Aposense Ltd.

Financial Statements as of December 31, 2017

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Auditor

To Shareholders of Aposense Ltd.

We have audited the consolidated statements of financial position attached of Aposense Ltd. (hereinafter: the "Company") as of December 31, 2017 and 2016, as well as the statements of profit and loss and comprehensive profit, changes in equity and cash flows for each of the three years in the period ending December 31, 2017. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion as to these financial statements based on our audit.

We have conducted our audit in accordance with the customary auditing standards, including the standards set forth in the Accountant Regulations (Mode of Performance of an Accountant), 5733-1973. Based on these standards, we are required to plan the audit and execute it in order to obtain a reasonable degree of certainty that the financial statements do not contain a material misstatement. An audit includes a sample inspection of evidence supporting the amounts and information in the financial statements. An audit also includes a review of the accounting rules applied and the significant estimates used by the Company's board of directors and management, as well as an evaluation of the accuracy of the presentation in the financial statements generally. We believe that our audit provides a sufficient basis for our opinion.

In our opinion, the aforesaid financial statements reflect fairly, in all material respects, the financial state of the Company as of December 31, 2017 and 2016 and the results of their operations, the changes to equity and cash flows for each of the three years ending on December 31, 2017 in accordance with the International Financial Reporting Standards (IFRS) and the Securities Regulations (Annual Financial Statements), 5770-2010.

Without qualifying our opinion above, we call attention to Note 1b of the Financial Statements, regarding the sources of financing required for the Company to continue the planned development stages and that are contingent on future events, including raising additional capital and obtaining operating profits.

Tel Aviv,
March 28, 2018

Kost Forer Gabbay and
Kasierer
Accountants

Statements of Financial Position

	Note	As of December 31 2017	2016
		NIS thousands	
Current assets			
Cash and Cash Equivalents	5	4,030	6,744
Shorts term deposits	6	18,674	29,261
Pledged short term deposit		144	-
Accounts receivable	7	217	226
		23,065	36,231
Non-current assets			
Leasing long term deposits		18	41
Fixed assets	8	775	1,002
		793	1,043
		23,858	37,274
Current liabilities			
Liabilities to suppliers and service providers	9	512	885
Accounts payable	10	2,149	1,978
		2,661	2,863
Non-current liabilities			
Liability for research and development grant	14b, e	817	814
Liability for employee benefits	12	674	583
		1,491	1,397
Capital	16, 15		
Share capital		268	268
Premium on shares		306,892	306,689
Receipts on account of options		17,048	17,048
Reserve for share-based payment transactions		773	737
Fund for transactions with controlling shareholders		13,684	13,684
Loss balance		(318,959)	(305,412)
Total capital		19,706	33,014
		23,858	37,274

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

March 28, 2018			
Date of approval of the financial statements	Dr. Alon Domnes	Prof. Ilan Ziv	Yuval Guttenstein
	Chairman of the Board	CEO and Chief Scientist	CFO and VP of Business Development

Statements of Profit or Loss and Comprehensive Profit

	Note	For a year ending December 31 2017	2016	2015
		NIS thousands (Excluding share loss data)		
Research and development expenses, net	17a	6,505	5,717	3,938
Management and general expenses	17b	5,160	4,217	4,451
Operating loss		11,665	9,934	8,389
Financing income	17c	273	441	357
Financing expenses	17c	2,091	719	685
Total loss		13,483	10,212	8,717
Base and diluted loss per share attributed to shareholders of the Company (in NIS)	18	0.502	0.380	0.326
Other comprehensive loss				
Amounts not classified later to profit and loss				
Loss from re-measurement of defined benefit plans	12	64	112	117
Total other comprehensive loss		64	112	117
Total comprehensive loss		13,547	10,324	8,834

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

Statements of Changes to Equity

	Capital Shares	Share premium	Receipts on account of options	Reserve for share-based payment transactions	Fund for transactions with controlling shareholders	Balance Loss	Total
				NIS thousands			
Balance as of January 1, 2015	265	274,689	17,048	32,599	13,684	(286,254)	52,031
Profit (loss) from re-measurement of defined benefit plans	-	-	-	-	-	(117)	(117)
Total loss	-	-	-	-	-	(8,717)	(8,717)
Cost of share-based payment	-	-	-	(20)	-	-	(20)
Exercise of employee options	3	6,406	-	(6,406)	-	-	3
Expiration of options to employees and consultants	-	23,137 *)	-	(23,137) *)	-	-	-
Balance as of December 31, 2015	268	304,232	17,048	3,036	13,684	(295,088)	43,180
Profit (loss) from re-measurement of defined benefit plans	-	-	-	-	-	(112)	(112)
Total loss	-	-	-	-	-	(10,212)	(10,212)
Cost of share-based payment	-	-	-	158	-	-	158
Expiration of options to employees and consultants	-	2,457	-	(2,457)	-	-	-
Balance as of December 31, 2016	268	306,689	17,048	737	13,684	(305,412)	33,014
Profit (loss) from re-measurement of defined benefit plans	-	-	-	-	-	(64)	(64)
Total loss	-	-	-	-	-	(13,483)	(13,483)
Cost of share-based payment	-	-	-	239	-	-	239
Expiration of options to employees and consultants	-	203	-	(203)	-	-	-
Balance as of December 31, 2017	268	306,892	17,048	773	13,684	(318,959)	19,706

*) Reclassified.

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

Statements of Cash Flows

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Cash flow from current operations			
Loss	(13,483)	(10,212)	(8,717)
Adjustments required to present cash flows from operating activities:			
Adjustments to profit or loss sections:			
Depreciation	274	313	322
Net financing expenses (income)	1,557	277	54
Cost of share-based payment	239	158	(20)
Loss from the exercise and derecognition of fixed assets	-	2	14
Change in liabilities for research and development grants	3	32	(191)
Change in liabilities for employee benefits, net	27	12	16
	2,100	794	195
Changes in sections of assets and liabilities:			
Decrease (increase) in accounts receivable	9	12	(62)
Increase (decrease) in liabilities to suppliers and service providers	(373)	173	209
Increase (decrease) in accounts payable	105	(78)	42
	(259)	107	189
Cash paid and received during the year for:			
Interest received	379	523	319
Net cash used for current activity	(11,263)	(8,788)	(8,014)
Cash flows from investment activities			
Purchase of fixed assets	(47)	(39)	(118)
Pledged short term deposit	(144)	-	-
Consideration from the exercise of fixed assets	-	-	3
Payment of shorts term deposits	8,651	12,829	8,670
Payment (deposit) of leasing deposits long term	23	2	(43)
Net cash arising from investment activities	8,483	12,792	8,512

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

Statements of Cash Flows

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Cash flows from financing activities			
Cash received (paid) for government grants	66	(154)	710
Cash received from the exercise of options	-	-	3
Net cash deriving from (used in) financing activities	66	(154)	713
Increase (decrease) in cash and cash equivalents	(2,714)	3,850	1,211
Balance of cash and cash equivalents at beginning of year	6,744	2,894	1,683
Balance of cash and cash equivalents at end of year	4,030	6,744	2,894
Significant non-cash activity			
Purchase of fixed assets	-	138	-

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

Note 1: - General

a. Aposense Ltd. (hereinafter: the "Company") was incorporated in Israel on October 9, 1996 (and commenced its activity at the beginning of 1997).

As of the fourth quarter of 2014, the Company is engaged in innovating research and development in the field of gene therapy, and developing transport molecules for the introduction of genetic material through biological membranes for clinical use for a variety of illnesses. The purpose of the molecules is to allow the passage of genetic sequences into the cell, which are designed to "decrease" the expression of specific genes that encode the proteins involved in disease processes (siRNA Small Interfering RNA). The Company notes that in June 2017 it successfully completed the technological feasibility stage of this project and successfully met all the milestones set by an advisory scientific committee. In addition, the Company is active in the development of original drugs, based on the patented molecular structure of the company called ATT, which are attached to known drugs, in order to improve their performance.

b. From its establishment and through December 31, 2017, the Company raised approximately USD 70,650 thousand from investors, grants and revenues from the granting of licensing and cooperation agreements (in NIS value determined according to the relevant exchange rates). The balance of cash, cash equivalents and deposits as of December 31, 2017 amounted to NIS 22,704 thousand (representing USD 6,549 thousand). During the research and development stages, the Company accumulated a loss of NIS 318,959 thousand from October 9, 1996 through December 31, 2017. The cash used by the Company in its current operations for the year ended December 31, 2017 amounted to NIS 11,263 thousand, and until the end of the development and commercialization of the Company's products, significant expenses will be required. The Company has not yet generated significant revenues from its operations and therefore it relies on external financing sources. The Company finances its operations mainly through capital investments (see Note 16). The Company acts to raise the required capital and to obtain operational profits for its continued operations. The Company's management and the board of directors estimate that the Company will obtain the sources of financing and will meet its obligations in the foreseeable future.

Note 2: - Significant Accounting Policies

The accounting policy set forth below was implemented in the financial statements consistently in all of the periods presented, unless stated otherwise.

a. Presentation basis in the financial statements

The financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS).

Additionally, the financial statements are prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

The Company's financial statements are prepared on a cost basis, excluding assets due to employee benefits and liabilities for employee benefits and government grants.

The Company has elected to present the statement of comprehensive profit based on the nature of operations method.

b. Presentation basis in the financial statements

The Company's operating cycle is one year.

Note 2: - Significant Accounting Policies (Cont.)

c. Functionary currency, presentation currency and foreign currency

The presentation currency of the financial statements is NIS.

The operating currency is the currency best reflecting the economic environment in which the Company operates and its transactions, and its financial state and results of its activity are measured based on this currency. The Company’s functional currency is New Israel Shekels.

1. Transactions, assets and liabilities in foreign currency

Transactions in foreign currency (a currency different from the operating currency) are recorded with the first recognition based on the exchange rate on the transaction date. After the initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date to the functional currency based on the exchange rate of the same date. Exchange rate differences are recognized as profit and loss. Non-financial assets and liabilities denominated in foreign currency presented based on cost are translated based on the exchange rate on the transaction date. Non-financial assets and liabilities denominated in foreign currency presented based on fair value are translated into the functional currency in accordance with the exchange rate on the date on which the fair value was determined.

2. Index-linked financial items

Financial assets and liabilities that are linked based on their terms to changes in the Consumer Price Index in Israel (hereinafter: the “Index”) are adjusted based on the relevant index on each reporting date, in accordance with the terms of the agreement.

d. Cash equivalents

Cash equivalents are considered to be investments with high liquidity, including short term deposits in banks that are not limited by pledge, with original maturities of less than three months from the original investment date or more than three months but that can be withdrawn immediately with no fine, and constitute part of the cash management of the Company.

e. Shorts term deposits

Deposits in bank corporations short term with original maturities of less than three months as of the date of their investment and that do not meet the definition of cash equivalent. The deposits are presented in accordance with the terms of their deposit.

f. Pledged cash

Pledged cash is cash that is deposited in a short term trust and intended to secure payment of the rent of the Company.

Note 2: - Significant Accounting Policies (Cont.)

g. Financial devices

1. Financial assets

Financial assets under the application of IAS 39 are recognized on the initial recognition date based on fair value in addition to directly attributed transaction costs, excluding regarding financial assets measured at fair value through profit or loss, for which transaction costs are charged to profit or loss.
After the initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Receivables

Receivables are investments returned in fixed payments or fixable payments that are not traded in an active market. After initial recognition, short term receivables are presented based on their terms, generally at their nominal value.

2. Derecognition of financial devices

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset expire, or the Company has transferred the contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay the cash flows in full to the third party, without significant delay. Additionally, it substantively transferred all the risks and rewards related to the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Impairment of financial assets

The Company examines, on each reporting date, whether there is objective evidence of impairment for financial assets.

4. Financial liabilities

The liabilities are initially recognized at fair value. Loans and other liabilities measured at reduced cost are presented less direct transaction costs.

Financial liabilities at reduced cost, after initial recognition, loans and other liabilities are measured based on their terms at cost, less direct transaction costs, using the effective interest method.

A financial liability is derecognized when it is cleared, i.e. when the obligation is discharged, cancelled or expired. Financial liabilities are cleared when the debtor (the Company) repays the liability by paying in cash, other financial assets, good or services, or is legally released from the liability.

Note 2: - Significant Accounting Policies (Cont.)

h. Fixed assets

Fixed asset items are presented at cost in addition to direct purchase costs, less accumulated depreciation, less losses from impairment accumulated for them and do not include ongoing maintenance expenses. The cost includes replacement parts and auxiliary equipment used by the fixed assets.

Depreciation is calculated in equal annual rates on a straight-line basis over the useful life of the asset, as follows:

	%	Mainly %
Computers and laboratory equipment (1)	6-33	15
Office furniture and equipment	6-20	6
Leasehold improvements	See below	

(1) Used for all of the activity of the Company

Leasehold improvements are depreciated on a straight-line basis over the lease term (including the extension option that the Company intends to exercise) or in accordance with the estimated useful life of the assets, whichever is shorter.

The useful life, depreciation method and residual value of an asset are reviewed at least at each year-end and changes are treated as a change in an accounting estimate prospectively-forward. The Company estimates that there are no residual values for its assets. Regarding the examination of impairment of fixed assets, see section J below.

Amortization of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date that the asset is derecognized.

i. Research and development expenses

Research costs are charged to the statement of income as incurred. An intangible asset arising from a recognized development or self-development project, if it is possible to prove: the technological feasibility of completing the intangible asset such that it will be available for use or sale; The intention of the Company to supplement the intangible asset and to use or sell it; The ability to use or sell the intangible asset; The manner in which the intangible asset will generate future economic benefits; The existence of the required resources: technical, financial and other, available for completion of the intangible asset and the ability to reliably measure the expenses in respect thereof during its development.

Since the criteria for meeting the recognition of an intangible asset do not exist, the Company did not recognize an intangible asset and, therefore, research and development costs are recognized in the overall loss.

Note 2: - Significant Accounting Policies (Cont.)

j. Impairment of non-financial assets

The Company is examining the need for impairment of fixed assets when there are indications as a result of events or changes to circumstances indicating that the balance in the financial statements is not recoverable. In cases in which the balance in the financial statements of the non-financial assets exceeds their recoverable value, the assets are reduced to the recoverable amount. The recoverable amount is the higher of the fair less costs for sale and value in use. In assessing the value of the use, the estimated cash flows are discounted as a discount rate before tax that reflects the specific risks for each asset. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset is attributed. Impairment losses are charged to the Statement of Comprehensive Loss.

An impairment loss of an asset is eliminated only when there have been changes in the estimates used to determine the recoverable amount of the asset at the time of recognition of the impairment loss. Reversing the loss as stated is limited to the lower of the impairment amount of the asset previously recognized (less depreciation or amortization) or the recoverable amount of the asset. Regarding an asset measured at cost, eliminating such loss is recognized in the Statement of Comprehensive Profit.

k. Leases

The tests for classification of a lease as an operating or financing lease are based on the nature of the agreements, and they are examined on the date of the engagement based on the rules determined in IAS17.

Operating lease

Lease agreements, in which all of the risks and benefits inherent in their ownership are not transferred to the lessee, are classified as operating leases. The lease payments are recognized as expenses in profit or loss on a straight-line over the term of the lease.

l. Government grants

Government grants are recognized when there is a reasonable assurance that the grants will be received and the Company will meet all of the conditions for receipt of the grant.

Government grants received by the Innovation Authority in Israel are recognized upon receipt as a liability if there is reasonable assurance as a result of the research activities that they will result in sales entitling the State to royalties. When the grant is not subject to payment of royalties, the Company recognizes it as a liability that is settled against a decrease in expenses over a straight-line during the period of the subsidized plan.

The liabilities in respect of the loan will be first recognized based on the fair value while discounting at the market interest. The difference between the amount of the grant received and the fair value of the liability is handled as a government grant and is offset from research and development expenses. After initial recognition, the liability is measured at amortized cost with use of the effective interest method. Amounts paid as royalties are recognized as clearance of the liability. When no economic benefits are expected as stated from the research activity, the receipts of the grant are recognized as a decrease in related research and development expenses. In such a case, the liability for payment of royalties is handled as contingent in accordance with IAS 37.

On every reporting date, the Company examines whether there is reasonable assurance that the liabilities recognized, in whole or in part, will not be cleared based on the best estimate, through use of the original effective interest rate, and if any, the suitable liabilities will be reduced against a decrease in research and development expenses.

Amounts paid as royalties are recognized as clearance of the liability.

Note 2: - Significant Accounting Policies (Cont.)

m. Income tax

The tax results for ongoing or deferred taxes are charged to profit or loss, unless they are attributed to items charged to other comprehensive profit or capital.

Current taxes

Liability for current taxes is determined through use of the tax rates and tax laws enacted or the enactment of which was actually completed, until the reporting date, and adjustments required in connection with the tax liability and payment for prior years.

Deferred taxes

The Company does not create deferred taxes in the absence of expected utilization in the foreseeable future.

n. Share-based payment transactions

Employees and service providers of the Company are entitled to benefits by way of share-based payments cleared with capital instruments.

o. Equity-settled transactions

The cost of the equity-settled transactions with employees are measured based on the fair value of the capital instruments granted at the grant date. The fair value is determined using a binomial model that requires the use of many estimates, as detailed in Note 16. For other service providers, the cost of the transactions is measured based on the fair value of the merchandise or services received in consideration for the capital instrument.

The cost of the equity-settled transactions is recognized in profit or loss together with a parallel increase in equity over the period in which the performance and/or service terms are met and end on the date on which the relevant employees are entitled to the benefits (hereinafter: the “Vesting Period”). The cumulative expense recognized for the equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the Vesting Period has expired and the best estimate of the Company regarding the number of financial instruments that will ultimately vest.

Expenditure on grants that do not ultimately vest as a result of forfeiture is not recognized.

p. Liabilities for employee benefits

The Company has several employee benefit plans:

1. Short-tern employee benefits

Short term employee benefits are benefits that are expected to be fully cleared before 12 months after the end of the annual reporting period in which the employees provide the related services. These employee benefits include salaries, vacation days, sick days, convalescence, and employer National Insurance deposits, and are recognized as expenses upon the provision of the services. A liability for a cash bonus or profit sharing plan is recognized when the Company has a legal or constructive obligation to pay the aforesaid amount for a service provided by the employee in the past, and the amount may be reliably estimated.

Note 2: - Significant Accounting Policies (Cont.)

2. Benefits after termination of employment

The plans are usually financed by the contributions to insurance companies, and are classified as plans for defined deposit and defined benefit plans.

The Company has a defined contributions plan, in accordance with Section 14 of the Severance Pay Law, whereby the Company pays payments on a fixed basis, to some of its employees, payments without being legally or constructively required to pay additional payments, even if sufficient amounts have not accrued in the fund as required to pay any benefit to an employee related to the service of the employee in the current period and previous periods.

Deposits to the defined contributions plan for compensation are recognized as an expense upon the deposit to the plan in parallel to receipt of the employment services by the employee.

In addition, the Company has a defined benefit plan in respect to payment of severance payment in accordance with the Severance Pay Law. Under the law, employees are entitled to severance upon their dismissal or retirement. The liability for the termination of employment is presented based on an actuarial value method of the projected entitlement unit. The actuarial calculation takes into account future salary increases and the employee turnover rate, on the basis of the estimated timing of the payment. The amounts are presented on a projected future discounted cash flow basis, based on the interest rates in accordance with return on the reporting date of high-quality index linked concern bonds, which mature near the period of the liabilities related to the severance pay.

The Company deposits funds for its liabilities to pay severance to some of its employees on an ongoing basis in pension funds and insurance companies (hereinafter: the “Plan Assets”). The Plan Assets are assets held by a long term employee benefit fund or qualifying insurance policies. The Plan Assets are not available for use by the Company’s credits, and cannot be paid directly to the Company.

Liabilities for employee benefits presented in the statement of financial position represent the present value of the defined benefit liability, less the fair value of the Plan Assets.
Re-measurement of the net liability is charged to other comprehensive profit or loss in the period in which they are incurred.

q. Loss per share

The loss per share is calculated by the division of the net loss attributed to the shareholder of the Company by the weighted number of ordinary shares existing during the period. The basic loss for share only includes shares that actually exist during the period. Potential ordinary shares (convertible securities such as convertible bonds, stock options and options to employees) are only included in the calculation of diluted loss per share if their effect is dilutive to loss per share by the fact that their conversion increases the loss per share from ongoing activities. In addition, potential ordinary shares that are converted during the period are included in diluted loss per share only until the conversion date, and from that date are included in basic loss per share.

Note 3: - Significant Estimates and Assumptions in the Preparation of the Financial Statements

In the process of applying the main accounting policies in the financial statements, the Company used discretion and weighed the considerations regarding the following matters which have a substantial impact on the amounts recognized in the financial statements:

Estimates and assumptions

Upon the preparation of the financial statements, the management is required to use estimates and assumptions that impact the implementation of the accounting policy and the reported amounts of assets, liabilities, and expenses. Changes to the accounting estimates are recognized in the period in which the change of the estimate took place.

The following are the main assumptions used in the financial statements in connection with the uncertainty as of the reporting date and the critical estimates calculated by the Company, and for which a substantial change to the estimates and assumptions may change the value of assets and liabilities in the financial statements in the following year.

- Government grants

  Government grants received from the Innovation Authority in the Ministry of Industry, Trade and Labor (hereinafter: the “Innovation Authority”) and from the Byrd Fund are recognized as liabilities, if economic benefits are expected as a result of research and development activities that will lead to sales that entitle the State to royalties. There is uncertainty about future cash flows and discount rates used to determine the amount of liability.

- Benefits for pension and other benefits after the termination of employment

  A liability for a defined benefit plan after the termination of the transaction is determined with use of actuarial valuation techniques. Calculation of the liability involves determining assumptions, *inter alia*, about the discount rates, rates of expected return on assets, rates of the salary increase, and employee turnover rates. The balance of the liabilities may be impacted significantly for changes to these estimates.

- Determination of the fair value of share-based payment transactions

  The fair value of share-based payment transactions is determined upon first recognition through use of the binomic model. The model is based on the share price data and the exercise price, and discounts regarding expected volatility in the share price, the expected life, expected dividend, and risk free interest rate.

Note 4: - Disclosure of New IFRS Standards in Period Prior to their Adoption

IFRS 9 Financial Instruments

In July 2014, the IASB published full and final version of IFRS 9 - Financial Instruments, was published, which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter: the "Standard") focuses mainly on the classification and measurement of financial assets and applies to all of the financial assets to which IAS 39 applies.

The Standard provides that upon initial recognition, all of the financial assets will be measured at fair value. In subsequent periods, debt instruments should be measured at amortized cost only if the following two conditions are met:

- The asset is held within a business model the purpose of which is to hold assets in order to collect contractual cash flows arising from them.

- According to the contractual terms of the financial asset, the Company is entitled, on certain dates, to receive a cash flow that constitutes only payments of principal and interest on the principal balance.

The Standard also includes a new model for measuring the impairment of financial assets.

The subsequent measurement of all of the other debt instruments and other financial assets will be based on fair value. The standard provides a distinction between debt instruments that will be measured at fair value through profit or loss and debt instruments that will be measured at fair value through other comprehensive profit.

Financial assets that are capital instruments will be measured in subsequent periods at fair value, and the differences will be charged to profit or loss or other comprehensive profit (loss), at the selection of the Company regarding each instrument. With respect to capital instruments held for a trade purpose, they must be measured at fair value through profit or loss.

Regarding derecognition and financial liabilities, the standard provides the same provisions required under the provisions of IAS 39 regarding derecognition and regarding financial liabilities for which no fair value alternative was selected.
According to the standard, the amount of the change in the fair value of the liabilities - attributed to changes in the credit risk - will be charged to other comprehensive profit. All of the other changes to the fair value will be charged to profit or loss.
The Standard includes new requirements regarding hedging accounting.

The Standard will be applied as of the annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company estimates that the adjustments to IFRS 9 are not expected to have a material impact on the financial statements.

Note 4: - Disclosure of New IFRS Standards in Period Prior to their Adoption (Cont.)

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 regarding leases (hereinafter: the “New Standard”).

In accordance with the New Standard, a lease is defined as an agreement or part of an agreement that transfers, in consideration for payment, the right to use an asset for a defined period.

The following are the main impacts of the New Standard:

- The New Standard requires lessees to recognize all of the leases in the asset with a liability in the statement of financial position (other than in certain cases) in a manner similar to the accounting treatment of a financing lease in accordance with the existing standard - IAS 17 Leases.
- Lessees will recognize the liabilities for lease payments, and conversely will recognize the usage right in the asset. Additionally, the lessees will recognize interest expenses and depreciation expenses separately.
- Variable lease payments that are not dependent on the index or interest, based on performance of use (for example, a percentage of revenue) will be recognized as an expense on the part of the lessees or income on the part of the lessors on the date of their creation.
- In the case of a change to the variable lease payments linked to the index, the lessee must reassess the liabilities for the lease when the impact of the change charges a usage right to the asset.
- The New Standard includes two exceptions where the lessee may handle the leases in accordance with the existing accounting treatment with respect to operating leases, in the case of the lease of assets with financial value that is lower or in the case of a lease for a period of up to one year.
- The accounting treatment on the part of the lessor remains essentially unchanged compared to the existing standard, meaning, classification as a financing lease or operating lease.

The New Standard will be applied as of the annual periods beginning on January 1, 2019 or thereafter. Early adoption is permitted. At this stage, the Company does not intend to adopt the New Standard early.

The New Standard allows the lessees to choose one of the following application approaches:

a. Full retroactive application - In this case, the effect of the implementation of the New Standard at the beginning of the earliest period presented will be carried to equity. In addition, the Company will restate its financial statements presented as comparative figures.

b. Partial retrospective application approach - according to this approach, no restatement of the comparative figures will be required. The balance of the liability as at the date of implementation of the New Standard for the first time will be calculated using the existing discount rate on the first implementation date of the New Standard. With respect to the balance of the right-of-use asset, the Company may decide, for each lease separately, to apply one of the following two alternatives:

- Recognition of an asset in the amount of the recognized liability, with certain adjustments.
- Recognition of an asset as if it has always been measured in accordance with the provisions of the New Standard.

Any difference arising on the initial implementation date of the New Standard as a result of partial retroactive application, if any, will be recorded in equity.

The Company is examining the potential impact of the standard on the financial statements.

Note 5: - Cash and Cash Equivalents

	December 31	
	2017	2016
	NIS thousands	
Cash linked to the shekel	149	368
Cash linked to the dollar	709	66
Cash linked to the euro	-	14
Cash equivalents - deposits linked to the shekel *)	150	4,431
Cash equivalents - deposits linked to the dollar *)	3,020	1,862
Other cash and cash equivalents	2	3
	4,030	6,744

*) Deposits in banks for a period of less than three months for 2017 bearing interest at a rate of 0.01%-0.33% and for 2016 bearing interest at a rate of 0.01%-0.26%.

Note 6: - Shorts Term Deposits

	December 31	
	2017	2016
	NIS thousands	
Deposits linked to the shekel	7,546	6,291
Deposits linked to the dollar	11,128	21,773
Deposits linked to the euro	-	1,197
	18,674	29,261

*) Short term deposits in banks for 2017 bearing interest at a rate of 0.15%-1.72% and for 2016 bearing interest at a rate of 0.15%-1.85%.

Note 7: - Accounts Receivable

	December 31	
	2017	2016
	NIS thousands	
Institutes	101	135
Expenses in advance and other	116	91
	217	226

Note 8: - Fixed Assets

Year 2017

	Computers and laboratory equipment	Office furniture and equipment	Leasehold improvements	Total
	NIS thousands			
Cost				
Balance as at January 1, 2017	3,682	1,327	1,650	6,659
Additions during the year	47	-	-	47
Balance as of December 31, 2017	3,729	1,327	1,650	6,706
Accumulated depreciation				
Balance as at January 1, 2017	3,321	1,173	1,163	5,657
Additions during the year	104	52	118	274
Balance as of December 31, 2017	3,425	1,225	1,281	5,931
Reduced cost as of December 31, 2017	304	102	369	775

Year 2016

	Computers and laboratory equipment	Office furniture and equipment	Leasehold improvements	Total
	NIS thousands			
Cost				
Balance as of January 1, 2016	3,517	1,331	1,650	6,498
Additions during the year	177	-	-	177
Disposals during the year	(12)	(4)	-	(16)
Balance as of December 31, 2016	3,682	1,327	1,650	6,659
Accumulated depreciation				
Balance as of January 1, 2016	3,243	1,111	1,004	5,358
Additions during the year	90	64	159	313
Disposals during the year	(12)	(2)	-	(14)
Balance as of December 31, 2016	3,321	1,173	1,163	5,657
Reduced cost as of December 31, 2016	361	154	487	1,002

Note 9: - Liabilities to Suppliers and Service Providers

	December 31	
	2017	2016
	NIS thousands	
Open debts linked to the shekel	328	335
Open debts linked to the dollar	96	304
Open debts linked to the euro	88	246
	512	885

Note 10:- Accounts Payable

	December 31	
	2017	2016
	NIS thousands	
Wages and related expenses	375	328
Provision for vacation	562	459
Provision for bonus	313	-
Expenses payable	833	1,124
Other payables for government grants	66	67
	2,149	1,978

Note 11: - Financial Instruments

a. Classification of financial assets and financial liabilities

The following is classification of the financial assets and financial liabilities in the balance sheet for the groups of financial instruments in accordance with IAS 39:

	December 31	
	2017	2016
	NIS thousands	
Financial assets at amortized cost		
Cash and Cash Equivalents	4,030	6,744
Shorts term deposits	18,674	29,261
Pledged short term deposit	144	-
Accounts receivable	217	226
Financial liabilities at reduced cost		
Liabilities to suppliers and service providers	512	885
Accounts payable	1,146	1,124
Liability for research and development grant	817	814

The management estimates that the balance of cash, short term deposits, receivables and other current liabilities approximate the fair value due to the short repayment dates for these instruments.

Note 11: - Financial Instruments (Cont.)

b. Financial risk factors

The Company's activity exposes it to various financial risks, such as a market risk (foreign currency risk).
Risk management is performed by the Company's Finance Department in accordance with the policy approved by the board of directors.

Foreign currency risk

A significant portion of the Company's expenses, including expenses arising from the clinical and pre-clinical trials, as well as payments to consultants, are denominated in dollars. The depreciation or appreciation of the dollar exchange rate in relation to NIS may affect the Company's operating expenses as well as its financing expenses. The Company's deposits are mostly deposited in dollar deposits bearing short and medium term interest, in an amount appropriate to the dollar-linked and dollar-managed payment forecasts. The rest of the cash is deposited mainly in shekel deposits, in order to reduce exposure to changes in exchange rates.

Liquidity risk

Most of the Company's liabilities will be repaid in the coming year, except for an obligation in respect of a research and development grant and liabilities for employee benefits that the Company anticipates will be repaid in a period exceeding five years. In addition, the Company estimates that the sources of financing available to it as at the date of this report will not be sufficient until it reaches profitability and it is reasonable to assume that the Company will need additional financing beforehand.

c. Sensitivity tests for changes in market factors

	Sensitivity test for changes in the dollar exchange rate	
	Profit (loss) from the changes	
	Increase of exchange rate of 5%	Decrease of exchange rate of 5%
	NIS thousands	
For year ended on December 31, 2017	686	(686)
For the year ending December 31, 2016	1,093	(1,093)

Sensitivity tests and main work assumptions

The changes selected in the relevant risk variables were determined in accordance with management's estimates of possible reasonable changes in these risk variables.

The Company performed sensitivity tests for key market risk factors that may affect the reported results of operations or financial position. The sensitivity tests present the profit or loss for each financial instrument in respect of the relevant risk variable chosen for it as of each reporting date. An examination of the risk factors was made on the basis of the materiality of the exposure of the results of operations or the financial position in respect of each risk factor in relation to the functional currency and assuming that all other variables are constant.

Receivables, payables, suppliers and liabilities to the Scientist are presented approximate to their fair value.

Note 12: - Assets and Liabilities for Employee Benefits

Benefits to employees include short term benefits, benefits after termination of the employment, and benefits for termination.

a. Benefits after the termination of employment

The labor laws and Severance Pay Law in Israel require the Company to pay compensation to an employee upon dismissal or retirement or perform ongoing deposits in a defined deposit plan under Section 14 of the Severance Pay Law as described below. The Company's liabilities for the same are handled as a benefit after the termination of the employment. The calculation of the Company's liability for employee benefits is performed based on an employment agreement in force and is based on the salary of the employee and term of employment, which create the right for compensation.
The benefits to employees after the termination of the employment is financed, generally, but deposits classified as a defined benefits plan or a plan for a defined deposit as set forth below.

Defined contribution plan

Regarding some of the severance payments, the terms of Section 14 of the Severance Pay Law, 5723-1963 apply, whereby the ongoing deposits of the Company in the pension funds and/or policies in insurance companies exempt it from any additional liability to employees for which the aforesaid amounts were deposited. These deposits, as well as deposits in respect of benefits, constitute defined contribution plans.

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Expenses for the defined deposit plans	194	178	130

Defined benefit plans

The part of the compensation payments that is not covered by the deposits in the defined deposit plans, as stated above, are handled by the Company as a defined benefit plan whereby an undertaking is recognized for employee benefits, and for which the Company deposits amounts in central funds for severance and the suitable insurance policies.

Note 12: - Assets and Liabilities for Employee Benefits (Cont.)

a) Changes in defined benefit liabilities and fair value of the plan's assets

Year 2017

		Expenses charged to profit or loss			(Profit) loss for re-measurement in other comprehensive income					Deposits made	
	Balance at January 1, 2017	Cost of service Current	Net interest expenses	Total expenses charged to profit or loss in the period	Return on Plan Assets (excluding amounts recognized in net interest expenses)	Actuarial (profit) loss in respect of changes in demographic assumptions	Actuarial (profit) loss in respect of changes in financial assumptions	Actuarial (profit) loss in respect of test deviations	Total impact on other comprehensive profit in the period	by the employer	Balance at December 31, 2017
Liabilities for a defined benefit	1,033	75	32	107	-	-	79	6	85	-	1,225
Fair value of Plan Assets	450	-	12	12	21	-	-	-	21	68	551
Net liability (asset) for defined benefit	583	75	20	95	(21)	-	79	6	64	(68)	674

Year 2016

		Expenses charged to profit or loss			(Profit) loss for re-measurement in other comprehensive income					Deposits made	
	Balance at January 1, 2016	Cost of service Current	Net interest expenses	Total expenses charged to profit or loss in the period	Return on Plan Assets (excluding amounts recognized in net interest expenses)	Actuarial (profit) loss in respect of changes in demographic assumptions	Actuarial (profit) loss in respect of changes in financial assumptions	Actuarial (profit) loss in respect of test deviations	Total impact on other comprehensive profit in the period	by the employer	Balance at December 31, 2016
Liabilities for a defined benefit	835	75	8	83	-	23	(35)	128	115	-	1,033
Fair value of Plan Assets	376	-	4	4	3	-	-	-	3	67	450
Net liability (asset) for defined benefit	459	75	4	79	(3)	23	(35)	128	112	(67)	583

Note 12: - Assets and Liabilities for Employee Benefits (Cont.)

b) Detail of assets of the plan based on fair value

	December 31 2017	December 31 2016	January 1 2016
	NIS thousands		
Cash and cash equivalents	49	32	53
Capital instruments	192	159	136
Debt instruments	283	239	138
Other investments	27	20	49
Total assets of the plan	551	450	376

c) Main assumptions for the defined benefit plan

	2017	2016
	%	%
Discount rate (1)	2	3
Expected rate of increase of wages	5.19	5.19

(1) The discount rate is based on the high-quality CPI-linked corporate bonds

d) Amounts, timing, and uncertainties of future cash flows

Below are potential changes considered to be reasonable as of the end of the reporting period, for each actuarial assumption, assuming the other actuarial assumptions are unchanged:

	Current value of liabilities for a defined benefit
	NIS thousands
As of December 31, 2017:	
Sensitivity test for expected change in rate of increase of wages	
Change as a result of:	
Increase of the salary by 0.5%	22
Decrease of the salary by 0.5%	15
Sensitivity test to change the capitalization rate of the liability and assets of the plan	
Change as a result of:	
Increase of the discount rate of 0.5%	15
Decrease of the discount rate of 0.5%	22

Note 13: - Income Tax

a. Tax laws applicable to the Company

Income Tax (Adjustments for Inflation) Law, 5745-1985

According to the Law, until the end of 2007, the results for tax purposes in Israel are measured when adjusted to changes in the Consumer Price Index.

In February 2008, the Knesset passed an amendment to the Income Tax (Adjustments for Inflation) Law, 5745-1985, which limits the applicability of the Adjustments Law from 2008 onwards. As of 2008, the results for tax purposes are measured in nominal values, with the exception of certain adjustments in respect of changes in the CPI during the period up to December 31, 2007. Adjustments relating to capital gains, such as real estate realization (appreciation) and securities continue to apply until the exercise date. The amendment to the law includes, *inter alia*, the cancellation of the adjustment of the addition and the deduction for inflation and the additional deduction for depreciation (for depreciable assets acquired after the 2007 tax year) as of 2008.

The Encouragement of Capital Investments Law, 5719-1959

According to the law, the Company is entitled to various tax benefits, by virtue of the status of an "Approved Enterprise" as defined in this Law.

In 2003, the Company received the status of an Approved Enterprise in the alternative track, in accordance with the Law, according to which the Company has a period of benefits of seven years from the income deriving from the following plan: (1) a full tax exemption in the first two years; and (2) a reduced tax rate of 25% instead of the ordinary tax rate (see section B below) for the remaining five years. The benefits period is limited to 12 years from the year of operation of the plan or 14 years from the date of approval. The benefits period has not yet commenced because the Company has not yet reported taxable income.

In the event that a dividend is distributed from the tax-exempt income as aforesaid, the Company will be liable to tax at a rate that would have been applicable to its income from an approved enterprise in the year in which the income was generated, had it not chosen the alternative track. The Company's policy is not to distribute dividend, as stated.

The benefits from the Company's Approved Enterprise plan are contingent on compliance with the conditions stipulated in the Law and the regulations accompanying the Law and the specific criteria of the Company's Approved Enterprise plan. If the Company does not meet the conditions, the tax benefits will be cancelled.

Income deriving from sources other than the Approved Enterprise will be taxed at the ordinary corporate tax rate (see section B below).

Amendment of the Encouragement of Capital Investments Law, 5719-1959 (Amendment 68)

In December 2010, the Knesset approved the Economic Policy Law for 2011 and 2012 (Legislative Amendments), 5771-2011, which provides, among other things, amendments to the Law for the Encouragement of Capital Investments, 5719-1959 (hereafter: the Law). The amendment is effective from January 1, 2011. The amendment changes the benefit tracks in the Law and applies a uniform tax rate to all of the preferred revenues of the Company, which will be considered as preferred company with preferred enterprise. As of the 2011 tax year, the Company is entitled to choose (without any option to withdraw from its choice) whether to change to the scope of the amendment and from the same tax year for which the selection was made, all of its preferred income from the preferred enterprise will be subject to the amended tax rates. The tax rates according to the amendment to the Law are: in 2011 and 2012 - 15% (in Development Area A - 10%), in 2013 - 12.5% (in Development Area A - 7%).

Note 13: - Income Tax (Cont.)

Amendment of the Encouragement of Capital Investments Law, 5719-1959 (Amendment 71)

On August 5, 2013, the Law for the Change of National Priorities (Legislative Amendments to Achieve the Budget Objectives for 2013 and 2014), 5773-2013 was published, which includes Amendment 71 to the Encouragement of Capital Investments Law (hereinafter - the Amendment). The Amendment determines that the preferred income tax rate for the preferred enterprise in the years 2014 and thereafter is 16% (in Development Area A - 9%). In connection with the changes in the tax rates deriving from Amendment 73 to the Law, see below.

In addition, the amendment provides that if a dividend is distributed to an individual or a foreign resident from the profits of the preferred enterprise as stated above, a tax rate of 20% will apply.

Amendment of the Encouragement of Capital Investments Law, 5719-1959 (Amendment 73)

In December 2016, the Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), 5767-2016, was published, which includes Amendment 73 to the Encouragement of Capital Investments Law (hereinafter: the Amendment). The Amendment stipulates that the tax rate that will apply from January 1, 2017 onwards to a preferred enterprise located in Development Area A is 7.5% instead of 9% (the tax rate for a preferred enterprise that is not located in Development Area A remains 16%).

In addition, special tax tracks for technological plants were set as part of the Amendment.

The new tracks under the Amendment:

Technological preferred enterprise - an enterprise in which the total consolidated revenues of its parent company and all the subsidiaries are less than NIS 10 billion. A technological preferred enterprise as defined in the Law located in the center of the country will be subject to a 12% corporate tax in respect of profits deriving from intellectual property (in Development Area A - 7.5%).

In the event of the distribution of a dividend to a "foreign company" as defined in the Law, originating in income from technological enterprises, a tax payment of 4% will apply to the payment.

The Company examined the effect of the amendment to the Encouragement of Capital Investments Law on its financial statements, and as at the publication date of the financial statements, the Company chose not to apply the Amendment.

This assessment of the Company may change in the future.

The Encouragement of Industry (Taxes) Law, 5729-1969

The Company has the status of an "industrial company" as defined in this Law. In accordance with this status and by virtue of published regulations, the Company is entitled to claim depreciation at increased rates for equipment used in industrial activity, as determined in the regulations under the Adjustments Law. The Company is also entitled to a reduction in respect of a patent or right to exploit a patent or knowledge, used for the development or advancement of the enterprise and to withhold expenses involved in the issue of shares listed for trade on the Stock Exchange.

b. Tax rates applicable to the Company

The corporate tax rate in Israel in 2017 is 24%, and in 2016 was 25%, and in 2015 was 26.5%.

In December 2016, the Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), 5767-2016, was approved, which includes a reduction in the corporate tax rate from January 1, 2017 to 24% (instead of 25%), and as of January 1, 2018 to a rate of 23%.

Note 13: - Income Tax (Cont.)

A body of persons shall be liable to tax on real capital gains on the sale of securities at the corporate tax rate in the sale year.

c. Losses for tax purposes

As of December 31, 2017, the Company had carryforward tax income losses of NIS 240 million. Due to the absence of an expectation of the utilization of losses in the foreseeable future, no deferred taxes were recorded in respect of the said carryforward losses.

d. Tax assessments

The Company has final tax assessments up to and including the 2012 tax year.

Note 14:- Contingent Liabilities and Commitments

a. On May 12, 2014 and June 16, 2014, the Company signed two sublease agreements (hereinafter: the "Agreements") for part of its office areas. The agreements also included an option to extend the lease agreements, one of which was exercised by the tenants until January 2017. On January 31, 2017, the sublease period ended. Rental income for the year was recorded in the financial statements as a deduction from rental expenses and amounted to NIS 18 thousand in 2017, in 2016 to NIS 182 thousand, and in 2015 to NIS 185 thousand.

The rental fees for the years ended December 31, 2015, 2016 and 2017 amounted to NIS 501 thousand, NIS 498 thousand, and NIS 531 thousand, respectively.

The minimum future lease payments for the Company's offices as of December 31, 2017, are:

	NIS thousands
First year	531
Second year	531
	1,062

The Company has operational lease agreements for commercial vehicles. Leases have an average lifespan of about three years, without an extension option in the Agreement.

The minimum future rental payments in respect of the rental agreements for vehicles as of December 31, 2017 are:

	NIS thousands
First year	186
Second year to third year	61
	247

Note 14: - Contingent Liabilities and Commitments (Cont.)

b. In 2014, the Company submitted requests to the Innovation Authority for support of its R&D activities. In 2014, approval was received for a grant from the Scientist in the amount of NIS 1,629 thousand, and in 2015 the Company submitted an extension request for approval of the 2014 plan. In the years 2015 and 2014, the Company received net payments from the Innovations Authority to support its research and development activities in the amount of NIS 710 thousand and NIS 277 thousand, respectively. In 2016 and 2017, no payments were received from the Innovation Authority.

The total liabilities recorded by the Company in its balance sheet as of December 31, 2017, 2016 and 2015 amount to NIS 817 thousand, NIS 814 thousand, and NIS 782 thousand, respectively.

As of December 31, 2017, the Company has cumulative contingent liabilities to pay to the Innovation Authority for innovation amounting to approximately NIS 3,878 thousand, of which the Company recorded a liability in the balance sheet in the amount of NIS 817 thousand.

Government grants

	2017	2016
	NIS thousands	
Balance as at January 1	814	782
Grants received and/or recognized during the year	-	104
Amounts charged to profit or loss	3	(72)
Balance at December 31	817	814

During 2016, the Company received approval from the Israel Securities Authority for support for an analysis project of the Tel Aviv Stock Exchange. As part of this plan, the Company paid the Stock Exchange NIS 183 thousand excluding VAT, of which NIS 56 thousand is presented in receivables as an expense in advance, and it received a support grant from the Innovation Authority in the amount of approx. NIS 135 thousand, of which NIS 65 thousand is presented under payables. See also Note 20 below.

Note 15: - Capital

a. Composition of share capital

	December 31			
	2017		2016	
	Registered	Issued and paid up	Registered	Issued and paid up
	Number of Shares		Number of Shares	
Ordinary shares of NIS 0.01 par value each	50,000,100	26,859,807	50,000,100	26,859,807

b. Transactions in share capital

Issued and Paid Up Capital

	Number of Shares	NIS par value
Balance as of December 31, 2017 and 2016	26,859,807	268,598

Note 15: - Capital (Cont.)

c. Rights attached to shares of the Company

The ordinary shares shall grant their owners the right to participate in and vote at general meetings of the Company, appoint the directors of the Company, participate in the distribution of dividends, bonus shares or other assets, and participate in the distribution of property upon liquidation of the Company - all proportionately to the par value of the shares without taking into account any premium paid for them.

d. Management of capital in the Company

The Company's goal in managing its capital is to preserve the Company's ability to ensure continuity of the business, thereby creating a return for shareholders, investors, and other interested parties.

The Company manages its capital structure in order to ensure continuity of operations and makes adjustments as a result of changes in the economic conditions and risk characteristics of its operations, taking into consideration the nature of the Company's current activity in the life sciences field, which is in research and development stages. The Company may take various steps from time to time in order to preserve or adjust its capital structure for its purpose. Since its establishment, the Company has financed its activity mainly through the allocation of loan and from shareholder loans.

Note 16:- Share-Based Payment Transactions

In 2007, the Company's board of directors approved an option plan for employees (2007) (hereinafter - the “Option Plan") whereby employees of the Company, directors, consultants and service providers will be granted non-marketable options exercisable for ordinary shares of NIS 0.01 par value each.

Section 102 of the Income Tax Ordinance sets forth the employee option plan.

a. Employee options

The following table presents share-based benefit expenses arising from options granted to employees included in the statements of comprehensive loss of the Company:

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Research and development expenses	113	74	4
Management and general expenses	98	53	(24)
Total expenses of share-based benefit	211	127	(20)

Share-based payment transactions granted by the Company to its employees are described below:

On March 30, 2016, the Company's board of directors approved, after the approval of the Company's remuneration committee, the allocation of 865,000 options to employees and officers at an exercise price of NIS 1.12 per option, in accordance with the option plan adopted by the Company. The options will vest over a period of 4 years and may be exercised within 10 years from the grant date.

Note 16: - Share-Based Payment Transactions (Cont.)

The fair value of the options granted to the Company's employees was estimated on the grant date according to the binomial model and amounted to NIS 408 thousand. The parameters used for calculation are as follows: the price of the Company's share on the Stock Exchange on the date of the grant is NIS 1.067, annual volatility of 57%, a risk-free annual shekel interest of 1.9%, a dividend yield of 0%, an exercise coefficient of 2 and a 10-year contractual lifespan.

On June 12, 2017, the Company's board of directors approved, after the approval of the Company's remuneration committee, the allocation of 250,000 options to Mr. Yuval Guttenstein, the Company's CFO and VP of Business Development, at an exercise price of NIS 1.1 per option in accordance with the Option Plan adopted by the Company. The options will vest over a period of 4 years and may be exercised within 10 years from the grant date.

The fair value of the options in this grant was estimated on the grant date according to the binomial model and amounted to NIS 158 thousand. The parameters used for calculation are as follows: the price of the Company's share on the Stock Exchange on the date of the grant is NIS 1.24, annual volatility of 52%, a risk-free annual shekel interest of 1.7%, a dividend yield of 0%, an exercise coefficient of 2 and a 10-year contractual lifespan.

The following is a summary of the change in the number of options of the employees of the Company and relevant information for the year ended December 31, 2017:

	Number of options	Weighted average Exercise price in NIS *)	Weighted average of the balance of contractual life
Balance as at January 1, 2017	938,000	1.15	8.85
Granted	250,000	1.1	
Balance as of December 31, 2017	1,188,000	1.14	8.23
Exercisable	73,000	1.5	3.14

The following is a summary of the change in the number of options of the Company and relevant information for the year ended December 31, 2016:

	Number of options	Weighted average Exercise price in NIS *)	Weighted average of the balance of contractual life
Balance as of January 1, 2016	413,000	9.94	2.9
Granted	865,000	1.12	
Forfeited/expired	(340,000)	11.75	
Balance as of December 31, 2016	938,000	1.15	8.85
Exercisable	65,500	1.50	3.83

*) The exercise price of the options granted at the dollar exercise price was translated based on the exchange rate on the grant date.

Note 16:- Share-Based Payment Transactions (Cont.)

b. Options to consultants

On May 16, 2016, the Company's board of directors approved, in principle, the appointment of Professor Roger D. Kornberg as the Company's Scientific President, in return for a private placement of 130,000 options. Each option is exercisable into an ordinary share of the Company with par value if NIS 0.01 each, at an exercise price of NIS 1.09 per option. The options will vest in equal parts, at the end of each quarter over a period of three years, and they are exercisable within 10 years from the date of allotment, subject to the continued provision of consulting services to the Company.

The fair value of the options granted to the Company's Scientific President was estimated on the grant date according to the binomial model and amounted to NIS 67 thousand. The parameters used for calculation are as follows: the price of the Company's share on the Stock Exchange on the date of the grant is NIS 1.068, annual volatility of 56%, a risk-free annual shekel interest of 1.8%, a dividend yield of 0%, an exercise coefficient of 2 and a 10-year contractual lifespan.

On June 1, 2017, 22,000 options which were held by former consultants expired.

Below is a summary of the options granted to consultants as of December 31, 2017:

Issue date	Options for ordinary shares	Average exercise price per share	Exercisable options	Exercisable until (*)
May 2016	130,000	NIS 1.09	65,000	May 2026

(*) Subject to the option agreement and the option plan adopted by the Company.

Note 17: - Additional Details of Sections for Statement of Comprehensive Income

a. Research and development expenses

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Salaries, related expenses and vehicles	2,661	2,272	1,841
External work and maintenance	2,669	2,456	1,518
Use of materials	93	92	34
Patents	265	350	277
Depreciation	150	156	158
Travel abroad	-	-	26
Office maintenance	586	420	407
Cost of share based payment	141	105	4
	6,565	5,851	4,265
Less - grants from the Bird Foundation and Innovation Authority	(60)	)134)	(327)
	6,505	5,717	3,938

Note 17: - Additional Details of Sections for Statement of Comprehensive Income (Cont.)

b. Management and general expenses

Salaries, related expenses and vehicles	2,449	2,121	1,962
Professional services	1,615	1,155	1,669
Travel abroad	178	74	109
Depreciation	124	156	158
Office maintenance	696	656	559
Other	-	2	18
Cost of share based payment	98	53	(24)
	5,160	4,217	4,451

c. Financing income and expenses

	For a year ending December 31		
	2017	2016	2015
	NIS thousands		
Financing income			
Interest income from deposits	273	441	357
	273	441	357
Financing expenses			
Net loss from changes in exchange rates	2,006	632	536
Other fees and expenses	85	87	149
	2,091	719	685

Note 18: - Loss Per Share

a. Composition

	For a year ending December 31					
	2017		2016		2015	
	Weighted number of shares	Loss attributed to shareholders of the Company	Weighted number of shares	Loss attributed to shareholders of the Company	Weighted number of shares	Loss attributed to shareholders of the Company
	Thousands	NIS thousands	Thousands	NIS thousands	Thousands	NIS thousands
The number of shares and loss for the purpose of calculating a basic and diluted loss	26,860	13,483	26,860	10,212	26,721	8,717

b. The calculation of the diluted loss per share does not include convertible securities (dilutive potential ordinary shares) set forth below, because their inclusion reduces the basic loss per share from continuing operations (anti-dilutive effect):

Note 18: - Loss Per Share (Cont.)

For year ended on December 31, 2017

1,318,000 options to employees and consultants in the share-based payment plans.
245,547 options to the controlling shareholder of the Company.

For the year ending December 31, 2016

1,090,000 options to employees and consultants in the share-based payment plans.
245,547 options to the controlling shareholder of the Company.

For the year ending December 31, 2015

450,000 options to employees, former employeers, and consultants in the share-based payment plans.
245,547 options to the controlling shareholder of the Company.

Note 19: - Balances and Transactions with Affiliates

a. Balances with interested parties and affiliates

As of December 31, 2017

	Key managerial individuals	Controlling shareholders
	NIS thousands	
Accounts payable	-	262
Receipts on account of options	-	9,892

As of December 31, 2016

	Key managerial individuals	Controlling shareholders
	NIS thousands	
Accounts payable	-	206
Receipts on account of options	-	9,892

Benefits for hiring holders of key managerial positions (including directors) employed by the Company:

	For year ending on December 31					
	2017		2016		2015	
	No.	Amount	No.	Amount	No.	Amount
	Person	NIS thousands	Person	NIS thousands	Person	NIS thousands
Short term employee benefits	2	1,496	2	1,399	3	1,464
Benefits after the termination of employment	2	148	2	136	2	72
Share-based payment	1	20	0	-	1	7
		1,664		1,535		1,543

Note 19: - Balances and Transactions with Affiliates (Cont.)

Benefits for hiring holders of key managerial positions (including directors) not employed by the Company:

	For a year ending December 31					
	2017		2016		2015	
	No.	Amount	No.	Amount	No.	Amount
	Person	NIS thousands	Person	NIS thousands	Person	NIS thousands
Total benefits for directors who are not employed	10	576	12	548	10	714
		576		548		714

b. Terms of transactions with affiliates

The Company's CEO’s Terms of Employment

Acting CEO and CFO ended his employment with the Company on June 1, 2015. In August 2015, 262,000 options granted thereto during the years of his employment at the Company expired. The Company’s board of directors decided to appoint Prof. Ilan Ziv as CEO of the Company and its Chief Scientist. The terms of office of Prof. Ziv included, inter alia, retroactive payment of a salary of five months from the date of approval of the general meeting in the total amount of approximately NIS 400 thousand in terms of cost to the Company, as well as wages from June 2015 onwards.

On August 30, 2015, the general meeting approved the terms of office of Prof. Ziv as CEO and Chief Scientist of the Company. Upon approval of the meeting as stated, Prof. Ziv resigned from his position on the Company’s board of directors.

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