Appendix 4E
Financial Year ending 31 December 2019
Results for announcement to the market
Lodged with the ASX under Listing Rule 4.3A

Name of entity:

Splitit Payments Ltd, a foreign company registered in its original jurisdiction of Israel as Splitit Ltd
ASX Code: SPT

Reporting period:

Report for the financial year ended 31 December 2019
Previous corresponding period is the financial year ended 31 December 2018

Reporting currency:

US Dollars, unless otherwise specified

	2018 US$	**2019 US$**	**Inc/(Dec)%**
Revenue from ordinary activities (Appendix 4E item 2.1)	789,920	1,646,475	108%
Profit/(Loss) from ordinary activities (excluding non-cash, share based compensation and one-time, non-recurring expenses)	(4,264,054)	(9,491,520)	123%
Profit/(Loss) from ordinary activities after tax attributable to members (including non-cash, share based compensation and one-time, non-recurring expenses) (Appendix 4E item 2.2)	(4,642,975)	(21,473,060)	362%
Net Profit/(Loss) for the period attributable to members (including non-cash, share based compensation and one-time, non-recurring expenses) (Appendix 4E item 2.3)	(4,642,975)	(21,473,060)	362%
Basic and Diluted Earnings per share (Appendix 4E item 14.1)	(31.52)	(0.078)	(100)%
Net Tangible Assets per share (Appendix 4E item 9)	(206.36)	0.052	(100)%

Accounting Standards (Appendix 4E item 13)
The report was prepared in accordance with *International Financial Reporting Standards*.

Audit Status (Appendix 4E item 15)
This report is based on accounts which are in the process of being audited. The Audited Annual Report will be released by 31 March 2020.

Dividends (Appendix 4E item 2.4 & 2.5):
No dividends have been paid during the year and the Company does not propose to pay any final dividends.

Commentary on Results (Appendix 4E Item 14) & Significant Features of Operating Performance (Appendix 4E Item 14.3)

Splitit Payments Ltd, a foreign company registered in its original jurisdiction of Israel as Splitit Ltd (ASX:**SPT**, "**Splitit**" or the "**Company**"), is an installment payment platform enabling consumers to pay for purchases with an existing credit or debit card by splitting the cost into interest free monthly payments, without the need for additional credit applications. Splitit enables merchants to offer their customers an easy way to pay for purchases in monthly instalments with instant approval, decreasing cart abandonment rates and increasing revenue. Serving many of Internet Retailer's top 1000 merchants, Splitit's global footprint extends to hundreds of merchants in a number of countries around the world. Headquartered in New York, Splitit has an R&D centre in Israel and offices in the U.K. and Australia.

2019 was a foundational year for Splitit. The Company continued to broaden acceptance at merchants across the world while building core capabilities that will enable it to scale its operations for years ahead. Such capabilities include expanding it's global team with category expertise and proven global operational excellence, significant new partnerships, integrations, technology and merchant funding capabilities to enable scale and meet growing demand. Splitit has continued to forge product-market fit, narrowing focus on core consumers and merchants that receive the greatest benefit from it's unique offering.

Key Performance Metrics

During the financial year Splitit saw significant growth against the prior period in its key performance metrics:

- Revenue of $1.65 million increased by 108%
- Merchant Sales Volume (MSV) of $88 million increased by 52%
- Total Active Merchants increased by 97% to 720
- 12M Active Merchants increased by 76% to 386
- 12M Active Shoppers increased by 55% to 118,783
- Average Order Value for 2019 was over $662
- Repeat usage by active shoppers was 14.3%, increasing by 81%

1. Revenue from ordinary activities (Appendix 4E item 2.6 & 14)

The Company's revenues are derived from transaction fees (Merchant Fees) paid by its clients (merchants) in relation to transactions processed through the Splitit Payment Platform.

Merchant Fees are generated on each authorized transaction placed via the Splitit Payment Platform and are predominantly based on a percentage of the end-customer order value plus a fixed fee per instalment.

Splitit had revenue from continuing operations of $1.65 million in 2019 that reflected an increase of 108% over the previous fiscal year. Costs of revenue increased 20% in 2019 to $481.2 thousand. Gross profit increased 199% in 2019 to $1.17 million.

- The 108% increase in revenues compared to a 52% increase in MSV reflects an increased mix of merchants that require an advanced funded business model which attracts a higher merchant fee.
- The 108% increase in revenues compared to a 20% increase in cost of revenues, demonstrates Splitit's increased use of balance sheet capital to provide advanced funding to merchants in 2019.

A portion of revenues (i.e., merchant fees) from merchants in respect of Merchant Sales Volume from previous fiscal periods (2019) will be recognized, from an accounting perspective, in future fiscal periods (2020) as invoices are issued to merchants based on actual installments processed during such future fiscal periods.

2. Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.6 & 14)

The loss from ordinary activities attributable to members totalled $9.50 million, which does not include non-cash, share based compensation ($9.54 million) and one-time, non-recurring expenses ($2.44 million). Loss from ordinary activities attributable to members including non-cash, share based compensation and one-time, non-recurring expenses totalled $21.47 million.

Share based compensation included performance rights and options granted in connection with the company's initial public offering, with the debt financing entered into with Shaked Partners (see below) and in connection with grants to senior management, including a new Chief Executive Officer, and employees across the organization (i.e., total headcount increase of 35 in 2019). Non-recurring expenses included IPO related transaction fees, consulting expenses and separation payments made during 2019.

Supplementary Information

1. Trends in performance (Appendix 4E item 14.5)

Adoption of instalment payment solutions by merchants in Splitit's key markets globally continues to rise, driving awareness and uptake of Splitit's solution.

Onboarding of key new merchants and increasing momentum across existing merchants globally has led to a trend of continuous strong growth across all key performance metrics as outlined above.

2. Other factors that affected results in the period or which are likely to affect results in the future, including those where the effect could not be quantified (Appendix 4E item 14.6)

Splitit's key global markets continues to rise, driving awareness and uptake of Splitit's solution. At this point in time the company does not see any factors that can affect the company results in the period or in the future.

3. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position (Appendix 4E item 12)

Capital Management

Equity Issuances

On January 29, 2019, the Company consummated an initial public offering (IPO) on the Australian Stock Exchange, ASX Limited (ASX), by the issuance of 60 million shares at an issuance price of AUD$0.20 per share raising a total gross amount of USD$8.6 million (AUD$12 million). The related issuance expenses amounted to a total of USD$1.3 million.

In May 2019, the Company raised a total gross amount of USD$20.7 million (AUD$30.3 million) by the issuance of 37.5 million shares at an issue price of AUD$0.80 per share, and a share purchase plan under which 377,500 new shares were issued at the same price. The related issuance expenses amounted to a total of USD$1.1 million.

Debt Facilities

On 11 September 2019, the Company entered into a loan agreement with Shaked Partners Fund, L.P. and certain of its affiliates (collectively, "**Shaked**"), pursuant to which Shaked provided a USD 8.0 million credit facility (the "**Facility**") to the Company that may be drawn in three tranches until August 10, 2020, maturing 24 months after each draw.

The Facility will incur interest at 9.5% per annum payable by Splitit on drawn amounts, with a 1.5% per annum non-utilisation fee payable in certain circumstances. The outstanding balance of the facility is to be secured by a first ranking charge over the shares in Splitit Capital Inc. and a bank guarantee for a small portion of the total facility limit.

In addition, Shaked received 2,000,000 options in the Company with an exercise price of AUD 0.501 per option, representing the average closing price of Splitit shares on the ASX over the 10 business days immediately preceding execution of the financing agreement. The options may be exercised up until September 2024.

Subsequent Events

Capital Management Activities

In January 2020, the Company terminated its agreement with secondary credit provider Simpel LLC.

In February 2020, the Company borrowed USD 3.67 million under the Shaked Facility.

Share Based Compensation

On 21 January 2020, the Company issued 1,000,000 options to Mr. Jan Koelble, a new director of the Company under the following conditions:

- AUD 0.70 per option in respect of 500,000 unlisted options, which expire on 21 January 2023;
- AUD 0.85 per option in respect of 500,000 unlisted options, which expire on 21 January 2023.

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

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		11,669,734	309,590
Restricted cash		86,892	26,698
Trade receivables		5,168,423	1,614,369
Other current assets	3	563,161	1,401,791
		17,488,210	3,352,448
Non-Current assets			
Long term deposit		12,585	3,635
Fixed assets, net	4	203,911	82,568
Right of use - Asset under lease	5	231,019	-
Total assets		17,935,725	3,438,651
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade payables		751,431	1,589,609
Short term loan		-	148,164
Short term convertible loans	6	-	12,786,669
Operating lease liability	5	151,265	-
Other current liabilities	7	559,980	2,028,737
		1,462,676	16,553,179
Non-Current liabilities			
Operating lease liability	5	104,252	-
Commitments and contingent liabilities	9		
Shareholders' equity (deficiency)	10		
Ordinary shares		839,076	163
Preferred A shares		-	221
Additional paid-in capital		52,716,298	2,598,605
Accumulated deficit		(37,186,577)	(15,713,517)
Total shareholder's equity (deficiency)		16,368,797	(13,114,528)
Total liabilities and shareholders' equity (deficiency)		17,935,725	3,438,651

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

CONSOLIDATED UNAUDITED STATEMENTS OF INCOME
(In U.S. dollars)

	Note	For the Year ended December 31, 2019	2018
Revenues		1,646,475	789,920
Cost of revenue		(481,171)	(400,127)
Gross profit		1,165,304	389,793
Research and development expenses	13	(2,751,690)	(1,029,781)
Sales and marketing expenses	14	(6,914,358)	(1,086,584)
General and administrative expenses	15	(12,963,399)	(1,783,022)
Operating expenses		(22,629,447)	(3,899,387)
Net loss before financing expenses, net		(21,464,143)	(3,509,594)
Financing expenses, net	16	(2,048)	(1,131,502)
Net loss before income taxes		(21,466,191)	(4,641,096)
Tax expenses	12	(6,869)	(1,879)
Net Loss		(21,473,060)	(4,642,975)
Loss per share:			
Basic and diluted		(0.078)	(31.52)

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

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In U.S. dollars, except for share data)

	Ordinary shares		Preferred A shares		Additional	Accumulated	
	Number	amount	Number	amount	paid-in capital	deficit	Total
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)
Issuance of shares, net (see note 10)	199,019,159	544,051	(86,058)	(221)	26,579,571	-	27,123,401
Conversion of convertible loans to shares	90,587,547	246,296	-	-	12,540,373	-	12,786,669
Issue of shares from warrants	16,106,497	43,791	-	-	1,456,209	-	1,500,000
Exercise of options	5,756,405	4,775	-	-	-	-	4,775
Share based payments	-	-	-	-	9,541,540	-	9,541,540
Net loss for the year	-	-	-	-	-	(21,473,060)	(21,473,060)
Balance as of December 31, 2019	311,533,161	839,076	-	-	52,716,298	(37,186,577)	16,368,797

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

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

	For the Year ended December 31,	
	2019	**2018**
Cash flows - operating activities		
Loss for the period according to the statement of profit and loss	(21,473,060)	(4,642,975)
Adjustments to reconcile cash flows provided by operating activities (Appendix A)	4,572,938	1,291,059
Net cash used in operating activities	(16,900,122)	(3,351,916)
Cash flows - investing activities		
Long term deposit	(8,950)	(3,135)
Purchase of fixed assets	(151,975)	(74,590)
Net cash used in investing activities	(160,925)	(77,725)
Cash flows - financing activities		
Short term loan	-	(49,050)
Restricted cash	(60,194)	22,355
Proceeds from exercise of options into shares	-	6
Proceeds from exercise of warrants into shares	1,500,000	-
Net Proceeds from issuance of shares (see note 10C)	27,123,401	-
Operating lease liability payments	(141,042)	-
Proceeds from convertible loan	-	3,250,196
Net cash provided by financing activities	28,422,165	3,223,507
Increase (decrease) in cash	11,361,118	(206,134)
Exchange differences on balances of cash	(974)	-
Balance of cash at the beginning of the period	309,590	515,724
Balance of cash at the end of the period	11,669,734	309,590

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

CONSOLIDATED UNAUDITED 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,	
	2019	**2018**
Income and expenses not involving cash flow:		
Share based payments	9,541,540	378,921
Convertible loan revaluation	-	1,058,085
Finance income, net	28,023	-
Depreciation	169,123	11,709
Changes in asset and liability items, net:		
Increase in trade receivables	(3,554,054)	(1,239,153)
increase (decrease) in other current assets	695,241	(1,301,959)
Increase (decrease) in trade payables	(838,178)	1,388,079
Increase (decrease) in other current liabilities	(1,468,757)	995,377
	4,572,938	1,291,059

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 1 - GENERAL

A. Description of business and information

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.

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

In September 2013, the Company entered into a marketing and distribution services agreement with Splitit USA 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 financing purposes.

In September 2015, the Company established two wholly owned U.K. subsidiaries (Splitit UK Ltd and Splitit Capital UK Ltd) for marketing purpose.

On January 29, 2019, the Company consummated an initial public offering (IPO) on the Australian Stock Exchange, ASX Limited (ASX). For more information see note 10C.

In May 2019, the Company established two wholly owned Australian subsidaries (Splitit Australia Pty Ltd and Splitit Australia Capital Pty Ltd).

B. Definitions

The Company	-	Splitit Ltd.
The subsidiaries	-	Splitit USA Inc., Splitit Capital Inc, Splitit Capital USA Inc, Splitit UK Ltd., Splitit Capital UK Ltd., Splitit Australia PTY Ltd. and Splitit Australia Capital PTY Ltd.
Related Parties	-	As defined in IAS 24
NIS	-	New Israeli Shekel
Dollar (or $)	-	the US dollar
AUD	-	the Australian dollar

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 1 - GENERAL (Cont.)

C. Continuing Operations

The Company's consolidated financial statements reflect a net loss of 21,473,060 USD for the year ended December 31, 2019 and an accumulated deficit of 37,186,577 USD as of that date. In addition the Company has a negative cash flow from operations of 16,900,122 USD. As of December 31, 2019 the Company's cash balance was 11,669,734 USD

The long-term viability of the Company is dependent on its ability to grow its reveneus and to generate positive cash from operating activities. The Company's failure to do so could have a negative impact on its financial condition and ability to pursue its business strategies and continue its operations.

On 11 September 2019, the Company entered into a loan agreement with Shaked Partners Fund, L.P. and certain of its affiliates (collectively, "Shaked"), pursuant to which Shaked will provide a 8,000,000 USD credit facility (the "Facility") see note 9b. Such credit facility will be used to replace the self funding to merchants (trade receivables) and will increase back the cash balances. In February 2020, the Company borrowed 3.67 million USD under the Shaked Facility.

Management has prepared a cashflow forecast in order to manage its cash balances as to ascertain its ability to continue its operations for at least eighteen months, from the balance sheet date. If needed, management may implement cost reduction measures and pursue other strategic plans, as required and as approved by the board.

D. In September 19, 2019, the company announced that it's Co-founder, Gil Don decided to step down from his role as Chief Executive Officer and was replaced by Brad Paterson.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

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").

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.

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

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

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.

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

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

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.

A portion of revenues (i.e., merchant fees) from merchants in respect of Merchant Sales Volume from previous fiscal periods (2019) will be recognized, from an accounting perspective, in future fiscal periods (2020) as invoices are issued to merchants based on actual installments processed during such future fiscal periods.

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
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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

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

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. Impact of the adoption of new accounting standards

IFRS 16, "Leases"

As of January 1, 2019, the Company adopted IFRS 16 - "Leases, the new accounting standard for leases". The new standard replace IAS 17 - Leases and IFRIC 4 - Determining whether an Arrangement contains a Lease.
The new standard requires lessees to apply a single, on-balance sheet accounting model to all its leases, unless a lessee elects the recognition exemptions for short-term leases and/or leases of low-value assets. A lessee must recognize a right-of-use asset representing its right to use the underlying asset and a lease obligation representing its obligation to make lease payments.
The lease liability will be calculated based on the minimum future lease payments under the lease contract, discounted at the incremental borrowing rate, which is calculated per class of leased assets and per country in which the relevant asset is operating. Additionally, the incremental borrowing rate will be the rate at which the interest charges relating to the lease liability are calculated.
The Company applied the standard based on the modified retrospective transition approach. The implementation of IFRS 16 did not have a material impact on the Company's financial positions and operations.

Set forth below are the principal expected effects as of the date of first-time application, as estimated by Group's management:

(a) Principal effects on the Company's statement of financial position as of January 1, 2019:

The leased asset	Right of use asset	Lease liability
	USD in thousands	
Leased premises	369	369

The discount rates used in the aforementioned calculations are based on the lessee's incremental borrowing rate of 4% and the lease term was 3 years.

(b) Principal effects on the Company's statement of profit or loss as of December 31, 2019:

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

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

The leased asset	Decrease in lease expenses pursuant to IAS 17	Increase in depreciation expenses pursuant to IFRS 16	Total Increase in income from operating activities	Increase in finance expenses pursuant to IFRS 16	Decrease in tax expenses pursuant to IFRS 16	Total decrease in income for the year
	USD in thousands					
Leased premises	142	138	4	14	-	10

NOTE 3 - OTHER CURRENT ASSETS

Composition

	December 31,	
	2019	2018
Government institutions	345,994	53,496
Prepaid expenses	18,723	1,228,432
Related parties	45,659	-
Other current assets	152,785	119,863
	563,161	1,401,791

NOTE 4 - FIXED ASSETS

Composition

	As of December 31,			
	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture and equipment	141,178	(11,505)	129,673	40,016
Website	17,813	(7,708)	10,105	16,205
Leasehold improvements	21,285	(1,903)	19,382	6,800
Computers and software	96,626	(51,875)	44,751	19,547
	276,902	(72,991)	203,911	82,568

NOTE 5 - Right of use asset under lease

Composition

	As of December 31,		
	2019		
	Cost	Accumulated depreciation	Net book value
Right of use asset under lease	369,510	(138,491)	231,019
	369,510	(138,491)	231,019

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 6 - SHORT TERM CONVERTIBLE LOANS

Since September 2012 the Company entered into a series of convertible loan agreements with several lenders. 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 did not bear interest.

NOTE 7 - OTHER CURRENT LIABILITIES

Composition

	December 31,	
	2019	**2018**
Employees and related institutions	539,794	255,476
Accrued expenses	20,186	178,567
Loan Payable	-	1,556,866
Other current liabilities	-	37,828
	559,980	2,028,737

NOTE 8 - 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 9 - COMMITMENTS AND CONTINGENT LIABILITIES

a) On 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 $13,000.

To secure the lease payments, the Company issued a bank guarantee of $44,058 in favor of the facility's lessor. Commitments for minimum lease payments in relation to non-cancellable operating leases as of December 31, 2019 are approximately $273,00 comprised of 21 months under a monthly rate of approximately $13,000.

b) Credit Facility

On 11 September 2019, the Company entered into a loan agreement with Shaked Partners Fund, L.P. and certain of its affiliates (collectively, "Shaked"), pursuant to which Shaked will provide a 8,000,000 USD credit facility (the "Facility") to the Company that may be drawn in three tranches until 10 August 2020, maturing 24 months after each draw.

The Facility will incur interest at 9.5% per annum payable by Splitit on drawn amounts, with a 1.5% per annum non-utilisation fee payable in certain circumstances. The outstanding balance of the facility is to be secured by a first ranking charge over the shares in Splitit Capital Inc. and a bank guarantee for a small portion of the total facility limit.

In addition, Shaked will receive 2,000,000 options in the Company with an exercise price of AUD 0.501 per option, representing the average closing price of Splitit shares on the ASX over the 10 business days immediately preceding execution of the financing agreement. The options may be exercised up until September 2024.
As of December 31, 2019 the Company did not drawn any amount on acount from this Credit Facility.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 10 - SHARE CAPITAL

A. Share Capital

Composition of share capital as of December 31, 2019 and 2018:

	December 31,			
	2019		2018	
	Number of shares		Number of shares	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares NIS 0.01 par value	500,000,000	311,533,161	700,000	63,553
Preferred A shares NIS 0.01 par value	-	-	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.

B. Issuance of share capital

Ordinary shares

On January 29, 2019, the Company consummated an initial public offering (IPO) on the Australian Stock Exchange, ASX Limited (ASX), by the issuance of 60,000,000 shares at an issuance price of AUD$0.20 per share raising a total gross amount of approximately USD$8.6 million (AUD$12 million). The related issuance expenses amount to a total of USD$1.3 million.

In May 2019, the Company raised a total gross amount of approximately USD$20.7 million (AUD$30.3 million) by the issuance of 37,500,000 shares at an issue price of AUD$0.80 per share, and a share purchase plan under which 377,500 new shares were issued at the same price. The related issuance expenses amount to a total of USD$1.1 million.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 11 - SHARE BASED PAYMENTS

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

On 22 January 2019, the Company issued a total of 8,000,000 options exercisable at A$0.20 each, expiring 31 December 2023 to then Managing Director Gil Don and Executive Director Alon Feit.

On 22 January 2019, the Company issued to the non-executive Directors of the Company a total of:

- 3,000,000 options exercisable at A$0.30 each, expiring 22 January 2022, subject to vesting conditions; and
- 3,000,000 options exercisable at A$0.40 each, expiring 22 January 2022, subject to vesting conditions.

On 22 January 2019, the Company issued a total of 15,000,000 options exercisable at A$0.30 each, expiring 22 January 2022 to the lead manager of the IPO (or its nominees).

On 22 January 2019, the Company issued a total of 18,000,000 performance rights under the Company's Employee Share Incentive Plan, each of which may be convertible into one Share on attainment of various performance criteria, expiring no later than 3 years from the date of issue. On 27 November 2019, as approved by Shareholders at the Annual General Meeting held on 30 October 2019, 6,000,000 of these Performance Rights were cancelled and another 4,000,000 Performance Rights were vested and converted into ordinary shares.

On September 11, 2019, the Company entered into a finance agreement with an external financier (Shaked) pursuant to which it issued 2,000,000 options, each of which is exercisable at A$0.501 on or before 11 September 2024. (See alslo Note 9b - Credit Facility)

On 27 November 2019, the Company granted to various employees and consultants 19,337,000 options (subject to various vesting conditions) under the Company's Employee Incentive Plan, each of which is convertible into 1 ordinary share in the Company at an exercise price of:

- AUD$0.60 per option in respect of 4,300,000 options. 1.8m of these options expire on 1 July 2025 and 2.5m of these options expire on 27 November 2024;
- AUD$0.40 per option in respect of 1,000,000 options, which expire on 27 November 2024;
- AUD$0.30 per option in respect of 1,000,000 options, which expire on 27 November 2024; and
- AUD$0.20 per option in respect of 13,037,000 options, which expire on 16 September 2024.

On 27 November 2019, as approved by Shareholders at the Annual General Meeting held on 30 October 2019, 4,100,000 Performance Rights were issued to the Company's Managing Director, Brad Paterson. Each of these Performance Rights were issued under the Company's Employee Share Incentive Plan, and each may be convertible into one Share on attainment of various performance criteria.

B. Options fair value

The fair values were calculated using Black - Scholes pricing model. 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 11 - SHARE BASED PAYMENTS (Cont.)

B. Options fair value (Cont.)

The parameters used in applying the model are as follows:

Description	2019	2018
Share price	$0.495-0.81	$0.14
Exercise price	$0.2-0.6	$0.0026
Risk-free interest rate	0.77%-1.92%	2.51%-3.09%
Expected volatility	0.45%-0.75%	50.68%
Expected option life in years	2.5-5	5-7
Expected dividend yield	0%	0%

NOTE 12 - TAX EXPENSES

A. Company in Israel

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 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%.
The subsidiaries have not received final tax assesments since their corporation.

NOTE 13 - RESEARCH AND DEVELOPMENT EXPENSES

Composition

	For the Year ended December 31,	
	2019	2018
Salaries and related expenses	1,263,492	583,445
Subcontractors expenses	176,461	34,811
Share based payment	634,343	48,585
Other expenses	677,394	362,940
	2,751,690	1,029,781

The Research and Development expenses for the period ended December 31, 2019 includes share based payments of $634,343.

NOTE 14 - SALES AND MARKETING EXPENSES

Composition

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

	For the Year ended December 31,	
	2019	**2018**
Salaries and related expenses	1,444,948	439,624
Share based payment	1,420,698	-
Communication	262,723	22,873
Professional fees	779,771	355,596
Participation in customer marketing expenses	1,768,815	-
Other expenses	1,237,403	268,49
	6,914,358	1,086,584

The Sales and Marketing expenses for the period ended December 31, 2019 includes share based payments of $1,420,698 and nonrecurring expenses of $1,768,815 related to participation in customer marketing expenses.

NOTE 15 - GENERAL AND ADMINISTRATIVE EXPENSES

Composition

	For the Year ended December 31,	
	2019	**2018**
Salaries and related expenses	1,517,557	560,178
Communication	289,458	9,453
Professional fees	2,828,519	461,276
Share based payment	7,249,564	162,889
Other expenses	1,078,301	589,226
	12,963,399	1,783,022

The General and Administrative expenses for the period ended Decebmer 31, 2019 includes share based payments of $7,249,564 and nonrecurring expenses of $663,928 related to professional fees.

NOTE 16 - FINANCE INCOME AND EXPENSES

A. Financing Income

	For the Year ended December 31,	
	2019	**2018**
Deposit and other financing income	35,468	-
Foreign currency differences	261,071	-
	296,539	-

B. Financing expenses

	For the Year ended December 31,	
	2019	**2018**
Other:		
Foreign currency differences	-	64,272
Bank fees and other financing expenses	298,587	9,145
Convertible loans revaluaiton	-	1,058,085
	298,587	$ 1,131,502

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 17 - 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,	
	2019	**2018**
Financial assets		
Cash	11,669,734	309,590
Restricted cash	86,892	26,698
Trade receivables	5,168,423	1,614,369
Other current assets	345,995	34,959
	17,271,044	1,985,616
Financial liabilities		
Current liabilities		
Trade payables	751,431	1,589,609
Short term loan	-	148,164
Short term convertible loans	-	12,786,669
Operating lease liability	255,517	-
Other current liabilties	559,980	2,028,737
	1,566,928	16,553,179

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 NIS and between the U.S. dollar and the AUD, result mainly from salaries and related expenses that are stated in NIS and from cash in AUD.

The Company acts to reduce the currency risk by means of holding its liquid resources in short-term deposits (NIS and USD).

During the year ended December 31, 2019, no change took place in the exposure to currency risk or in the manner in which the Company manages and measures the risk.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 17 - FINANCIAL INSTRUMENTS (Cont)

The book values of the financial assets and liabilities of the Company denominated in foreign currency are as follows:

	Liabilities		Assets	
	December 31,		December 31,	
	2019	2018	2019	2018
NIS	1,050,300	441,114	619,797	274,904
GBP	26,730	16,577	933,514	79,548
AUD	22,422	-	8,851,897	-

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.

	Effect of NIS currency December 31,	
	2019	2018
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	39,139	15,110
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	(47,837)	(18,468)
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the GBP:		
Effect on profit or loss and other comprehensive income for the year	90,678	6,297
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	(82,435)	(5,720)
Pre-tax effect of increase of 10% in the $ currency vis-à-vis the AUD:		
Effect on profit or loss and other comprehensive income for the year	882,947	6,297
Pre-tax effect of decrease of 10% in the $ currency vis-à-vis the AUD:		
Effect on profit or loss and other comprehensive income for the year	(802,680)	(5,720)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 17 - FINANCIAL INSTRUMENTS (Cont.)

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.

NOTE 18 - 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,	
	2019	2018
Balance as of December 31	-	8,478,388
Amounts received during the year	-	3,250,196
Changes in fair value	-	1,058,085
Balance as of December 31	-	12,786,669

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars)

NOTE 19 - TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

Compensation to key management personnel and interested parties

	For the Year ended December 31,	
	2019	**2018**
Salary and related expenses to key management personnel	1,530,295	1,098,225
Number of personnel to which benefit applies	11	9
Share based payment to interested parties and key management personnel	5,121,419	50,288
Number of personnel to which benefit applies	11	9

NOTE 20 - SUBSEQUENT EVENTS

A. On 15 January 2020, the Company terminated its agreement with secondary credit provider Simpel LLC.

B. On 21 January 2020, the Company issued 1,000,000 options to Mr. Jan Koelble, a new director of the Company under the following conditions:
- AUD 0.70 per option in respect of 500,000 unlisted options, which expire on 21 January 2023;
- AUD 0.85 per option in respect of 500,000 unlisted options, which expire on 21 January 2023.

C. In February 2020, the Company borrowed 3.67 million USD under the Shaked Facility.