TRANSLATION FROM HEREW ORIGINAL

BIO VIEW LTD.

2019 ANNUAL REPORT

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AUDITORS' REPORT

To the shareholders of

BIO VIEW LTD.

We have audited the accompanying consolidated financial statements of financial position of Bio View Ltd. (hereafter - the Company) as of December 31, 2019 and 2018 and the related statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2019. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiary as of December 31, 2019 and 2018 and the results of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, in accordance with International Financial Reporting Standards (hereafter – IFRS) and in accordance with the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010.

Tel-Aviv, Israel
March 19, 2020

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

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BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
		NIS in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	5	18,743	18,007
Accounts receivable:	6		
Trade		4,301	3,063
Other		493	560
Inventory	7	3,923	3,963
		27,460	25,593
NON-CURRENT ASSETS :			
Restricted deposit	13a	125	125
Other long-term receivables	3a	690	672
Intangible asset		-	112
Right of use asset		2,501	
Deferred income tax	8	5,714	6,397
Property and equipment - net		493	510
		9,523	7,816
TOTAL ASSETS		36,983	33,409
Liabilities and equity			
CURRENT LIABILITIES:			
Accounts payable:	9		
Trade		1,329	1,547
Other		2,878	2,904
Royalties to Chief Scientist		-	422
Prepaid income	11	4,081	4,507
Current maturities of lease liabilities	13	1,067	
Provision for warranty	10	533	328
		9,888	9,708
NON-CURRENT LIABILITIES:			
Retirement benefit obligation - net	14	517	351
Prepaid income	11	206	601
Lease liabilities	13	1,422	-
		2,145	952
COMMITMENTS AND CONTINGENT LIABILITIES	12		
TOTAL LIABILITIES		12,033	10,660
EQUITY ATTRIBUTED TO COMPANY'S OWNERS:	15		
Ordinary shares		141	141
Share premium		52,878	52,768
Capital surplus in respect of options		668	591
Other comprehensive loss reserves		(889)	(378)
Accumulated deficit		(27,848)	(30,373)
TOTAL EQUITY		24,950	22,749
TOTAL LIABILITIES AND EQUITY		36,983	33,409

Isha Siton	Dr. Alan Schwebel	Yulia Kapon
Director	**CEO**	**Director of Finance**

In March 19, 2020, Mr. Isha Siton authorized by the board of directors to sign the annual report instead of the chairman, Mr Emanuel Gill.

Date of approval of financial statements by the Board of Directors: March 19, 2020.

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

BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF INCOME OR LOSS

	Note	2019	2018	2017
		Year ended December 31		
		NIS in thousands		
REVENUE	16a	35,790	25,280	27,760
COST OF SALES	16b	15,523	10,520	11,184
GROSS PROFIT		20,267	14,760	16,576
RESEARCH AND DEVELOPMENT EXPENSES	16c	5,708	6,647	6,884
SELLING AND MARKETING EXPENSES	16d	4,837	5,024	5,225
GENERAL AND ADMINISTRATIVE EXPENSES	16e	5,381	5,664	4,783
OTHER EXPENSES (INCOME) (MAINLY FOREIGN EXCHANGE RATE DIFFERENCES), NET	16f	946	(810)	1,097
OPERATING INCOME (LOSS)		3,395	(1,765)	(1,413)
FINANCE EXPENSES (INCOME) – NET	16g	27	61	(117)
INCOME (LOSS) BEFORE TAXES ON INCOME		3,368	(1,826)	(1,296)
INCOME TAX (TAX BENEFITS)	8	843	28	(44)
NET INCOME (LOSS) FOR THE YEAR		2,525	(1,854)	(1,252)

	Note	2019	2018	2017
		NIS		
EARNINGS (LOSS) PER SHARE:	17			
Basic income (loss) per share		0.18	(0.13)	(0.09)
Diluted income (loss) per share		0.18	(0.13)	(0.09)

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

BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31		
	2019	**2018**	**2017**
	NIS in thousands		
NET INCOME (LOSS) FOR THE YEAR	2,525	(1,854)	(1,252)
OTHER COMPREHENSIVE INCOME (LOSS):			
Items that will not be reclassified to profit or loss -			
remeasurement of post-employment benefit obligations	(166)	67	(36)
Items that may be subsequently reclassified to profit or loss -			
foreign exchange differences arising from translation of the net investment in foreign operation	(345)	307	(373)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(511)	374	(409)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	2,014	(1,480)	(1,661)

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

BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Warrants	Other comprehensive loss reserves	Capital deficiency	Total
	NIS in thousands					
BALANCE AT JANUARY 1, 2017	139	51,702	587	(343)	(24,480)	27,605
CHANGES IN THE YEAR ENDED DECEMBER 31, 2017:						
Total comprehensive income				(409)	(1,252)	(1,661)
Dividend					(2,787)	(2,787)
Exercise of options by employees	*	144	(46)			98
Expenses in respect of options to employees			200			200
BALANCE AT DECEMBER 31, 2017	139	51,846	741	(752)	(28,519)	23,455
CHANGES IN THE YEAR ENDED DECEMBER 31, 2018:						
Total comprehensive loss				374	(1,854)	(1,480)
Exercise and expiry of options by employees	2	922	(252)			672
Expenses in respect of options to employees			102			102
BALANCE AT DECEMBER 31, 2018	141	52,768	591	(378)	(30,373)	22,749
CHANGES IN THE YEAR ENDED DECEMBER 31, 2019:						
Total comprehensive loss				(511)	2,525	2,014
Exercise and expiry of options by employees	*	110	(44)			66
Expenses in respect of employee options			121			121
BALANCE AT DECEMBER 31, 2019	141	52,878	668	(889)	(27,848)	24,950

* Less than NIS 1 thousand

The accompanying notes are an integral part of these financial statements

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BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2019	**2018**	**2017**
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash generated by (used in operations) (see appendix A)	2,845	(1,078)	72
Income tax paid – net	(275)	(247)	(18)
Interest paid on lease	(74)		
Net cash provided by (used in) operations	2,496	(1,325)	54
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(208)	(180)	(202)
Deposits – net	(18)	(14)	-
Net cash used in investing activities	(226)	(194)	(202)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid	-	-	(2,787)
Exercise of warrants into shares by employees	(1,047)	672	98
Maturity of lease liability	66		
Net cash provided by (used in financing activities)	(981)	672	(2,689)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,289	(847)	(2,837)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,007	17,942	22,163
INCOME (LOSS) FROM FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(553)	912	(1,384)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	18,743	18,007	17,942

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

BIO VIEW LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2019	2018	2017
	NIS in thousands		
APPENDIXES TO STATEMENT OF CASH FLOWS:			
(a) Net cash provided by (used in operating activities):			
Income (loss) before taxes on income	3,368	(1,826)	(1,296)
Adjustments in respect of – income and expense not involving cash flows:			
Depreciation and amortization	1,402	541	289
Amounts charged in respect of options to employees	121	102	200
Interest paid on lease	63		
Loss (income) from foreign exchange rate differences on cash and cash equivalents	(316)	(123)	366
	4,638	(1,306)	(441)
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	(1,318)	1,784	(300)
Other	73	230	(130)
Increase in inventory	(105)	(545)	(80)
Increase (decrease) in accounts payable and accruals:			
Trade	(206)	194	64
Other (including provision for warranty)	669	(386)	1,229
Decrease in provision for royalties to Chief Scientist	(422)	(798)	(1,006)
Increase (decrease) in prepaid income (including long-term prepaid income)	(484)	(251)	736
	(1,793)	228	513
Net cash provided by (used in operating activities)	2,845	(1,078)	72
(b) Information regarding interest received in cash	86	92	87
(c) Information about investing and financing activities not involving cash flows :			
right of use of assets	722		

The accompanying notes are an integral part of these financial statements

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

Bio View Ltd. (hereafter – the Company) was incorporated in Israel on August 18, 1998 and commenced operations in 2000. The Company and its Subsidiary (hereafter – the Group) is engaged in the research, development, manufacture, marketing and sale of automated cell imaging and analysis systems for identification of rate cells and tests for detection of cancer. The fully consolidated Subsidiary of the Company - Bio View (USA) Inc. (incorporated in Delaware USA) (hereinafter - the Subsidiary) - is mainly engaged in the marketing and selling the Group's products in North America. The Group has one operating segment.

The Company's shares are listed on the Tel-Aviv Stock Exchange. The Address of the Company is 3 Pekeris St. Rehovot, Israel.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of presentation:

1) The financial statements of the Group as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, are in compliance with International Financial Reporting Standard (hereafter – IFRS) and interpretations to IFRS issued by the International Financial Reporting Interpretations Committee (IFRIC) and include the additional disclosure required under the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010.

The principal accounting policies set out below have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of amounts funded in respect of employee retirement obligations that are presented at their fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by the Group's management.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

2) The Group's operating cycle is 12 months.

3) The Group analyses the expenses recognized in the statement of income using a classification method based on the expenses' operating characteristic.

b. Consolidated financial statements

Subsidiary

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between the Subsidiary and the Company are eliminated.

Accounting policies of the Subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Translation of foreign currency balances and transactions:

1) Functional and Presentation Currency.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”). The consolidated financial statements are presented in NIS, which is the Group’s functional and presentation currency.

2) Transactions and balances

Transactions made in a currency which is different from the functional currency ("Foreign Currency") are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end-of-period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income (loss).

Gains and losses from changes in exchange rates are presented in the statement of comprehensive income among "other expenses (income) (mainly foreign exchange rate differences), net".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) Translation of financial statements of Subsidiary:

The results and financial position of the Subsidiary, whose Functional Currency is the US dollar are translated into the Presentation Currency as follows:

a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

b) Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

c) All resulting exchange differences are recognized in other comprehensive income (loss).

On consolidation, foreign exchange gain or losses from the translation of the net investment in foreign operations are recognized in other comprehensive income (loss). When a foreign operation is fully disposed of or sold, exchange differences that were recorded in other comprehensive income (loss) are recognized in the income statement as part of the gain or loss on sale.

d. Property and equipment

Property and equipment are initially recognized at acquisition cost. Repair and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Property and equipment is recognized at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation and impairment charges on property and equipment stated at cost are carried to the statement of comprehensive income (loss).

Depreciation on other assets is calculated using the straight-line method to depreciate their full cost over their estimated useful lives, as follows:

	Years
Machinery and electronic equipment	6-7
Office furniture and equipment	6-7
Computers	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at least once a year, at each date of statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see g. below).

Most of the property and equipment is composed of electronic equipment and computers.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

e. Intangible assets:

1) Research and development

Expenditure on research shall be recognized as an expense when it is incurred. Expenditure on development in respect of the design and test of new products or improvement of existing products shall be capitalized as intangible assets when the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use exists;
- Management intends to complete the intangible asset and use or sell it;
- It would be possible to use or sell the intangible asset;
- The way the intangible asset will generate probable future economic benefits is demonstrable;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability of management to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditure, which does not satisfy the above conditions, is recognized as an expense when incurred. Research and development expenses that were previously expensed to profit and loss are not capitalized as intangible assets in subsequent reporting periods.
Through the date of these financial statements, the development costs did not meet the said conditions and were therefore charged to the statements of comprehensive income (loss) as incurred.

2) Patent rights

In September 2008, the Group and MD Anderson Cancer Center of Houston, Texas USA, entered into an agreement for the exercise of the Group's right of first refusal relating to the acquisition of an exclusive license to patents on genetic biomarkers in sputum for detecting cancer cells in high-risk population for lung cancer. Beginning on January 1, 2017, this intellectual property is considered to have defined useful life and is presented net of accumulated amortization. On December 18, 2019, the Company discontinued its engagement with MD Anderson and completely wrote off the asset.

f. Impairment of non-monetary assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units). Non-monetary assets, other than goodwill, that were impaired are reviewed for possible reversal of the impairment recognized at each statement of financial position date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Liability in respect of royalties to the Chief Scientist

Grants received from the Chief Scientist Office in the Ministry of Industry, Commerce and Labor (hereinafter - the Chief Scientist) as participation in R&D performed by the Company (hereafter – Chief Scientist Grants) fall into the scope of "Forgivable Loans" as defined in IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance (hereafter – "IAS 20").

Obligations for Chief Scientist Grants are recognized and measured in accordance with IFRS 9. If on the date the right for the Chief Scientist Grant is established (hereafter – Entitlement Date) the management of the Company concludes that there is no reasonable assurance that the Chief Scientist Grant to which entitlement has been established, will not be repaid, the Company recognizes a financial liability on that date, which is accounted for under the provisions of IFRS9 regarding financial liabilities measured at amortized cost. The difference between the grant received and the fair value of the said financial liability at date of initial recognition is treated as a government grant, recognized in income or loss as a reduction of research and development expenses. In 2019, the Company repaid the entire debt to the Chief scientist.

h. Financial assets:

1) On January 1, 2018, International Financial Reporting Standard 9 "Financial Instruments" (hereafter – IFRS 9) became effective. The Group applies IFRS 9 retrospectively, beginning on January 1, 2018, in accordance with the transitional provision which allows recognition of the accumulated impact of the first-time application as an adjustment to retained earning opening balance as of January 1, 2018. The Group's first-time application of IFRS 9 had no significant impact on its financial statements.

2) The policy that the Group applies regarding financial assets under IFRS 9 beginning on January 1, 2018:

a) Classification

The Group has financial assets at amortized cost. The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortized cost are financial asset held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Those assets are classified as current assets, except for maturities for a period of more than 12 months after the date of statement of financial position, which are classified as non-current assets. Financial assets at amortized cost of the Company include the "accounts receivables", "cash and cash equivalents", "restricted deposit" and "other long-term receivables" items in the statement of financial position.

b) Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss, except trade receivables. Financial assets are derecognized when the rights to receive cash flows expires or transfer, and the group have substantially transferred all risks and

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

rewards of ownership over those assets. Financial assets at amortized cost are measured in subsequent periods at amortized costs, using the effective interest method.

c) Impairment of financial assets

The Group assesses at each date of the statement of financial position whether the credit risk on a financial instrument has increased significantly since initial recognition on individual or group basis. For that purpose, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers all reasonable and supportable information, including forward-looking information.
For financial asset that experienced significant increases in credit risk since initial Recognition, the Group measures the impairment provision at the amount lifetime expected credit losses. Otherwise, the impairment provision is measured at the expected credit loss over a 12-month period.
For financial instruments with low credit risk, the Group assumes that credit risk has not increase significantly since the date of initial recognition.
The Group did not perform the group assessment, as it believes this has no impact on the financial statements and that it is immaterial.

3) The Group's policy on financial assets up to December 31, 2017, according to IAS 39:

a) Classification

The Group has financial assets, which are loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables are presented among "cash and cash equivalents", "accounts receivables", "restricted deposit" and "other long-term receivables" in the statement of financial position (see also sections j. and k. below).

b) Recognition and measurement

The investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership associated with these assets. Loans and receivables are presented at depreciated cost based on the effective interest method.

c) Impairment of financial assets

The Group assesses at the each statement of financial position date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The Group did not carry out the group assessment, since in the opinion of the Group, the assessment has no effect on the financial statements and is immaterial.

i. Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.
The cost of products in process and finished products - on the basis of production costs, as follows – raw materials and spare parts component – identified cost.
Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

j. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment of accounts receivable (hereafter – "provision for impairment" or "provision for impairment of accounts receivable"). As for the method used to determine the Provision For Impairment and accounting treatment applied thereto in subsequent periods, see h(3)(c) above.

k. Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term bank deposits with original maturities of three months or less.

l. Share capital

Ordinary shares of the company are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction (net of tax) from issuance proceeds.

m. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

n. Current and deferred income taxes

The tax expense (benefits) for the reported years includes current and deferred taxes. Taxes are recognized in comprehensive income (loss).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the date of the statement of financial position, in the countries in which the Company and the Subsidiary operate and generate taxable income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Management periodically evaluates the tax aspects applicable to it taxable income based on the relevant tax laws and makes provisions where appropriate.

The Group recognizes deferred income tax using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred taxes is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized for all temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income.

The Company does not recognize deferred taxes on temporary differences arising on investments in Subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are set off only if:

– An enforceable legal right exists to set off current tax assets against current tax liabilities, and
– Deferred tax assets and liabilities relate to income tax imposed by the same tax authority on the same entity or on different entities that intend to settle the balances on a net basis.

As indicated in note 9c, in the event of a dividend distribution of income originating from tax-exempted approved and benefited enterprises, the distributed amount will be taxed at the rate the Company would have been liable to pay had the exemption never granted. In the event of such distribution, the tax charge will be recognized as an expense in comprehensive income (loss).

o. Employee benefits:

1) Severance pay and pension obligations

Labor laws and agreements in Israel require the Company to pay severance pay to employees dismissed or retiring from their employ in certain other circumstances.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Company's severance pay and pension liability in Israel is usually funded by payments transferred to insurance companies or trustee-administered pension funds. These schemes constitute defined contribution plans since the Group makes fixed deposits to a separate and independent entity in respect of its employees in Israel.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

As part of the Company’s defined benefit obligation to relevant employees, the amounts of benefits that such employees are entitled to receive upon retirement are based on the number of years of employment and the employee’s last monthly salary.

Company's liability with regard to the remaining employees is covered under a defined contribution plan under which the Company pays fixed contributions into a separate and independent entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods

The retirement benefit obligation as recognized in the statement of financial position is the present value of the defined benefit obligation at the statement of financial position date, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Interest rate used by the Company for discounting expected future cash flows for computation the liability for defined benefit obligation is based on the interest rate of high-quality NIS corporate bonds.

The Company recognizes in other comprehensive income remeasurements of the net liability (asset) in respect of defined benefits in the period in which they were incurred. These remeasurements arise as a result of changes in actuarial assumptions, changes in past assumptions and actual results and differences between the return on plan assets and amounts included in net interest on net defined benefit liability (asset).

Past-service costs are recognized immediately in income.

Amounts funded for retirement benefits are measured at fair value. These amounts funded represent “Plan Assets”, as defined by IAS 19, and therefore deduced from the balance of retirement benefit obligation for statement of financial position presentation.

As mentioned above, the Company purchases insurance policies and makes contributions to pension and severance pay funds to finance its defined benefit obligation. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions. Prepaid contributions are recognized as an asset to the extent that a refund of the excess amounts or a reduction in the future payments is available.

2) Vacation and recreation pay

Every employee is legally entitled to vacation and recreation benefits, which are calculated on an annual basis. This entitlement is based on the term of employment. The Group charges a liability and expense due to vacation and recreation pay, based on the benefits that have been accumulated for each employee.

Where the Group expects that the liability in respect of the vacation pay benefit will be settled within 12 months from the end of the reporting period during which the employees provided the relating services, the liability in respect of this benefit is measured in accordance with the additional amount, which the Group expects to pay in respect of the unutilized benefit accrued as of the end of the reporting period. If the Group does not expect that the liability in respect of the vacation pay benefit will be settled within 12 months from the end of the said reporting period, this liability will be measured using the method applied to measure the defined benefit liability (see 1) above.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans for employees and consultants, under which the Group receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense in the statement of comprehensive income (loss). The total amount to be expensed is determined by reference to the fair value of the options granted:
Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the date of each statement of financial position, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income (loss) statement, with a corresponding adjustment to equity.
Upon exercise of options the Company issues new shares. The receipts, net of transaction costs that can be allocated directly are charged to share capital (in par value) and to share premium upon exercise of the options.

p. Revenue recognition

a) Revenue measurement

Until December 31, 2017 (under IAS 18), the Group's revenue was measured at the fair value of the consideration received or receivable for goods and services supplied in the ordinary course of business. Revenue is stated net of VAT, returns, rebates and discounts and after elimination of intercompany revenue.

Beginning on January 1, 2018 (the date of first-time adoption IFRS 15), the revenue of the Group is measured at the fair value of the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as certain selling taxes. Revenue is presented net of VAT and after elimination of inter-group revenue.

b) Timing of revenue recognition

Up to December 31, 2017, the Group recognized revenue when the amount of revenue could be measured reliably; when it is probable that future economic benefits would flow to the Group; and when additional specific criteria were met for each of the Group's activities, as described below.

The amount of revenue is not considered as can be measured reliably until all contingencies related to the sale are settled. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Beginning on January 1, 2018, the Group recognizes revenue when the customer obtains control of the promised good or service under the contract with the customer. For each performance obligation, the Group determines, when entering into a contract, if it satisfies the performance obligation over time or at a point in time.

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

To the extent that a performance obligation not satisfied over a period of time, it is satisfied at a point in time.

c) Types of revenue

Beginning on January 1, 2018, the Group recognizes the revenue when the customer obtains control of the product, usually when shipment takes place.

Revenue from provision of services, primarily support services, is relatively recognized over the term of agreement or upon provision of the service. The Group classifies prepaid income that is not expected to be recognized over the 12 months after the end of the reporting period as long-term prepaid income.

Multi-component transactions

The Group offers certain arrangements, under which a customer can purchase a computer station along with a license agreement for a year. When such multi-component arrangement exists, the recognizable amount for the service agreement is deferred and recognized as revenue over the provision of service period.

q. Leases

1. The policy of the Group regarding leases in which the Group is the lessee are applied since January 1, 2019 in accordance with IFRS 16:

The Group assesses when entering a contract whether it is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

At initial recognition, the Group recognizes a lease liability at the present value of future lease payments, which include, among other things, the exercise price of extension options that are reasonably certain to be exercised.

At the same time, the Group recognizes a right-of-use asset for the lease, adjusted for any lease payments made at or before the lease commencement date, less any lease incentives received and plus any initial direct costs incurred by the Company.

Variable lease payments that are linked to the Israel Consumer Price Index are initially measured using the latest published index as of lease commencement and are included in calculation of lease liability. When cash flows of the lease are changed following CPI fluctuations, the Group remeasures the lease liability based on the revised expected contractual cash flows as an adjustment of the right-of-use asset.

Lease term is the non-cancellable period of the lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Subsequent to commencement date, the Group measures the right-of-use asset at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation of the right-of-use asset is calculated using the straight-line method over the lease term.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Buildings 1-3 years
Vehicles 1-3 years

Interest on the lease liability is recognized in profit or loss in each period during the lease term at the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

As the interest rate implicit for the lease is not readily determinable, the incremental borrowing rate of the Group is used. This is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Payments for short-term leases of equipment and vehicles and payments for leases with an underlying assets that are of low value are expensed to profit or loss on the straight-line method over lease term. Short-term leases have terms of 12 months or less.

2) The Group's policy in relation to leases in which the Group is the lessee until December 31, 2018, according to IAS 17:
Lease agreement under which a significant amount of the ownership's risk and rewards are maintained by the lessor are classified as operating lease contracts. Payments made under operating lease (less any incentives received from the lessor) are recognized in profit or loss based on the straight-line method over the lease period.

r. Earnings (loss) per share

Basic earnings (loss) per share is in principle based on the income (loss) distributable to ordinary shareholders of the Company, which is divided by the weighted average number of ordinary shares during the period.

In computing the diluted earnings (loss) per share, the weighted average of shares that will be issued, assuming all potential dilutive shares are actually converted into shares is added to the average of ordinary shares used for computing the basic earnings per share. The potential shares are taken into account only when the effect is diluting (i.e. reducing the earnings per share), including options to employees.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

s. Provisions

Provisions for warranty are recorded in the books of accounts when the Group has an existing legal or constructive liability, it is expected that a negative cash flows shall be required to settle the liabilities, and provided it is possible to make a reliable estimate of the amount of the liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

t. New International Financial Reporting Standards, Amendments to Standards and New interpretations:

1) Standards, amendments and interpretations to existing standards that are effective as of January 1, 2019, as follows:

a) IFRS 16 "Leases" (hereinafter - "IFRS 16" or "the standard")

IFRS 16 replaced upon first-time implementation the guidance in IAS 17 "Leases". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and is expected to have material impact mainly on the accounting treatment applied by the lessee in a lease transaction.

IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts (except for the following), with no distinction between financing and operating leases. However, IFRS 16 exempts lessees in short-term leases or the when underlying asset is of low value.

IFRS 16 changes the definition of a "lease" and the manner of assessing whether a contract contains a lease.

IFRS 16 require entities to account for each lease component within the contract as a lease that is separate from non-lease components of the contract. However, as a practical expedient, according to IFRS 16, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group applies IFRS 16, retrospectively, beginning on January 1, 2019. According to transitionary provision that allows to recognize the accumulated impact of first-time adoption of the standard as adjustment of the opening balance of retained earnings as of January 1, 2019 (namely, without restating comparative information for previous reporting periods).

In relation to transaction where the Group is the lessee, the Group elected on the date of first-time implementation, to recognize a lease liability for leases that were previously classified as operating leases, based on the present value of remaining lease payments under contact, discounted by using the lessee's incremental interest rate on the date of first-time application. Concurrently, the Group recognized assets for the right to use the leased assets at the amount equal to that of the lease liability, as it is adjusted in respect of the amount of any prepaid or accumulated lease payments relating to these leases. Consequently, the adoption of the standard had no impact on the balance of retained earnings.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Note that under the first-time implementation, the Group elected to use the following practical expedites:

–Not to determine whether a contract contains a lease upon first-time adoption. The Group will apply the standard only to contracts previously identified as containing a lease when applying IAS 17 and IFRIC 4.

–Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

–Rely on an assessment of whether leases are onerous when applying IAS 37 immediately before the date of initial application as alternative to testing for impairment.

–Not to recognize a right-of-use asset and lease liability when lease term ends within 12 months of the date of initial application.

–Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

–Use hindsight for determining the lease term if the contract contains options to extend or terminate the lease.

Additionally, it is noted that the Group elected to apply expedites relating to short-term leases and leases for which the underlying asset is of low value.

The weighted average of the incremental interest rate implemented for capitalization of lease liability as recognized in the statement of financial position as of January 1, 2019 is 3%.

Below is information about the quantitative impact of first-time implementation of IFRS 16:

The impact of first-time implementation of IFRS 16, on January 1, 2019, on the Group's statement of financial position items, as of that date, is set in the following table:

	In accordance with the previous policy	Impact of first-time implementation	In accordance with the new policy
		NIS in thousands	
Non-current assets:			
Right-of-use assets	-	2,825	2,825
Current liabilities:			
Current maturities of lease liabilities	-	1,071	1,071
Non-current liabilities:			
Lease liabilities	-	1,754	1,754
Total liabilities	-	2,825	2,825

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

2) New standards, amendments and interpretations to existing standards that are not yet effective and that the Company did not elect their early adoption:

Amendment to IAS 1 "Presentation of Financial Statements" (hereafter – Amendment to IAS 1)

The Amendment to IAS 1 clarifies the guidance of classification of liabilities as current liabilities and non-current liabilities in the statement of financial position. The standard clarifies, among other things:

- Liability are classified as a non-current liability if the entity has a substantive right to defer the liability settlement for at least 12 months after reporting period. Additionally, the amendment clarifies that the entity's intentions as for exercise of such right is irrelevant to the classification of the liability and cancels the reference to the existence of an unconditional right.
- Sustentative right as above exists only to the extent that the entity meets the relevant terms on balance sheet date.
- "Settlement" of the liability includes settlement through cash payment, other economic resources or equity instruments of the entity. However, conversion right in relation to convertible instrument classified to equity has no impact on classification for the liability in respect of the instrument.

Amendment to IAS 1 was implemented retrospectively for annual periods beginning on or after January 1, 2022. According to guidance in the standard, early adoption is permitted. The first-time application of the Amendment to IAS 1 is not expected to have material impact on the Company's consolidated financial statements..

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a. Deferred income tax

The Group reviews regularly the recoverability of deferred tax assets in its accounts based on historical taxable income, contractual taxable income, the expected timing of reversing of temporary differences and the implementation of tax planning strategies. If the Group will not be able to generate sufficient future taxable income, or in the event of a material change in effective tax rates in the period where the relevant temporary differences become taxable or deductible, the Group may be required to cancel some of deferred tax assets or to increase the deferred tax liabilities, and as a result, its effective tax rate may increase and adversely affect its results of operations. Had the Group required to cancel its deferred tax assets due to lack of expected taxable income for utilizing the temporary difference, the income tax expense included in the statement of comprehensive income (loss) would have increased against cancelling the deferred tax asset of NIS 6,358 thousand.

b. A provision for impairment of inventory

The decrease in value of the Group's spare parts inventory is determined based on the Group's past experience and the projection as to future use of spare parts; also, this estimate may change as a result of technological changes, see note 7.

c. Provision for impairment of accounts receivable

Measurement of the provision for impairment of accounts receivable is done specifically for accounts whose collection is doubtful, see note 6.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

a. Financial risk management:

1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by a finance department of the Group under policies approved by Group management and by the Board of Directors. Group's finance department identifies, evaluates and hedges financial risks. The board of directors of the Company provides principles for overall risk management.

a) Market risks:

Foreign exchange risks

The Group operates internationally and is exposed to foreign exchange risks arising from exposures to various currencies, primarily with respect to the U.S dollar. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in foreign currency and net foreign investments.

Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated and measured in a currency that is not the entity's functional currency.

For that purpose, the Group holds a continuous follow-up to the linkage balance and to the foreign currency liabilities-assets ratio and reduces potential exposures through natural hedges. The Group works to maintain an amount that approximates the amount of assets and liabilities that are exposed to changes in the exchange rates and links, where possible, its selling prices to customers to the exchange rate of the currency in which the acquisition of the raw material is performed.

Cash flow interest rate risk

The Company received grants from the Chief Scientist in respect of participation in research and development carried out by the Company.
In accordance with the terms of the grants, royalties would be paid to the Chief Scientist out of revenues derived from sale of products, in the development of which the Chief Scientist participated; the amount would be linked to the dollar with the addition of annual interest at LIBOR rate.

b) Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and deposits with banks (see also note 4b1), as well as credit exposures to receivables, including outstanding receivables and committed transactions.

c) Liquidity risk

The Company does not utilize credit facilities from banks.

Management monitors rolling forecasts of the Group's liquidity reserve composed of cash and cash equivalents on the basis of expected cash flow. This is generally

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

carried out at Group level, in accordance with procedures and restrictions set by the Group.

In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these cash flows.

All of the Group's financial liabilities are repayable within 12 months. The carrying amounts of balances repayable within 12 months approximate their fair value since the effect of discount in this period of time is immaterial.

2) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stockholders and to maintain an optimal capital structure to reduce the cost of capital. The Group may take certain actions in order to maintain or adjust in capital structure, including issuance of new shares.

b. Financial instruments

Credit quality of financial assets:

1) Based on ratings of the rating agency Standard & Poor:

	December 31	
	2019	**2018**
	NIS in thousands	
AAA	7,952	7,172
A-2	10,791	*10,835
	18,743	18,007

* Belmont Saving Bank- No s&p rating.

In the years ended December 31, 2019 and 2018, the terms were not reset for any financial assets of the financial assets that are not overdue.

2) Concentration of credit risks

Most sales of the Group are performed in the United States to a number of customers.

For information about significant customer, Abbott, see notes 12 and 16a. The balance of the customer as of December 31, 2019 is NIS 1,604 thousand. The credit rating of this customer by S&P is A-2. The Group believes that its trade receivable balance does not represent significant concentration of credit risk as of December 31, 2019.

For information about significant customer, Sanmed, see notes 12 and 16a. The balance of this customer as of December 31, 2019 is NIS 1,476 thousand. This customer is not rated by S&P. As of the date of approval of the financial statements, the customer's balance was paid in full.

The Group believes that its trade receivables do not represent a significant concentration of credit risk as of December 31, 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - CASH AND CASH EQUIVALENT:

	December 31	
	2019	**2018**
	NIS in thousands	
Cash in bank and cash on hand	6,413	4,177
Short-term bank deposits	12,330	13,830
	18,743	18,007

The currencies in which the cash and cash equivalents are denominated or to which they are linked are:

	December 31	
	2019	**2018**
	NIS in thousands	
NIS	2,967	5,178
US dollar	15,500	12,051
Euro	7	441
GBP	269	337
	18,743	18,007

NOTE 6 - ACCOUNTS RECEIVABLE:

a. Trade receivables

As of December 31, 2019 and 2018, the trade receivable balance is composed only of open accounts. Most receivables are in US dollar. As of December 31, 2019 and 2018, receivables in the total amount of NIS 1,196 thousand and NIS 1,762 thousand, respectively, are overdue from their contractual repayment date. These balances are in respect of several independent customers; based on the Group's experience in recent years, most of these customers fully repaid their debts.

The aging of those receivable balances (after deduction of provisions) is as follows:

	December 31	
	2019	2018
	NIS in thousands	
Up to three months	974	1,490
More than three months	222	272
	1,196	1,762

Of those overdue receivables above, as of the date of approving these financial statements, a total of NIS 926 thousand fully paid off.
No provision for impairment of accounts receivable exists as of December 31, 2019 and 2018.
The Company did not have expenses for impairment of accounts receivables in the years 2017 - 2019.

b. Other:

	December 31	
	2019	2018
	NIS in thousands	
Employees	5	6
Prepaid expenses	270	398
Institutions	218	151
Other		5
	493	560

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7 - INVENTORY:

Composed as follows:

	December 31	
	2019	**2018**
	NIS in thousands	
Raw materials	2,002	1,269
Spare parts and others*	1,631	2,027
Goods in process	17	325
Finished goods	273	342
	3,923	3,963

* This balance includes a provision for impairment of spare parts inventory of NIS 462 thousand and NIS 852 thousand as of December 31, 2019 and 2018, respectively. The amounts of impairment included in the cost of sales item in the statement of income or loss for the years 2019, 2018 and 2017 are NIS 232 thousand, NIS 613 thousand and NIS 402 thousand, respectively. See also note 3b.
Of the inventory of spare parts, NIS 84 thousand is expected to be settled over more than 12 months after the reported period.
approximately of NIS 200 thousand, See also note 2e.

NOTE 8 - TAXES ON INCOME:

a. Corporate taxation in Israel:

Company revenues benefiting from reduced tax rates in accordance with the Encouragement Laws in Israel are taxable at the rates set forth in Section C below. Other income is taxable at a regular tax rate.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%.

As a result, the corporate tax in 2017 was 24%, the corporate tax in 2018 and thereafter is 23%.

b. Taxation of Subsidiary outside Israel

The Subsidiary incorporated in the USA is assessed for tax under the tax laws in its country of residence.

The tax rates applicable to the Subsidiary under the US tax laws are Federal graduated corporate tax with the addition of a state tax and a local tax at rates that vary in accordance with the state and city in which the company runs its business.

As a general rule, intercompany transactions between the Company and the Subsidiary outside Israel are subject to the provisions and reporting requirements of the Income Tax Regulations (Determination of Market Conditions), 2006.

NOTE 8 - TAXES ON INCOME (continued):

In December 2017, a comprehensive tax legislation that overhauls the US tax system ("the Reform") was announced. The Reform introduced, among other things, a reduction of US federal corporate tax rate from 35% to 21%, effective January 1, 2018.

c. Encouragement Laws in Israel:

1) General

The Encouragement of Capital Investments Law (the "Law") offers a number of tax benefit programs for entities by virtue of their "approved enterprise" or “benefited enterprise” status granted to certain of their enterprises/production facilities.

Under the Economic Policy Law for 2011 and 2012 (Legislation Amendments), 2011, which was published in December 2010 includes an amendment to the Israel Capital Investments Encouragement Law, (hereinafter – "The Amendment"). The Amendment sets alternative benefit tracks to the ones currently in place under the provisions of the Encouragement of Capital Investments Law, before it was mended, as follows: investment grants track designed for enterprises located in national development are "A" and two new tax benefits tracks (preferred enterprise and a special preferred enterprise), which provide for application of a unified tax rate to all preferred income of the Company, as defined by The Amendment.

Under The Amended law a company eligible to benefits under the Law prior to its amendment may elect to apply The Amendment each year, commencing in the year in which it may be applied for the first time (2011), and benefit from the tax benefits available under the tracks set in The Amendment. Company's opting for application of The Amendment is irrecoverable and commencing the year in which it opts to apply The Amendment it will no longer be eligible to tax benefits available prior to amendment of the law. A company that will opt not to apply The Amendment to the law shall continue to be eligible to the tax benefits available to it prior to The Amendment of the law through the end of the period of benefits as defined by the law.

In December 2016, the Economic Efficiency Law (Legislative Amendments to Achieve Budget Targets for the 2017 and 2018 Budget), 2016 was published. Under this law, two new benefits tracks were added for high-tech industries: "preferred technology enterprise" and "special technology preferred enterprise".

2) Tax benefits

The Company, which has yet to elect at this stage if and when to be covered by The Amendment to the law, is eligible to benefits under the Encouragement of Capital Investments Law prior to its amendment, by virtue of the "approved enterprise" or “benefited enterprise” status granted to certain of its enterprises/ production facilities, as follows:

a) Reduced tax rates

During the period of benefits - 7 years or 10 years as appropriate - commencing in the first year in which the Company earn taxable income from the approved or benefited enterprises (provided the maximum period to which it is restricted by law has not elapsed), the following reduced tax rates or tax exemptions apply to such income from the approved or benefited enterprises they own:

Tax exemption on income from certain approved enterprises or certain benefited enterprises, which had previously opted for the "alternative benefits" track (involving the waiver of investment grants), the length of the exemption

NOTE 8 - TAXES ON INCOME (continued):

period is 2 years, after which the income from these enterprises is taxable at the rate of 25% for additional 5 years.

That part of the income eligible for tax benefits as above is based on the ratio between the turnover attributed to the "approved enterprise" or "benefited enterprise" and the overall turnover of the company.

The period of benefit of the Company has not yet commenced, since the Company has a balance of carryforward losses, see paragraph d. below.

In the event of a cash dividend distribution (including such a dividend from the income of a dissolving benefited enterprise) from the tax-exempt income, the Company will be required to pay tax on the grossed-up amount in accordance with the tax rate that would have been applicable to the income in the year in which it was accrued had it not been tax exempted.

b) Conditions for entitlement to the benefits

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the Israel Capital Investment Encouragement Law, regulations published thereunder and the instruments of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be cancelled and the Company may be required to refund the amount of the benefits, in whole or in part, with the addition of interest. As of the date of approval of these financial statements, the Company met the said conditions.

As indicated above, the Company has yet to decide whether to be governed by The Amendment to the law. If and when the Company decides to be governed by The Amendment, it will be entitled to reduced tax rates under the applicable benefits track, as indicated by the Law for Change of National Priorities (Legislative Amendments for Achieving the Budgetary Goals for 2013-2014), 2013, which was published in the official gazette in August 2013, and also according to the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016, which was issued in December 2016, as follows:

Type of enterprise	Development zone A	Rest of Israel
"Preferred enterprise"	7.5%	16%
"Preferred technology enterprise"	7.5%	12%

The above benefits will be provided indefinitely, except to special preferred enterprises, which will receive benefit for a period of 10 years. Benefits are to be given to qualifying companies under those laws.

The balance of deferred taxes was computed under the assumption that the Company will transition to be governed by this amendment.

d. Carryforward losses

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

NOTE 8 - TAXES ON INCOME (continued):

Carryforward losses of the Company in Israel amount to NIS 30,961 thousand and NIS 33,254 thousand as of December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company recognized deferred taxes in respect of all carryforward losses.

e. Deferred income tax:

1) An analysis of deferred tax assets are as follows:

	December 31	
	2019	**2018**
	NIS in thousands	
Deferred tax assets:		
Deferred tax assets expected to be recoverable after more than 12 months after date of statement of financial position	4,566	4,965
Deferred tax assets expected to be recoverable within 12 months after date of statement of financial position	1,148	1,432
Net deferred tax	5,714	6,397

2) The composition of deferred taxes as of the date of these financial statements and the changes thereof in these years is as follows:

	Provision for royalties to chief scientist	**Other***	**For carryforward losses (see d above)**	**Total**
	NIS in thousands			
Balance at January 1, 2017	258	1,211	4,605	6,074
Changes in 2017 -				
Amount carried to income	(210)	147	234	171
Balance at December 31, 2017	48	1,358	4,839	6,245
Changes in 2018 -				
Amount carried to income	(44)	64	132	152
Balance at December 31, 2018	4	1,422	4,971	6,397
Changes in 2019 -				
Amount carried to income	(4)	(155)	(524)	(683)
Balance at December 31, 2019	-	1,267	4,447	5,714

* Mainly due to research and development expenses and deferred income.

3) Deferred income taxes for December 31,2019 and 2018 are computed based on a tax rate of 12%-16%, applicable to preferred enterprises and preferred technology enterprise

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 - TAXES ON INCOME (continued):

f. Income tax included in comprehensive income (loss) for the reported periods:

1) As follows:

	For the year ended December 31		
	2019	2018	2017
	NIS in thousands		
Current taxes:			
Current taxes on income of the reported year	167	170	382
Expenses (income) for previous years	(7)	10	(255)
	160	180	127
Change in deferred taxes	683	(152)	(171)
Income tax expenses (income)	843	28	(44)

Current taxes on income in the reported year related for the Subsidiary only. In 2019, current taxes are computed based on an average tax rate of 31% (2018 – 31%, 2017 - 37%).

2) Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (b. above) and the actual tax expense:

	For the year ended December 31		
	2019	2018	2017
	NIS in thousands		
Income (loss) before income tax, as reported in the consolidated statement of income	3,368	(1,826)	(1,296)
Theoretical tax on this income or loss	775	(420)	(311)
Increase in taxes due to different tax rates of foreign subsidiary	17	25	127
Decrease resulting from deferred taxes created at different tax rates	(156)	212	104
Change in deferred tax resulting from change in tax rates	158	294	160
Other	56	(93)	131
Taxes on previous years	(7)	10	(255)
Taxes on income	843	28	(44)

g. Tax assessments

As a general rule, tax assessments filed by the Company and the Subsidiary until and including the year 2014 are considered to be final (subject to date of filing the tax returns and the periods of limitation under the law).

h. Value Added Tax

The Company is registered for VAT purposes as an "authorized dealer".

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUALS:

	December 31	
	2019	**2018**
	NIS in thousands	
a. Trade:		
Domestic open accounts	809	1,161
Open accounts abroad	230	83
Checks payable	290	303
	1,329	1,547
NIS	1,034	1,089
Euro	4	60
US dollar	291	398
	1,329	1,547
b. Other:		
Payroll and related expenses	1,867	1,174
Provision for vacation and recreation pay	763	840
Accrued expenses	223	563
Advances from customers	-	98
Income tax payable	-	76
Other	25	153
	2,878	2,904

The fair value of accounts payable approximates their carrying amounts since the effect of discounting is immaterial.

NOTE 10 - PROVISIONS AND OTHER LIABILITIES:

Changes in the provisions are as follows:

	Provision for warranty
	NIS in thousands
Balance at January 1, 2019	328
Changes during the year ended December 31, 2019:	
Amounts charged to statement of income	
Additional provisions and exchange differences	205
Balance at December 31, 2019	533

Provision for warranty

The Group usually offers its customers one-year warranty on the products it sells. Group's management makes an estimate of the provision relating to the warranty claims in respect of future product warranty, based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

NOTE 11 – PREPAID INCOME:

Prepaid income on service contracts and licenses based on the revenue recognition period, are as follows:

	December 31	
	2019	**2018**
	NIS in thousands	
2019	-	4,507
2020	4,081	542
2021	203	58
2022	3	1
	4,287	5,108
Presented in non-current liabilities	206	601

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES:

Significant agreements

On June 30, 2013, the Company signed a distribution agreement with Abbott Molecular Inc. (hereinafter - Abbott), under which Abbott serves as global distributor of BioView's FISH imaging systems for clinical applications. As outlined in the agreement, Abbott enjoys exclusive worldwide distribution rights for the Company's products excluding North America, where Abbott was granted non-exclusive distribution rights.

Concurrently with continued distribution of products through Abbott, the Company announced on January 6, 2019 a distribution agreement with the Chinese company Livzon Cynvenio (currently – Sanmed Zhuhai Biotech, hereinafter - Sanmed) for marketing and sale of BioView imaging systems as a key element in a test developed by Sanmed for diagnosing lung cancer using liquid biopsy. Under the terms of the agreement, Sanmed has exclusive distribution rights for marketing and selling an integrated solution of BioView's scan systems and the tests developed by Sanmed and cell enrichment technology in China, Hong Kong, Macau and Taiwan.

The agreement is for five years, with annual purchase targets. The agreement can be terminated by each of the parties in case of a breach, default, etc. Failure by Sanmed to meet the annual purchase numbers will give the Company a right to cancel the engagement.

For more information about revenue from key customers, see note 16a.

NOTE 13 – RIGHT OF USE ASSETS AND LEASE LIABILITIES:

a. Lease agreements

1) The Company engaged in an agreement for leasing the building in its use until 2022. Annual lease payments of NIS 720 thousand plus VAT are linked to the Israeli CPI. Lease payments increase by 1.5% annually.

2) To secure its liability under the building lease agreement, the Group gave the lessor autonomous bank guarantees of Bank Hapoalim Ltd totaling NIS 204 thousand, whose terms are extended annually, and promissory notes totaling NIS 889 thousand in favor of the lessor, without maturity dates. For issuing the bank guarantees, the Company placed a charge in favor of Bank Hapoalim Ltd on a NIS 125 thousand deposit that the Company holds in the bank.

NOTE 13 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued):

3) The subsidiary entered into an operating lease agreement in connection with the building in its use, effective until 2022. Annual lease payments are denominated in US dollars, and amount to $39 thousand.

4) The Group is engaged in operating lease agreements for operating lease of the vehicles in its use. The agreements will expire in 2019-2022. Lease payments are linked to the CPI.

Anticipated lease payments in 2020-2022 for the vehicles used by the Company are as follows:

Year	NIS in thousands
2020	260
2021	203
2022	76

Beginning on January 1, 2019, the Company recognizes right-of-use assets and lease liabilities in respect to the above leases, except for short-term leases and leases in which the underlying asset is of low value. For more information, see notes 2t(1)(a).

As indicated in note 2t(1)(a), beginning on January 1, 2019, the Company applies IFRS 16. This note refers to leases where the Company is the lessee.

a. Right-of-use assets:

	Buildings	Vehicles	Total
	NIS in thousands		
Cost:			
Balance at January 1, 2019 (following first-time adoption of IFRS 16)	2,462	363	2,825
Changes during the year:			
Additions	338	384	722
Balance at December 31, 2019	2,800	747	3,547
Accumulated depreciation and impairment:			
Balance at January 1, 2019	-	-	-
Changes during the year:			
Depreciation	818	228	1,046
Balance at December 31, 2019	818	228	1,046
Balance of depreciated cost as of January 1, 2019	2,462	363	2,825
Balance of depreciated cost as of December 31, 2019	1,982	519	2,501

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 13 – RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued):

b. Lease liabilities:

	Buildings	Vehicles	Total
	NIS in thousands		
Balance at January 1, 2019	2,462	363	2,825
Changes during the year:			
Additions	338	384	722
Interest expenses	48	15	63
Lease payments	(883)	(238)	(1,121)
Balance at December 31, 2019	1,965	524	2,489
Current maturities of lease liabilities	811	256	1,067
Long-term lease liabilities	1,154	268	1,422
Balance as of December 31, 2019	1,965	524	2,489

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 14 – RETIREMENT BENEFITS OBLIGATION:

a. Israeli labor laws and agreements require the Company to pay severance pay and pensions to employees dismissed or retiring from their employ in certain other circumstances.

b. The Company's pension and severance pay liability to its employees in Israel is covered partly by regular deposits with defined contribution plans. The amounts funded as above are not reflected in the statements of financial positions.

c. The Company in Israel has a liability for payment of severance pay to its employees; these liabilities constitute defined benefit plans. To cover this liability the Subsidiaries deposit amounts in funds and managerial insurance policies. The net amount of the liability for termination benefits, included in the statement of financial position, reflects the difference between the liability for termination benefits and the plan assets, as described below:

d. Severance pay liability under defined benefit plan

The amounts presented in the statement of financial position were determined as follows:

	December 31		
	2019	2018	2017
	NIS in thousands		
Present value of liabilities funded	3,130	2,744	2,661
Fair value of plan assets	(2,613)	(2,393)	(2,243)
Balance of liability presented in the statement of financial position	517	351	418

Below are the principal actuarial assumptions taken into account for the defined contribution plans:

	December 31	
	2019	2018
	NIS in thousands	
Discount rate	1.60%	2.90%
Rate of increase in CPI	1.40%	1.40%
Expected rates of retirements	13%	13%
Rates of remuneration growth	3%	3%

Assumptions as to future mortality rates are determined in accordance with statistics published and past experience in Israel.

e. Employee benefits expenses:

	2019	2018	2017
	NIS in thousands		
Payroll and related expenses*	14,066	13,269	13,505
Benefit in respect of share options granted to employees	121	102	200
	14,187	13,371	13,705
Number of employees as of December 31	34	32	32

* The amount charged as an expense in respect of a defined contribution plan in 2019, 2018 and 2017 is NIS 588 thousand, NIS 449 thousand and NIS 442 thousand, respectively.

NOTE 15 - EQUITY:

a. Share capital:

1) Composed as follows:
Share capital is composed of shares of NIS 0.01 par value, as follows:

	Number of shares	
	December 31	
	2019	2018
Authorized share capital ordinary shares	40,000,000	40,000,000
Issued and paid share capital ordinary shares*	14,219,468	14,196,9684

	NIS	
	December 31	
	2019	2018
Authorized share capital ordinary shares*	400,000	400,000
Issued and paid share capital ordinary shares	142,195	141,970

* The shares are traded on the Tel-Aviv Stock Exchange at a share price of NIS 3.038 per NIS 0.01 share – as of December 31, 2019.

2) The ordinary shares confer their holder voting rights and a right to participate in shareholders' meetings (where the owner of a NIS 0.01 par value share has one vote), the right to receive profits and a right to participate in excess of assets upon liquidation of the Company.

b. Share-based payment:

1) On November 20, 2014, the Board of Directors of the Company approved a new option plan, with similar terms to the 2009 plan, allocation of 600,000 options.

On March 19, 2015 the Company granted 200,000 options to the Company's employees under the terms of the 2014 plan; 25,000 options out of the said 200,000 options were granted to the Company's CEO and Director and 22,500 options were granted to the Executive Vice President and Director. The exercise price of these options is NIS 2.91 per share, after adjustment to a dividend that was paid to shareholders (see c. below).

The fair value of the options granted - computed according to the Black-Scholes option-pricing model as of date of grant - is approximately NIS 323 thousand. This value is based on the following assumptions: as of the date of grant: expected volatility of 59%; average risk-free interest rate of 1.24%; expected term until exercise of 6 years and expected dividend at 0%. Volatility is based on historical volatility of the Company's share price for periods matching the expected term of the option until exercise. Options will vest in three installments: in March 2016, 2017 and 2018, respectively.

The quoted price of the Company shares close to actual allotment of the said options was NIS 3.13 per share.

As of December 31, 2019, a total of 142,500 options were exercisable. Each unexercised option will expire in March 2025.

NOTE 15 - EQUITY (continued):

On March 14, 2017, employees of the Company were granted 200,000 options under the terms and conditions of the 2014 plan, of which 50,000 were allocated to the Company's CEO and Director, and 25,000 to Executive Vice President. The exercise price of those options is NIS 3.59 per share, after adjustment following a dividend paid to shareholders (see c. below).

The fair value of the options granted, calculated using the Black and Scholes option pricing model, is NIS 279 thousand. The value is based on the following assumptions as of grant date: an average expected standard deviation of 41%, average annual discount rate of 1.36%, expected period to exercise of 5.77 years and expected dividend of 0%. Volatility is based on historical volatility of the Company's share over comparable time frames until exercise. The vesting periods of the option are: a third in March 2018 and the remainder in 8 equal tranches – in June, September and December 2018 and in March, June, September, December 2019 and March 2020.

The price of the Company's shares on Tel-Aviv Stock Exchange close to the date of option allocation in practice to employees was NIS 3.60 per share.

As of December 31, 2019, a total of 181,250 options are exercisable. Any option not exercised will expire in March 2027.

On April 28, 2019, the general meeting of the Company approved a March 1, 2019 board resolution and recommendation of the Compensation Committee to grant 150,000 options to CEO of the Company (who also serve as a director) under the terms of the 2014 plan. The exercise price of those options is NIS 3.03 per share.

The fair value of the options granted, computed using the Black-Scholes option-pricing model as of date of grant is NIS 174 thousand. This value is based on the following assumptions as of the date of grant: expected standard deviation of 39%, average annual discount rate of 1.55%, expected term until exercise of 6.66 years and expected dividend at 0%. Volatility is based on historical volatility of the Company’s share price for periods matching the expected life of the option until exercise. Options vesting terms are as follows: a third of the options a year after March 12, 2019 and 1/12 of the remaining options at each quarter-end thereafter (the last date of entitlement is March 12, 2022).

The price of the Company's share on TASE close to the date of actual grant of the said options was NIS 2.88 per share.

As of December 31, 2019, no options are exercisable. Any option not exercised by March 2029 will expire.

The following table summarizes the options granted to employees in the years 2017-2019:

	Year ended December 31					
	2019		**2018**		**2017**	
	Number of options	**Weighted average exercise price in NIS**	**Number of options**	**Weighted average exercise price in NIS**	**Number of options**	**Weighted average exercise price in NIS**
Outstanding at beginning of year	365,000	3.63	600,000	3.34	435,883	3.30
Granted	150,000	3.03	-	-	200,000	*3.59
Expired	4,166	3.59	2,500	2.91	2,500	3.11
Exercised	22,500	2.91	232,500	2.89	33,333	2.96
Outstanding at end of year	488,334	3.48	365,000	3.63	600,000	3.34
Exercisable at end of year	323,750	3.19	281,667	3.19	342,500	2.90

NOTE 15 - EQUITY
(continued):

* The exercise price was adjusted following a dividend distribution to shareholders of the Company, according to the outline plan. See also c. below.

The overall consideration received in these exercises amounts to NIS 66 thousand, NIS 672 thousand and NIS 98 thousand in the years ended December 31, 2019, 2018 and 2017, respectively.

The options exercised during 2019 led to the issuance of 22,500 shares (2018: 232,500 shares, 2017: 33,333 shares).
Below are data as to the exercise price and the remaining contractual lives of the outstanding options at the end of the year:

Year ended December 31								
2019			2018			2017		
Number of options outstanding at end of year	Range of exercise prices	Weighted average of remaining contractual life	Number of options outstanding at end of year	Range of exercise prices	Weighted average of remaining contractual life	Number of options outstanding at end of year	Range of exercise prices	Weighted average of remaining contractual life
488,334	2.91-3.59	6.33	365,000	2.91-3.59	7.00	600,000	2.89-3.59	5.28

c. Dividend

The Board of Directors of the Company, in its meeting dated March 14, 2017, approved distribution of a NIS 2,787 thousand (NIS 0.20 per share) final cash dividend from retained earnings as of December 31, 2016. Following the dividend distribution, the exercise price of employee options allocated under the 2014 plan was adjusted accordingly.

NOTE 16 - SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS:

a. Revenues

	Year ended December 31		
	2019	2018	2017
	NIS in thousands		
Revenues from sale of systems, upgrades, and others	25,664	14,999	17,796
Revenues from software licenses	624	770	620
Revenues from service contracts	9,502	9,511	9,344
	*35,790	*25,280	*27,760
*Including sales to the Abbott group	10,280	13,791	12,926
*Including sales to Sanmed	10,385	1,700	

Revenues by geographic areas:

	Year ended December 31		
	2019	2018	2017
	NIS in thousands		
North America	15,739	14,660	16,231
Asia	13,195	5,494	4,823
Israel	64	174	60
Other countries **	6,792	10,446	11,469
	35,790	25,280	27,760

** Most sales done through Abbott USA. For its customers of Abbott are located in Europe and Australia.

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 16 - SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued):

	Year ended December 31		
	2019	**2018**	**2017**
	NIS in thousands		
b. Cost of sales:			
Purchase of materials	10,628	5,860	6,784
Payroll	4,204	3,781	3,539
Other expenses	622	957	963
Decrease (increase) in finished goods	69	(78)	(102)
	15,523	10,520	11,184
c. Research and development expenses:			
Payroll and related expenses	4,458	4,441	4,467
Depreciation	3,68	249	203
Professional fees (mainly subcontractors)	698	1,692	1,983
Travel abroad	43	5	40
Other	141	260	191
	5,708	6,647	6,884
d. Selling and marketing expenses:			
Payroll and related expenses	3,176	3,207	3,457
Tradeshows, advertisement and sales promotion	182	227	223
Professional services	330	280	387
Travel	631	609	761
Office maintenance	138	262	279
Depreciation and amortization	276	295	86
Other	104	144	32
	4,837	5,024	5,225
e. General and administrative expenses:			
Payroll and related expenses	2,387	1,942	2,042
Professional fees	939	1,695	875
Rent and office maintenance	1,235	1,222	1,106
Legal and contingent expenses	227	119	152
Subsistence, entertainment, travel and other	471	555	460
Communication	60	73	92
Insurance	62	58	56
	5,381	5,664	4,783
f. Other expenses (mainly foreign exchange differences), net:			
Foreign exchange rate losses, net	936	(825)	1,201
Gains (losses) from change in provision for royalties to Chief Scientist (excluding financing element)	(17)	15	(104)
	946	(810)	1,097

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 16 - SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued):

g. **Financing expenses (income), net:**

Financing expenses:			
Bank fees	50	49	46
Loss from derivatives		62	-
Interest paid on lease	63		
Financing component in provision for royalties to chief scientist		42	72
	113	153	118
Financing income:			
Income from derivatives	-	-	(148)
Interest from bank deposits	(86)	(92)	(87)
	(86)	(92)	(235)
	27	61	(117)

NOTE 17 - EARNING (LOSS) PER SHARE:

a. **Basic**

Basic earnings (loss) per share are calculated, by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	For the year ended December 31		
	2019	**2018**	**2017**
	NIS in thousands		
Income (loss) attributed to Company's owners - in thousands of NIS	2,525	(1,854)	(1,252)
Weighted average of number of shares used in computation of earnings (loss) per share	14,192,734	14,126,462	13,955,898
Basic income (loss) per share (in NIS)	0.18	(0.13)	(0.09)

b. **Diluted**

When calculating the diluted income (loss) per share the Company adjusts the average number of shares outstanding that was used to calculate the basic earnings per share to include all the ordinary shares that potentially have a dilutive effect.
As to options for shares, a calculation is made to determine the number of shares that would have been purchasable at fair value (set at the average annual market price of Company's shares) using the monetary value of the options, in accordance with the terms of the options that have not yet vested. The number of shares computed as above is compared to the number of shares that would have been issued assuming the conversion of the options.

	Year ended December 31		
	2019	**2018**	**2017**
Weighted average number of shares used in computation of basic earnings (loss) per share	14,192,734	14,126,462	13,955,898
Adjustments in respect of incremental shares in respect of exercise of options in computation of earnings (loss) per share	-*	-*	-*
Weighted average of number of shares used in computation of diluted earnings (loss) per share	14,192,734	14,126,462	13,955,898
Diluted earnings (loss) per share in NIS	0.18	(0.13)	(0.09)

* Incremental shares are factored in only if having dilutive effect.

BIO VIEW LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES AND RELATED PARTIES

"Interested Parties" - as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

"Related Parties" – As defined in IAS 24 – "Related Party Disclosures".

Key management personnel – included together with other entities in the said definition of "Related Parties" in IAS 24, include the members of the Board of Directors.

a. Transactions with Interested Parties and Related Parties:

	For the year ended December 31		
	2019	2018	2017
	NIS in thousands		
Benefits to interested parties:			
Payroll and related expenses to Interested Party employed in the Group*	1,463	1,049	1,029
Share based compensation expenses	103	26	48
Number of persons to which the benefits relate	1	1	1
Remuneration to directors not employed in the Group	300	319	263
Number of persons to which the benefits relate	5	5	5
	1,866	1,394	1,340

* This amount includes payments to a defined benefit plan

b. Balances with Interested Parties and Related Parties:

	December 31	
	2019	2018
	NIS in thousands	
Accounts payable and accruals (does not bear interest)	454	171

NOTE 19 – SUBSEQUENT EVENTS

On March 19, 2020, the Board of Directors resolved to authorize management to buy back shares of the Company using a budget of up to NIS 671 thousand, which is the net income of the Company in 2018 and 2019. The buyback will take place in the period that begins on the date of issuing the 2019 financial statements and end at the earlier of the end of September 2020 or until the entire budget is utilized. Details of the buyback plan require approval of the Audit Committee.

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