**Financial Statements for
A.D. XXX YYY LTD.
as of December 31, 2017**

A.D. XXX YYY LTD.

Financial Statements as of December 31, 2017

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Report of the auditing accountant to the shareholders of A.D. XXX YYY LTD.

**We have audited the attached financial statements of A.D. Insight Developments LTD (hereinafter: The Company) as of December 31, 2017 and 2016, and the profit and lost statements for each of the years ending on those dates. These financial statements are the responsibility of Company’s Board of Directors and its management. Our responsibility is to provide an opinion on these financial statements based on our audit.**

**We conducted our audit in accordance with generally accepted auditing standards in Israel, including those set by the Israeli Auditors' Regulations (Auditor's Working Method), 1973. These standards require that we plan and conduct the audit in order to obtain reasonable assurance that the financial statements contain no material misrepresentation. An audit includes examining sample evidence supporting the amounts and disclosures included in the financial statements. An audit also includes an assessment of the accounting principles used and any significant estimates made by Company’s Board of Directors and its management, as well as evaluating the propriety of statements made in the overall financial statement. We believe that our audit provides a reasonable basis for forming our opinion.**

**Company has prepared its financial statements in nominal amounts and not in reported amounts as required by the Israeli Accounting Standards Board’s Regulations for Appropriate Accounting.**

**In our opinion, save for not using reported amounts in preparing the balance sheet, as described above, these financial statements fairly represent, in all material respects, Company’s financial condition as of December 31, 2017 and 2016 and the results of its operations, changes to equity capital and its cash flows for each of the years ending on those dates, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).**

Luzon Nadine, CPA March 28, 2019

**Balance Sheet A.D. XXX YYY LTD.**

|  |  |  |
| --- | --- | --- |
| [Balance Sheet] |  | As of December 31 |
|  |  | 2017 | 2016 |
|  | Footnote | [NIS] | [NIS] |
| Current Assets: |  | 1,447,474 | 685,712 |
| Cash and Cash Equivalents  | 3 | 899,347 | 1,305,595 |
| Clients | 4 | 124,132 | 141,444 |
| Receivables and Accounts in Debit |  | - | 220,000 |
| Inventory |  |  |  |
|  |  |  |  |
| Fixed Assets:  | 5 | 100,960 | 122,498 |
|  |  | 2,571,913 | 2,475,249 |
|  |  |  |  |
| Current Liabilities: |  |  |  |
| Suppliers and Service Providers |  | 423,030 | 508,525 |
| Payables and Accounts in Credit  | 6 | 1,456,699 | 64,499 |
|  |  | 1,879,729 | 573,024 |
|  |  |  |  |
| Equity Capital : |  |  |  |
| Share Capital  | 7 | 100 | 100 |
| Net Profit |  | 692,084 | 1,902,125 |
|  |  | 692,184 | 1,902,225 |
|  |  | 2,571,913 | 2,475,249 |
|  |  |  |  |
| The appended footnotes constitute an integral part of the Financial Statements |

March 28, 2019

Date of the Authorization of the Financial Statements

**Profit and Loss Statements A.D. XXX YYY LTD.**

|  |  |  |
| --- | --- | --- |
| [Profit and Loss] |  | For the year ending December 31 |
|  |  | 2017 | 2016 |
|  | Footnote | [NIS] | [NIS] |
| Income  | 8 | 4,036,751 | 4,259,510 |
| Cost of Sales and Services | 9 | 2,288,885 | 2,587,676 |
| Gross Profit |  | 1,747,866 | 1,671,834 |
| General, Selling and Administrative Expenses | 10 | 933,719 | 793,504 |
| Operating Profit |  | 814,147 | 878,330 |
| Net Financing Expenses |  | (30,806) | (41,656) |
| Pre-tax Operating Profit |  | 783,341 | 836,674 |
| Provision for Income Tax |  | (193,382) | (210,050) |
| Net Profit for Period |  | 589,959 | 626,624 |
| Upcoming Dividend Distribution | 11 | (1,800,000) | - |
| Net Profit (Loss) for Period |  | (1,210,041) | 626,624 |
|  |  |  |  |
| The appended footnotes constitute an integral part of the Financial Statements |

**Footnotes to the Financial Statements A.D. XXX YYY LTD.**

**Footnote 1: General**

Company was incorporated as a limited company on February 12, 2011, and initiated its business operations in February, 2012.

Company number with the Company Registrar is ABCDEFGHI.

Company is in the business of planning, developing and constructing projects.

As of 2014, Company began selling materials to its customers.

**Footnote 2: Principles of the Accounting Policy**

The principles of the accounting policy as applied to the financial statements are as follows:

1. Basis for the reporting of the financial statements:
Financial statements are prepared in nominal amounts based on generally accepted historical cost and not in reported amounts as required pursuant to the Israeli Accounting Standards Board’s Accounting Regulation No. 12.
2. Fixed Assets:
Fixed assets are represented at cost after deducting accumulated depreciation.
**Depreciation is calculated using the equalization depreciation method at rates appropriate for the lifetime of the assets.
Annual depreciation rates are as follows:**

|  |  |
| --- | --- |
|  | % |
| Vehicles | 15 |
| Computers | 33 |

1. Reporting on cash basis

Company had presented its financial statements using a cash basis method until 2013.

Following changes to the nature of its operations. Company switched to reporting using an accrual basis beginning in 2014.

|  |  |
| --- | --- |
| [3] | As of December 31 |
|  | 2017 | 2016 |
|  | [NIS] | [NIS] |
| Outstanding debt in Israel |  899347  |  1305595  |

**Footnote 3: Clients**

**Footnotes to the Financial Statements A.D. XXX YYY LTD.**

**Footnote 4: Receivables and Accounts in Debit**

|  |  |  |
| --- | --- | --- |
| [4] |  | As of December 31 |
|  |  | 2017 | 2016 |
|  |  | [NIS] | [NIS] |
| Advance Payments to Suppliers |  |  -  |  3,914  |
| Institutions |  |  124,132  |  137,530  |

**Footnote 5: Fixed Assets**

|  |  |  |  |
| --- | --- | --- | --- |
| [5] |  |  | As of December 31 |
|  | 2017 | 2016 |
|  | Cost | Accumulated Depreciation | Depreciated Cost | Depreciated Cost |
|  | [NIS] |
| Vehicles | 195,000 | 111,150 | 83,850 | 113,100 |
| Computers and Computerized Equipment | 36,923 | 19,813 | 17,110 | 9,398 |
| Total | 231,923 | 130,963 | 100,960 | 122,498 |

**Footnote 6: Payables and Accounts in Credit**

|  |  |
| --- | --- |
| [6] | As of December 31 |
|  | 2017 | 2016 |
|  | [NIS] | [NIS] |
| Outstanding Payments |  6,900  |  14,700  |
| Government Institutions |  31,842  |  29,676  |
| Employees |  5,436  |  3,540  |
| Shareholders |  1,396,522  |  4,259  |
| Employee Insurance Funds |  15,999  |  12,324  |
| **Total** |  **1,456,699**  |  **64,499**  |

**Footnotes to the Financial Statements A.D. XXX YYY LTD.**

|  |  |
| --- | --- |
| [7] | As of December 31, 2016 and 2017 |
|  | Listed | Issued |
|  | Number of Shares |
| Common Shares NIS 1 Nominal Value Each | 10000 | 100 |

**Footnote 7: Share Capital**

**Footnote 8: Income**

|  |  |
| --- | --- |
|  | For the year ending December 31 |
|  | 2017 | 2016 |
|  | [NIS] |
| Income from Providing Consultation Services | 2,281,292 | 1,302,476 |
| Sales | 1,755,459 | 2,957,034 |
| **Total** | 4,036,751 | 4,259,510 |

**Footnote 9: Cost of Selling and Services**

|  |  |
| --- | --- |
|  | For the year ending December 31 |
|  | 2017 | 2016 |
|  | [NIS] |
| Consumption of Materials | 1,865,934 | 2,379,352 |
| Materials | 213,536 | 46,277 |
| Other Expenses | 209,415 | 162,047 |
| **Total** | 2,288,885 | 2,587,676 |

|  |  |
| --- | --- |
|  | As of December 31 |
|  | 2017 | 2016 |
|  | [NIS] |
| Wages | 559,110 | 555,632 |
| Employee Benefits | 46,907 | 26,942 |
| Vehicle Maintenance | 54,261 | 43,570 |
| Communications | 3,276 | 2,770 |
| Professional Services | 58,202 | 33,481 |
| Overseas Travel | 154,713 | 79,434 |
| Maintenance | - | 3,170 |
| Office | 5,645 | 2,321 |
| Guest Related Expenses | 2,774 | 762 |
| Taxes and Levies | 1,863 | 2,481 |
| Transport and Couriers | - | 1,037 |
| Gifts | - | 4,171 |
| Professional Literature and Advanced Training | 12,012 | 3,100 |
| Fines | - | 30 |
| Miscellaneous | (108) | (78) |
| Depreciation Expenses | 35,064 | 34,681 |
| **Total** | **933,719** | **793,504** |

**Footnote 10: General Selling and Administrative Expenses**

**Footnote 11: Ongoing Dividend**

|  |  |
| --- | --- |
| [11] | As of December 31 |
|  | 2017 | 2016 |
|  | [NIS] |
| Dividend Distributed |  1800000 | -  |
| In September, 2017, Company made a qualified dividend distribution totaling NIS 1,800,000, from its remaining profits as of December 31, 2016, to its shareholders and paid the tax applied to it. The dividend continued in its entirety in 2018. |