cost	Accumulated depreciation	Net book value	Net book value
Lease premises	1,884	(742)	1,142	1,546
Vehicles	358	(169)	189	193
	2,242	(911)	1,331	1,739
	Year ended			
	2020			
Amount recognized in profit and loss:				
Depreciation expense of the right of use assets	620			
Interest expense on lease liabilities	109			
	729			

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NOTE 7 - FIXED ASSETS, NET

Composition:

	As at December 31,			
	2020		2019	
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture and equipment	18	(2)	16	16
Leasehold improvements	45	(12)	33	29
Computers and software	161	(127)	34	54
	<u>224</u>	<u>(141)</u>	<u>83</u>	<u>99</u>

NOTE 8 - INTANGIBLE ASSETS, NET

Composition:

	As at December 31,					
	2020			2019		
	Cost	Accumulated amortization	Net book value	cost	Accumulated amortization	Net book value
Goodwill	5,305	-	5,305	5,305	-	5,305
Customer relationships	309	(201)	108	309	(139)	170
Brand	734	(477)	257	734	(331)	403
Capitalized software development costs	392	(14)	378	-	-	-
Technology	11,132	(6,054)	5,078	11,132	(4,463)	6,669
	<u>17,872</u>	<u>(6,746)</u>	<u>11,126</u>	<u>17,480</u>	<u>(4,933)</u>	<u>12,547</u>

NOTE 9 - OTHER PAYABLES AND ACCRUED EXPENSES

Composition:

	As at December 31,	
	2020	2019
Salaries and other employee related liabilities	972	929
Expenses payable	2,190	1,650
Lease liabilities	733	681
	<u>3,895</u>	<u>3,260</u>

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NOTE 10 - RESERVE FOR EMPLOYEE BENEFITS

A. Composition:

	As at December 31,	
	2020	2019
	in USD thousands	
Short-term employee benefits:		
Benefits for vacation pay	485	427
Liability for salary, bonuses and wages	487	502
	<u>972</u>	<u>929</u>

B. Post-employment Benefits:

The Company's employees are signed on section 14. A few of the employees signed on section 14 only after the merger. It was agreed with them to fix the amount of the Company's liability to them for the time from the inception of their employment until they sign section 14 in case they leave the company, such that no uncertainty exists about the amounts to be paid.

The Company's payments for severance pay, in accordance with Section 14 of the Israeli Severance Pay Law for the years ended December 31, 2020 and 2019 was \$320 and \$281 respectively.

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NOTE 11 - SHAREHOLDERS' EQUITY

A. Shares issued and outstanding:

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As of December 31, 2020, the Company has 94,811,681 common shares issued and outstanding and as of December 31, 2019, the Company had 93,265,918 (after giving effect to the share split discussed above) common shares issued and outstanding.

B. Transactions:

- i. In May 2019, the convertible loans, at the fair value of \$3,672, were fully converted into 5,970,069 ordinary shares of the Company.(See also 11.C)
- ii. During August 2019, the warrants were exercised into 1,927,053 ordinary shares of the Company with a conversion price of \$ 0.26 (following the shares split). (See also 11.C)
- iii. During 2020, some of the Company's employees and consultants exercised their options into 1,545,763 ordinary shares of the Company with a conversion price of \$ 0.004 per share(following the share split).
- iv. Concurrently with the Qualifying Transaction, Zoomd raised CAD\$9.3 (USD\$7 million) pursuant to the Concurrent Financing.

C. Convertible loans:

In January 2017 the Company signed a convertible loan agreement upon which the Company can withdraw up to \$2.5 million. The Company withdrew \$2.3 million. According to the agreement the convertible loans matures on June 30, 2018. In addition, the lenders received 25% warrant coverage with conversion terms similar to the terms of conversion on the convertible loans.

The convertible loans were converted during 2019 into 894,258 shares of NIS 0.01 par value each. The fair values of the loans prior to conversion were \$3,606. The conversion increased the share capital by the same amount. Changes in fair values of \$1,378 attributed to the loans were recorded in 2017. The warrants were considered derivative over own equity carried at FVTPL rather than eligible for equity classification. The fair value of the warrants prior the conversion was \$1,428.

ZOOMD TECHNOLOGIES LTD.
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NOTE 11- SHARE CAPITAL AND OTHER EQUITY (Cont.)

In September 2017 another convertible loan agreement was signed upon which the Company can withdraw up to \$3 million. As of December 31, 2018, the Company withdrew \$2.2 million. The loans were designated as at fair value through profit and loss (FVTPL). The fair value of the loans as of December 31, 2018 was \$3,221 representing the fair value of the shares to which it is convertible. In May 2019, the convertible loans, were converted into ordinary shares of the Company on a conversion price of \$0.38 (following the share split).

The convertible loans agreements described above, included a conversion to equity component that should be recorded as a liability based on the criteria established in IAS 32 *Financial Instruments: Presentation*. The Company elected to designate the entire convertible loans as at fair value through profit and loss (FVTPL). Changes in the fair value of the loans were recorded in finance expenses. Upon completion of the Qualified Transaction, the entire balance of convertible loans were converted to equity.

- D. All 81,690,928 common shares issued to the former shareholders of Zoomd Ltd. as part of the reverse takeover with Dataminers Capital Corp. completed on August 28, 2019 were subject to a one year contractual lock-up beginning on August 28, 2019, being the date the Qualifying Transaction was completed.

All the 81,690,928 issued shares to the former shareholders of Zoomd were being held by Altshuler Shaham Trusts Ltd., a designated trustee (the "Trustee") as required under the tax pre-ruling granted (the "Tax Ruling") by the Israeli Tax Authorities (the "ITA") to Zoomd and its shareholders. The purpose of this trust arrangement is to comply with the terms of the Tax Ruling which enables each shareholder to postpone the tax event as a result of the exchange of shares upon the completion of the Transaction to a later date, and therefore the shares are held in trust with the Trustee in order to ensure the future tax payments to the ITA. The voting rights of the shares held in trust will remain in the control of the shareholders, and the Trustee will disseminate the information from the Company to such shareholders.

In addition, in connection with the completion of the Qualifying Transaction, a total of 33,207,850 common shares (31,547,458 common shares remain subject to escrow as of December 31, 2019) and 3,731,000 stock options (3,544,450 stock options remain subject to escrow as of December 31, 2019) held by Principals of Zoomd Technologies Ltd. (as such term is defined by the Policies of the TSX Venture Exchange) were escrowed pursuant to a TSX Venture Exchange Tier 2 surplus escrow agreement and 84,000 common shares are subject to the capital pool company (CPC) escrow agreement. An additional 9,162,009 common shares (8,245,809 common shares remain subject to escrow as of December 31, 2019) and 4,534,310 stock options (4,081,041 stock options remain subject to escrow as of December 31, 2019) were escrowed pursuant to a TSX Venture Exchange Tier 2 value escrow agreement in connection with the seed share resale restriction rules of the TSX Venture Exchange.

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NOTE 11- SHARE CAPITAL AND OTHER EQUITY (Cont.)

E. Share based payment:

The Company established a stock option plan (the “Plan”) for its key employees, officers and directors, and certain consultants. The Plan is administered by the Board of Directors of the Company. The Board may from time to time grant options to purchase ordinary shares of the Company according to the terms as set in the Company’s option plan. Options under the Plan expire five to ten years after the grant date and vest either immediately or over periods up to three years and are equity-settled.

The following table provides the activity of stock option for the years ended December 31, 2020, and December 31, 2019 for options outstanding, and exercisable. The weighted average exercise price, and the weighted average remaining contractual life.

	Options outstanding		
	Number	Weighted average exercise price	Weighted average remaining contractual life (in years)
Outstanding January 1, 2019	8,447,087	-	8.21
Expired	-	-	
Forfeitures	50,105	-	
Exercised	35,709	-	
Granted	-	-	
Outstanding December 31, 2019	<u>8,361,270</u>	-	7.21
Expired	-	-	
Forfeitures	88,854	-	
Exercised	1,545,763	-	
Granted	3,596,295	0.31	2.06
Outstanding December 31, 2020	<u><u>10,322,951</u></u>	<u><u>0.11</u></u>	4.76
Options exercisable	<u><u>7,883,974</u></u>		

The fair value at the date of grant of the options granted during the years ended December 31, 2019, and December 31, 2018 equal the share price of \$0.41 as the exercise price was the par value, there is no effect on the grant date fair value.

The following table summarizes information about the assumptions for measuring the fair value of the options granted under the Black-Scholes option pricing model for the year ended December 31, 2020, is as follows:

	2020
Dividend yield (%)	0%
Expected volatility of the share prices (%)	100%
Risk-free interest rate (%)	0.2%
Expected life of share options (years)	2.06

The Company recognized total expense of \$175 and \$620 related to above equity settled share-based payment transactions for the years ended December 31, 2020 and December 31, 2019 respectively.

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NOTE 12- SHARE CAPITAL AND OTHER EQUITY (Cont.):

F. Warrants:

In connection with the Qualifying Transaction, the agents received 458,080 broker warrants (each, a “**Broker Warrant**”). Each Broker Warrant is exercisable to acquire one common share of the Company at CAD\$1.00 (USD 0.76) per share until August 20, 2021. In addition, certain finders received 265,000 finders’ options on identical terms as the Broker Warrants.

NOTE 13 - INCOME TAXES

- A.** The corporate tax rate in Israel is 23%.
- B.** Losses and deductions for tax purposes carried forward amount to approximately \$17 million as of December 31, 2020. Due to the lack of history of taxable income and uncertainty of taxable income in the foreseeable future, no deferred taxes were recorded for these carry forward losses and deductions.
- C.** The Company did not record current taxes for the years ended December 31, 2020 and 2019 since it had no taxable income.

NOTE 14- COMMITMENTS AND CONTINGENT LIABILITIES

Royalties to the IIA:

The Company has a liability to pay royalties to the Israeli government as a result of grants received from the IIA. The liability is calculated based on future sales generated by products which were developed using the IIA grants. As of December 31, 2020, it is probable that the Company will be required to pay the above mentioned royalties, and accordingly, the Company recorded, as of December 31, 2020, a provision in a total amount of \$ 294. According to the terms of the grants, the IIA is entitled to royalties equal to 3% (or at an increased rate under certain circumstances) of the sales of the product funded, up to the full principal amount (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grants, plus interest at the rate of 12-month LIBOR.

As of December 31, 2020, the Company had received IIA grants in the aggregate amount of \$ 715 .

The movement in the provision is as follows:

	December 31,	
	2020	2019
	in USD thousands	
Balance at the beginning of the year:	433	479
Changes during the year:		
Amounts charged to the statement of profit and loss and other comprehensive loss	(139)	(46)
Balance at year end	294	433

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NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES

Composition:

	Year ended December 31,	
	2020	2019
Salaries and related expenses	1,815	1,636
Depreciation and amortization	1,605	1,591
Services	1,843	1,046
Other expenses	653	643
	<u>5,916</u>	<u>4,916</u>

NOTE 16 - SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

Composition:

	Year ended December 31,	
	2020	2019
Salaries and related expenses	4,132	3,926
Professional fees	1,020	442
Share based payment	132	511
Other expenses	1,968	1,560
	<u>7,252</u>	<u>6,439</u>

NOTE 17 - FINANCE INCOME AND EXPENSES

A. Financing income:

	Year ended December 31,	
	2020	2019
Bank fees	-	6
Foreign currency differences	8	-
	<u>8</u>	<u>6</u>

B. Financing expenses:

	Year ended December 31,	
	2020	2019
Foreign currency differences	375	177
Bank fees and other financing expenses	90	80
Convertible loans and warrants	-	1,118
	<u>465</u>	<u>1,375</u>

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NOTE 18- FINANCIAL INSTRUMENTS

A. Financial instruments fair value:

The carrying amount of the Company's financial instruments equals or approximates their fair value.

B. Financial instruments carried at amortized costs:

	Year ended	
	December 31	
	2020	2019
	In USD thousands	
Financial assets:		
Cash and cash equivalents	2,571	5,890
Deposits	29	29
Trade receivables	3,713	4,628
Other current assets	12	30
	<u>6,325</u>	<u>10,577</u>
Financial liabilities:		
Current liabilities:		
Trade accounts payable	2,034	3,186
Other payables and accrued expenses	3,895	3,260
	<u>5,929</u>	<u>6,446</u>

C. Purposes of financial risk management:

The Company's finance department renders services for business operations, permits access to local and international financial markets, supervises and administers the financial risks related with the activities of the Company by means of internal reports which analyze the extent of exposure to risks according to their level and intensity. These risks include market risks (including foreign currency risk) and liquidity risk.

D. Market risk:

Foreign currency risk:

The Company's functional currency is the U.S. dollar. The Company's exposures to the fluctuations occurring in the rates of exchange between the U.S. dollar and the New Israeli Shekel result mainly from salaries and related expenses that are incurred in NIS.

The Company acts to reduce the currency risk by means of holding its liquid resources in short-term deposits (NIS and USD).

During the year ended December 31, 2020, no change took place in the exposure to currency risk or in the manner in which the Company manages and measures the risk.

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NOTE 18- FINANCIAL INSTRUMENTS (Cont.)

D. Market risk: (Cont.)

Foreign currency risk: (Cont.)

The book values of the financial assets and liabilities of the Company denominated in foreign currency are as follows:

	Liabilities		Assets	
	December 31,		December 31,	
	2020	2019	2020	2019
	in USD thousands		in USD thousands	
NIS	2,155	1,749	1,005	1,247
Euro	54	47	938	780
CAD	-	-	67	4,091

Sensitivity analysis of foreign currency:

As stated above, the Company is exposed mainly to the NIS currency since salaries and related expenses are stated in NIS.

The following table itemizes the sensitivity to an increase or a decrease of 10% in the relevant exchange rate. 10% is the rate of sensitivity representing the assessments of management with respect to the reasonable possible change in exchange rates. The sensitivity analysis includes current balances of monetary items denominated in foreign currency and conforms their translation at the end of the period to a change of 10% in foreign currency rates.

	Effect of NIS currency	
	December 31,	
	2020	2019
	in USD thousands	
Pre-tax effect of increase of 10% in the \$ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	763	584
Effect on equity	763	584
Pre-tax effect of decrease of 10% in the \$ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	(763)	(584)
Effect on equity	(763)	(584)

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NOTE 18- FINANCIAL INSTRUMENTS (Cont.)

E. Management of credit risk:

Before receiving a new customer and during the year, the company conducts research on the financial strength of the customer, and also requests the customer to provide credit references from other suppliers with whom the customer maintains business relations. In addition, the Company is purchasing a credit insurance policy for most of its customers.

Moreover, the Company holds cash and cash equivalents in various financial institutions. These financial institutions are located in Israel and the United States. Pursuant to the Company's policies, evaluations of the relative financial stability of the different financial institutions are performed on an on-going basis.

The account receivable balances include overdue accounts which are exceeding payment terms. Management believes that the provision for expected credit loss is adequate.

F. Liquidity risk:

Careful management of liquidity risk requires a sufficient cash balance to support operating activities. Management constantly analyzes cash balances which comprised of cash and cash equivalents. This analysis is based on forecasted cash flows, in accordance with policies and restrictions set by the Company.

The Company keeps a sufficient level of cash and cash equivalents, by taking into account the cash required for its operating activities, in order to reduce the liquidity risk which, the Company is exposed to.

Below is an analysis of contractual maturities of financial liabilities, including estimated interest payments and the effect of discounting, as of December 31, 2020 and 2019:

	<u>Carrying Amount</u>	<u>Contractual Cash flow</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2020					
Non-derivative financial liabilities:					
Accounts payable	2,034	2,034	2,034	-	-
Other payables and accrued expenses	3,162	3,162	3,162	-	-
Lease liabilities	1,430	1,931	757	1,174	-
IIA liability	294	710	10	10	690
	<u>6,920</u>	<u>7,837</u>	<u>5,963</u>	<u>1,184</u>	<u>690</u>

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NOTE 18- FINANCIAL INSTRUMENTS (Cont.)

E. Liquidity risk(Cont.):

	Carrying Amount	Contractual Cash flow	1-2 years	2-5 years	Over 5 years
	U.S dollars in thousands				
December 31, 2019					
Non-derivative financial liabilities:					
Accounts payable	3,186	3,186	3,186	-	-
Other payables and accrued expenses	2,579	2,579	2,579	-	-
Lease liabilities	1,785	1,931	681	1,250	-
IIA liability	433	710	10	10	690
	<u>7,983</u>	<u>8,406</u>	<u>6,456</u>	<u>1,260</u>	<u>690</u>

NOTE 19- TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. Compensation to key management personnel and interested parties:

	Year ended December 31,	
	2020	2019
in USD thousands		
Salary and related expenses to key management personnel	<u>1,983</u>	<u>1,938</u>
Number of personnel to which benefit applies	<u>9</u>	<u>8</u>
Share based payment to interested parties and key management personnel	<u>(*)-</u>	<u>-</u>
Number of personnel to which Share based benefit applies	<u>5</u>	<u>-</u>

(*) Less than \$1 thousand

B. Transactions with interested and related parties:

	Year ended December 31,	
	2020	2019
in USD thousands		
Subcontractors	<u>576</u>	<u>465</u>
Consultation	<u>377</u>	<u>370</u>

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NOTE 20- MAJOR CUSTOMERS

The following is an analysis of the Company's customers who represent more than 10% of the total sales:

	Year ended	
	December 31,	
	2020	2019
	in USD thousands	
Customer A	4,857	6,448
Customer B	1,640	4,967
Customer C	3,630	3,385

NOTE 21- SUBSEQUENT EVENTS

1. On March 24, 2021, the Company signed a Credit Line agreement with one of its banks. The credit line agreement allows the Company to withdraw, at its own discretion, up to USD2,000, subject to the terms and conditions stipulated in the agreement. Amounts withdrew under the credit line bears interest of one month's LIBOR + 4.75% per annum.
2. On February 9, 2021 the Company acquired all of Performance Revenues' Ltd tangible and intangible assets, in consideration for USD\$350 in cash and an earn-out that is based on the annual results of Performance Revenues for 2021, capped at maximum of USD1,023 , payable in Zoomd's shares, using a price per share that is the higher of (i) the fair market value on the day of payment and (ii) CAD\$0.96 (\$0.75 USD based on CAD:USD rate) per share.