

PAY IT SIMPLE LTD.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

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INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Consolidated Financial Statements:</u>	
Balance Sheets	2
Statements of operations	3
Statements of changes in shareholders' deficiency	4
Notes to the financial statements	5-16



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
PAY IT SIMPLE LTD.**

We have audited the accompanying consolidated balance sheets of Pay It Simple Ltd. ("the Company") and its subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of operations and changes in shareholders' deficiency for the years then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards, including those prescribed under the Auditors' Regulations (Auditors' Mode of Performance), 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 audits provide a reasonable basis for our opinion.

As described in Note 2E, the Company's consolidated financial statements do not reflect the effect of the treatment for stock based compensation as required by Israeli Accounting Standard No. 24.

In addition, as described in Note 2F, the Company's consolidated financial statements do not present statements of cash flows as required by opinion No. 51 of the institute of the Certified Public Accountants in Israel.

In our opinion, except for the matters mentioned above, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and changes in shareholders' deficiency for the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

As discussed in Note 1C to the financial statements, the Company's consolidated financial statements include a net loss of \$ 2,343,876; for the year ended December 31, 2016 and an accumulated deficit of \$ 7,117,742 as of that date. The Company is in the development stage as of December 31, 2016. As discussed in Note 1C to the financial statements, successful completion of the Company's development program and, ultimately, the attainment of profitable operations is dependent upon future events, including maintaining adequate financing to fulfill its development activities and achieving a level of sales adequate to support the Company's cost structure.

The consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that may result from outcome of this uncertainty

Brightman Almagor Zohar
Brightman Almagor Zohar & Co.

Certified Public Accountants

Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
February 6, 2018

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PAY IT SIMPLE LTD.
CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

		<u>December 31,</u>	
	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents		\$ 47,870	\$ 49,226
Restricted cash		27,108	-
Other current assets		75,577	117,643
		<u>150,555</u>	<u>166,869</u>
<u>Long term deposit</u>		-	7,688
<u>Fixed assets, net</u>		<u>23,716</u>	<u>27,783</u>
Total assets		<u>\$ 174,271</u>	<u>\$ 202,340</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</u>			
<u>Current liabilities</u>			
Trade accounts payable		\$ 163,599	\$ 157,064
Short term loan		110,000	-
Short term convertible loans	4	2,300,000	1,200,000
Other current liabilities	3	405,352	174,080
		<u>2,978,951</u>	<u>1,531,144</u>
<u>Long terms liabilities</u>			
Liability for severance pay, net	5	-	-
Convertible loan	7	3,014,910	2,146,910
		<u>3,014,910</u>	<u>2,146,910</u>
<u>Commitments and contingent liabilities</u>	6		
<u>Shareholders' deficiency</u>	7		
Ordinary shares		157	157
Preferred A shares		221	221
Additional paid-in capital		1,297,774	1,297,774
Accumulated deficit		(7,117,742)	(4,773,866)
Total shareholder's deficiency		<u>(5,819,590)</u>	<u>(3,475,714)</u>
Total liabilities and shareholders' deficiency		<u>\$ 174,271</u>	<u>\$ 202,340</u>

February 6, 2018

Date of approval

Director

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

PAY IT SIMPLE LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars)

	<u>Note</u>	<u>Year ended December 31, 2 0 1 6</u>	<u>Year ended December 31, 2 0 1 5</u>
Revenues		\$ 131,781	\$ 27,072
Cost of revenue		(78,498)	(6,008)
Gross profit		<u>53,283</u>	<u>21,064</u>
Research and development expenses		(1,187,428)	(1,259,946)
Marketing expenses		(375,981)	(713,667)
General and administrative expenses		(826,952)	(535,930)
		<u>(2,390,361)</u>	<u>(2,509,543)</u>
Operating loss before financing income (expenses), net		(2,337,078)	(2,488,479)
Financing income (expenses), net		<u>(6,798)</u>	<u>160,538</u>
Net loss before income taxes		(2,343,876)	(2,327,941)
Income taxes	8	<u>-</u>	<u>-</u>
Net loss		<u>\$ (2,343,876)</u>	<u>\$ (2,327,941)</u>

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

PAY IT SIMPLE LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(In U.S. dollars, except for share data)

	Ordinary shares shares	amount	Preferred A shares shares	amount	Additional paid-in capital	Accumulated deficit	Total
Balance-December 31, 2014	61,230	\$ 157	86,058	\$ 221	\$ 1,297,774	\$ (2,445,925)	\$ (1,147,773)
Net loss for the year	-	-	-	-	-	(2,327,941)	(2,327,941)
Balance-December 31, 2015	61,230	\$ 157	86,058	\$ 221	\$ 1,297,774	\$ (4,773,866)	\$ (3,475,714)
Net loss for the year	-	-	-	-	-	(2,343,876)	(2,343,876)
Balance-December 31, 2016	61,230	\$ 157	86,058	\$ 221	\$ 1,297,774	\$ (7,117,742)	\$ (5,819,590)

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

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

A. Description of business and information

Pay It Simple Ltd. ("the Company") was incorporated in Israel on October 6, 2008.

The Company is developing an online web and point of sale payment and checkout solution, enabling purchasing while improving cash flow and significantly lowering credit financing costs, for any consumer or business credit card holder. The Company's solution is a payment service, introducing an intuitive, general purpose, credit card purchasing method, offering attractive credit and financing capabilities.

In April 2007 the Company's founders assigned to the Company their rights in the intellectual property underlying the subsequent U.S. patent application number 12/344,371, publication number US 2009/0171840 A1. The assignment of the patent itself was filed with the US Patent Office in 2012.

In August 2013, the Company established a wholly owned U.S subsidiary (Pay It Simple Inc.) for marketing purpose.

On September 15, 2013, the Company entered into a marketing and distribution services agreement with its subsidiary, according to which the Company grants a non exclusive license to distribute the Company's Installment Payment Services in the U.S in consideration for receiving the entire amount receiving from the subsidiary's customers less an agreed upon amount which shall be retained by the subsidiary, as set forth in the agreement. In addition, during the subsidiary's first two years of operations, in the event of accruing an operation loss from its activities, the Company will reimburse its subsidiary with a marketing subsidy, intended to cover the market penetration cost of the subsidiary.

In March 2015, the Company established a wholly owned U.S subsidiary (Pay It Simple Capital Inc.) for marketing and distributing purpose.

In September 2015, the Company established a wholly owned U.K subsidiary (Splitit UK Ltd.) for marketing purpose. As of December 31, 2016, the subsidiary has not yet commenced operation.

In September 2015, the Company established a wholly owned U.K subsidiary (Splitit Capital UK Ltd.) for marketing purpose. As of December 31, 2016, the subsidiary has not yet commenced operation.

B. Definitions

The Company	-	Pay It Simple Ltd.
The subsidiaries	-	Pay It Simple Inc and Pay It Simple Capital Inc
Related Parties	-	based on the Israeli Accounting Standard No. 29
NIS	-	New Israeli Shekel
Dollar (or \$)	-	the US dollar

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (Cont.)

C. Risk factors

The Company has a limited operating history and faces a number of risks, including uncertainties regarding demand and market acceptance of the Company's product, dependence on a single product and the effects of technological changes and competition. Additionally, other risk factors exist such as the nature of the Company's distribution channels, ability to manage growth, loss of key personnel and the effect of planned expansion of operations on the future results of the Company.

As the Company operates as a service provider in the credit card ecosystem, it is subject to the local relevant regulations of the states and countries where it operates as well as the international operational rules of the credit card schemes. Any change in those should be monitored and might effect the business environment where it operates.

The Company's consolidated financial statements reflect a net loss of \$ 2,343,876, for the year ended December 31, 2016 and an accumulated deficit of \$ 7,117,742 as of that date. The Company's financial statements were made under the assumption that the Company will continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that may result from outcome of this uncertainty.

Continued operations of the Company are subject to the continuing receipt of funding from the Company's shareholders and other investors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparation of the financial statements, are as follows:

A. Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Financial Statements in U.S. Dollars

The currency of the primary economic environment in which the Company conducts its operations is the U.S. dollar ("dollar"). Accordingly, the Company uses the dollar as its functional and reporting currency.

C. Principles of consolidation and basis of presentation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of the subsidiaries are included from the date of commencement of their operations. Intercompany transactions and balances between the Company and its subsidiaries have been eliminated in the consolidated financial statements.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

D. Cash and cash equivalents

The Company considers all highly liquid investments, including short-term bank deposits purchased with original maturities of three months or less and unrestricted, to be cash equivalents.

E. Stock based compensation

The Company's financial statements do not reflect the effect of the treatment for stock based compensation as required by Accounting Standard No. 24.

F. Statements of cash flows

Statements of cash flows are not presented in the financial statements as required under opinion No. 51 of the institute of the Certified Public Accountants in Israel.

G. Revenue recognition

In accordance with the Israeli Accounting Standard No. 25 "Revenues", revenues from payments services are recognized when all of the following conditions have been fulfilled: Collectability is reasonably assured, the sellers price to the buyer is fixed and determinable, persuasive evidence of an arrangement exists and delivery to the customer had occurred.

H. Research and development costs

Research and development costs are charged to operations as incurred.

I. Fair value of financial instruments

The Company presents its financial instruments in accordance with the Israeli Accounting Standard No. 22 "Financial instruments disclosure and presentation".

The financial instruments held by the Company are primarily comprised of non-derivative assets and liabilities. Due to the nature of these financial instruments, there are no material differences between the fair value of the financial instruments and their carrying amount included in the financial statements

J. Property and equipment

- (1) Property and equipment are presented based on the Israeli Standard No. 27 (the "Standard").

The Standard states that an item of property, plant and equipment will be measured at initial recognition at cost. The cost should also include the initial estimate of costs required to dismantle and remove the item.

Following the initial recognition, the Standard permits the entity to choose either the cost model or the revaluation model as its accounting policy. The same policy should be applied to an entire class of property, plant and equipment.

The Company implements the cost method according to which an item will be presented at cost less accumulated depreciation and less accumulated impairment losses.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

J. Property and equipment (Cont.)

- (2) Annual depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Annual rates of depreciation are as follows:

	<u>%</u>
Computers and software	33
Furniture and office equipment	15

K. Impairment of assets

The Company examines at each balance sheet date the recoverable value of its assets whenever any signs point to a possible reduction in the value of these assets. Whenever the book value exceeds that asset's recoverable value, the Company recognizes a loss from this impairment. Such a loss from any asset other than goodwill that was recognized in the past is eliminated only when a change occurred in the estimates used in the determination of the recoverable amount, from the date when the last impairment was recognized as a loss. The book value following this elimination does not exceed the book value that would have been established for the asset had a loss from impairment not been recorded in previous years.

L. Exchange rates and linkage basis

Balances denominated in or linked to currencies other than the NIS are presented according to the representative exchange rates published by the Bank of Israel as of the balance sheet date.

Balances which are linked to the Israeli Consumer Price Index ("CPI") are presented on the basis of the first index published subsequent to the balance sheet date based on the terms of the applicable transactions.

Exchange rate and linkage differences are charged to operations as incurred. Data in respect of the NIS/dollar exchange rate and the CPI are as follows:

	<u>Representative exchange rate of the dollar (NIS per \$1)</u>	<u>CPI (in points)</u>
<u>As of:</u>		
December 31, 2016	3.845	131.2
December 31, 2015	3.902	131.45
<u>Changes during:</u>	<u>%</u>	<u>%</u>
December 31, 2016	(1.46)	(0.2)
December 31, 2015	0.33	(1)

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - OTHER CURRENT LIABILITIES

	December 31,	
	2016	2015
Employees and related institutions	\$ 215,999	\$ 129,141
Accrued expenses	50,343	25,571
Other current liabilities	139,010	19,368
	<u>\$ 405,352</u>	<u>\$ 174,080</u>

NOTE 4 - SHORT TERM CONVERTIBLE LOANS

During 2016 and 2015, the Company entered into series of convertible loan agreements with several lenders in a total amount of \$ 2,300,000. The loans will be converted into shares according to the terms determined in the agreements. The loans bear no interest. See also Note 9B.

NOTE 5 - LIABILITY FOR SEVERANCE PAY, NET

The liability is funded through individual insurance policies purchased from outside insurance companies, which are not under the Company's control. All of the employees of the Company are included under section 14 of the Severance Compensation Act, 1963 ("section 14"). According to this section, the employees are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments in accordance with section 14 release the Company from any future severance payments (under the above Israeli Severance Pay Law) in respect of the employees. The aforementioned deposits are not recorded as an asset in the Company's balance sheets.

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES

In August 2014, the Company signed an agreement for office rent through June 2016, with a four years renewal option under the terms set forth in the agreement. The monthly lease payments are approximately \$ 2,000. As of December 31, 2016, the Company exercised the renewal option until June, 2018.

To secure the lease payments, the Company had issued bank guarantee of \$ 7,802 in favor of the facility's lessor.

The Company has granted to an investor a floating charge over all the Company's assets and intellectual property.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHARE CAPITAL

A. Share Capital:

Composition of share capital as of December 31, 2016 and 2015:

	December 31,			
	2016		2015	
	Number of shares		Number of shares	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares NIS 0.01 par value	700,000	61,230	700,000	61,230
Preferred A shares NIS 0.01 par value	300,000	86,058	300,000	86,058

Ordinary Shares confer to the holders the right to receive notice to participate and vote in general meetings of the Company and the right to receive dividends, if declared.

The Preferred A Shares confer to the holders all rights accruing to holders of Ordinary Shares, and in addition preference in any event of liquidation and dividend declaration. At such an event, the holders of Preferred A Shares shall be entitled to receive from the distribution proceeds prior and in preference to the other securities of the Company, for each Preferred Share held by them, the Original issue price plus an amount equal to all declared and unpaid dividends thereon.

B. Issuance of share capital:

Ordinary shares:

At the inception date the Company issued to the founders 6,123 ordinary shares NIS 0.01 par value each, with no consideration.

On September 12, 2012 the Company issued bonus shares, for each Ordinary Share of the Company, nominal value NIS 0.01 each, additional 9 ordinary shares were issued, for no consideration. In addition, the Company increased its registered share capital by additional NIS 8,000 bringing the Company's total authorized and registered share capital to NIS 10,000 divided into 700,000 Ordinary Shares and 300,000 Series A Preferred shares.

Preferred A shares:

On September 20, 2012, the Company signed an agreement with some investors, according to which, the Company will issue 86,058 preferred A shares NIS 0.01 par value each, in consideration for \$ 1,298,000. As of December 31, 2016 the Company received the full amount (NIS 4,771,980) and issued a cumulative amount of 86,058 preferred A shares NIS 0.01 par value each, out of which 46,278 preferred A shares were transferred during 2014 from the escrow agent in trust to the investors.

According to the agreement, after the Company will receive the full amount as stated in the agreement, the investors will extend to the Company convertible loan of up to \$ 3,002,000 depending on the Company's needs as determined by the Company from time to time, subject to the terms set forth in the agreement.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7- SHARE CAPITAL (Cont.)

B. Issuance of share capital (Cont.)

As of December 31, 2016 the Company received an amount of \$ 3,014,910. The loan will be converted into shares according to the terms determined in the agreement. The loan bears no interest.

C. Options to purchase ordinary shares:

On February 28, 2011, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 619 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

During 2012, the Company entered into a consulting services agreement with the Company's legal advisors, according to which, the Company granted options at the rate of 2% from the Company's fully diluted issued and outstanding ordinary shares, subsequent to the investor's agreement signed on September 20, 2012.

On August 31, 2014, the Company entered into option agreement with an employee, according to which, the Company granted 221 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

On December 31, 2014, the Company signed additional service agreement with an advisor, according to which, the Company granted options to purchase 1,473 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share. In addition, the Company shall pay the advisor a retainer fees as set forth in the agreement.

On March 10, 2015 the Company entered into option agreements with its employees and a consultant according to which, the Company granted 2,051 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

On March 31, 2015 the Company and its subsidiaries signed a term sheet with a third party, according to which the Company will grant options to purchase ordinary shares of the Company nominal value NIS 0.01 each, subject to the terms as set forth in the term sheet.

On January 31, 2016, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 1,473 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

On July 13, 2016, the Company entered into option agreements with its employees and a consultant, according to which, the Company granted 4,861 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

On December 6, 2016, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 1,106 ordinary shares of the Company, nominal value NIS 0.01 each, the exercise price shall be according to the terms as set forth in the term sheet.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8- INCOME TAXES

A. Company in Israel

On July 30, 2014, the Knesset Plenum approved, in a third reading, the budget bill and the bill to change the national priorities in 2013 and 2014 ('the Law'). In conjunction with this legislation, the following significant changes affecting taxation were approved :

1. An increase of the corporate income tax rate as of 1 January 2014 to 26.5% (1.5% increase).
2. Capital gains tax will be imposed on a company that distributes dividends out of revaluation results higher than one million NIS, as if the underlying asset was sold and re-purchased by the distributing company. Corresponding guidance was set forth with respect to the applicable law for capital gains on real estate.

In January 2016, a legislation to amend the corporate income tax law was published. The legislation determined a decrease of the corporate income tax law as of January 1, 2016 to 25% (1.5% decrease).

3. On December 29, 2016 the Economic Efficiency Law (Legislative amendments to achieve budget targets for years' budget 2017 and 2018) 5777-2016, was published in the Official Gazette.

The main change of the abovementioned law in respect of corporate tax is as follows:

In 2017 the corporate income tax rate will be reduced to 24% (instead of 25%) for income derived or accrued starting from 1.1.2017 and will be reduced to 23% in 2018 for income derived or accrued starting from 1.1.2018.

B. The Company has not received tax assessments since its incorporation

C. Subsidiaries in the United States of America

The principal federal tax rates applicable to the subsidiaries that incorporates in the U.S. are up to 35%.

The subsidiaries have not received final tax assessments since their corporation.

On December 22, 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective from January 1, 2018.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - SUBSEQUENT EVENTS

- A. During 2017, the Company entered into additional convertible loan agreements with some investors in an amount of \$2,764,400. The loans will be converted into shares according to the terms determined in the agreements. As of the date of approving the financial statements, the Company received the full loan amount.
- B. On December 12, 2017, with respect to the convertible loans issued during the years 2015 till 2017, the Company extended the final date on which the lenders will be required to convert the convertible loans to the Company's shares to March 31, 2018.

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - CONDENSED FINANCIAL DATA OF THE COMPANY IN NOMINAL NIS FOR TAX PURPOSES ONLY

A. Balance sheets

	December 31,	
	<u>2016</u>	<u>2015</u>
	<u>NIS</u>	<u>NIS</u>
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	18,056	119,612
Restricted cash	104,232	-
Related party	50,726	50,726
Other current assets	185,178	453,433
	<u>358,192</u>	<u>623,771</u>
<u>Investments in subsidiaries</u>	<u>71,100</u>	<u>37,164</u>
<u>Long term deposit</u>	<u>-</u>	<u>30,000</u>
<u>Fixed assets, net</u>	<u>88,413</u>	<u>102,866</u>
Total assets	<u>517,705</u>	<u>793,801</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</u>		
<u>Current liabilities</u>		
Trade accounts payable	601,406	608,634
Related party	488,663	53,307
Short term loan	422,950	-
Short term convertible loans	8,862,754	4,682,404
Other current liabilities	1,073,183	636,226
	<u>11,448,956</u>	<u>5,980,571</u>
<u>Long term liabilities</u>		
Convertible loan	<u>11,524,719</u>	<u>8,377,243</u>
<u>Shareholders' deficiency</u>		
Ordinary shares	612	612
Preferred A shares	861	861
Additional paid-in capital	4,770,507	4,770,507
Accumulated deficit	(27,227,950)	(18,335,993)
Total shareholder's deficiency	<u>(22,455,970)</u>	<u>(13,564,013)</u>
Total liabilities and shareholders' deficiency	<u>517,705</u>	<u>793,801</u>

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - CONDENSED FINANCIAL DATA OF THE COMPANY IN NOMINAL NIS FOR TAX PURPOSES ONLY (Cont.)

B. Statements of operations

	Year ended December 31, <u>2 0 1 6</u> NIS	Year ended December 31, <u>2 0 1 5</u> NIS
<u>Operating costs and expenses:</u>		
Research and development expenses	4,558,705	4,493,009
Marketing expenses	792,126	3,332,279
General and administrative expenses	<u>3,543,947</u>	<u>1,484,038</u>
Operating loss before financing expenses (income), net	8,894,778	9,309,326
Financing expenses (income), net	<u>31,115</u>	<u>(104,082)</u>
Net loss before income taxes	8,925,893	9,205,244
Income taxes	<u>-</u>	<u>-</u>
Net loss after income taxes	8,925,893	9,205,244
Share in gains of subsidiaries	<u>(33,936)</u>	<u>(37,164)</u>
Net loss	<u>8,891,957</u>	<u>9,168,080</u>

PAY IT SIMPLE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 - CONDENSED FINANCIAL DATA OF THE COMPANY IN NOMINAL NIS FOR TAX
PURPOSES ONLY (Cont.)**

	<u>Ordinary shares</u>		<u>Preferred A shares</u>		<u>Additional</u>		<u>Accumulated</u>		<u>Total</u>	
	<u>shares</u>	<u>amount</u>	<u>shares</u>	<u>amount</u>	<u>paid-in capital</u>		<u>deficit</u>		<u>NIS</u>	
		<u>NIS</u>		<u>NIS</u>	<u>NIS</u>		<u>NIS</u>		<u>NIS</u>	
Balance- December 31, 2014	61,230	612	86,058	861	4,770,507		(9,167,913)		(4,395,933)	
Net loss for the year	-	-	-	-	-		(9,168,080)		(9,168,080)	
Balance-December 31, 2015	61,230	612	86,058	861	4,770,507		(18,335,993)		(13,564,013)	
Net loss for the year	-	-	-	-	-		(8,891,957)		(8,891,957)	
Balance-December 31, 2016	61,230	612	86,058	861	4,770,507		(27,227,950)		(22,455,970)	