SPLITIT LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

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Independent Auditors' Report
To the Shareholders of
SPLITIT LTD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Splitit Ltd.** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statement of income, statement of changes in shareholders' deficiency and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1C in the financial statements, which indicates that the Company incurred a net loss of $3,422,285 during the year ended December 31, 2017 and cumulative losses of $11,070,542 since its inception. As stated in Note 1C, these events or conditions, along with other matters as set forth in Note 1C, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report:

<table>
<tr><td colspan="2">Convertible Loan Agreements carried at fair value through profit and loss</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in the audit</td></tr>
<tr><td>The financial statements include Convertible Loan Agreement (“CLA”) that is the main source of funding for the Company. The terms of the CLAs require settlement in shares of the Company in a manner that warrants classification as a liability in the statement of financial position as conversion is not for fixed amount of shares. As the Company’s shares are not traded and the shareholders equity includes preferred shares as well as common shares estimating the share price into which the CLAs are to be converted into required the development of a level 3 model that was complex and uses unobservable inputs. The valuation of the CLAs held at fair value was a key area of audit focus due to the complexity involved in the valuation process.</td><td>Our audit procedures to address the valuation of the CLAs included the following:
obtaining and inspecting the valuation prepared by the external valuation expert engaged by the Company and on which the directors’ assessment of the fair values of the CLAs was based;
assessing the external valuation expert qualifications, experience and expertise in valuation of complex financial instruments and considering their objectivity and independence;
with the assistance of our internal valuation specialists, discussing with the external valuation expert, without the presence of management, their valuation methodology and assessing the key estimates and assumptions adopted in the valuations by utilising the industry knowledge and experience of our internal valuation specialists;
discussed with management the results of the expert valuation to assess how reasonable the external valuation expert results are.</td></tr>
</table>

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
November 20, 2018

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SPLITIT LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In U.S. dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 515,724	$ 47,870
Restricted cash		49,053	27,108
Trade receivables		375,216	503,392
Other current assets	3	99,832	75,577
Total current assets		1,039,825	653,947
Long term deposit		500	-
Fixed assets, net	4	19,688	23,716
Total assets		$ 1,060,013	$ 677,663
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade payables		$ 201,530	$ 163,599
Short term loan		197,215	110,000
Short term convertible loans	5	8,478,388	5,274,898
Other current liabilities	6	1,033,360	908,744
Total current liabilities		9,910,493	6,457,241
Commitments and contingent liabilities	8		
Shareholders' deficiency	9		
Ordinary shares		157	157
Preferred A shares		221	221
Additional paid-in capital		2,219,684	1,868,301
Accumulated deficit		(11,070,542)	(7,648,257)
Total shareholder's deficiency		(8,850,480)	(5,779,578)
Total liabilities and shareholders' deficiency		$ 1,060,013	$ 677,663

The financial statements were approved by the board of directors of the company on November 20, 2018.

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

SPLITIT LTD.
CONSOLIDATED STATEMENTS OF INCOME
(In U.S. dollars)

	Note	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Revenues		$ 260,409	$ 131,781
Cost of revenue		(201,495)	(245,748)
Gross profit (loss)		58,914	(113,967)
Research and development expenses	12	(1,104,053)	(1,209,863)
Sales and marketing expenses	13	(608,603)	(375,981)
General and administrative expenses	14	(1,299,485)	(934,373)
Operating expenses		(3,012,141)	(2,520,217)
Net loss before financing expenses, net		(2,953,227)	(2,634,184)
Financing expenses, net	15	(468,409)	(219,940)
Net loss before income taxes		(3,421,636)	(2,854,124)
Income taxes	11	(649)	-
Net Loss		$ (3,422,285)	$ (2,854,124)
Loss per share:			
Basic and diluted		(23.24)	(19.4)

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

SPLITIT LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(In U.S. dollars, except for share data)

	Ordinary shares		Preferred A shares		Additional	Accumulated	
	Number	amount	Number	amount	paid-in capital	deficit	Total
Balance as of December 31, 2015	61,230	$ 157	86,058	$ 221	$ 1,571,195	$ (4,794,133)	$ (3,222,560)
Share based payments					297,106	-	297,106
Net loss for the year	-	-	-	-	-	(2,854,124)	(2,854,124)
Balance as of December 31, 2016	61,230	$ 157	86,058	$ 221	$ 1,868,301	$ (7,648,257)	$ (5,779,578)
Share based payments					351,383	-	351,383
Net loss for the year	-	-	-	-	-	(3,422,285)	(3,422,285)
Balance as of December 31, 2017	61,230	$ 157	86,058	$ 221	$ 2,219,684	$(11,070,542)	$ (8,850,480)

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

SPLITIT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars)

	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Cash flows - operating activities		
Loss for the period according to the statement of profit and loss	$ (3,422,285)	$ (2,854,124)
Adjustments to reconcile cash flows provided by operating activities (Appendix A)	1,077,572	801,435
Net cash used in operating activities	(2,344,713)	(2,052,689)
Cash flows - investing activities		
Long term deposit	(500)	7,688
Purchase of fixed assets	(5,754)	(7,247)
Net cash provided (used in) by investing activities	(6,254)	441
Cash flows - financing activities		
Short term loan	87,215	110,000
Restricted cash	(21,944)	(27,108)
Proceeds from convertible loan	2,753,550	1,968,000
Net cash provided by financing activities	2,818,821	2,050,892
Increase (decrease) in cash and cash equivalents	467,854	(1,356)
Balance of cash and cash equivalents at the beginning of the period	47,870	49,226
Balance of cash and cash equivalents at the end of the period	$ 515,724	$ 47,870

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

(In U.S. dollars)

APPENDIX A - Adjustments to reconcile cash flows provided by operating activities:

	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Income and expenses not involving cash flow:		
Share based payments	$ 351,383	$ 297,106
Convertible loan revaluation	449,940	213,142
Depreciation	9,781	11,314
Changes in asset and liability items, net:		
(Increase) decrease in other current assets	(24,255)	42,066
Increase in trade receivable	(375,216)	(503,392)
Increase in trade payable	37,931	509,927
Increase in other current liabilities	628,008	231,272
	$ 1,077,572	$ 801,435

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

(In U.S. dollars)

NOTE 1 - GENERAL

A. Description of business and information:

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

On September 15, 2013, the Company enterd into a marketing and distribution services agreement with Splitit Inc., 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 entiteld from the subsidiary's customers less agreed upon agreed comissiom as defined 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 (Splitit Capital Inc.) for marketing and distributing purpose.
In September 2015, the Company established two wholly owned U.K subsidiaries (Splitit UK Ltd. and Splitit Capital UK Ltd.) for marketing purpose. As of December 31, 2017, Splitit Capital UK Ltd., has not yet commenced its operation.

B. Definitions:

The Company	-	Splitit Ltd.
The subsidiaries	-	Splitit Inc, Splitit Capital Inc, Splitit UK Ltd. and Splitit Capital UK Ltd.
Related Parties	-	As defined in IAS 24
NIS	-	New Israeli Shekel
Dollar (or $)	-	the US dollar

C. Going Concern:

The Company's consolidated financial statements reflect a net loss of $ 3,422,285 for the year ended December 31, 2017 and an accumulated deficit of $ 11,070,542 as of that date, which raises significant doubts about the ability of the Company to continue as a going concern. 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 the 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

A. Basis of Presentation and Statement of compliance:

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

The consolidated financial statements were authorized for issuance by management and approved by the board of directors of the company on November 20, 2018.

B. Basis of preparation:

The financial statements were prepared on the basis of the historical cost, except for certain financial assets and liabilities that are measured at fair value, as required by IFRS.

The assets and liabilities included in the consolidated financial statements are recognized and measured in accordance with the accounting policies described below.

C. 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.

D. 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.

E. 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.

F. 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, unrestricted and readily convertible into known amounts, to be cash equivalents.

G. Trade receivables:

Trade receivables are initially recognized at fair value, including the related taxes and expenses. Foreign currency-denominated trade receivables are adjusted at the exchange rate in effect at the end of the reporting period. The allowance for estimated losses on doubtful debts were recognized in an amount considered sufficient to cover any losses.

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

H. Property and equipment:

(1) Property and equipment are measured at initial recognition at cost. The cost also includes the initial estimate of costs required to dismantle and remove the item.

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

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

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

Annual rates of depreciation are as follows:

	%
Computers and software	33
Furniture and office equipment	7

I. Impairment of assets:

The Company examines at each balance sheet date the carrying amounts 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.

J. Share based payments:

The Company grants equity settled share-based payments to employees and others providing similar services in consideration for equity instruments (options) of the Compnay. The equity instruments granted do not vest until such employees and service providers complete a defined period of service.

The Company recognizes the share-based payment arrangements in the financial statements on a straight-line basis over the vesting period in the income statement against an increase in shareholders' equity, based on the Company's estimate of equity instruments that will eventually vest. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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

K. Revenue recognition:

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

The Company's revenues are derived from transaction fees (**Merchant Fees**) paid by its clients in relation with transaction utilising the Splitit Payment Platform.

Merchant Fees are generated on each approved order placed via the Splitit Payment Platform and are predominantly based on a percentage of the end-customer order value plus a fixed fee per instalment.

Merchant fees are earned from the following business models, which differ, mainly, in the timing fees are collected:

Funded model – under the funded model, merchant will receive the full purchase price upfront. The full amount is transferred to the Merchant net of Merchant fees payable to Splitit and financing fees representing also the interest cost of lending payable to the lender (financing institution). The lender provides the liquidity to the transaction and receives financing fees for it. Splitit, collects amounts owed by the merchant to the lender but bears no credit risk. In case of default by the merchant, the lender will incur the credit losses without consequences to Splitit. Fees collected upfront are recognized on a straight-line basis over the lending period.

Basic model – under the basic model merchants provides the liquidity. End-user pays directly to the merchant. Splitit will then provide merchant with a monthly invoice for the amounts paid for the previous month (for a basic track service fee calculated as 1.5% plus fixed fee of $1.5 (1.5 Euro or British Pound depending on the location) per instalment. Revenues are recognized upon issuance of the monthly invoice.
Splitit reports its revenues (i.e., merchant fees) net of the amounts passed through to the lender (under the Funded Model).

L. Research and development costs:

Research and development costs are charged to operations as incurred.

M. Fair value of financial instruments:

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

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

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

Level 3 Unobservable inputs for the assets or liabilities

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

(In U.S. dollars)

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

N. 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:

	Representative exchange rate of the dollar (NIS per $1)	CPI (in points)
As of:		
December 31, 2017	3.467	131.71
December 31, 2016	3.845	131.2
	%	%
Changes during:		
December 31, 2017	(9.83)	0.39
December 31, 2016	(1.46)	(0.2)

O. New and amended standards not yet adopted:

1. IFRS 9, “Financial instruments”:

In July 2014, the IASB issued IFRS 9, "Financial instruments", which replaces the guidance in IAS 39. IFRS 9 includes new requirements on the classification and measurement of financial assets and liabilities, as well as a new impairment model based on expected credit losses rather than the incurred loss impairment model of IAS 39. It also introduces new rules for hedge accounting. IFRS 9 must be applied on annual periods beginning on or after January 1, 2018.

The new impairment model requires recognition of impairment provisions based on expected credit losses rather than on incurred credit losses.

The Company completed its review of the possible effects of the adoption of IFRS 9. The Company holds no traded financial instrument other than the Convertible Loans Agreements (“CLA”). All other financial instruments are held for collection and upon adoption of IFRS 9 will continue to be carried at amortized cost. The CLAs will continue to be carried at fair value but expected to converted to shares upon completion of the IPO. The Company also considered the effect of the new impairment model. As further discusse in note 2K the Company has very little credit risk. This is the case as the Company recognizes revenue after the collection of its upfront fees (under the Funded Model) or recognize fees on a mothly basis (under the basic model) which exposes it to a maximum of monthly fee payment per merchant.
Based on the above, the Company believes that the effect of adoption of IFRS 9 will have no substantial influence on its financial position and operations.

(In U.S. dollars)

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

O. New and amended standards not yet adopted: (Cont.)

2. IFRS 15, "Revenue from contracts with customers":

In May 2014, the IASB issued IFRS 15, "Revenue from contracts with customers", which sets out the requirements in accounting for revenue arising from contracts with customers and which is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. IFRS 15 must be applied on annual periods beginning on or after January 1, 2018.

The Company intends to adopt this standard using the modified retrospective approach, meaning that the cumulative impact of the adoption will be recognized in retained earnings as of January 1, 2018 and that comparatives will not be restated.

The Company assessed the effect related to the adoption of the new standard and concluded that the adoption of the standard will not have material effect on its financial statements.

3. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases". The new standard will result in almost all leases recognized on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 must be applied on annual periods beginning on or after January 1, 2019.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations but expect no substantial influence due to its minor use of leases.

NOTE 3 - OTHER CURRENT ASSETS

Composition:

	December 31,	
	2017	2016
Government institutions	$ 68,428	$ 46,899
Other current assets	31,404	28,678
	$ 99,832	$ 75,577

NOTE 4 - FIXED ASSETS

Composition:

	As of December 31,			
	2017			2016
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture and equipment	$11,028	$ (2,433)	$ 8,595	$ 8,331
Computers and software	39,309	(28,216)	11,093	15,385
	$50,337	$ (30,649)	$ 19,688	$ 23,716

(In U.S. dollars)

NOTE 5 - SHORT TERM CONVERTIBLE LOANS

Since September 2012, the Company entered into a series of convertible loan agreements with several lenders. During 2017 and 2016, the Company received $ 2,753,550 and $ 1,968,000 respectively. The convertible loans are carried at fair value and expected to be converted to shares upon completion of the IPO in accordance with the terms determined in the agreements. The loans bear no interest. The total balance of the short term convertible loans as of December 31, 2017 and 2016 is $ 8,478,388 and $ 5,274,898 respectively. See also Note 9B.

NOTE 6 - OTHER CURRENT LIABILITIES

Composition:

	December 31,	
	2017	**2016**
Employees and related institutions	$ 239,538	$ 215,999
Accrued expenses	79,395	50,343
Loan Payable	494,167	501,597
Other current liabilities	220,260	140,805
	$ 1,033,360	$ 908,744

NOTE 7 - 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 8 - 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 $ 3,900. As of December 31, 2016, the Company exercised the renewal option until June, 2018 and further extended it until the end of September 2018. In October 1, 2018, the Company relocated its headqurters to Tel Aviv based on a new rent agreement through October 2021.
The monthly rent payments under the agrrement are of approximately $ 12,000.
To secure the lease payments, the Company had issued bank guarantee of $ 7,802 in favor of the facility's lessor.

Commitments for minimum lease payments in relation to non-cancellable operating leases as of December 31, 2017 are approximately $396,400 comprised of 33 months under a monthly rate of approximately $12,000.
The Company has granted to an investor a floating charge over all the Company's assets and intelectual property.

(In U.S. dollars)

NOTE 9 - SHARE CAPITAL

A. Share Capital:

Composition of share capital as of December 31, 2017 and 2016:

	December 31,			
	2017		2016	
	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. On December 31, 2016 the Company received the full amount (NIS 4,771,980) and issued the related preferred A shares.

According to the agreement, after the Company will receive the full amount as stated in the agreement, the investors will extend to the Company a convertible loan of depending on the Company's needs as determined by the Company from time to time, subject to the terms set forth in the agreement. During 2016 the Company received $1,968,000 under the concertible loan agreements. As of December 31, 2016 the total amount received under the convertible loan agreements was $5,274,899

During 2017, the Company entered into additional convertible loan agreements with some investors and received additional amounts of $2,753,550 during the year. The loans will be converted into shares according to the terms determined in the agreements.

NOTE 9 - SHARE CAPITAL (Cont.)

B. Issuance of share capital (Cont.)

Preferred A shares: (Cont.)

On December 12, 2017, with respect to the convertible loans issued during the years 2015 till 2017 , the Company extanded the final date on which the lenders will be requierd to convert the convertible loans to the Company's shares to December 31, 2018.

As of December 31, 2017 the total amount received under the convertible loan agreements was $ 8,068,460. The convertible loans are carried at fair value and expected to be converted to shares upon completion of the IPO in accordance with the terms determined in the agreements. The loans bear no interest.

NOTE 10- SHARE BASED PAYMENTS

A. Details of share-based grants made by the Company:

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.

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 May 31, 2015, the Company and its subsidiaries signed an agreement with a third party that provides the Company with a liquidity for its receivables through purchase of those receivables. As a consideration, the Company granted that third party an option to buy shares for an amount equal to $2,000,000 and 5,350 additional shares. The option includes a term allowing the third party to buy the shares at a price equal to 80% of the fair value of the share at the time of exercise, securing a benefit of $500,000, and with the shares granted sums to a total benefit of approximately $830,000. The benefit was recognized over the period of the contract, estimated to be 5 years.

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.

(In U.S. dollars)

NOTE 10 - SHARE BASED PAYMENTS (Cont.)

A. Details of share-based grants made by the Company: (Cont.)

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.

On January 2, 2017, the Company entered into option agreements with its consultant, according to which, the Company granted options to purchase 375 ordinary shares of the Company, nominal value NIS 0.01 each, the exercise price at an exercise price of NIS 0.01 per share.

On August 30, 2017, the Company entered into option agreements with the advisor, according to which, the Company granted him additional options to purchase 553 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.

Options granted are generally have 5-7 years of contractual lives and vest over 3 years.

B. Options fair value:

The fair values were calculated using Monte Carlo simulation model. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk free rate of interest. Monte Carlo simulations and the parmeters were used to determine the ordinary share price. As the exercise price is neglegible the share price was determined to be the grant date fair value of the options.

The parameters used in applying the model are as follows:

Description	2017 and 2016
Share price	$80-$64
Exercise price	$0.01
Risk-free interest rate	0.83-1.46%
Expected volatility	40%-58%
Expected option life in years	5-7
Expected dividend yield	0%

C. Additional details of share based payments:

The following table provides the activity of share based payments for the years ended December 31, 2017 and 2016 and for options outstanding and exercisable as of December 31, 2017.

	Options outstanding		
	Number	Weighted average exercise price	Average remaining contractual life (in years)
Outstanding December 31, 2015	5,560	0.0026	4.2
Granted	6,126	19.5925	5.19
Cancelled	(884)	0.0026	-
Outstanding December 31, 2016	10,802	11.1123	4.23
Granted	928	0.0026	9.09
Cancelled	(432)	0.0026	-
Outstanding December 31, 2017	11,298	10.6246	3.49

NOTE 11 - 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 :

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).

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. The Company incurred losses since inception. Due to the lack of history of taxable income and uncertainty of taxable income in the foreseeable future, no deferred taxes were recorded for these carry forward losses and deductions.

D. Subsidiaries:

The principal federal tax rates applicable to the subsidiaries that incorporates in the U.S. are up to 21%.

The principal tax rates applicable to the subsidiaries that incorporates in the U.K. is 19%.

The subsidiaries have not received final tax assesments 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.

(In U.S. dollars)

NOTE 12 - RESEARCH AND DEVELOPMENT EXPENSES

Composition:

	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Salaries and related expenses	$ 668,544	$ 851,335
Subcontractors expenses	4,599	-
Share based payment	51,424	22,435
Other expenses	379,486	336,093
	$ 1,104,053	$ 1,209,863

NOTE 13 - SALES AND MARKETING EXPENSES

Composition:

	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Salaries and related expenses	$ 232,458	$ 51,061
Communication	21,404	-
Professional fees	206,952	-
Other expenses	147,789	324,920
	608,603	375,981

NOTE 14 - GENERAL AND ADMINISTRATIVE EXPENSES

Composition:

	For the Year ended December 31, 2017	For the Year ended December 31, 2016
Salaries and related expenses	$ 532,097	$ 324,992
Communication	7,969	-
Professional fees	15,601	-
Share based payment	132,708	107,421
Other expenses	611,110	501,960
	$ 1,299,485	$ 934,373

(In U.S. dollars)

NOTE 15 - FINANCE INCOME AND EXPENSES

A. Financing Income:

	For the Year ended December 31,	
	2017	2016
Foreign currency differences	24	-
	$ 24	$ -

B. Financing expenses:

	For the Year ended December 31,	
	2017	2016
Other:		
Foreign currency differences	$ 11,227	$ -
Bank fees and other financing expenses	7,266	6,798
Convertible loans revaluaiton	449,940	213,142
	$ 468,433	$ 219,940

NOTE 16 - FINANCIAL INSTRUMENTS

A. Financial instruments fair value:

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

B. Financial instruments according to category:

	For the Year ended December 31,	
	2017	2016
Financial assets:		
Cash and cash equivalents	$ 515,724	$ 47,870
Restricted cash	49,053	27,108
Trade receivables	375,216	503,392
Other current assets	31,904	-
	$ 971,897	$ 578,370
Financial liabilities:		
Current liabilities:		
Trade payables	201,530	163,599
Short term loan	197,215	110,000
Short term convertible loans	8,478,388	5,274,898
Other current liabilties	793,822	690,950
	$9,670,955	$6,239,447

NOTE 16 - FINANCIAL INSTRUMENTS (Cont.)

C. Purposes of financial risk management:

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

D. Market risk:

Foreign currency risk:

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

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

During the year ended December 31, 2017, no change took place in the exposure to currency risk or in the manner in which the Company manages and measures the risk.

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

	Liabilities		Assets	
	December 31,		December 31,	
	2017	2016	2017	2016
NIS	482,159	406,585	153,537	102,419
GBP	3,202	-	52,850	-

Sensitivity analysis of foreign currency:

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

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

(In U.S. dollars)

NOTE 16- FINANCIAL INSTRUMENTS (Cont.)

D. Market risk: (Cont.)

Sensitivity analysis of foreign currency: (Cont.)

	Effect of NIS currency December 31,	
	2017	**2016**
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	29,875	27,651
Pre-tax effect of decrease of 10% in the $ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	(42,514)	(33,796)
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the GBP:		
Effect on profit or loss and other comprehensive income for the year	4,965	-
Pre-tax effect of decrease of 10% in the $ currency vis-à-vis the GBP:		
Effect on profit or loss and other comprehensive income for the year	(4,513)	-

E. Management of credit risk:

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

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

F. Liquidity risk:

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

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

(In U.S. dollars)

NOTE 17- FAIR VALUE

Fair value hierarchy:

The table below presents an analysis of the financial instruments measured at fair value, using a valuation method:

The different levels were defined as follows:

(1) Level 1: Quoted prices (unadjusted) in an active market for identical instruments.

(2) Level 2: Data observed directly or indirectly that are not included in Level 1 above.

(3) Level 3: Data not based on observable market data.

	Level 3 For the Year ended December 31,	
	2017	**2016**
Balance as of December 31	5,274,898	3,093,756
Amounts received during the year	2,753,550	1,968,000
Changes in fair value	449,940	213,142
Balance as of December 31	8,478,388	5,274,898

The fair value of the loans included in the level 3 categories above has been determined in accordance with generally accepted pricing models using a Monte Carlo simulation-based risk neutral valuation model with the most significant inputs being the fair value of the company's assets and their returns' volatility over time. using Monte Carlo simulation model. The inputs to the model include expected volatility, expected dividends, expected term and the risk free rate of interest. Monte Carlo simulations and the parmeters were used to determine the ordinary share price to which it is expected to be converted.

NOTE 18 - TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

Compensation to key management personnel and interested parties:

	For the Year ended December 31,	
	2017	**2016**
Salary and related expenses to key management personnel	638,600	654,158
Number of personnel to which benefit applies	5	5
Share based payment to interested parties and key management personnel	45,812	28,449
Number of personnel to which benefit applies	5	5

NOTE 19 - SUBSEQUENT EVENTS

The Company is contemplated an intial public offering in Australia.