**TERRA ISRAEL FASHION EXPORT LTD.**

**FINANCIAL STATEMENTS**

**TO 31 DECEMBER 2020**

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**MISHANYA & CO.**

**C. P. A. (ISRAEL)**

**11, MOSHE LEVI ST., RISHON LEZION 75658**

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**REPORT OF THE AUDITOR TO THE MEMBERS OF THE BOARD OF**

**TERRA ISRAEL FASHION EXPORT LTD.**

We audited the attached statements of Terra Israel Fashion Export Ltd. (hereinafter – “the Company”) for the days ending on 31 December 2020 and 2019 and the profit and loss statements and cashflow statements for each of the years ending on that date. These financial statements are under the responsibility of the board of directors and administration of the Company. Our responsibility is to give an opinion on these financial statements based on our audit.

We conducted our audit in accordance with customary auditing standards, including the standards established in the Accountant Regulations (Way of Operating of an Accountant), 5733-1973. According to these standards, we are required to plan and perform the audit with an aim of obtaining a reasonable degree of assurance that there is no material misstatement in the financial statements. An audit includes an evaluation of the accounting policies employed and of the material estimates made by the board of directors and the management of the Company, as well as evaluating the appropriateness of the overall presentation of the financial statements. We believe that our audit provides a proper basis for our opinion.

The above-mentioned financial statements have been drawn up at nominal values. Information regarding the effect of changes in the general purchasing power of the Israeli currency on the financial statements, as stated in the statement of opinion of the Institute of Certified Public Accountants in Israel, has not been included in these financial statements.

In our opinion, these financial statements, other than the fact that the above-mentioned information has not been included therein, in accordance with generally accepted accounting principles, from all material points of view properly reflect the financial condition of the Company for the dates 31 December 2020 and 2019 and the results of its activities, as well as its cashflow for each of the years ending on that date, on the basis of the historical cost convention in nominal values.

Rishon Lezion

July 2021

**(-)**

**MISHANYA & CO.**

**ACCOUNTANTS**

**TERRA ISRAEL FASHION EXPORT LTD.**

**BALANCE TO 31 DECEMBER 2020**

**To 31 December .**

**. 2019 2018 .**

**Note NIS . NIS .**

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets:** |  |  |  |
| **Fixed assets** | 3 | 61,902 | 81,969 |
|  |  |  |  |
| **Provision for compensation, net** | 4 | 172 | 172 |
| **Fixed assets** |  |  |  |
| Cash and cash equivalent |  | 15,050 | 3,005 |
| Inventory | 5 | 500 | 500 |
| Accounts receivable | 6 | 1,183,609 | 900,196 |
|  |  | 1,199,159 | 903,701 |
|  |  | 1,261,233 | 985,842 |
| **Liabilities** |  |  |  |
| **Capital and surpluses (deficit)** |  |  |  |
| Share capital | 7 | 2 | 2 |
| Share clients |  | 2,930 | 2,930 |
| Profit surplus |  | (318,825) | 22,598 |
|  |  | (315,893) | 25,530 |
| **Long-term liabilities** |  |  |  |
| Loans | 8 | 567,472 | 301,251 |
|  |  |  |  |
| **Current liabilities** |  |  |  |
| Short-term credit | 9 | 290,000 | 289,313 |
| Accounts payable | 10 | 719,654 | 369,748 |
|  |  | 1,009,654 | 659,061 |
|  |  | 1,261,233 | 985,842 |

The notes to the financial statements constitute an integral part of the financial statements.

(-)

Managers

**TERRA ISRAEL FASHION EXPORT LTD.**

**PROFIT AND LOSS STATEMENT**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**For the year ending .**

**on 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** |
| Revenues from building rental | 11 | 1,224,352 | | 1,272,174 | |
|  |  |  | |  | |
| Administrative and general expenses | 12 | 104,410 | | 131,073 | |
| Operational profit |  | 1,119,942 | | 1,141,101 | |
|  |  |  | |  | |
| Financing expenses (revenues) (net) | 13 | 25,515 | | 17,955 | |
| Profit after financing expenses |  | 1,094,427 | | 1,123,146 | |
| Provision for taxes | 14 | 250,850 | | 257,814 | |
| Net profit after provision for taxes |  | 843,577 | | 865,332 | |
| Profit to start of year |  | 22,598 | | 747,266 | |
|  |  | 866,175 | | 1,612,598 | |
| Distributed dividend | 15 | 1,185,000 | | 1,590,000 | |
| Profit to end of year |  | (318,825) | | 22,598 | |
|  |  |  | |  | |

The notes constitute an integral part of the financial statements.

**TERRA ISRAEL FASHION EXPORT LTD.**

**CASHFLOW STATEMENT**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** |
| **Cashflows from current activity** |  |  | |  | |
|  |  |  | |  | |
| Net profit (loss) |  | 843,577 | | 865,332 | |
| Adjustments required to show cashflow from activity |  | 86,561 | | 137,060 | |
| Net cash resulting from (used for) current activity |  | 930,138 | | 1,002,392 | |
|  |  |  | |  | |
| **Cashflows from investment activity** |  |  | |  | |
| Distributed dividend |  | (1,185,000) | | (1,590,000) | |
| Consideration from realization of fixed assets |  | --- | | --- | |
| Net cash resulting from (used for) investment activity |  | (1,185,000) | | (1,590,000) | |
|  |  |  | |  | |
| **Cashflows from financing activity** |  |  | |  | |
| Increase (decrease) in long-term credit |  | 266,220 | | 301,251 | |
| Increase (decrease) in short-term credit |  | 687 | | 289,313 | |
| Net cash resulting from (used for) financing activity |  | 266,907 | | 590,564 | |
| **Increase (decrease) in cash and cash equivalent** |  | 12,045 | | 2,956 | |
| **Cash and cash equivalent balance to start of year** |  | 3,005 | | 49 | |
| **Cash and cash equivalent balance to end of year** |  | 15,050 | | 3,005 | |
|  |  |  | |  | |
|  |  |  | |  | |
| **Addendum A** |  |  | |  | |
| **Income and expenses not involved in cashflows:** |  |  | |  | |
| Depreciation and amortization |  | 20,067 | | 20,067 | |
| Capital loss from realization of fixed assets, net  **Changes in asset and liability items:** |  | ---  20,067 | | ---  20,067 | |
| (Increase) decrease in receivables |  | (283,413) | | 62,228 | |
| (Increase) decrease in accounts payable |  | 349,907 | | 54,765 | |
|  |  | 66,494 | | 116,993 | |
|  |  | 86,561 | | 137,060 | |

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 1 – General**

The Company was incorporated and registered in the Companies Register on 11 August 1972.

**Note 2 – Principles of the Accounting Policy**

**Historical cost**

The financial statements have been drawn up according to the generally accepted accounting principles on the basis of the historical cost convention, without accounting for the influence of changes in the general purchasing power of the Israeli currency on the financial statements.

The implementation of historical cost convention in periods of inflation has a far-reaching effect on the basis of the evaluation of assets and liabilities, on the operating costs, and on the comparison of the financial statements for the reported year with those of the past year. It is not possible to give expression to the above-mentioned effect in these financial statements.

The decline in the general purchase power of the Israeli currency in the report year is expressed in a 0.60% decline in the Consumer Price Index and a 6.97% decline in the exchange rate of the US dollar.

**Provision for Workers’ Rights**

In accordance with the accounting policy of the Company, expenses for workers’ rights to severance pay, vacation, and sick pay have been recorded in the financial statements on a cash basis.

**Fixed Assets**

The fixed assets have been included in the financial statements on the historical cost basis, less cumulative depreciation for them. The depreciation has been calculated according to the straight-line depreciation method on the basis of historical cost according to annual increments sufficient to depreciate the assets during their estimated period of use:

The depreciation rates are: Building 4%

Machines and equipment 19%

Truck 20%

Office furniture 6-10%

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 3 – Fixed Assets**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Land**  **Buildings** | | | **Machines**  **Equipment** | | **Vehicles** | **Office Furniture** | **Total** |
| **Cost** | |  | | |  | |  |  |  |
| Balance to 1 Jan. 2020 | | | 501,631 | | | 2,689 | 9,175 | 6,913 | 520,408 |
| Purchases for period | | | --- | | | --- | --- | --- | --- |
| Deductions for the year | | | ( ---) | | | ( ---) | ( ---) | ( ---) | ( ---) |
| **Balance to 31 Dec. 2020** | | | 501,631 | | | 2,689 | 9,175 | 6,913 | 520,408 |
| **Accumulated Depreciation** | | | |  | |  |  |  |  |
| Balance to 1 Jan. 2020 | | 419,705 | | | | 2,647 | 9,175 | 6,912 | 438,439 |
| Depreciation for year | | 20,032 | | | | 35 | --- | --- | 20,067 |
| Deductions for the year | | ( ---) | | | | ( ---) | ( ---) | ( ---) | ( ---) |
| **Balance to 31 Dec. 2020** | | | 439,737 | | | 2,682 | 9,175 | 6,912 | 458,506 |
| **Depreciated cost 31 Dec. 2020** | | | | 61,894 | | 7 | --- | 1 | 61,902 |
|  | | | |  | |  |  |  |  |
| **Depreciated cost 31 Dec. 2019** | | | | 81,926 | | 42 | --- | 1 | 81,969 |

**Note 4 – Provision for Severance Pay**

The Company deposited with Mivtahim Social Insurance Institute of the Workers Ltd. and deposits for compensation and benefits pursuant to law.

**Note 5 – Inventory**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **NIS .** | **NIS .** |

Inventory 500 500

The composition of the inventory is fabrics and supplements.

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 6 - Receivables**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** | |
| Clients(1) |  | 5,697 | | 5,697 | |
| Revenues to receive |  | --- | | 51,282 | |
| Checks for collection |  | 359,500 | | --- | |
| Value Added Tax Branch |  | 2,210 | | 2,210 | |
| Shareholders(2) |  | 797,942 | | 823,182 | |
| Various debtors |  | 18,260 | | 17,825 | |
| Total |  | 1,183,609 | | 900,196 | |

Note(1)-The client balance is shown less a provision for doubtful debts of NIS 510,603.

(2)-KN Insurance Company Ltd. (including interest).

**Note 7 – Share Capital**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **NIS .** | **NIS .** |
| Share capital(1) |  | 2 | | 2 |

Note(1)-

Registered capital – 50 manager shares of NIS 0.0001.

99,950 ordinary shares of NIS 0.0001.

Paid up capital – 1 manager share of NIS 0.0001.

15,000 ordinary shares of NIS 0.0001.

The share capital is shown in the financial statements at the sum of NIS 2.

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 8 – Loans**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** |
| Loan in a bank (1) |  | 857,472 | | 590,564 | |
| Less – current maturities |  | (290,000) | | (289,313) | |
| Total |  | 567,472 | | | 301,251 |
|  |  |  | | |  |

Note (1) – Loan to be repaid by 2023.

**Note 9 – Short-Term Credit**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **NIS .** | **NIS .** |
| Current maturities of long-term loans |  | 290,000 | | 289,313 |

**Note 10 – Accounts Payable**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** | |
| Advances from clients |  | --- | | 60,000 | |
| Shareholders |  | 327,208 | | --- | |
| Related parties |  | 27,200 | | 27,200 | |
| Income Tax Division |  | 150,940 | | 64,474 | |
| Institutions for salary and deductions |  | 13,450 | | 11,468 | |
| Expenses to pay |  | 200,856 | | 206,606 | |
| Total |  | 719,654 | | 369,748 | |

**Note 11 – Revenues**

**To 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **NIS .** | **NIS .** |
| Revenues from rental of building |  | 1,224,352 | | 1,272,174 |

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 12 – Administrative and General Expenses**

**For the year ending .**

**on 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** | |
| Wages and benefits |  | 38,475 | | 38,548 | |
| Professional fees |  | 22,400 | | 51,150 | |
| Holding |  | 1,500 | | --- | |
| Appraisal, measurement and legal services |  | 5,751 | | 2,000 | |
| Insurance |  | 15,080 | | 15,000 | |
| Taxes, fees and miscellaneous |  | 1,137 | | 4,308 | |
| Depreciation of fixed assets |  | 20,067 | | 20,067 | |
| Total |  | 104,410 | | 131,073 | |

**Note 13 – Financing Expenses (Income), Net**

**For the year ending .**

**on 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** | |
| Bank fees |  | 10,906 | | 6,702 | |
| Interest and exchange rate differentials |  | 20,551 | | 27,675 | |
| Interest from shareholders |  | (5,942) | | (25,184) | |
| Interest to interested parties, net |  | --- | | 7,244 | |
| Income tax and VAT interest and fines |  | --- | | 1,518 | |
| Total |  | 25,515 | | 17,955 | |

**Note 14 – Taxes on Income and Losses for Transfer**

**For the year ending .**

**on 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **NIS .** | | **NIS .** | |
| Income tax provision expenses |  | 250,850 | | 257,814 | |

Business loss for transfer to the following year comes to a total of NIS 4,719,828.

Real capital loss for transfer to the following year comes to a total of NIS 32,431.

**TERRA ISRAEL FASHION EXPORT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING ON 31 DECEMBER 2020**

**Note 15 – Distributed Dividend**

**For the year ending .**

**on 31 December .**

**. 2020 2019 .**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **NIS .** | **NIS .** |
| Distributed dividend |  | 1,185,000 | | 1,590,000 |

**Note 16 – Encumbrances**

To guarantee the undertakings of the Company, current and fixed encumbrances have been registered on the fixed and future assets of the Company.