SPLITIT LTD

CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2018

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Review Report on Interim Financial Information
To the Shareholders of
SPLITIT Ltd.

Report on Review of Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying balance sheet of **Splitit Ltd.** and its subsidiaries (the Group), as of June 30, 2018 and the related consolidated statements of income, changes in sharegolders' deficiency and consolidated statements of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Group. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the consolidated financial position of the group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with IFRS.

Material Uncertainty Related to Going Concern

We draw attention to Note 1B in the financial statements, which indicates that the Company incurred a net loss of $1,239,792 during the six months ended June 30, 2018 and cumulative losses of $12,310,334 since its inception. As stated in Note 1B, these events or conditions, along with other matters as set forth in Note 1B, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our review report is not modified in respect of this matter.

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

Tel Aviv, Israel
November 20, 2018

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

	June 30, 2018 Unaudited	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	215,005	515,724
Restricted cash	23,853	49,053
Trade receivables	965,574	375,216
Other current assets	356,442	99,832
	1,560,874	1,039,825
Non-current assets		
Long term deposit	500	500
Fixed assets, net	20,675	19,688
	21,175	20,188
Total assets	1,582,049	1,060,013
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Trade payables	598,207	201,530
Short term loan	191,700	197,215
Short term convertible loans	8,959,600	8,478,388
Other current liabilities	1,665,122	1,033,360
	11,414,629	9,910,493
Commitments and contingent liabilities		
Shareholders' deficiency		
Ordinary shares	157	157
Preferred A shares	221	221
Additional paid-in capital	2,477,377	2,219,684
Accumulated deficit	(12,310,335)	(11,070,542)
Total shareholder's deficiency	(9,832,580)	(8,850,480)
Total liabilities and shareholders' deficiency	1,582,049	1,060,013

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

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

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
	Unaudited	Unaudited
Revenues	272,310	89,705
Cost of revenue	(144,983)	(91,172)
Gross profit (loss)	127,327	(1,467)
Research and development expenses	(482,447)	(521,523)
Sales and marketing expenses	(451,238)	(258,250)
General and administrative expenses	(699,664)	(770,271)
Operating expenses	(1,633,349)	(1,550,044)
Net loss before financing expenses, net	(1,506,022)	(1,551,511)
Finance income (expenses), net	267,440	(409,891)
Loss before income taxes	(1,238,582)	(1,961,402)
Income taxes	(1,210)	(225)
Net loss	(1,239,792)	(1,961,627)
Loss per share:		
Basic and diluted	(16.8)	(26.6)

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

SPLITIT LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In U.S. dollars)

	Share capital	Preferred A shares	Additional paid-in capital	Accumulated deficit	Total
Balance - January 1, 2018	157	221	2,219,684	(11,070,542)	(8,850,480)
Shared based payments			257,692	-	257,692
Net loss for the year	-	-	-	(1,239,792)	(1,239,792)
Balance - June 30, 2018 (Unaudited)	157	221	2,477,376	(12,310,334)	(9,832,580)

	Share capital	Preferred A shares	Additional paid-in capital	Accumulated deficit	Total
Balance - January 1, 2017	157	221	1,868,301	(7,648,257)	(5,779,578)
Shared based payments			260,073		260,073
Net loss for the year	-	-	-	(1,961,627)	(1,961,627)
Balance - June 30, 2017 (Unaudited)	157	221	2,128,374	(9,609,884)	(7,481,132)

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

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

	For the six months ended June 30,	
	2018	2017
	Unaudited	
Cash flows - operating activities		
Loss for the period according to the Statement of Profit and Loss	(1,239,792)	(1,961,627)
Adjustments to reconcile cash flows provided by operating activities (Appendix A)	169,218	687,430
Net cash used in operating activities	(1,070,574)	(1,274,197)
Cash flows - investing activities		
Long term deposit	-	(8,581)
Restricted cash	25,200	-
Purchase of fixed assets	(5,343)	(1,611)
Net cash provided (used in) by investing activities	19,857	(10,192)
Cash flows - financing activities		
Short term loan	-	92,897
Restricted cash	-	(3,281)
Proceeds from convertible loan	750,000	1,303,550
Net cash provided by for financing activities	750,000	1,393,166
Increase (decrease) in cash and cash equivalents	(300,717)	108,777
Balance of cash and cash equivalents at the beginning of the period	515,724	47,870
Balance of cash and cash equivalents at the end of the period	215,007	156,647

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

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

	For the six months ended June 30,	
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	Unaudited	
APPENDIX A - Adjustments to reconcile cash flows provided by operating activities:		
Income and expenses not involving cash flow:		
Share based payments	257,692	260,073
Convertible Loan revaluation	(268,788)	381,936
Depreciation	4,357	5,223
Short term loan	(5,515)	-
Changes in asset and liability items, net:		
(Increase) decrease in Other current assets	(256,610)	21,296
Increase in accounts receivable	(590,358)	(296,226)
Increase in accounts payable	396,677	129,897
Increase in Other current liabilities	631,763	185,231
	169,218	687,430

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

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

A. Description of Business:

SPLITIT Ltd. ("the Company") previously Pay It Simple Ltd. was incorporated in Israel on October 6, 2008.

The Company is developing an online web and point of sale payment and checkout solution, enabling purchasing while improving cash flow and significantly lowering credit financing costs, for any consumer or business credit card holder. The Company's solution is a payment service, introducing an intuitive, general purpose, credit card purchasing method, offering attractive credit and financing capabilities.

B. Going Concern:

The Company's consolidated financial statements reflect a net loss of $ 1,239,792, for the six months ended June 30, 2018 and an accumulated deficit of $ 12,310,334 as of that date, which raises significant doubts about the ability of the Company to continue as a going concern. The Company's financial statements were made under the assumption that the Company will continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Continued operations of the Company are subject to the continuing receipt of funding from the Company's shareholders and other investors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation:

The unaudited condensed consolidated interim financial statements of the Company are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2017 and accompanying notes, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company’s accounting policies.

B. Impact of the adoption of new accounting standards

1. IFRS 9: Financial Instruments

As of January 1, 2018, the Company has adopted IFRS 9, “Financial Instruments”, which introduces, among other things, a new model for classification of financial assets and a new impairment model for financial assets measured at amortized cost based on an expected credit loss model, which currently applies to the Company’s trade receivables.

The Company’s financial instruments assets comprised of trade and other receivables that are held for collection. Before adoption of IFRS 9 these assets were classified as loans and receivables carried at amortized cost. The adoption of IFRS 9 did not change the measurement attribute of such assets as the new model of IFRS 9 requires assets that are solely payment of principal and interest and that are held for collection to be carried at amortized cost as well. As the Company holds no securities the adoption had no effect of the classification of the Company’s financial instruments assets.

(In U.S. dollars)

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

B. Impact of the adoption of new accounting standards (Cont.)

1. IFRS 9: Financial Instruments (Cont.)

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

2. IFRS 15: Revenue from Contracts with Customers

The Company adopted IFRS 15, "Revenue from Contracts with Customers", which establishes a five step model where consideration received or expected to be received is recognized as revenue when contractual performance obligations are satisfied by transferring control of the relevant goods or services to the customer.

Adopting IFRS 15 did not have a significant impact on the timing of the Company's revenue recognition nor on the Company's equity, as revenues are recognized upon the rendering of services to merchants, over the period contracted. Under IFRS 15 such services will be recognized over time which is similar to the recognition prior to adoption.

Except for the adoption of these two new standards, the accounting policies applied when preparing these condensed consolidated interim financial statements have been applied consistently to all the periods presented, unless otherwise stated and are consistent with those of the Company's most recent annual consolidated financial statements. A description of our accounting policies is provided in the Accounting Policies section of the audited consolidated financial statements as of and for the year ended December 31, 2017.

NOTE 3 - FAIR VALUE

Fair value hierarchy:

The table below presents an analysis of the financial instruments measured at fair value, using a valuation method:
The different levels were defined as follows:

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

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

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

	For the six months ended June 30,	
	2018	2017
	Level 3	
Balance as of December 31	8,478,388	5,274,898
Amounts received during the year	750,000	1,030,550
Changes in fair value	(268,788)	381,936
Balance as of June 30	8,959,600	6,687,384

NOTE 3 - FAIR VALUE (Cont.)

Fair value hierarchy: (Cont.)

Consistent with the annual financial statements, the fair value of the loans included in the level 3 categories above has been determined using Monte Carlo simulation model. The inputs to the model include expected volatility, expected dividends, expected term and the risk free rate of interest. Monte Carlo simulations and the parameters were used to determine the ordinary share price to which it is expected to be converted.

NOTE 4 - SUBSEQUENT EVENTS

The Company is contemplating an initial public offering ("IPO") in Australia.