

POLYCOAT TECHNOLOGIES 2010 LTD.

Financial Statements as at December 31, 2017

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Certified Public Accountants

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Auditor's Report to the Shareholders of

Polycoat Technologies 2010 Ltd.

We have audited the accompanying statements of financial condition of Polycoat Technologies 2010 Ltd. (hereinafter - the Company) as at December 31, 2017 and 2016 and the statements of comprehensive income for the years then ended. These financial statements are the responsibility of the Company's Board of Directors and Management. Our responsibility is to issue an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed under the Auditor's Regulations (Auditor's 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 audit provides a reasonable basis for our opinion.

Information regarding the volume of transactions with bodies considered as "Related Parties" as defined in Pronouncement 29 of the Institute of Certified Public Accountants in Israel, is not included in these financial statements

In our opinion, apart from the non-inclusion of the information regarding the volume of transactions with related parties, as mentioned above, these financial statements present fairly, in all material respects, the financial condition of the Company as at December 31, 2017 and 2016 and the results of its operations for each of the years then ended - in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

We draw attention to the fact that the Company has a capital deficit of 3,628 NIS thousand, and without a significant improvement in the Company's business or raising capital, the Company will not be able to cover its deficit.

Tel Aviv, April 11, 2018.


Shalom Diamant & Co.
Certified Public Accountants

Polycoat Technologies 2010 Ltd.
Statements of financial position

	Note	As at December 31	
		2017	2016
		NIS	
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents		650	716
Other accounts receivable		1,004	1,004
		<u>1,654</u>	<u>1,720</u>
Non-current assets:			
Fixed assets	3	--	--
Intangible assets	2a	96,092	96,092
		<u>96,092</u>	<u>96,092</u>
		<u>97,746</u>	<u>97,812</u>
<u>LIABILITIES AND CAPITAL</u>			
Current liabilities:			
Other accounts payable	4	1,001,471	1,042,271
Non-current liabilities:			
Liabilities for severance pay, net		157,667	157,667
Long-term loan from related company	5	2,566,800	2,507,549
		<u>2,724,467</u>	<u>2,665,216</u>
Shareholder's equity (Capital deficit):			
Share capital	6	10	10
Balance of loss		(3,628,202)	(3,609,685)
		<u>(3,628,192)</u>	<u>(3,609,675)</u>
		<u>97,746</u>	<u>97,812</u>

The Notes accompanying the financial statements are an integral part thereof.

Directors: 

Tel Aviv, April 11, 2018.

Polycoat Technologies 2010 Ltd.
Statements of comprehensive income

	Note	<u>For the year ended December 31</u>	
		2017	2016
		<u>N I S</u>	
Sales		--	--
Cost of sales		--	--
Gross loss		--	--
Selling general and admissible expenses	7	18,451	11,120
Loss from regular operations		18,451	11,120
Financing expenses, net		66	50
Loss for the year		18,517	11,170
Balance of loss at beginning of period		3,609,685	3,598,515
Balance of loss		3,628,202	3,609,685

The Notes accompanying the financial statements are an integral part thereof.

Polycoat Technologies 2010 Ltd.

Notes to the financial statements

1. General

a. Description of the Company's operations –

The Company was established in May 2010.

The Company is engaged in the development, production and marketing of unique polymer additives used as interim materials for the production of products for the plastic and agro – chemical industries.

The Company is inactive and in 2017 discontinued its attempts to bring its products into the market.

b. The financial statements do not include a statement of cash flows as, in the opinion of the Company's management, they would not add any significant information to the information found in the financial statements.

2. Significant accounting principles –

a. Intangible assets –

The Company is in the process of registering a patent.

As of the date of the report, the process has been discontinued.

b. Fixed assets –

1) Presented at cost.

2) Depreciation is calculated by the straight-line method on the basis of the estimated period of use of the assets.

3) The fixed assets are fully depreciated.

c. Cash and cash equivalents –

Cash equivalents are considered by the Company as highly liquid investments, which include short-term deposits with banks, whose original period does not exceed three months from the date of the investment and which are not pledged.

d. Impairment in value of assets –

Impairment in value of fixed assets –

In accordance with Accounting Standard No.15 "Impairment in Value of Assets", when there are any signs pointing to an impairment in value, the Company will examine whether there was an impairment in value of the asset by comparing the asset's carrying value with its recoverable amount.

Polycoat Technologies 2010 Ltd.

Notes to the financial statements

d. Impairment in value of assets (contd.)–

The recoverable amount is the higher of the net selling price of the asset and the value of its use determined by calculating the present value of the estimated future cash flows expected to result from the use of the asset, and realizing it at the end of its life. Should the carrying value in the books exceed the recoverable value, the Company is required to recognize a loss from impairment in value being the difference between the carrying value in the books of the asset and its recoverable amount. A loss from an impairment in value recognized is canceled only if there were changes in the estimates used in determining the recoverable value of the asset on the date of recognizing the loss from its impairment in value.

The Company has not adopted the accounting treatment required by Accounting Standard No. 15.

3. Fixed assets

a. The method of presentation is explained in Note 2b.

b. Composition:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciated cost</u>	
			<u>December 31</u>	
			<u>2017</u>	<u>2016</u>
			NIS	
Computers and software	<u>1,498</u>	<u>1,498</u>	<u>--</u>	<u>--</u>

4. Other accounts payable

Composition:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
	NIS	
Directors and shareholders	<u>991,471</u>	<u>991,471</u>
Accrued expenses	<u>10,000</u>	<u>50,800</u>
	<u>1,001,471</u>	<u>1,042,271</u>

5. Long-term loan from a related company

Loan from a related company – the terms of the repayment have not yet been determined. The related company has the right to convert the loan to shares.

Interest for the reporting period was recorded in the tax adjustment statement, in accordance with the Income Tax Ordinance.

Polycoat Technologies 2010 Ltd.

Notes to the financial statements

6. Share capital

Composition (unchanged from previous year):

	December 31, 2017			
	Authorized		Issued and paid- up	
	Number of shares	NIS	Number of shares	NIS
Ordinary shares of NIS 0.01 par value each	<u>10,000,000</u>	<u>100,000</u>	<u>1,000</u>	<u>10</u>

7. Selling, general and administrative expenses

	For the year ended December 31	
	2017	2016
	N I S	
Registrar fee companies	1,160	1,120
Auditing	17,335	10,000
	<u>18,495</u>	<u>11,120</u>

8. Income tax

The Company has not yet been issued final tax assessments since its establishment.