Annual Report

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Splitit

For The Year Ended 31 December 2018

Splitit Payments Ltd
ARBN 629 557 982
a foreign company registered in its original jurisdiction of Israel as Splitit Ltd

SPT:ASX

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Directors

Gil Don - CEO and Managing Director
Alon Feit – Executive Director
Spiro Pappas - Non-Executive Chairman
Thierry Denis - Non-Executive Director
Dawn Robertson - Non-Executive Director
Michael Keoni De-Franco - Non-Executive Director
Mark Antipof - Non-Executive Director

Local Agent (Company Secretary)

cdPlus Corporate Services Pty Ltd

Registered Office

Coghlan, Duffy & Co
Level 42 Rialto South Tower
525 Collins Street
Melbourne Victoria 3000

Principal place of business

32 HaArba'a Street,
Tel Aviv, Israel 6473970

Share Registry

Automic Registry Services
Level 3, 50 Holt Street
Surry Hills NSW 2010
Tel: 1300 288 664

Auditor

Brightman Almagor Zohar & Co
A member of Deloitte Touche Tohmasu
1 Azrieli Center
Tel Aviv Israel 6701101

Legal (Israel)

APM & Co
18 Raul Wallenberg St.
Tel Aviv Israel 6971915
Tel: +972 3 5689000

Securities Exchange Listing

Australian Securities Exchange Limited (ASX: SPT)

Website

www.Splitit.com

Place of incorporation

Israel. As a foreign company registered in Australia, the Company is
subject to different reporting regime than Australian companies.

Review of Operations and Activity

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Review of Operations and Activity

Splitit Payments Limited ARBN 629 557 982 (Splitit or the Company) presents this review of its operations and activities (Review), together with the financial statements of the consolidated entity, being Splitit and its controlled entities (the Group or consolidated entity), for the year ended 31 December 2018 (the Review and the financial statements are together, the Annual Report).

Current Directors' Details

The following persons were Directors of Splitit during the financial year or have been appointed since the end of the financial year:

Director	Gil Don
Appointment	Managing Director Appointed 1 January 2013
Qualifications	Mr Don holds a Bachelor of Business from the Tel Aviv University.
Biography	Mr Gil Don is a co-founder of the Company. As CEO, Mr Don has led Splitit from strength to strength including developing the technology, launching the product, securing growth capital, significantly increasing its client base and now leading the company to list onthe ASX. Mr Don has a very strong background in technology sales having worked as VP Sales at We! and Ankor, two leading integration companies. Mr Don was Regional Sales Manager, Data Protection Solution at Dell EMC for 4 years followed by Country Manager of Veritas, a large data technology company that services over 80% of Fortune 500 companies.
Interest in ordinary shares	12,771,294 ordinary Shares.
Interest in options / performance rights	924,198 Unlisted Existing Options exercisable at NIS (Israeli New Shekel) 0.01 each on or before 4 November 2023 3,000,000 Unlisted Management Options exercisable at A$0.20 each on or before 31 December 2023. 4,000,000 Class A Performance Rights. 4,000,000 Class B Performance Rights. 2,000,000 Class C Performance Rights.

Director	Alon Feit
Appointment	Executive Director Appointed 6 October 2008
Qualifications	Mr Feit holds a Bachelors of Economics and Business from the Tel Aviv University and a Masters in Business Administration from the Tel Aviv University in collaboration with the Wharton Business School (University of Pennsylvania).
Biography	Mr Alon Feit is a co-Founder and the Executive Director of the Company. Mr Feit has 25 years of experience in senior management positions for leading credit card and insurance companies in Israel and Brazil. Mr Feit was previously the CEO of Supersal Finance, Ltd – the leading issuer of Visa co-branded cards in Israel, the CEO of Europe Assistance Israel, Ltd, a multinational assistance group and subsidiary of the Generali Insurance Cooperation and was the executive director at the Brazilian leading credit card subsidiary of Itau-Unibanco, one of the 3 largest banks in Brazil.
Interest ordinary shares	28,159,914 ordinary Shares
Interest in options / performance rights	1,695,249 Unlisted Existing Options exercisable at NIS (Israeli New Shekel) 0.01 each on or before 4 November 2023 5,000,000 Unlisted Management Options exercisable at A$0.20 each on or before 31 December 2023. 2,500,000 Class D Performance Rights. 2,000,000 Class E Performance Rights. 2,000,000 Class F Performance Rights.

Director	Spiro Pappas
Appointment	Non-executive Chairman Appointed 20 January 2019
Qualifications	Mr Pappas has completed the INSEAD - The Challenge of Leadership Program, UNSW – Bachelor of Commerce (Finance with merit) and is an AICD member.
Biography	Mr Pappas is a senior executive with over 28 years of international experience in banking and finance. He has worked in Sydney, New York, London and Singapore. In his most recent role at NAB, he was Executive General Manager for International Branches and Innovation and prior to this CEO Asia and Executive General Manager Corporate and Institutional Banking. Prior to this, he was based in London for 10 years and performed a number of senior leadership roles at ABN AMRO Bank in products (including Global Head of Capital Markets, Corporate Finance and Advisory for Financial Institutions) and Global Coverage of Banks and Finance Companies. In recent years Mr Pappas has also been an active member of various G20 Business Advisory Taskforces (B20). Last year, he also served as part of a select taskforce commissioned by the Federal Treasurer to advise on the Digital Agenda for SMEs.

	He was also consulting editor on the recently launched and acclaimed definitive guide for Australian Entrepreneurs - "The Entrepreneurs Guide - Startup, Scaleup and IPO". In addition to Splitit, Mr Pappas currently chairs Atlas Iron Limited and Cognian Technologies.
Interest in ordinary shares	1,566,035 ordinary Shares (indirect interest)
Interest in options / performance rights	1,000,000 Unlisted Director Options exercisable at A$0.30 each on or before 22 January 2022 (indirect interest). 1,000,000 Unlisted Director Options exercisable at A$0.40 each on or before 22 January 2022 (indirect interest).

Director	**Thierry Denis**
Appointment	Non-executive Director and External Director Appointed 20 January 2019
Qualifications	Mr Denis is a Graduate from the Australian Institute of Company Directors and holds a Diploma in Engineering from ENSEA (Ecole Nationale de l'Electronique et de ses Applications).
Biography	Mr Thierry Denis has more than 20 years senior management experience building market leading IT solutions with global electronic payments technology leader, Ingenico. Over his distinguished career at Ingenico, he has held transformative leadership roles in general management, R&D, Software Development and in expanding the international business of Ingenico in Asia, North America, Australia and New Zealand. Mr Denis was most recently President/Managing Director of Ingenico North America and then CEO Advisor & Consultant. Mr Denis has strong sales and technical background and brings with him a broad executive skill set that spans M&A, product diversification, business development and marketing. Mr Denis is also a non-executive director of TZ Limited (TZL:ASX).
Interest in ordinary shares	200,000 ordinary Shares.
Interest in options / performance rights	500,000 Unlisted Director Options having an exercise price of A$0.30 each on or before 22 January 2022. 500,000 Unlisted Director Options having an exercise price of A$0.40 each on or before 22 January 2022.

Director	**Dawn Robertson**
Appointment	Non-executive Director and External Director Appointed 20 January 2019
Qualifications	Ms Robertson holds a B.A. Fashion Merchandising from Auburn University, Auburn, AL.

	Ms Robertson is a Fellow of the Australian Institute of Company Directors, a Fellow of Women in the Boardroom, New York, NY, a Fellow of Chief Executive Women, Australia and a fellow Fellow of the Advisory Board Architects, Denver, CO.
Biography	Ms Dawn Robertson has been leading companies for more than 30 years both in the US, Australia and Internationally. Ms. Robertson has been a global business leader for major retailers and wholesale companies, holding positions such as President of Old Navy, Managing Director of Myer Stores, where she developed and executed new strategies for the $3.2B department store, selling it to Private Equity, beating all market expectations on the sale price. Ms. Robertson started Macys.com and Bloomingdales.com, Led Sean John, a private high growth wholesale and retail company founded by Sean "Diddy" Combs, where she successfully developed a new strategy and negotiated an exclusive relationship with Macys. As CEO of Avenue, a large-size women's, 450-store chain, Ms. Robertson successfully sold the company to Private Equity after a new strategy execution. Dawn led Stein Mart, a 310-store value retailer and recently has joined OCM, a private Equity owned Marketer and Retailer, as CEO. Ms. Robertson is presently a director of a Private Equity-backed company, Theatre East, a theatre company in New York City. Dawn was a trustee at the Harvey School in Katonah, NY for many years, a founding member of the Board of Advisors for the School of Human Sciences and Business at Auburn University, Member in the Boardroom, CEW of Australia, Director of Women in Retail Leadership and a professor at Fashion Institute of Technology in New York City.
Interest in ordinary shares	Nil
Interest in options / performance rights	500,000 Unlisted Director Options having an exercise price of A$0.30 each on or before 22 January 2022. 500,000 Unlisted Director Options having an exercise price of A$0.40 each on or before 22 January 2022.

Director	**Michael Keoni DeFranco**
Appointment	Non-executive director Appointed 20 January 2019
Qualifications	Mr De Franco completed a Strategic Management Course at the London School of Economics and Political Science and holds a BA from Wesleyan University. Mr De Franco is a representative to the United Nations, including: Commission for Social Development (CSocD55), ECOSOC, #Youth2030, General Assembly's (71st. Session) Consultations on the Participation of Indigenous peoples at the United Nations, The Ocean Conference from Jan 2017 to May 2018 and Advancement of Innovative Approaches to Global Challenges since February 2017.
Biography	Mr DeFranco is currently CEO of LifeLua Technologies, a Life BioSciences Company. Life Biosciences is the first and largest biotech company addressing the eight pathways of age-related decline (ARD) in totality. Prior to that, Mr DeFranco was the

	Founder and CEO of Lua, which provides a HIPAA compliant secure messaging and telehealth video conferencing platform for healthcare organisations. Lua was acquired by Life Biosciences in October 2018. Mr De Franco is also a Partner at NextGen Venture Partners, a network-driven venture firm that brings together part-time venture capitalists who invest in and support a portfolio of entrepreneurs.
Interest in ordinary shares	Nil
Interest in options / performance rights	500,000 Unlisted Director Options having an exercise price of A$0.30 each on or before 22 January 2022 (indirect interest). 500,000 Unlisted Director Options having an exercise price of A$0.40 each on or before 22 January 2022 (indirect interest).

Director	**Mark Antipof**
Appointment	Non-executive director Appointed 20 January 2019
Qualifications	Mr Antipof holds a Diplome Informatique "Computer Science" from Institut Francel and a Baccalaureat Sciences from the College des Soeurs Antonines. Mr Antipof is an Accredited Performance Coach – Middlesex University (2009), is a member of the EMCC Accredited Mentor (CMI 2012) and is an Accredited Non-Executive Director (Pearsons/FT/2012).
Biography	Mr Mark Antipof is an independent consultant with 30 years' experience in payments and information services. Mr Antipof is a veteran in payments and technology services having spent almost half of his career at Visa with his final role (December 2018) as Chief Commercial Officer responsible for leading all client facing teams in all European markets, with a team present in 23 countries. Mark's team worked closely with Visa's clients on a day-to-day basis. Prior to this, Mr Antipof was Chief Officer, Sales and Marketing, responsible for delivering Visa's business plans, strategies, country operations and advertising across 36 markets. Prior to joining Visa, Mr Antipof was a Business Unit Director for Burgundy Global Ltd, a services and IT solutions company for the travel industry. Here he had the responsibility of developing and managing large intermediary sales channels, maintaining and growing global sales to multinational corporates and the creation of the main network concept and initial sales plans for the overall business. Mr Antipof has been based in a number of different markets, including Italy, where he worked for Applied Communications, a leader in payment card services, EFT and banking systems and software; and in France, where he worked for Equifax Europe, a leader in consumer and commercial credit reporting and data analytics. Mr Antipof is fluent in five languages including English, French, Italian, Spanish and Arabic.
Interest in ordinary shares	Nil

Interest in options / performance rights	500,000 Unlisted Director Options having an exercise price of A$0.30 each on or before 22 January 2022. 500,000 Unlisted Director Options having an exercise price of A$0.40 each on or before 22 January 2022.

Former Directors' Details

The following persons were Directors of Splitit for a part, or all, of the financial year but ceased to be a Director prior to the date of this Report:

Director	**Jason Krigsfeld**
Appointment	Non-executive director Appointed 8 August 2017
Date of cessation as Director	20 January 2019
Interest in ordinary shares at the date of cessation of appointment	3,436,237 ordinary Shares
Interest in options / performance rights at the date of cessation of appointment	None

Director	**Yukie Ohuchi**
Appointment	Non-executive director Appointed 8 August 2017
Date of cessation as Director	20 January 2019
Interest in ordinary shares at the date of cessation of appointment	Nil
Interest in options / performance rights at the date of cessation of appointment	Nil

Local Agent / Company Secretary

cdPlus Corporate Services Pty Ltd is the local agent for, and provides company secretarial services to, the Company. cdPlus Corporate Services Pty Ltd provides corporate governance and company secretarial services to ASX-listed, public unlisted and private companies, with specialist experience in initial public offerings, secondary capital raisings, due diligence projects, ASIC and ASX compliance. The director of cdPlus Corporate Services Pty Ltd, Charly Duffy, is also a director of Coghlan Duffy + Co Lawyers, a boutique corporate and commercial law firm based in Melbourne.

Principal Activities

The Company (as the holding company of the Splitit Group) is a technology company providing cross-border credit card based instalment solutions to businesses and retailers.

Review of Operations and Financial Results

The Company provides a payment service that can be fully integrated into a merchant's payment system. The Splitit payment platform was launched in 2016 and seeks to:

- Target worldwide retail markets with a focus on online credit card sales;
- Enable merchants to offer end-customers instalment based payment options without requiring customers to complete a credit application or qualify for a new credit line;
- Provide merchants with a tool to increase sales, increase average order values and reduce cart/checkout abandonment; and
- Provide customers with the ability to "buy now and pay later" by utilising their existing credit card, and thereby expanding their purchasing power, without incurring interest, late fees or other fees.

Relative to the financial year ending 31 December 2017, during the financial year ending 31 December 2018, Splitit saw a 293% increase in total number of unique shoppers due to the fact that we have more live merchants in more countries. The average order value of Splitit users increased by 15% as during 2018 merchants with higher average ticket items were added. Splitit also saw a 117% increase in its total active merchants which was largely driven by sales efforts to sign more merchants. The culmination of these factors resulted in a 253% increase in underlying merchant transactions, generating an increase in merchant fees of 203%.

Splitit's solution is currently utilised in 27 countries.

Splitit has identified a number of target countries to focus its sales and marketing efforts, including the US, Canada, UK, Italy, Singapore and Australia.

Splitit will focus on the following industry verticals: Medical, High End Fashion, Sports Equipment, Homegoods, Travel & Leisure.

Splitit will continue to invest and build strong partnership networks with eCommerce platforms, payment processors, technology services and point of sale providers, banks and large multinational corporations.

Expand the Splitit presence globally with the recruitment of top talents.

Invest further in platform innovation - by developing new advanced product features, Splitit will continue to promote financial freedom and responsible spending for every lifestyle.

Further, during the financial year, the Company progressed and finalised its initial public offering prospectus and application to list on the Australian Securities Exchange (ASX). On 29 January 2019, Splitit successfully completed its listing on ASX, raising AUD$12 million (before costs).
The Company's net loss after income tax was USD$4,642,975 (2017: USD$3,422,285) and was made up of:

- Sales income for the financial year was USD$789,920, up from USD$260,409 in 2017. Sales income comprised merchant fees. Gross profit on sales revenue increased by 561% to USD$389,793 (2017: USD$58,914).
- Operating expenses increased 29% to USD$3,899,387 (2017: USD$3,012,141)
- Financing expenses increased 141% to USD$1,131,502 (2017: USD$468,409). This is mainly due to revaluation of Convertible loans
- Share based payments expense of USD$378,921 (2017: USD$351,383) represents the value attributable to the issue of options to employees.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Company are discussed under Review of Operations and Financial Results above.

Events Arising Since the End of the Reporting Period

On 29 January 2019, Splitit successfully completed its listing on ASX, raising AUD$12 million (before costs).

Likely Development, Business Strategies and Prospects

Splitit continues to onboard new merchants and the global pipeline continues to thicken with both direct and distribution channels shaping up to deliver significant results through 2019 and beyond.
Opportunities all over the world continue to present themselves, as existing and new verticals embrace payment disruptors. With high cart abandonment rates translating into billions of dollars in lost revenue for retailers globally, and as shoppers struggle to make their desired purchases while managing their cash flow, Splitit intends to continue to meet both merchant and shopper needs.

Environmental Legislation

The Company's operations are not subject to any significant environmental regulations. To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Directors' Declaration

In accordance with a resolution of the directors of Splitit Payments Limited:

1. in the opinion of the directors of Splitit Payments Limited:

    a. the financial statements of the consolidated entity, and the notes to those statements, for the financial year ending 31 December 2018 (together, Financial Statements) are in accordance with the Corporations Act 2001, in particular:

        i. the Financial Statements give a true and fair view of Splitit's financial position as at 31 December 2018 and of Splitit's performance for the financial year ended on that date; and

        ii. the Financial Statements comply with International Financial Reporting Standards and an explicit and unreserved statement to this effect has been included in the notes; and

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

Signed in accordance with a resolution of the Directors.

Spiro Pappas
Non-executive Chairman
25 March 2019

Auditors’ Independence Declaration

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Deloitte.

Splitit Payments Limited ARBN 629 557 982

Declaration of Auditor's Independence

As lead auditor of Splitit Payments Limited for the financial year ending 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

(i) No contraventions of any auditor independence requirements in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Brightman Almagor Zohar & Co.

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

Tel Aviv, Israel

March 25, 2019

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Independent Auditors' Report

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Independent Auditors' Report
To the Shareholders of
SPLITIT PAYMENTS LTD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Splitit Payments Ltd.** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the consolidated statement of income, statement of changes in shareholders' deficiency and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 1C in the financial statements, which describes the fact that the Company incurred a net loss of $4,642,975 during the year ended December 31, 2018 and cumulative losses of $15,713,517 since its inception. The Company is still in the comercialization stage and its continued operations are subject to the continuing receipt of funding from the Company's shareholders and other investors, as well as succesfull implementation of it's business plan.
Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Emphasis of matter section, we have determined the matter described below to be the key audit matters to be communicated in our report:

Revenue recognition	
The Key Audit Matter	How the matter was addressed in the audit
The Company recognised revenue of $790 thousands from the provision of payment and checkout services. Significant efforts were spent auditing the revenue risk related to timing and accuracy of amounts recognized by the Company because systems are complex andinvolves large volume of small transactions from two different business models.	Our audit procedures to address revenue recogntion included the following: • Performance of walkthrough over the revenues process including the related journal entries posted to the general ledger in order to understand the process and to test the standard journal entries for revenue transactions for their completeness and accuracy. • We performed analytical procedures which focused on developing an expectation of amounts that should be recognized and the corresponding receivable and comparing expectation with amounts in the general ledger. • Performance of test of details of transaction at year-end against supporting documents including Obtaining and inspecting the contracts that supports the recognition in the two business models.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Brightman Almagor Zohar & Co.

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

Tel Aviv, Israel
March 25, 2019

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Consolidated Financial Statements and Notes

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

		December 31,	
ASSETS		**2018**	**2017**
Current assets	**Note**		
Cash and cash equivalents		$ 309,590	$ 515,724
Restricted cash		26,698	49,053
Trade receivables		1,614,369	375,216
Other current assets	3	1,401,791	99,832
Total current assets		**3,352,448**	**1,039,825**
Long term deposit		3,635	500
Fixed assets, net	4	82,568	19,688
Total assets		**$ 3,438,651**	**$ 1,060,013**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade payables		$ 1,589,609	$ 201,530
Short term loan|		148,164	197,215
Short term convertible loans	5	12,786,669	8,478,388
Other current liabilities	6	2,028,737	1,033,360
Total current liabilities		**16,553,179**	**9,910,493**
Commitments and contingent liabilities	8		
Shareholders' deficiency	9		
Ordinary shares		$ 163	$ 157
Preferred A shares		221	221
Additional paid-in capital		2,598,605	2,219,684
Accumulated deficit	3	(15,713,517)	(11,070,542)
Total shareholder's deficiency		**(13,114,528)**	**(8,850,480)**
Total liabilities and shareholders' deficiency		**$ 3,438,651**	**$ 1,060,013**

The financial statements were approved by the board of directors of the company on March 15, 2019.

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

SPLITIT PAYMENTS LTD.

CONSOLIDATED STATEMENTS OF INCOME

(In U.S. dollars)

		For the Year ended December 31,	
	Note	**2018**	**2017**
Revenues		$ 789,920	$ 260,409
Cost of revenue		(400,127)	(201,495)
Gross profit		389,793	58,914
Research and development expenses	12	(1,029,781)	(1,104,053)
Sales and marketing expenses	13	(1,086,584)	(608,603)
General and administrative expenses	14	(1,783,022)	(1,299,485)
Operating expenses		(3,899,387)	(3,012,141)
Net loss before financing expenses, net		(3,509,594)	(2,953,227)
Financing expenses, net	15	(1,131,502)	(468,409)
Net loss before income taxes		(4,641,096)	(3,421,636)
Income taxes	11	(1,879)	(649)
Net Loss		$ (4,642,975)	$ (3,422,285)
Loss per share:			
Basic and diluted		(31.52)	(23.24)

SPLITIT PAYMENTS LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In U.S. dollars, except for share data)

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated deficit	Total
	Number	Amount	Number	Amount			
Balance as of December 31, 2016	61,230	$157	86,058	$221	$1,868,301	$(7,648,257)	$(5,779,578)
Share based payments	-	-	-	-	351,383	-	351,383
Net loss for the year	-	-	-	-	-	(3,422,285)	(3,422,285)
Balance as of December 31, 2017	61,230	$157	86,058	$221	$2,219,684	$(11,070,542)	$(8,850,480)
Exercise of options	2,323	6	-	-	-	-	6
Share based payments	-	-	-	-	378,921	-	378,921
Net loss for the year	-	-	-	-	-	(4,642,975)	(4,642,975)
Balance as of December 31, 2018	63,553	$163	86,058	$221	$2,598,605	$(15,713,517)	$(13,114,528)

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

	For the Year ended December 31,	
Cash flows - operating activities	**2018**	**2017**
Loss for the period according to the statement of profit and loss	$ (4,642,975)	$ (3,422,285)
Adjustments to reconcile cash flows provided by operating activities (Appendix A)	1,291,059	1,077,572
Net cash used in operating activities	(3,351,916)	(2,344,713)
Cash flows - investing activities		
Long term deposit	(3,135)	(500)
Purchase of fixed assets	(74,590)	(5,754)
Net cash used in investing activities	(77,725)	(6,254)
Cash flows - financing activities		
Short term loan	(49,050)	87,215
Restricted cash	22,355	(21,944)
Exercise of options	6	-
Proceeds from convertible loan	3,250,196	2,753,550
Net cash provided by financing activities	(77,725)	(6,254)
Increase (decrease) in cash and cash equivalents	(206,134)	87,215
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	$ 309,590	$ 515,724

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

APPENDIX A

Adjustments to reconcile cash flows provided by operating activities:

	For the Year ended December 31,	
	2018	**2017**
Income and expenses not involving cash flow:		
Share based payments	$ 378,921	$ 351,383
Convertible loan revaluation	1,058,085	449,940
Depreciation	11,709	9,781
Changes in asset and liability items, net:		
Increase in trade receivables	(1,239,153)	(375,216)
Increase in other current assets	(1,301,959)	(24,255)
Increase in trade payables	1,388,079	37,931
Increase in other current liabilities	995,377	628,008
	$ 1,291,059	$ 1,077,572

NOTE 1 GENERAL

A. Description of business and information:

Splitit Payments 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.

In August 2013, the Company established a wholly owned U.S subsidiary (Splitit Inc.) for marketing purpose.

On September 15, 2013, the Company entered into a marketing and distribution services agreement with Splitit Inc., according to which the Company grants a non exclusive license to distribute the Company's Installment Payment Services in the U.S. in consideration for receiving the entire amount entiteld from the subsidiary's customers less agreed upon comissiom as defined in the agreement.

In March 2015, the Company established a wholly owned U.S subsidiary (Splitit Capital Inc.) for marketing and distributing purpose.

In September 2015, the Company established two wholly owned U.K subsidiaries (Splitit UK Ltd. and Splitit Capital UK Ltd.) for marketing purpose. As of December 31, 2018, Splitit Capital UK Ltd., has not yet commenced its operation.

B. Definitions:

The Company - Splitit Payments Ltd.

The subsidiaries - Splitit Inc, Splitit Capital Inc, Splitit UK Ltd. and Splitit Capital UK Ltd.

Related Parties - As defined in IAS 24

NIS - New Israeli Shekel

Dollar (or $) - the US dollar

AUD - the Australian dollar

C. Going Concern:

The Company is still in the comercialization stage and its continued operations are subject to the continuing receipt of funding from the Company's shareholders and other investors, as well as succesfull implementation of it's business plan.

The Company's consolidated financial statements reflect a net loss of $4,642,975 for the year ended December 31, 2018 and an accumulated deficit of $15,713,517 as of that date.

NOTE 1 GENERAL (Cont.)

During January 2019, the company completed a succesfull IPO, resulted in raising of AUD 12 million.

The company believes this funds raising, together with subsequent funds raising, will enable the contiuation of its operations and achieving its business goal. Therefore, the Company's financial statements were made under the assumption that the Company will continue as a going concern.

NOTE 2 NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Statement of compliance:

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issuance by management and approved by the board of directors of the company on March 15, 2019.

B. Basis of preparation:

The financial statements were prepared on the basis of the historical cost, except for certain financial assets and liabilities that are measured at fair value, as required by IFRS.

The assets and liabilities included in the consolidated financial statements are recognized and measured in accordance with the accounting policies described below.

C. Use of estimates in preparation of financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Financial Statements in U.S. Dollars:

The currency of the primary economic environment in which the Company conducts its operations is the U.S. dollar ("dollar"). Accordingly, the Company uses the dollar as its functional and reporting currency.

E. Principles of consolidation and basis of presentation:

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of the subsidiaries are included from the date of commencement of their operations. Intercompany transactions and balances between the Company and its subsidiaries have been eliminated in the consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Cash and cash equivalents:

The Company considers all highly liquid investments, including short-term bank deposits purchased with original maturities of three months or less, unrestricted and readily convertible into known amounts, to be cash equivalents.

G. Trade receivables:

Trade receivables are initially recognized at fair value, including the related taxes and expenses. Foreign currency-denominated trade receivables are adjusted at the exchange rate in effect at the end of the reporting period. The allowance for estimated losses on doubtful debts were recognized in an amount considered sufficient to cover any losses.

H. Property and equipment:

1. Property and equipment are measured at initial recognition at cost. The cost also includes the initial estimate of costs required to dismantle and remove the item.
   The Company implements the cost method according to which an item will be presented at cost less accumulated depreciation and less accumulated impairment losses.
2. Annual depreciation is calculated using the straight-line method over the estimated useful lives of the assets.
3. The estimated useful life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
   Annual rates of depreciation are as follows:

Computers and software	33%
Website	33%
Mobile devices	33%
Furniture and office equipment	7%
Leasehold improvements	7%

I. Impairment of assets:

The Company examines at each balance sheet date the carrying amounts of its assets whenever any signs point to a possible reduction in the value of these assets. Whenever the book value exceeds that asset's recoverable value, the Company recognizes a loss from this impairment. Such a loss from any asset other than goodwill that was recognized in the past is eliminated only when a change occurred in the estimates used in the determination of the recoverable amount, from the date when the last impairment was recognized as a loss. The book value following this elimination does not exceed the book value that would have been established for the asset had a loss from impairment not been recorded in previous years.

J. Share based payments:

The Company grants equity settled share-based payments to employees and others providing similar services in consideration for equity instruments (options) of the Compnay.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Share based payments (Cont.):

The equity instruments granted do not vest until such employees and service providers complete a defined period of service.
The Company recognizes the share-based payment arrangements in the financial statements on a straight-line basis over the vesting period in the income statement against an increase in shareholders' equity, based on the Company's estimate of equity instruments that will eventually vest. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

K. Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable.
The Company's revenues are derived from transaction fees (Merchant Fees) paid by its clients in relation with transaction utilising the Splitit Payment Platform.
Merchant Fees are generated on each approved order placed via the Splitit Payment Platform and are predominantly based on a percentage of the end-customer order value plus a fixed fee per installment.
Merchant fees are earned from the following business models, which differ, mainly, in the timing fees that are collected:
Funded model – under the funded model, merchant will receive the full purchase price upfront. The full amount is transferred to the Merchant net of Merchant fees payable to the Company and financing fees representing also the interest cost of lending payable to the lender (financing institution). The lender provides the liquidity to the transaction and receives financing fees for it through the Company, which collects amounts owed by the merchant to the lender.
The Company reports its revenues (i.e., merchant fees) gross with the amounts that should be passed through to the lender.
Basic model – under the basic model merchants provide the liquidity. End-user pays directly to the merchant. The Company will then provide the merchant with a monthly invoice for the amounts paid for the previous month (for a basic track service fee calculated as 1.5% plus fixed fee of $1.5 (1.5 Euro or British Pound depending on the location) per installment. Revenues are recognized upon issuance of the monthly invoice.

L. Research and development costs:

Research and development costs are charged to operations as incurred.

M. Fair value of financial instruments:

The Company uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Fair value of financial instruments (Cont.):

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 Unobservable inputs for the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. Transfers between the levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

N. Exchange rates and linkage basis:

Balances denominated in or linked to currencies other than the NIS are presented according to the representative exchange rates published by the Bank of Israel as of the balance sheet date. Balances which are linked to the Israeli Consumer Price Index ("CPI") are presented on the basis of the first index published subsequent to the balance sheet date based on the terms of the applicable transactions.
Exchange rate and linkage differences are charged to operations as incurred.

O. Reclassification and presentation:

Certain amounts in prior years' financial statements have been reclassified in order to conform to the 2018 presentation.

P. New and amended standards not yet adopted:

1 **IFRS 9, "Financial instruments":**

In July 2014, the IASB issued IFRS 9, "Financial instruments", which replaces the guidance in IAS 39. IFRS 9 includes new requirements on the classification and measurement of financial assets and liabilities, as well as a new impairment model based on expected credit losses rather than the incurred loss impairment model of IAS 39. It also introduces new rules for hedge accounting. IFRS 9 must be applied on annual periods beginning on or after January 1, 2018. The new impairment model requires recognition of impairment provisions based on expected credit losses rather than on incurred credit losses. The Company completed its review of the possible effects of the adoption of IFRS 9. The Company holds no traded financial instrument other than the Convertible Loans Agreements ("CLA"). All other financial instruments are held for collection and upon adoption of IFRS 9 will continue to be carried at amortized cost. The CLAs continued to be carried at fair value until the IPO that took place in January 2019, when they were converted to shares. The Company also considered the effect of the new impairment model. As furtherdiscussed in note 2K 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 recognizes fees on a mothly basis (under the basic model) which exposes it to a maximum of monthly fee payment per merchant. Based on the above, the adoption of IFRS 9 did not have substantial influence on the Company's financial position and operations.

(In U.S. dollars)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. New and amended standards not yet adopted: (Cont.)

2 IFRS 15, "Revenue from contracts with customers":

In May 2014, the IASB issued IFRS 15, "Revenue from contracts with customers", which sets out the requirements in accounting for revenue arising from contracts with customers and which is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. IFRS 15 must be applied on annual periods beginning on or after January 1, 2018.

The Company adopted this standard using the modified retrospective approach, meaning that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018 and that comparatives were not restated.

The adoption of the new standard did not have material effect on its financial statements.

3 IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases". The new standard will result in almost all leases recognized on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 must be applied on annual periods beginning on or after January 1, 2019.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations but expect no substantial influence due to its minor use of leases.

NOTE 3 OTHER CURRENT ASSETS

	For the Year ended December 31,	
	2018	**2017**
Composition:		
Government institutions	$ 53,496	$ 68,428
Prepaid IPO expenses	1,228,432	-
Other current assets	119,863	31,404
	$ 1,401,791	**$ 99,832**

NOTE 4 FIXED ASSETS

	For the Year ended December 31,			
	2018			**2017**
	Cost	**Accumulated depreciation**	**Net book value**	**Net book value**
Composition:				
Furniture and equipment	43,907	(3,891)	40,016	$ 8,595
Website	17,813	(1,608)	16,205	-
Leasehold improvements	6,998	(198)	6,800	-
Mobile devices	1,304	(215)	1,089	-
Computers and software	54,895	(36,437)	18,458	11,093
	124,917	**(42,349)**	**82,568**	**$ 19,688**

(In U.S. dollars)

NOTE 5 SHORT TERM CONVERTIBLE LOANS

Since September 2012, the Company entered into a series of convertible loan agreements with several lenders. During 2018 and 2017, the Company received $3,250,196 and $2,753,550 respectively. The convertible loans were carried at fair value until the IPO that took place in January 2019, when they were converted to shares in accordance with the terms determined in the agreements. The loans bear no interest. The total balance of the short-term convertible loans as of December 31, 2018 and 2017 is $12,786,669 and $ 8,478,388 respectively. See also Note 9B.

NOTE 6 OTHER CURRENT LIABILITIES

	For the Year ended December 31,	
Composition:	**2018**	**2017**
Employees and related institutions	$ 255,476	$ 239,538
Accrued expenses	178,567	79,395
Loan Payable	1,556,866	494,167
Other current liabilities	37,828	220,260
	$ 2,028,737	**$ 1,033,360**

NOTE 7 LIABILITY FOR SEVERANCE PAY, NET

The liability is funded through individual insurance policies purchased from outside insurance companies, which are not under the Company's control. All of the employees of the Company are included under section 14 of the Severance Compensation Act, 1963 ("section 14"). According to this section, the employees are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments in accordance with section 14 release the Company from any future severance payments (under the above Israeli Severance Pay Law) in respect of the employees. The aforementioned deposits are not recorded as an asset in the Company's balance sheets.

NOTE 8 COMMITMENTS AND CONTINGENT LIABILITIES

In August 2014, the Company signed an agreement for office rent through June 2016, with a four years renewal option under the terms set forth in the agreement. The monthly lease payments are approximately $3,900. As of December 31, 2016, the Company exercised the renewal option until June, 2018 and further extended it until the end of September 2018. In October 1, 2018, the Company relocated its headqurters to Tel Aviv based on a new rent agreement through October 2021.The monthly rent payments under the agrrement are of approximately $12,000. To secure the lease payments, the Company had issued bank guarantee of $7,802 in favor of the facility's lessor.Commitments for minimum lease payments in relation to non-cancellable operating leases as of December 31, 2018 are approximately $252,255 comprised of 21 months under a monthly rate of approximately $12,000.The Company has granted to an investor a floating charge over all the Company's assets and intelectual property.

(In U.S. dollars)

NOTE 9 SHARE CAPITAL (Cont.)

A. Share Capital:

Composition of share capital as of December 31, 2018 and 2017:

	For the Year ended December 31,			
	2018- Number of shares		2017-Number of shares	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares NIS 0.01 par value	700,000	63,553	700,000	61,230
Preferred A shares NIS 0.01 par value	300,000	86,058	300,000	86,058

Ordinary Shares confer to the holders the right to receive notice to participate and vote in general meetings of the Company and the right to receive dividends, if declared.
The Preferred A Shares confer to the holders all rights accruing to holders of Ordinary Shares, and in addition preference in any event of liquidation and dividend declaration. At such an event, the holders of Preferred A Shares shall be entitled to receive from the distribution proceeds prior and in preference to the other securities of the Company, for each Preferred Share held by them, the Original issue price plus an amount equal to all declared and unpaid dividends thereon.
During November and December 2018, the Company's employees and consultants exercised 2,323 options to purchase 2,323 ordinary shares of the Company under the Company's 2013 share option plan, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.

B. Issuance of share capital:

Ordinary shares:
At the inception date the Company issued to the founders 6,123 ordinary shares NIS 0.01 par value each, with no consideration.On September 12, 2012 the Company issued bonus shares, for each Ordinary Share of the Company, nominal value NIS 0.01 each, additional 9 ordinary shares were issued, for no consideration. In addition, the Company increased its registered share capital by additional NIS 8,000 bringing the Company’s total authorized and registered share capital to NIS 10,000 divided into 700,000 Ordinary Shares and 300,000 Series A Preferred shares.

Preferred A shares:
On September 20, 2012, the Company signed an agreement with some investors, according to which, the Company will issue 86,058 preferred A shares NIS 0.01 par value each, in consideration for $ 1,298,000. On December 31, 2016 the Company received the full amount (NIS 4,771,980) and issued the related preferred A shares.

According to the agreement, after the Company will receive the full amount as stated in the agreement, the investors will extend to the Company a convertible loan of depending on the Company's needs as determined by the Company from time to time, subject to the terms set forth in the agreement. During 2016 the Company received $1,968,000 under the convertible loan agreements. As of December 31, 2016 the total amount received under the convertible loan agreements was $5,274,899.

NOTE 9 SHARE CAPITAL (Cont.)

B. Issuance of share capital (Cont.):

Preferred A shares: (Cont.)

During 2017, the Company entered into additional convertible loan agreements with some investors and received additional amounts of $2,753,550 during the year. The loans will be converted into shares according to the terms determined in the agreements.
During 2018, the Company entered into additional convertible loan agreements with some investors and received additional amounts of $3,250,196 during the year. The loans will be converted into shares according to the terms determined in the agreements.
On December 7, 2018, with respect to the convertible loans issued during the years 2015 till 2018, the Company extended the final date on which the lenders will be required to convert the convertible loans to the Company's shares upon completion of the IPO.
As of December 31, 2018 the total amount received under the convertible loan agreements was $11,278,645. The convertible loans were carried at fair value until the IPO that took place in January 2019, when they were converted to shares in accordance with the terms determined in the agreements. The loans bore no interest.

NOTE 10 SHARE BASED PAYMENTS

A. Details of share-based grants made by the Company:

On February 28, 2011, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 619 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share. During 2012, the Company entered into a consulting services agreement with the Company's legal advisors, according to which, the Company granted options at the rate of 2% from the Company's fully diluted issued and outstanding ordinary shares, subsequent to the investor's agreement signed on September 20, 2012.
On August 31, 2014, the Company entered into option agreement with an employee, according to which, the Company granted 221 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share. On December 31, 2014, the Company signed additional service agreement with an advisor, according to which, the Company granted options to purchase 1,473 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share. On March 10, 2015 the Company entered into option agreements with its employees and a consultant according to which, the Company granted 2,051 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.
On May 31, 2015, the Company and its subsidiaries signed an agreement with a third party that provides the Company with a liquidity for its receivables through purchase of those receivables. As a consideration, the Company granted that third party an option to buy shares for an amount equal to $2,000,000 and 5,350 additional shares. The option includes a term allowing the third party to buy the shares at a price equal to 80% of the fair value of the share at the time of exercise, securing a benefit of $500,000, and with the shares granted sums to a total benefit of approximately $830,000. The benefit was recognized over the period of the contract, estimated to be 5 years.

(In U.S. dollars)

NOTE 10 SHARE BASED PAYMENTS (Cont.)

A. Details of share-based grants made by the Company: (Cont.)

On January 31, 2016, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 1,473 ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.
On July 13, 2016, the Company entered into option agreements with its employees and a consultant, according to which, the Company granted 4,861 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.
On December 6, 2016, the Company signed a service agreement with an advisor, according to which, the Company granted options to purchase 1,106 ordinary shares of the Company, nominal value NIS 0.01 each, the exercise price shall be according to the terms as set forth in the term sheet.
On January 2, 2017, the Company entered into option agreements with its consultant, according to which, the Company granted options to purchase 375 ordinary shares of the Company, nominal value NIS 0.01 each, the exercise price at an exercise price of NIS 0.01 per share.
On August 30, 2017, the Company entered into option agreements with the advisor, according to which, the Company granted him additional options to purchase 553 ordinary shares of the Company, nominal value NIS 0.01 each, the exercise price shall be according to the terms as set forth in the term sheet.
On November 4, 2018, the Company entered into option agreements with its employees and a consultants, according to which, the Company granted 11,892 options to purchase ordinary shares of the Company, nominal value NIS 0.01 each, at an exercise price of NIS 0.01 per share.
Options granted are generally have 5-7 years of contractual lives and vest over 3 years.

B. Options fair value:

A. Details of share-based grants made by the Company: (Cont.)

The fair values were calculated using Monte Carlo simulation model through the years 2016 and 2017 and Black – Scholes pricing model in 2018. The inputs to the models include the share price at date of grant, exercise price, 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 in the years 2016 and 2017 and Black – Scholes pricing model in 2018 to determine the value of the options. As the exercise price is negligible the share price was determined to be the grant date fair value of the options.
The parameters used in applying the model are as follows:

Description	2018	2017 and 2016
Share price	$0.14	$80-$64
Exercise price	$0.0026	$0.0026
Risk-free interest rate	2.51%-3.09%	0.83-1.46%
Expected volatility	50.68%	% 40%-58%
Expected option life in years	5-7	5-7
Expected dividend yield	0%	0%

(In U.S. dollars)

NOTE 10 SHARE BASED PAYMENTS (Cont.)

C. Additional details of share based payments:

The following table provides the activity of share-based payments for the years ended December 31, 2018 and 2017 and for options outstanding and exercisable as of December 31, 2018.

	Options outstanding		
	Number	Weighted average exercise price	Average remaining contractual life (in years)
Outstanding December 31, 2016	10,802	11.1123	4.23
Granted	928	0.0026	9.09
Cancelled	(432)	0.0026	-
Outstanding December 31, 2017	11,298	10.6246	3.49
Granted	11,892	0.0026	-
Exercised	(2,323)	0.0026	-
Cancelled	(432)	0.0026	5.02
Outstanding December 31, 2018	20,435	8.2032	3.93

NOTE 11 INCOME TAXES

A. Company in Israel:

On July 30, 2014, the Knesset Plenum approved, in a third reading, the budget bill and the bill to change the national priorities in 2013 and 2014 ('the Law'). In conjunction with this legislation, the following significant changes affecting taxation were approved:
In January 2016, a legislation to amend the corporate income tax law was published. The legislation determined a decrease of the corporate income tax law as of January 1, 2016 to 25% (1.5% decrease).
On December 29, 2016 the Economic Efficiency Law (Legislative amendments to achieve budget targets for years' budget 2017 and 2018) 5777-2016, was published in the Official Gazette.
The main change of the abovementioned law in respect of corporate tax is as follows:
The Israeli corporate tax rate was 24% in the year 2017 and 23% in year 2018 and onwards.

B.

The Company has not received tax assessments since its incorporation.

C.

The Company incurred losses since inception. Due to the lack of history of taxable income and uncertainty of taxable income in the foreseeable future, no deferred taxes were recorded for these carry forward losses and deductions.

D. Subsidiaries:

The principal federal tax rates applicable to the subsidiaries that incorporates in the U.S. are up to 21%. The principal tax rates applicable to the subsidiaries that incorporates in the U.K. is 19%.

(In U.S. dollars)

NOTE 11 INCOME TAXES (Cont.)

D. Subsidiaries (Cont.):

The subsidiaries have not received final tax assesments since their corporation.
On December 22, 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective from January 1, 2018.

NOTE 12 RESEARCH AND DEVELOPMENT EXPENSES

Composition:	For the Year ended December 31,	
	2018	2017
Salaries and related expenses	$ 583,445	$ 668,544
Subcontractors expenses	34,811	4,599
Share based payment	48,585	51,424
Other expenses	362,940	379,486
	$ 1,029,781	**$ 1,104,053**

NOTE 13 SALES AND MARKETING EXPENSES

Composition:	For the Year ended December 31,	
	2018	2017
Salaries and related expenses	$ 439,624	$ 232,458
Communication	22,873	21,404
Professional fees	355,596	206,952
Other expenses	268,491	147,789
	$ 1,086,584	**$ 608,603**

NOTE 14 GENERAL AND ADMINISTRATIVE EXPENSES

Composition:	For the Year ended December 31,	
	2018	2017
Salaries and related expenses	$ 560,178	$ 532,097
Communication	9,453	7,969
Professional fees	461,276	175,799
Share based payment	162,889	132,708
Other expenses	589,226	450,912
	$ 1,783,022	**$ 1,299,485**

(In U.S. dollars)

NOTE 15 FINANCE INCOME AND EXPENSES

A. Financing Income:

	For the Year ended December 31,	
	2018	**2017**
Foreign currency differences	$ -	$ 24

B. Financing expenses:

Composition:	For the Year ended December 31,	
	2018	**2017**
Other:		
Bank fees and other financing	$64,272	$ 11,227
expenses	9,145	7,266
Convertible loans revaluaiton	1,058,085	449,940
	1,131,502	**$ 468,433**

NOTE 16 FINANCIAL INSTRUMENTS

A. Financial instruments fair value:

The carrying amount of the Company's financial instruments equals or approximates their fair value.

B. Financial instruments according to category:

	For the Year ended December 31,	
	2018	**2017**
Financial assets:		
	$ 309,590	$ 515,724
Cash and cash equivalents	26,698	49,053
Restricted cash	1,614,369	375,216
Trade receivables	34,959	31,904
Other current assets	**$ 1,985,616**	**$ 971,897**

Financial liabilities:

Current liabilities:		
Trade payables	$ 1,589,609	$ 201,530
Short term loan	148,164	197,215
Short term convertible loans	12,786,669	8,478,388
Other current liabilties	2,028,737	793,822
	$ 16,553,179	**$ 9,670,955**

NOTE 16 FINANCIAL INSTRUMENTS (Cont.)

C. Purposes of financial risk management:

The Company's finance department renders services for business operations, permits access to local and international financial markets, supervises and administers the financial risks related with the activities of the Company by means of internal reports which analyze the extent of exposure to risks according to their level and intensity. These risks include market risks (including foreign currency risk) and liquidity risk.

D. Market risk:

Foreign currency risk:

The Company's functional currency is the U.S. dollar. The Company's exposures to the fluctuations occurring in the rates of exchange between the U.S. dollar and the New Israeli Shekel result mainly from salaries and related expenses that are stated in NIS.
The Company acts to reduce the currency risk by means of holding its liquid resources in shortterm deposits (NIS and USD).

During the year ended December 31, 2018, no change took place in the exposure to currency risk or in the manner in which the Company manages and measures the risk.
The book values of the financial assets and liabilities of the Company denominated in foreign currency are as follows:

	Liabilities December 31,		Assets December 31,	
	2018	2017	2018	2017
NIS	441,114	482,159	274,904	153,537
GBP	16,577	3,202	79,548	52,850

Sensitivity analysis of foreign currency:

As stated above, the Company is exposed mainly to the NIS currency since salaries and related expenses are stated in NIS.
The following table itemizes the sensitivity to an increase or a decrease of 10% in the relevant exchange rate. 10% is the rate of sensitivity representing the assessments of management with respect to the reasonable possible change in exchange rates. The sensitivity analysis includes current balances of monetary items denominated in foreign currency and conforms their translation at the end of the period to a change of 10% in foreign currency rates.

(In U.S. dollars)

NOTE 16 FINANCIAL INSTRUMENTS (Cont.)

D. Market risk: (Cont.)

Sensitivity analysis of foreign currency: (Cont.)

	For the Year ended December 31,	
	2018	**2017**
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	15,110	29,875
Pre-tax effect of decrease of 10% in the $ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	(18,468)	(42,514)
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the GBP:		
Effect on profit or loss and other comprehensive income forthe year	6,297	4,965
Pre-tax effect of decrease of 10% in the $ currency vis-à-vis the GBP:		
Effect on profit or loss and other comprehensive income for the year	(5,720)	(4,513)

E. Management of credit risk:

Before receiving a new customer and during the year, the company conducts research on the financial strength of the customer and also requests the customer to provide credit references from other suppliers with whom the customer maintains business relations. In addition, the Company is examining the acquisition of a credit insurance policy for all of its customers. Moreover, the Company holds cash and cash equivalents in various financial institutions. These financial institutions are located in Israel and the United States. Pursuant to the Company's policies, evaluations of the relative financial stability of the different financial institutions are performed on an on-going basis.

F. Liquidity risk:

Careful management of liquidity risk requires a sufficient cash balance to support operating activities. Management constantly analyzes cash balances, which comprised of cash and cash equivalents and assets at fair value through profit and loss. This analysis is based on forecasted cash flows, in accordance with policies and restrictions set by the Company. The Company keeps a sufficient level of cash and cash equivalents, by taking into account the cash required for its operating activities, in order to reduce the liquidity risk, which the Company is exposed to.

(In U.S. dollars)

NOTE 17 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.

	Level 3	
	For the Year ended December 31,	
	2018	**2017**
Balance as of December 31	8,478,388	5,274,898
Amounts received during the year	3,250,196	2,753,550
Changes in fair value	1,058,085	449,940
Balance as of December 31	12,786,669	8,478,388

In 2017,The fair value of the loans included in the level 3 categories above has been determined in accordance with generally accepted pricing models using a Monte Carlo simulation-based risk neutral valuation model with the most significant inputs being the fair value of the company's assets and their returns' volatility over time. 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 parmeters were used to determine the ordinary share price to which it is expected to be converted. In 2018, the fair value of the loans included in the level 3 categories above has been determined in accordance with the market share price upon the IPO that took place in January 2019 and revaluated accordingly.

NOTE 18 TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

Compensation to key management personnel and interested parties:

	For the Year ended December 31,	
	2018	**2017**
Salary and related expenses to key management personnel	1,098,225	638,600
Number of personnel to which benefit applies	9	5
Share based payment to interested parties and key management personnel	50,288	45,812
Number of personnel to which benefit applies	9	5

NOTE 19 SUBSEQUENT EVENTS

On Junauary 29, 2019, the Company consummated an initial public offering (IPO) at Australia Stock Exchange, ASX Limited (ASX), by the issuance of 60,000,000 shares at an issuance price of AUD 0.20 per share in a total amount of approximaelty $8,600,000 (AUD 12,000,000). As of December 31, 2018 the related issuance expenses amount to a total of $1,228,431.

ASX Additional Information

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ASX Additional Information

The following information is current as at 14 March 2019.

1. Corporate Governance Statement

The Corporate Governance Statement can be found at https://www.splitit.com/investors/corporate-governance-statement/

2. Substantial Shareholders

The following holders are registered by SPT as a substantial holder, having declared a relevant interest in accordance with the Corporations Act 2001 (Cth), in the voting shares below:

Holder Name	Date of interest	Number of ordinary shares[1]	% of issued capital[2]
Splitit Payments Ltd[5]	29 January 2019	96,591,584	35.82%
Viktoria Neil Krain	29 January 2019[3]	58,422,609[4]	21.6%
Alon Feit	29 January 2019	28,159,914	10.44%
Moshe Azogui	22 January 2019	15,932,080	5.91%

[1] As disclosed in the last notice lodged with the ASX by the substantial shareholder.

[2] The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

[3] Disclosed in the Company's Replacement Prospectus dated 20 December 2018 as being a substantial holder upon the Company's admission to the ASX.

[4] As per the Company's records relating to Viktoria Neil Krain and VentureVest Partners LLC, an entity controlled by Ms Viktoria Neil Krain.

[5] Splitit Payments Ltd holds a relevant interest in its own shares as a result of the mandatory escrow restrictions imposed on those shares by the ASX.

3. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	6,059
Unlisted Options **(Options)**	36
Performance Rights	3

4. Voting Rights

Securities	Voting Rights
Ordinary Shares	Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders: a. each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative; b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and c. on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.
Options	Options do not carry any voting rights.
Performance Rights	Performance Rights do not carry any voting rights.

5. Distribution Schedule

Ordinary Shares

Spread of Holdings	Holders	Securities	%
1 - 1,000	1,584	1,040,741	0.39%
1,001 - 5,000	2,340	6,244,927	2.32%
5,001 - 10,000	884	7,026,448	2.61%
10,001 - 100,000	1,071	29,722,093	11.02%
100,001 - 9,999,999,999	180	225,621,452	83.67%
Totals	**6,059**	**269,655,661**	**100.00%**

Options

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
100,001 - 9,999,999,999	36	39,344,339	100.00%
Totals	**36**	**39,344,339**	**100.00%**

Performance Rights

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
100,001 - 9,999,999,999	3	18,000,000	100.00%
Totals	**3**	**18,000,000**	**100.00%**

6. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
14 March 2019	$1.50	172

7. Restricted Securities

The following securities are subject to **mandatory** escrow restrictions:

Class	Date of Expiry	Number of Securities
Ordinary shares subject to mandatory escrow restrictions for 12 months from the date of issue.	29 January 2020	5,724,238
Ordinary shares subject to mandatory escrow restrictions for 24 months from the date of issue.	29 January 2021	90,867,346
Options subject to mandatory escrow restrictions for 24 months from the date of issue.	29 January 2021	39,344,339
Performance Rights subject to mandatory escrow restrictions for 24 months from the date of issue.	29 January 2021	18,000,000

There are no current securities on issue that are subject to voluntary escrow restrictions.

8. Share Buy-Backs

There is no current on-market buy-back scheme.

9. Business Objectives

Splitit has used its cash and cash equivalents held at the time of listing on ASX in a way which is consistent with its stated business objectives.

10. Unquoted Securities

Options

The following Options over unissued ordinary shares are on issue:

Class	Date of Expiry	Exercise Price	Number of Options
Unlisted Options	31/12/2023	AUD$0.20	8,000,000
Unlisted Options	22/1/2022	AUD$0.30	18,000,000
Unlisted Options	22/1/2022	AUD$0.40	3,000,000
Unlisted Options	31/12/2020	NIS 0.01	470,076
Unlisted Options	9/1/2022	NIS 0.01	199,410
Unlisted Options	31/12/2022	NIS 0.01	783,283
Unlisted Options	15/3/2023	NIS 0.01	783,283
Unlisted Options	4/11/2023	NIS 0.01	3,724,452
Unlisted Options	31/1/2024	NIS 0.01	783,283
Unlisted Options	12/2/2024	NIS 0.01	69,129
Unlisted Options	25/2/2024	NIS 0.01	167,505
Unlisted Options	1/3/2024	NIS 0.01	229,721
Unlisted Options	15/3/2024	NIS 0.01	308,422
Unlisted Options	1/5/2024	NIS 0.01	183,989
Unlisted Options	7/7/2024	NIS 0.01	459,973
Unlisted Options	8/7/2024	NIS 0.01	98,376
Unlisted Options	15/8/2024	NIS 0.01	61,153
Unlisted Options	17/9/2024	NIS 0.01	153,147
Unlisted Options	11/12/2024	NIS 0.01	69,129
Unlisted Options	17/12/2024	NIS 0.01	69,129
Unlisted Options	12/2/2025	NIS 0.01	69,129
Unlisted Options	25/2/2025	NIS 0.01	167,505
Unlisted Options	1/3/2025	NIS 0.01	229,720
Unlisted Options	15/3/2025	NIS 0.01	308,421
Unlisted Options	1/5/2025	NIS 0.01	183,989
Unlisted Options	15/5/2025	NIS 0.01	61,152
Unlisted Options	8/7/2025	NIS 0.01	98,375
Unlisted Options	17/9/2025	NIS 0.01	153,147
Unlisted Options	11/12/2025	NIS 0.01	69,129
Unlisted Options	17/12/2025	NIS 0.01	69,129
Unlisted Options	25/2/2026	NIS 0.01	167,504
Unlisted Options	17/9/2026	NIS 0.01	153,679
			39,344,339

No holders hold more than 20% of Options in the Company.

Performance Rights

There is a total of 18,000,000 unlisted performance rights on issue.

The number of performance right holders is 3.

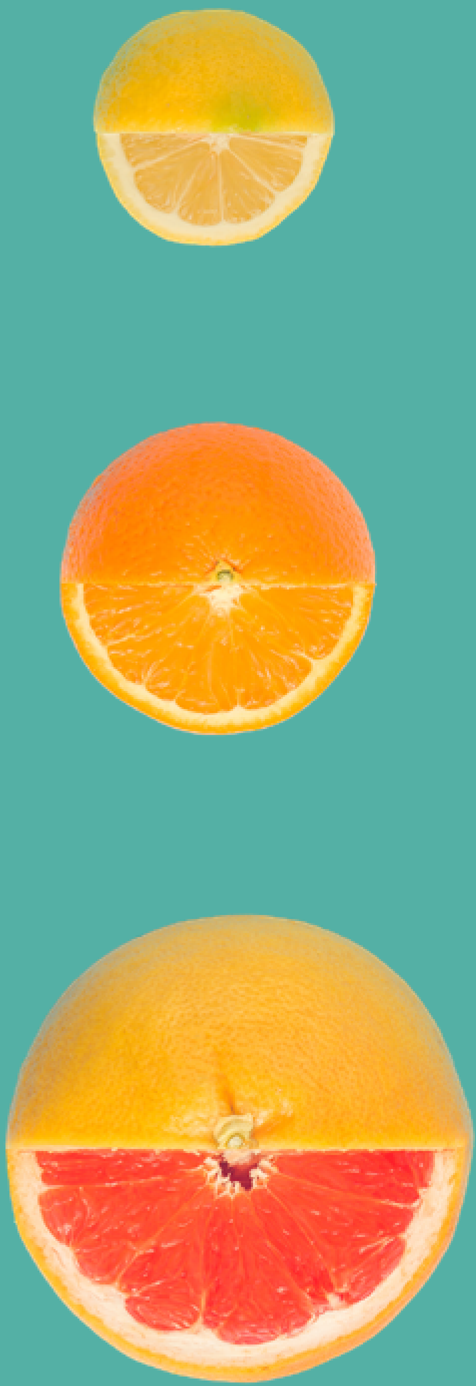
The following holders hold more than 20% of the Performance Rights in the Company:

Rank	Holder Name	Performance Rights	%
1	Gil Don	10,000,000	55.56%
2	Alon Feit	6,500,000	36.11%

11. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 67.109% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1	MRS VIKTORIA NEIL KRAIN	30,278,647	11.229%
2	VENTUREVEST PARTNERS LLC	28,143,962	10.437%
3	ALON FEIT	28,159,914	10.442%
4	MOSHE AZOGUI	15,932,080	5.908%
5	GIL DON	12,771,294	4.736%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	10,563,381	3.917%
7	BT PORTFOLIO SERVICES LIMITED <THE AL'N'ALL A/C>	7,200,874	2.670%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,673,230	2.475%
9	YOAV MANOR	5,234,651	1.941%
10	RIVERVIEW FLATS PTY LTD	5,218,372	1.935%
11	GADEX LTD	4,798,608	1.780%
12	CITICORP NOMINEES PTY LIMITED	4,372,516	1.622%
13	COMSEC NOMINEES PTY LIMITED	4,022,844	1.492%
14	EVAN SPIEGEL	3,192,691	1.184%
15	JASON KRIGSFELD	2,978,655	1.105%
16	NATIONAL NOMINEES LIMITED	2,870,789	1.065%
17	COLIBRI TECHNOLOGIES LTD	2,489,945	0.923%
18	WILLAIM TISCH	2,181,282	0.809%
19	MR GUY PELEG	2,089,214	0.775%
20	EQUITY CAPITAL AUST PTY LTD	1,790,000	0.664%
		180,962,949	**67.109%**



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