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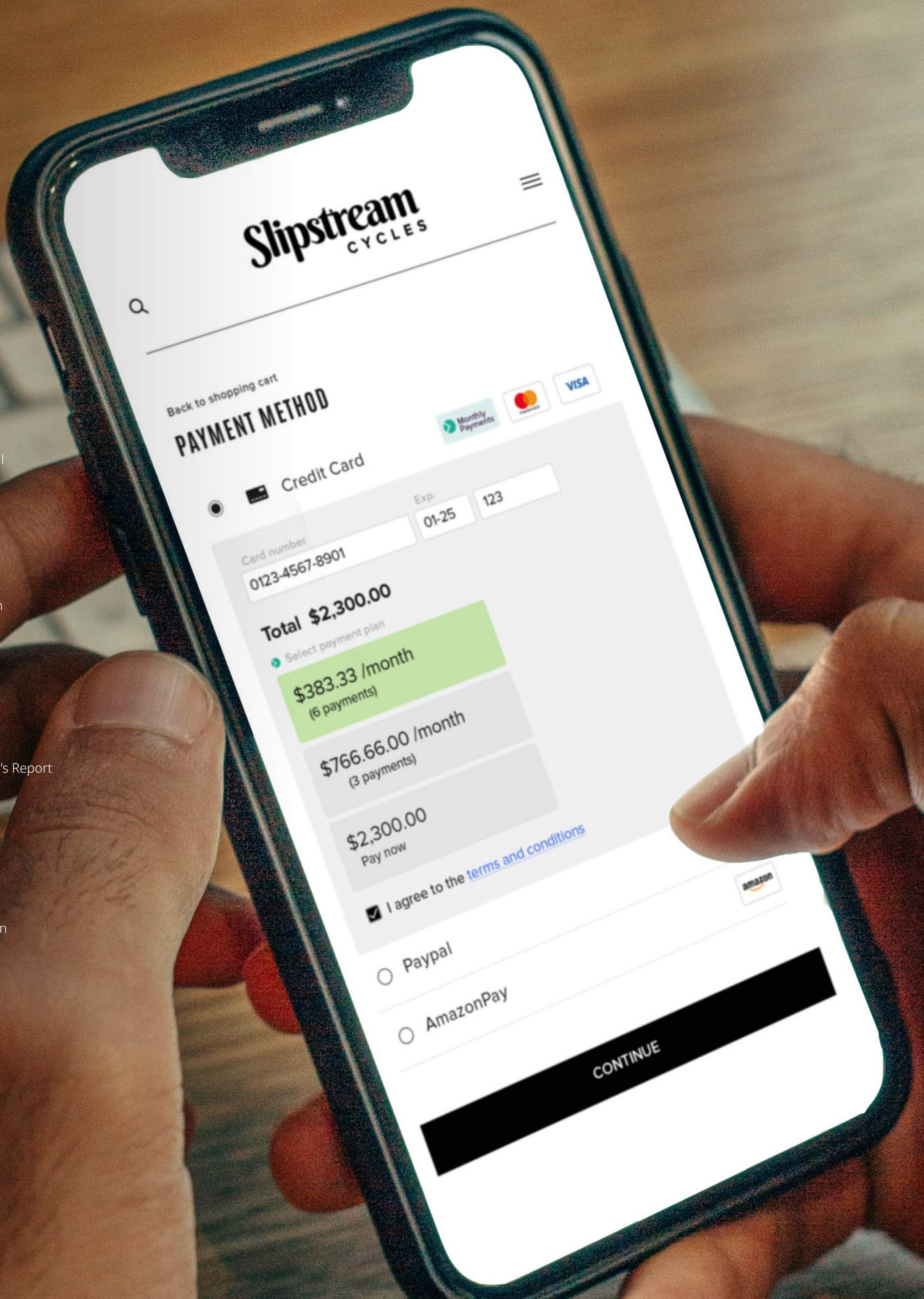
Splitit Payments Ltd.

Annual Report
2022

Contents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Credit Card
Card number
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Exp.
01-25
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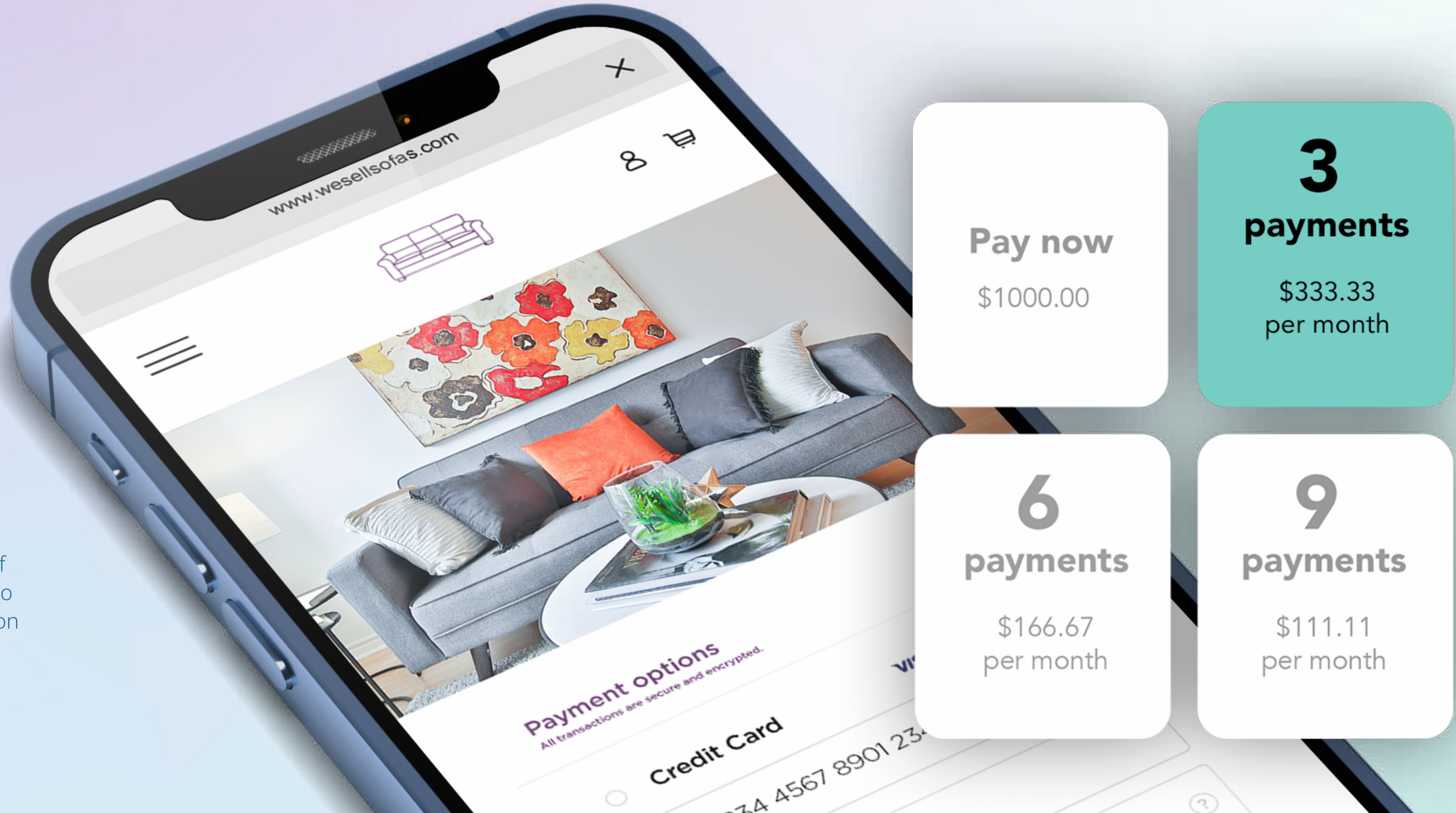
Select payment plan
$383.33 /month
(6 payments)
$766.66.00 /month
(3 payments)
$2,300.00
Pay now
I agree to the terms and conditions
amazon
Paypal
AmazonPay
CONTINUE

Powering the next generation of instalments

Splitit is solving the challenges businesses face with legacy BNPL while unlocking BNPL at the point of sale for card networks, issuers and acquirers all through a single network API.

> A white-label service helps merchants to restore control of the customer experience and to reduce the clutter and confusion for shoppers.



Buy now, pay later is becoming increasingly popular, and set to reach $995 billion by 2026,[1] This growth in popularity and demand brings both opportunities and challenges for retailers. Adding additional steps to the checkout can cause friction at the most pivotal stage of the conversion journey, resulting in abandoned carts and a negative brand impression.

Splitit's Instalments-as-a-Service platform mitigates issues with legacy BNPL like the declining conversion funnel, clutter at the checkout and a lack of control of the merchant's customer experience while putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value.

Approval rates are declining and the checkout is getting more cluttered and confusing. The triangular relationship between BNPL providers, merchants, and customers is also beginning to take on strain. Legacy BNPL lenders are facing more regulation, scrutiny, and backlash, with increasing questions about escalating shopper instalment plan write-offs and selling shoppers' data. From the shopper's perspective, these issues can reflect directly upon the retailer, creating a negative brand impression. A white-label service helps merchants to restore control of the customer experience and to reduce the clutter and confusion for shoppers.

Splitit's white-label platform allows Merchants to leverage their instalment payment technology and absorb it into their own brand, so it becomes a holistic part of their checkout experience, with no extra logos, no applications and no redirects.

- **Merchants own the end-to-end journey**
- **Embedded within the existing checkout**
- **No third-party registration or redirects**
- **No data harvesting or competitive cross sell to your shoppers**
- **Increase your brand loyalty**

1 Statista, "Economic uncertainty and Buy Now, Pay Later," https://www.statista.com/study/123586/economic-uncertainty-and-buy-now-pay-later/#professional

FY22 Highlights

US$431M

Merchant Sales Volume (MSV) - 9% growth in a transition year that included deliberate churn of unprofitable merchants, a major strategic shift, and rebuild of key leadership positions.

1.4%

Net Transaction Margin - 3x improvement vs 2021, providing a platform to push towards profitability.

-31%

reduction in operating expenses (Non IFRS) achieved via pivot to white-label focussed strategy.

Instalments-as-a-Service

Launched the only white-label service in the market that supports one-click instalments, embedded directly in the merchant's existing checkout flow.

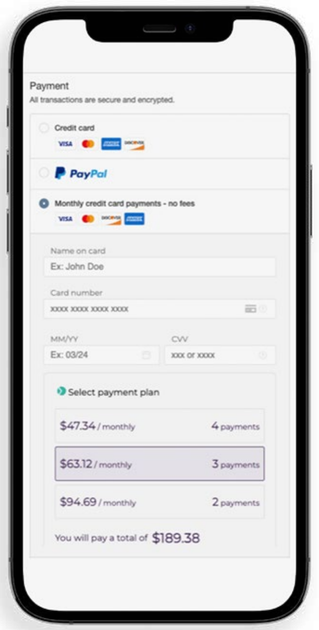
Launched the first checkout embedded third party payment experience for Shopify+ customers.

Maximizing merchant value:

2-3x higher checkout conversion

0-20% increase in basket size

13%+ repeat purchases



Partner Led Distribution Strategy

Key partnership agreements providing access to US2b - $4b incremental MSV opportunity over the next 3 years.

First enterprise merchant, AliExpress, signed through the Checkout.com partnership in January 2023.

AliExpress

Diversification of instalment services

Launched the first card-based embedded 'Pay on Delivery' service.

Splitit's flexible technology platform, coupled with Checkout.com's payment-acquiring capabilities, enables AliExpress shoppers to pay with their existing credit card after the item has been delivered.

Corporate directory

Directors	Dawn Robertson, Chair & Non-Executive Director Thierry Denis, Non-Executive External Director Jan Koelble, Non-Executive Director Vanessa LeFebvre, Non-Executive External Director Scott Mahoney, Non-Executive External Director Nandan Sheth, CEO & Managing Director Dan Charron, Non-Executive Director
Local Agent (Company Secretary)	cdPlus Corporate Services Pty Ltd
Registered Office	c/- Coghlan Duffy & Co Lawyers Level 42 Rialto South Tower 525 Collins Street Melbourne, Victoria 3000 Tel: +61 3 9614 2444
Domicile and Country of Incorporation	A foreign company registered in its original jurisdiction of Israel as Splitit Ltd
Website	www.splitit.com
Australian Registered Business Number	ARBN 629 557 982
Principal place of business	5901 Peachtree Dunwoody Road, Suite C-480 Atlanta, Georgia, 30328 USA
Share Registry	Automic Registry Services Level 3, 50 Holt Street Surry Hills, NSW 2010 Tel: 1300 288 664 or +61 2 9698 5414 (International telephone)
Auditor	Ernst & Young 8 Exhibition Street, Melbourne VIC 3000 Australia
Legal (Israel)	Herzog Fox & Neeman Yitzhak Sadeh St 6, Tel Aviv-Yafo, Israel 6777506 Tel: +972 3 6922020
Securities Exchange Listing	Splitit shares are listed in the Australian Securities Exchange Limited (ASX: SPT) Splitit has a Level 1 American Depository Receipt (ADR) facility trading in the Over-The-Counter (OTC) market in the United States and is managed by The Bank of New York Mellon (ADR Code: SPTTY)

Splitit Annual Report 2022
Corporate Directory

Dear Fellow Shareholder,

I am delighted to present Splitit's annual report for the 2022 financial year.

Splitit has had a strong year, driven by our new growth strategy. This year we enhanced our focus on distribution partners to drive growth, launched our white-label Instalments-as-a-Service offering, continued to unlock BNPL for issuers of credit at the merchant point of sale, and formed new retail partnerships.

With over 30 years expertise at the executive management level in leadership and collaborative problem-solving Dawn Robertson has been a global business leader for major retailers, department stores and startups, with extensive experience, including Myer, Old Navy, Macys, Sak's Inc, and OCM.

> Splitit's offering is not only highly attractive to the end consumer, but also to potential partners. We are now working with some of the largest merchant aggregation platforms in the industry.

Splitit is establishing itself as a global technology business with a strong growth trajectory. The Company's refreshed strategy, differentiated business model and unique product continues to separate Splitit from the broader BNPL sector.

Legacy BNPL is suffering under intense regulatory scrutiny, higher capital costs tightening underwriting and large customer acquisition costs. Conversely, Splitit is delivering a next-generation instalments service, with a technology platform that empowers merchants, ensuring sustainable and long-term growth for the Company. We have steady, predictable and growing net transaction margins which are protected from consumer defaults and our reduced cost base is not reliant on high consumer marketing costs given the white-label aspect of our strategy.

Splitit remains the only instalment solution providing a consumer-friendly option for shoppers to utilise their existing credit at the point of sale. Splitit doesn't charge interest, late fees or prepayment penalties and customers aren't at risk of compromising their credit scores.

This year we launched some of the most flexible instalment plan options in the industry. This was driven by our priority of supporting customers in a challenging macroeconomic environment, with inflationary pressures and rising cost of living expenses taking their toll.

Splitit's offering is not only highly attractive to the end consumer, but also to potential partners. We are now working with some of the largest merchant aggregation platforms in the industry.

In August 2022, Splitit completed a A$10.5M placement, with participation from several of Splitit's current institutional investors, as well as new large investors and Splitit's management and Board. Further, in August 2022, Splitit signed a variation to its agreement with Goldman Sachs Bank USA for a US$150 million receivables funding facility, reducing our cost of funds. This capital will fund the next phase of Splitit's growth, through expanding its white-label Instalments-as-a-Service solution and making it easier for platform partners to embed Splitit's service.

To further drive Splitit's growth path, we appointed Nandan Sheth as CEO and later to our Board this year. On behalf of the Board, I would like to thank Nandan and the whole team for their hard work this year, under Nandan's leadership Splitit has already made significant progress.

The Company added experience to its Board this year with the addition of payments industry veteran, Dan Charron as Non-executive Director. Dan brings 30 years of payments and merchant services experience.

Finally, I would like to pass our thanks onto our shareholders who have continued to support Splitit. While I note there has been pressure on share prices across the BNPL sector, including Splitit's, I would like to reassure my fellow shareholders that the business remains very strong and Splitit is largely unaffected by these sector challenges as we continue to differentiate ourselves.

Splitit remains highly optimistic about our offering, team and strategy as we enter FY23. We look forward to reporting our progress to you during this exciting phase.

Yours sincerely,

Dawn Robertson

Dawn Robertson
Chairman, Splitit Payments Ltd

Dear Shareholders,

In less than a year we have transformed Splitit and relaunched the business as a white-label Instalments-as-a-Service platform.

This transformation is significant in the current market, where other BNPL businesses are struggling. Our next generation white-label service is an antidote to the fundamentally broken business model of the legacy BNPL industry. Splitit drives the strongest business case for merchants and the overall payments ecosystem

Nandan brings over 25 years of domain expertise through his work at large payment companies, major banks, Fortune 100 companies and disruptive technology startups across North America and Europe, including Fiserv, First Data, American Express, Acculynk

> Our key partnership agreements this year have provided access to hundreds of billions of addressable transaction volume. Through partner and merchant contracts both signed and in late stage negotiations, there is a US2b - $4b incremental MSV opportunity for Splitit over the next 3 years.

There are 3 key takeaways from my first year:

White-Label Maximises Merchant Value:

Our unique service delivers the greatest return on investment for merchants; (a) 2-3x higher checkout conversion, (b) 10-20% increase in basket size and (c) an increase in loyalty and repeat purchases.

Partner Led Distribution Strategy Drives Scale:

Our one-to-many relationship model with partners allows us to benefit from their existing relationships with millions of merchants. As a result, we are able to scale quickly.

Differentiated Business Model Delivers Profitability:

Our bad debt exposure is one of the lowest in the industry. As a B2B2C company, we also have no marketing expenses to acquire new consumers. As a result, there is a clear path to profitability, unlike many legacy BNPL providers.

With only 1 in 4 shoppers completing a purchase once in their basket , retailers are shifting their focus from a multi-step checkout to a zero-friction checkout experience. In May 2022, we made a bold move by unveiling Splitit's merchant-branded Instalments-as-a-Service platform. We have seen impressive results in our first two quarters, (a) early adopters are seeing significant increase in sales, (b) our share of checkout can be as high as 40%+.

Our distribution partnership led sales strategy is being embraced by the market. Splitit signed Checkout.com in November 2022, quickly delivering an agreement with AliExpress in January 2023, a global eCommerce marketplace owned by the Alibaba Group. This agreement will use our new 'Pay After Delivery' option for shoppers on AliExpress, demonstrating the flexibility of Splitit's platform. We also signed an agreement with Worldline, the largest payment processor in Europe, serving 1 million+ merchants in over 100 countries. On top of this, we extended our partnership with Google, to bring Splitit's solution to further geographic territories.

Our key partnership agreements this year have provided access to hundreds of billions of addressable transaction volume. Through partner and merchant contracts both signed and in late stage negotiations, there is a US2b - $4b incremental MSV opportunity for Splitit over the next 3 years.

In FY22, Splitit achieved annual MSV of US$431M, despite some deliberate merchant attrition as we enhanced our focus on merchant profitability. Splitit continued to accelerate its pathway to profitability by growing its Net Transaction Margins to 1.41%, a 3 times improvement from 2021. We will continue to prioritise profitable top line growth in 2023. A white-label strategy and general cost reductions throughout Splitit's business helped the Company reduce operating expenses by 31% YoY.

We bolstered our team this year with a number of highly experienced industry professionals to support our next phase of growth. I'd like to thank the entire Splitit team for their dedication this year, and contribution towards the growth, partnerships and innovation that have contributed to our success.

As we move through 2023, we will continue to execute on our growth strategy, and look forward to updating you on our progress.

Yours sincerely,

Nandan Sheth
Managing Director and CEO
Splitit Payments Ltd

[1] https://baymard.com/lists/cart-abandonment-rate

Directors' report

1. Board of Directors

The Directors of the Company at any time during or since the end of the Period are as follows.

Dawn Robertson	
Position	Non-Executive Director and Chair of the Board
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 the National Association of Corporate Directors, USA, a Fellow of Dealmakerhers, a Fellow of C200, and a Fellow of Extraordinary Women on Boards.
Biography	Dawn has been a global business leader for major retailers, department stores, startups and wholesale companies for over 30 years, developing and executing new strategies with extensive experience, including Myer, Old Navy, Macys and OCM. Dawn has frequently worked directly with boards of Private or Public companies domestically and internationally in order to drive growth, improve weak revenue and scale startups for consumer brands. Dawn currently holds board seats on three global organisations including; The Apparel Group in Dubai UAE, Women in Retail Leadership in New York City and Runway of Dreams in New York City in addition to serving as a guest professor and strategic advisor for emerging brands on best practices in Retail and Ecommerce. Dawn is a Fellow of the Australian Institute of Company Directors, a Fellow of the National Association of Corporate Directors, USA, a Fellow of Dealmakerhers, a Fellow of C200, and a Fellow of Extraordinary Women on Boards. Dawn was also chosen as one of the top 20 Inspirational Women leaders by Women's Wear Daily in 2022 and a top 2022 women in retail leaders by the Women in Retail Leadership Committee.
Interest in ordinary shares	1,200,000 Fully Paid Ordinary Shares
Interest in options / performance rights	70,422 Unlisted Director Options exercisable at AUD$1.41 each on or before 11 May 2026 70,422 Unlisted Director Options exercisable at AUD $1.42 each on or before 11 May 2026 90,909 Unlisted Director Options exercisable at AUD $0.28 each on or before 8 February 2027 90,909 Unlisted Director Options exercisable at AUD $0.31 each on or before 20 January 2027 250,000 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025 90,909 Unlisted Options exercisable at $0.18 each on or before 8 February 2028 90,909 Unlisted Options exercisable at $0.18 each on or before 20 January 2028

Thierry Denis	
Position	Non-Executive External Director Chair of the Remuneration and Nomination Committee Member of the Audit, Risk and Governance Committee, up to 19 August 2022
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	With over 20 years of senior management experience building market leading IT solutions at global electronic payments technology leader, Ingenico. Thierry brings with him a broad executive skill set that spans M&A, product diversification, business development and marketing, as well as his strong sales and technical background. He was most recently President/Managing Director of Ingenico North America and then CEO Advisor & Consultant. Thierry was also previously a director of TZ Limited (ASX code: TZL).
Interest in ordinary shares	1,509,890 Fully Paid Ordinary Shares
Interest in options / performance rights	70,422 Unlisted Director Options exercisable at AUD $1.41 each on or before 11 May 2026 90,909 Unlisted Director Options exercisable at AUD $0.31 each on or before 20 January 2027 85,714 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025 90,909 Unlisted Options exercisable at $0.18 each on or before 20 January 2028

Jan Koelble	
Position	Non-Executive Director Chair of the Audit, Risk and Governance Committee Member of the Remuneration and Nomination Committee
Qualifications	Mr Koelble is a certified International Investment Analyst and a chartered Alternative Investment Analyst and completed the Series 66 – Uniform Combined State Law Exam and Series 7 – General Securities Representative Exam. Mr Koelble holds a Bachelor of Science in Business Administration from the School of Management, Zurich University of Applied Sciences in Switzerland.
Biography	Jan Oliver Koelble is currently the Chief Operating Officer and Cofounder of Clade & Co., a FinTech platform for family offices and institutional debt investors, where he oversees operations, product and business development. Prior to founding Clade, he worked at Credit Suisse in several senior operational and investment management positions for the bank in both New York and Zurich. Most recently, Mr Koelble served as the Chief Operating Officer for financial products in Credit Suisse's Private Banking Americas division and managed Credit Suisse's Swiss Custody Advisory business. Before joining Credit Suisse in New York, Mr Koelble was based in Zurich and worked in the bank's Private Advisor group.
Interest in ordinary shares	400,000 Fully Paid Ordinary Shares 99,000 Fully Paid Ordinary Shares (BNP Paribas Nominees Pty Ltd – the registered holder as nominee for Interactive Brokers LLC that beneficially holds 99,000 shares for Jan Koelble)
Interest in options / performance rights	90,909 Unlisted Director Options exercisable at AUD $0.31 each on or before 21 January 2027 100,000 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025 90,909 Unlisted Options exercisable at $0.18 each on or before 20 January 2028

Vanessa LeFebvre	
Position	Non-Executive External Director Member of the Remuneration and Nomination Committee
Qualifications	Ms LeFebvre holds a BA, Psychology from the University of Pennsylvania. She is part of the Wharton Retail Board, a founder member of Chief, and a member of the Runway of Dreams executive council.
Biography	Vanessa LeFebvre brings 20+ years of retail industry experience to the Board. She is currently Global President, Activewear for Hanesbrands, where she is responsible for the apparel portfolio across the globe, including Champion, Hanes, and Gear for Sport. Prior to that she held high profile roles at Adidas, TJX, Macy's and Stitch Fix. She is part of the Wharton Retail Board, a founder member of Chief, and a member of the Runway of Dreams executive council.
Interest in ordinary shares	400,000 Fully Paid Ordinary Shares
Interest in options / performance rights	1,000,000 Unlisted Director Options exercisable at AUD $1.15 each on or before 27 April 2026 200,000 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025

Directors' report cont...

Scott Mahoney	
Position	Non-Executive External Director Member of the Audit, Risk and Governance Committee
Qualifications	Mr Mahoney holds a Bachelor of Science in Economics from The Wharton School, University of Pennsylvania.
Biography	Scott Mahoney has 20 years of investment experience across asset classes in executive leadership roles at global alternative asset management firms. He is currently an Executive Council Member for alternative investment advisory firm, Aviditi Advisors and a Partner with the FinTech venture capital firm, Tribeca Early-Stage Partners. Scott was previously Deputy Chief Trading Officer at Millennium Management and a Managing Director of Alternative Investments at Credit Suisse Asset Management.
Interest in ordinary shares	N/A
Interest in options / performance rights	1,000,000 Unlisted Director Options exercisable at AUD $1.15 each on or before 27 April 2026

Nandan Sheth	
Position	CEO & Managing Director, appointed as CEO 28 February 2022, appointed as Managing Director 18 July 2022.
Qualifications	Mr Sheth holds an MBA from the Cass Business School and a Bachelor of Sciences with Honours from City, University of London
Biography	Nandan Sheth brings domain expertise through his work at large payment companies, major banks, Fortune 100 companies and disruptive technology startups across North America and Europe. Prior to joining Splitit, he served as Fiserv's Head of Global Digital Commerce as well as Head of Fiserv's Carat business, an ecosystem of omnichannel commerce solutions for large multinational merchants. Prior to that, Nandan was President of Acculynk, the business he co-founded in 2008 and sold to First Data in 2017. His earlier experience includes serving as GM at American Express and co-founding and scaling Harbor Payments (sold to American Express) and e-Debt.
Interest in ordinary shares	1,800,000 Fully Paid Ordinary Shares
Interest in options / performance rights	34,018,506 Unlisted Performance Rights 900,000 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025

Dan Charron	
Position	Non-Executive Director, appointed 18 July 2022 Member of the Audit, Risk and Governance Committee, appointed 19 August 2022
Qualifications	Mr Charron holds an MBA from Georgia State University and a Bachelor degree from United States Military Academy.
Biography	Dan Charron has 30 years of payments, fintech and merchant services experience, including senior executive and board-level roles at some of the largest fintech companies in the world. He most recently served as Chairman, Global Business Solutions at Fiserv, joining the company through its merger with First Data In 2019. At First Data, Dan was Executive Vice President (EVP) of Global Business Solutions. Before Fiserv, he spent 14 years at Chase Paymentech, including serving as President and CEO of the global payment processing business of JPMorgan Chase & Co. Dan currently serves as a board member for payment compliance company Kompliant and AI travel marketplace technology company, Onriva. Previous board roles include Chairman of cloud-based payment gateway and data security solutions company MerchantLink, Chairman of Allied Irish Bank Merchant Services, and served on the board of directors of Bank of America Merchant Services and the leading trade association for the payments industry, the Electronic Transactions Association.
Interest in ordinary shares	1,000,000 Fully Paid Ordinary Shares
Interest in options / performance rights	1,000,000 Unlisted Options with an exercise price of $0.21 each expiring on or before 18 July 2027. 500,000 Unlisted Placement Options exercisable at $0.20; expiring on 5 April 2025.

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.

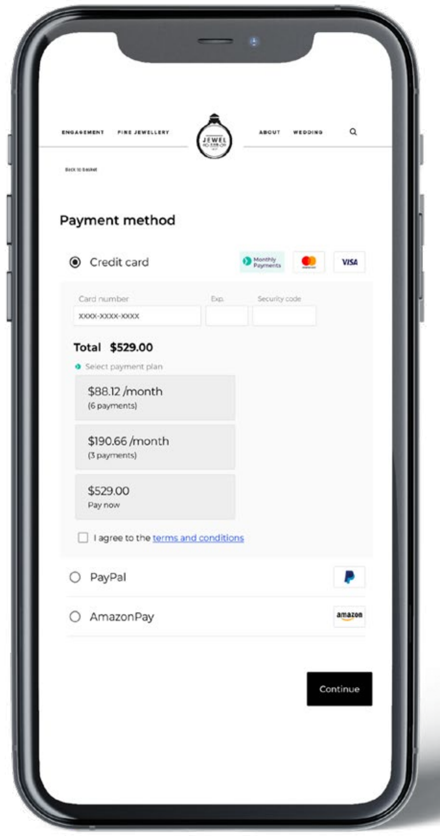
2. Principal activities

Splitit is the only global white-label payment solution provider that enables customers to pay by instalments using their existing credit on their payment card at checkout.

Splitit powers the next generation of Buy Now, Pay Later (BNPL) through its merchant-branded Instalments-as-a-Service platform. It solves the challenges businesses face with legacy BNPL while unlocking BNPL at the point of sale for card networks, issuers and acquirers, all through a single network API.

Splitit's Instalments-as-a-Service platform mitigates issues with legacy BNPL like the declining conversion funnel, clutter at the checkout and a lack of control of the merchant's customer experience, putting the power back in the hands of merchants to nurture and retain customers, drive conversion and increase average order value. Its white-label BNPL is the easiest instalment option for merchants to adopt, integrate and operate while delivering an uncluttered, simplified experience embedded into their existing purchase flow. With no applications, redirects or new loans, Splitit is one of the most responsible instalment payment options for customers.

Headquartered in Atlanta, Splitit has an R&D centre in Israel and offices in London and Australia. Splitit is listed on the Australian Securities Exchange (ASX) under ticker code SPT and trades on the US OTCQX under ticker SPTTY (ADRs) and STTTF (ordinary shares).



3. Review of operations

In FY22, Splitit achieved annual MSV of US$431M representing YoY growth of 9% against FY21 (US$396M), with revenue of US$10.6M up from US$10.5M in FY21.

This growth was achieved in a transitional year which included deliberate churn of unprofitable merchants. In addition, global eCommerce sales as a proportion of global retail sales continued to trail back in 2022 after the significantly heightened levels experienced in 2020-2021 due to COVID[1].

Against this backdrop, Splitit's growth reflects its unique and attractive offering, adding multiple new large merchants and partners with significant addressable MSV, including an expansion of its agreement with Google, and material partnerships with Blue Snap, Checkout.com, and Worldline. Shortly after the execution of the Checkout.com partnership, the first enterprise merchant, Ali Express, was signed.

Profitable growth was a key focus in FY22. Splitit continued to accelerate its pathway to profitability by growing its Net Transaction Margins to 1.41%, a three-fold improvement on 2021 (0.47%). This was done despite a 31% YoY reduction in Operating Expenses, achieved through Splitit's pivot to its white-label strategy in addition to general cost reductions across the business.

Operating Metrics	2022	YoY Comparison to 2021
Merchant Sales Volume (MSV) (Non-IFRS)[2]	US$431M	9% (US$396M)
Revenue (IFRS)[3]	US$10.6M	1% (US$10.5M)
Net Transaction Margin % (NTM %)[4]	1.41%	0.94% (absolute) (0.47%)
Operating Expenses (Non-IFRS)[5]	US$20.1M	-31% (US$29.1M)

[1] https://influencermarketinghub.com/state-of-ecommerce-pandemic/
[2] Underlying MSV for successful transactions on which a merchant fee is charged
[3] Revenue recognised in accordance with International Financial Reporting Standards (IFRS)
[4] NTM(%)= NTM ($) / MSV invoiced to merchants during the period. NTM ($) = Revenue (IFRS) –variable transaction costs (finance costs directly associated with receivables funding, third party revenue share, processing costs) -Bad Debts (transaction losses)
[5] Operating expenses exclusive of non-cash items (share-based payments, warrant expenses,unrealised foreign exchange gains/losses, depreciation and amortisation, amortisation of deferred debt costs

Statutory to Management Profit & Loss Reconciliation

Statutory Profit & Loss before tax	31-DEC-22 US$'000	31-DEC-21 US$'000	
Portfolio income	7,938	7,920	
Transaction revenue	2,652	2,525	
Other income	48	62	
Total income	**10,638**	**10,507**	A
Cost of Sales	(1,201)	(1,224)	B
Gross Profit	**9,437**	**9,283**	
Depreciation and amortisation expenses	(216)	(77)	C
Employment expenses	(11,883)	(14,496)	D
Other operating expenses	(8,905)	(16,365)	E
Impairment expenses	(631)	(3,850)	F
Share based payment expenses	(2,649)	(3,672)	G
Total expenses	**(24,284)**	**(38,460)**	
Operating loss	**(14,847)**	**(29,177)**	
Finance income	151	31	H
Warrant expenses	(935)	(487)	I
Interest and other finance costs	(6,874)	(10,045)	J
Finance costs	**(7,809)**	**(10,532)**	
Loss for the year before tax	**(22,505)**	**(39,678)**	K

Management Profit & Loss - EBITDA Reconciliation

	31-DEC-22 US$'000	31-DEC-21 US$'000	
Merchant Sales Volume	430,877	395,567	
MSV Invoiced in period	372,064	346,221	
Revenue (Non IFRS)	10,414	11,014	
IFRS Revenue Recognition Adjustment	224	(507)	
Revenue (IFRS)	**10,638**	**10,507**	A
NTM Finance Costs	(3,574)	(3,803)	Included within J
Other variable transaction costs	(1,201)	(1,224)	B
Impairment Expenses	(631)	(3,850)	F
Total NTM Costs	**(5,406)**	**(8,876)**	
Net Transaction Margin $ (NTM $)	**5,232**	**1,631**	
NTM %	**1.41%**	**0.47%**	
Operating expenditure (Non IFRS)	(20,159)	(29,126)	Included within D & E
EBITDA (Non IFRS)	**(14,927)**	**(27,495)**	

Reconciliation to statutory loss for the year

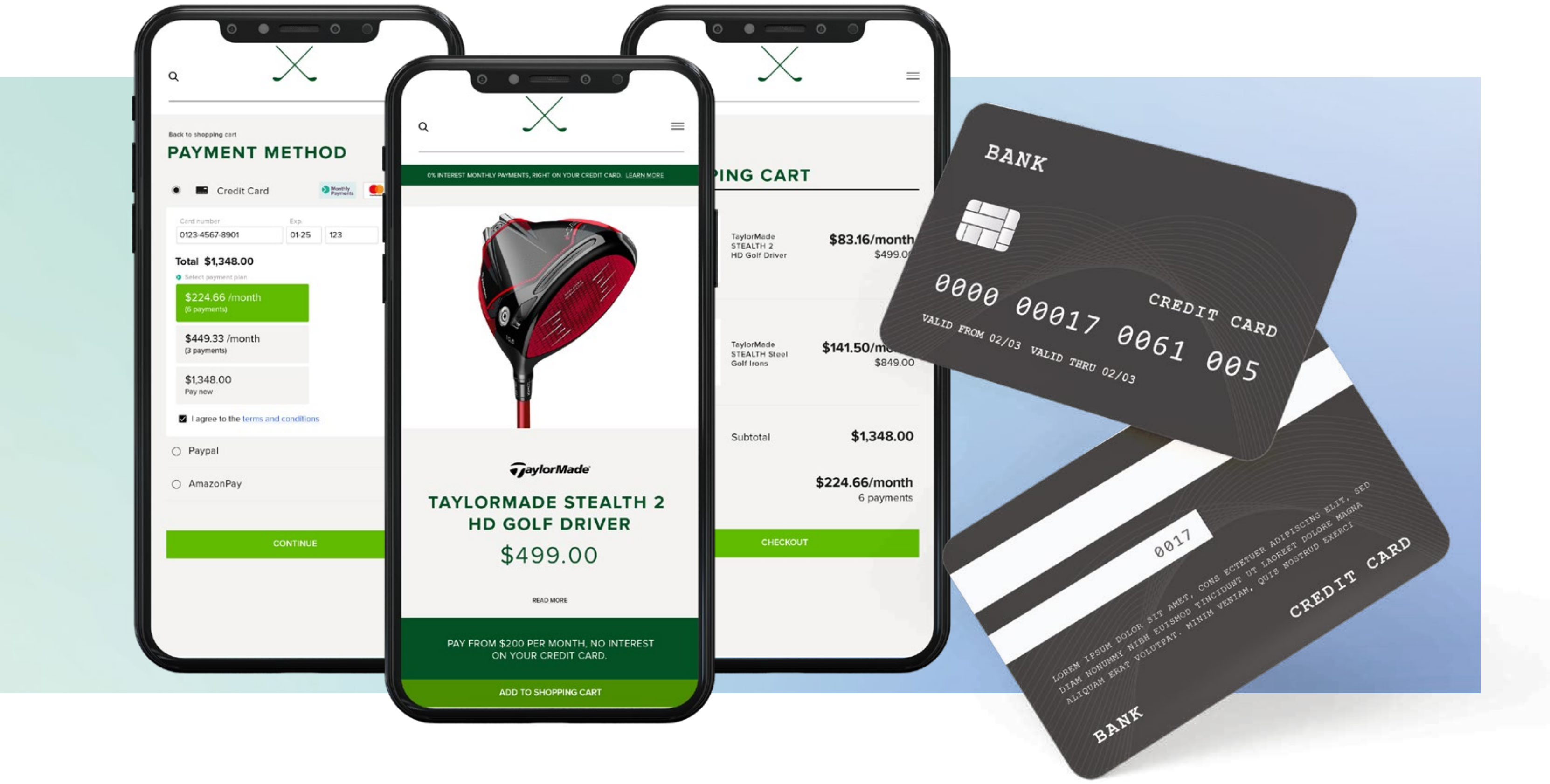
	31-DEC-22 US$'000	31-DEC-21 US$'000	
Finance Income	151	31	H
Other Cash related Finance Costs	(2,527)	(4,932)	Included within J
Non Cash Items			
Depreciation and amortisation expense	(216)	(77)	C
Warrant Expenses	(935)	(487)	I
IFRS16 Lease Finance Expense	(20)	–	Included within J
Amortisation of deferred debt costs	(753)	(1,311)	Included within J
Share based payment expenses	(2,649)	(3,672)	G
Net Foreign currency gains / (losses)	(629)	(1,735)	Included within E
IFRS Loss before tax	**(22,505)**	**(39,678)**	

Capital management

In August 2022, Splitit signed a variation to its agreement with Goldman Sachs Bank USA for a US$150 million receivables funding facility.

Splitit completed a A$10.5M placement to fund the next phase of its growth in August 2022. It will deploy this capital to accelerate its product roadmap including expanding its white-label Instalments-as-a-Service solution and making it easier for platform partners to embed Splitit's service directly into their technology stack while supporting a simple one-click instalment checkout.

Several of Splitit's current institutional investors participated, as well as new large investors and Splitit's management team and Board contributed A$775,000, reflecting the confidence Splitit's team has in its strategy and growth trajectory.



Product Innovation

Product innovation is essential to support merchants in an increasingly challenging macroeconomic environment, characterised by inflationary pressures and rising cost of living expenses, hence this year Splitit launched the most flexible plan options in the industry.

As a critical part of its refreshed strategy, in 2022 Splitit formally unveiled its merchant-branded Instalments-as-a-Service platform. This white-label plugin allows merchants to retain the customer relationship, driving loyalty and promoting brand consistency. We are the only service in the market that supports one-click instalments, embedded directly in the merchant's existing checkout flow. The product has been instrumental in attracting and securing new merchants and partnerships.

Board and leadership changes

To drive its refreshed strategy, Splitit enhanced its leadership and Board during the year.

Seasoned payments industry executive, Nandan Sheth, was appointed to the role of CEO in early 2022. He was appointed to the Board as Managing Director in July, along with payments industry veteran Dan Charron who joined as Non-Executive Director.

Throughout the year, new Executives with significant payments and fintech experience were appointed in key roles across Commercial, Product, and Operations functions.

Key Merchants & Partnerships

Checkout.com

Splitit signed a partnership agreement in November 2022 with Checkout.com, the cloud-based payments service provider to deliver an integrated instalment payment solution, and re-sell Splitit through Checkout.com's network of merchants and marketplaces. Checkout.com focuses on large global enterprise merchants, with customers including Farfetch, Netflix, Sony and Shein.

This partnership provides Splitit with a strengthened global product offering to take to the enterprise market and will support a simplified implementation and settlement capability for major merchants.

Alipay

Following the close of the financial year in January 2023, via the Checkout.com partnership, Splitit signed an agreement with Alipay to facilitate the 'Pay After Delivery' option for shoppers on AliExpress, the global eCommerce marketplace owned by the Alibaba Group. 'Pay After Delivery' is Splitit's new instalment service that allows consumers to pay for goods after delivery. Alipay is AliExpress' global payment solution partner.

The agreement leverages Splitit's Instalments-as-a-Service platform to create a custom-branded experience embedded in the AliExpress checkout flow. Splitit's flexible technology platform, coupled with Checkout.com's payment-acquiring capabilities, enables AliExpress shoppers to pay after delivery with their existing credit card.

The service will initially launch in Germany, France and Spain, countries where the cash on delivery model is still widely used, with plans to expand into other international markets in due course.

Google

In December 2022, Splitit extended its agreement with Google to bring its instalment solution to the Google Store in additional markets beyond Japan.

Worldline

Also in December 2022, Splitit signed a North American partnership agreement with Worldline, a global leader in secure payments. The partnership combines Worldline´s position as a preferred partner to many industry-leading merchants worldwide with Splitit's innovative platform. Worldline and Splitit are continuing to explore expansion into further geographies following the initial launch.

BlueSnap

Splitit enhanced its partnership with BlueSnap in FY22, a global platform helping B2B and B2C businesses accept and optimise payments. BlueSnap is now Splitit's preferred processing partner, assisting in simplifying the checkout experience and jointly targeting key verticals. The partnership provides added visibility and distribution for Splitit through BlueSnap's extensive network of mid-market and enterprise customers.

Everyware

Splitit also partnered with one of its first embedded ISV companies during FY22, Everyware. Everyware is a Pay-by-Text platform that focuses on several verticals including healthcare, hospitality, and automotive. Splitit's solution provides Everyware customers in the medical, education and hospitality verticals high approval rates for higher average order values including via mobile.

Visa Ready for BNPL

During FY22, Splitit was invited to join the Visa Ready for BNPL program. The Visa Ready for BNPL is Visa's partner program aimed at enabling Visa clients to use its Instalment Solutions product through the technology solution of partners, such as Splitit. Aligned with its strategy, Splitit continues to deepen the Visa partnership to unlock BNPL for issuers at the point of sale.

4. Meetings of directors held during the year

	Board		Audit, Risk and Governance Committee		Nomination & Remuneration Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
Dawn Robertson	8	8	–	–	–	–
Jan Koelble	8	8	4	4	2	1
Scott Mahoney	8	8	4	4	–	–
Thierry Denis	8	8	2	2	2	2
Vanessa LeFebvre Robinson	8	6	–	–	2	2
Nandan Sheth	3	3	–	–	–	–
Dan Charron	3	3	2	2	–	–

1. Number of meetings held during the time the Director held office or was a member of the Audit, Risk and Governance Committee and/or Remuneration and Nomination Committee.
2. Number of meetings attended.

5. Indemnification and insurance of directors and officers

The Company has agreed to indemnify the Directors, CFO and cdPlus Corporate Services Pty Ltd, on a full indemnity basis and to the full extent permitted by law, against certain losses or liabilities incurred by the Directors and CFO as officers of the Company or of a related body corporate, or by cdPlus Corporate Services Pty Ltd as local agent of the Company, provided that the loss or liability does not arise out of misconduct, including lack of good faith.

During the financial year, the Company insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of the Company. This excludes a liability that arises out of willful breach of duty or improper use of inside information. The premium also insures the Company for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

6. Auditor related information

Indemnification of Auditor

To the extent permitted by law, the Company has agreed to indemnify Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss arising out of any breach of the audit engagement agreements or from Ernst & Young's negligent, wrongful or willful acts or omissions. No payment has been made under this indemnity to Ernst & Young during or since the end of the financial year.

Non-audit services

The Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise auditor independence.

Details of the amounts paid or payable to Ernst & Young for audit and non-audit services provided during the year are set out in Note 18 to the financial report.

7. Corporate governance statement

The Directors are committed to achieving and demonstrating the highest standards of corporate governance.

The Board of directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council.

The Corporate Governance Statement is available on the company's website at *https://investors.splitit.com/company-policy/policies-charters/corporate-governance-statement/*

8. Events occurring after the end of the reporting period

No matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

9. Rounding of amounts

The amounts in the Directors' Report have been presented in US dollars, and rounded off to the nearest one thousand dollars ($000), unless stated otherwise.

Signed on 28 February 2023 in accordance with a resolution of Directors.

Nandan Sheth
CEO & Managing Director
28 February 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Note	31-Dec-2022 US$'000	31-Dec-2021 US$'000
Income			
Portfolio income		7,938	7,920
Transaction revenue		2,652	2,525
Other income		48	62
Total income	3	**10,638**	**10,507**
Cost of Sales	4	(1,201)	(1,224)
Gross Profit		**9,437**	**9,283**
Depreciation and amortisation expenses		(216)	(77)
Employment expenses	5a	(11,883)	(14,496)
Other operating expenses	5b	(8,905)	(16,365)
Impairment expenses	9	(631)	(3,850)
Share based payment expenses	17c	(2,649)	(3,672)
Total expenses		**(24,284)**	**(38,460)**
Operating loss		**(14,847)**	**(29,177)**
Finance income		151	31
Warrant expenses		(935)	(487)
Interest and other finance costs		(6,874)	(10,045)
Finance costs	12b	**(7,809)**	**(10,532)**
Loss for the year		**(22,505)**	**(39,678)**
Income tax expense	6	(109)	(11)
Loss for the year		**(22,614)**	**(39,689)**
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		(715)	68
Total comprehensive loss for the year		**(23,329)**	**(39,621)**
Loss per share			
Basic loss per share (dollars)	7	(0.046)	(0.086)
Diluted loss per share (dollars)	7	(0.046)	(0.086)

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2022

	Note	31-Dec-2022 US$'000	31-Dec-2021 US$'000
Current assets			
Cash and cash equivalents	8	29,799	28,933
Receivables	9	71,114	74,143
Other financial assets		200	200
Other current assets		1,017	998
Total current assets		**102,130**	**104,274**
Non-current assets			
Receivables	9	1,045	3,959
Property, plant and equipment		92	150
Right-of-use assets	10	419	–
Total Non-current assets		**1,556**	**4,109**
Total assets		**103,686**	**108,383**
Current liabilities			
Trade and other payables	11	2,907	4,281
Employee benefit provision		524	658
Lease liabilities	10	282	–
Derivatives	14	1,389	–
Total current liabilities		**5,102**	**4,939**
Non-current liabilities			
Interest bearing liabilities and borrowings	12a	71,917	62,450
Lease liabilities	10	179	–
Total non-current liabilities		**72,096**	**62,450**
Total liabilities		**77,198**	**67,389**
Net assets		**26,488**	**40,994**
Equity			
Issued capital	13	131,565	126,091
Accumulated losses		(124,960)	(102,346)
Reserves		19,883	17,249
Total equity		**26,488**	**40,994**

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Issued capital US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2022	**126,091**	**17,249**	**(102,346)**	**40,994**
Issue of shares -capital raising	7,181	–	–	7,181
Capital raising cost (net of tax)	(435)	–	–	(435)
Share options exercised (net of tax)	116	–	–	116
Shared based payments	–	3,418	–	3,418
Foreign currency translation reserve	–	(783)	–	(783)
Derivatives	(1,389)	–	–	(1,389)
Loss for the year	–	–	(22,614)	(22,614)
Balance at 31 December 2022	**131,565**	**19,883**	**(124,960)**	**26,488**

	Issued capital US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2020	**123,606**	**11,217**	**(62,657)**	**72,166**
Share options exercised (net of tax)	2,485	–	–	2,485
Shared based payments	–	5,964	–	5,964
Foreign currency translation reserve	–	68	–	68
Loss for the year	–	–	(39,689)	(39,689)
Balance at 31 December 2021	**126,091**	**17,249**	**(102,346)**	**40,994**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	31-Dec-2022 US$'000	31-Dec-2021 US$'000
Loss after income tax		**(22,614)**	**(39,689)**
Adjustments to reconcile to net cash flow from operating activities:			
Share based payments		2,649	3,672
Depreciation and amortisation		216	77
Unrealised foreign exchange (gain) / loss		628	828
Warrant expenses		935	487
Interest and other finance costs		6,874	10,046
Expected credit loss provision movement		(1,743)	1,558
Other non-cash movements			
Net (increase)/decrease in operating assets			
Receivables		5,901	(27,761)
Right-of-use assets		(419)	–
Other current assets		23	(229)
Net increase/(decrease) in operating liabilities			
Trade payable		(1,020)	(1,536)
Lease liabilities		462	–
Other current liabilities		(133)	141
Total adjustments		**14,373**	**(12,717)**
Net cash outflows from operating activities		**(8,241)**	**(52,406)**
Cash flows from investing activities			
Payments for plant and equipment		(66)	(132)
Net cash inflows / (outflows) from investing activities		**(66)**	**(132)**
Cash flows from financing activities			
Proceeds from issue of shares		7,181	–
Costs of share issues		(434)	–
Proceeds from exercise of share options		116	2,485
Proceeds from borrowings		10,952	66,808
Repayment of borrowings		–	(70,964)
Transaction costs related to loans and borrowings		(247)	(2,874)
Interest paid		(5,133)	(6,822)
Loan termination fees		–	(1,390)
Goldman Sachs minimum utilistion fees		(1,396)	–
Payment of principal portion of lease liabilities		(112)	–
Payments to / (from) restricted cash		–	1,750
Net cash inflows / (outflows) from financing activities		**10,927**	**(11,007)**
Net increase/(decrease) in cash and cash equivalents		**2,620**	**(63,545)**
Effects of exchange rate changes on cash and cash equivalents		(1,754)	(346)
Cash and cash equivalents at beginning of the period		28,933	92,824
Cash and cash equivalents at end of the period	8	**29,799**	**28,933**

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Description of business and general

Splitit Payments Limited ("the Company") and its controlled entities (collectively, "the Group"), is a for-profit company incorporated in Israel and listed on the Australian Securities Exchange (ASX).

2. Basis of preparation

The consolidated financial statements of the Group (financial report):

- has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- is presented in US dollars ($), which is the Company's functional and presentation currency (unless otherwise stated) and rounded to the nearest one thousand dollars ($000);
- has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, which have been recognised at fair value; and
- was authorised for issue by the Board of Directors on 28 February 2023. The Directors have the power to amend and reissue the Financial Report.

The presentation of certain items has also been adjusted as necessary to provide more meaningful information in the context of the Group. Where the presentation or classification of items in the Financial report is amended, comparative amounts are also reclassified unless it is impractical.

During the financial year ended 31 December 2022 the Group has adjusted the presentation of deferred debt costs to recognise capitalisation of the costs in relation to the warrants issued to Goldman Sachs. The total cost of the award issued is recognised in equity in accordance with IFRS 2 Share-based payments and a deferred debt cost is recognised against the revolving debt facilities, and this cost will be amortised over the term of the facility. Comparative information has been updated as follows:

- An increase in Reserves of $1,806k at 31 December 2021; and
- A decrease in Interest bearing liabilities and borrowings of $1,806k at 31 December 2021.

As the related expense continues to be recognised in profit or loss on a straight-line basis, there is no impact to retained earnings or net profit as a result of this adjustment.

Going concern

As at 31 December 2022 the Group had $29.8 million of cash and cash equivalents and current receivables of $71.1 million, plus $74.8 million undrawn in relation to the Goldman Sachs revolving credit facility. Of the $29.8 million of cash and cash equivalents on hand at period end, $10.6 million can only be utilised for merchant funding, or be repaid to Goldman Sachs, resulting in $19.2 million available for use in other operations.

The Group monitors its cash needs to ensure it has sufficient funding to support the business's growth forecasts. The Group signed agreement amendments with Goldman Sachs on 29 December 2022 to further expand the receivables eligibility criteria of the facility, and therefore reduce the cash outflow requirements of forecast receivables origination. Furthermore, the Group remains in a growth phase and believes that external equity and/or additional debt funding will be required to support the Group's growth aspirations, and ensure that all associated credit facility covenants, including maintaining both a minimum unencumbered cash balance of $10 million and from June 2023, a minimum Tangible Net Worth of at least $22.5 million at all times, remain in compliance. In addition, the credit facility covenants may be renegotiated with Goldman Sachs as required.

The Group remains confident that it will continue to be successful in sourcing sufficient debt and/or equity funding in the future. In the event these arrangements are not successful, the group has options available including being more selective in funding new and certain existing merchants to reduce the cash flow impact. In addition, the Group's forecast operational expenditure contains multiple variable components which have a level of discretion in managing cash outflows including reducing certain expenditures at short notice, if required. Accordingly, the Directors believe the going concern basis in which the financial report is prepared is appropriate. At the date of signing this report, without additional equity funding and/or credit facility renegotiation, the Group is forecast to breach the NTA covenant during the 2023 financial year. In the absence of additional funding, credit facility renegotiation or the above operational actions, the minimum liquidity covenant is also forecast to breach during the 2023 financial year.

Should the Group not be able to continue as a going concern due to non-compliance with one or both credit facility covenants, the lender may decide to accelerate the maturity date of the facility and enforce control rights over the eligible receivables secured under the debt. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or liabilities that might be necessary should the entity not continue as a going concern due to a credit facility covenant breach.

Changes in accounting policies

No changes were made to accounting policies during this period.

Impact of new and amended accounting standards

The Group has adopted the relevant new and amended accounting standards that became applicable from 1 January 2022. In accordance with the transitional provisions in IFRS 9 Financial instruments, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no material impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Critical accounting judgments and estimates

The preparation of financial statements requires the Group to make judgements, estimates and assumptions. These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the results of which form the basis of certain assets and liabilities. Consequently, future actual results could differ from these estimates. Further details may be found in the following notes to the financial statements:

- Note 3 Revenue recognition;
- Note 9 Receivables;
- Note 10 Leases;
- Note 17 Share based payments.

3. Segment information and Revenue recognition

The Group's reportable operating segments have been identified based on the financial information currently provided to the Chief Operating Decision Makers (CODMs). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and the Chief Financial Officer. The Group has identified one reportable segment. The Group operates predominantly in one business segment being the provision of payment solution services. Group performance is evaluated by executive management based on operating profit or loss and is measured consistently with the information provided in these consolidated financial statements. Revenue can be attributed to the three geographic regions that Splitit operates in, being North America, United Kingdom & Europe and Australia, as follows:

	31-DEC-22 US$'000	31-DEC-21 US$'000
Income – North America	6,568	7,485
Income – UK & Europe	3,195	3,277
Income – Australia	603	190
Portfolio income and transaction revenue prior to IFRS 9 adjustment	**10,366**	**10,952**
IFRS 9 EIR adjustment	**224**	**(507)**
Other income	**48**	**62**
Total income	**10,638**	**10,507**

The Group is recognising Portfolio income in the Consolidated statement of profit or loss and comprehensive income under IFRS 9 *Financial Instruments* using the Effective Interest Rate (EIR) method.

Income from three customers individually exceeded 10% of the Group's total income and amounted individually to $1,135k (2021:$976k), $1,115k (2021:$831k), $1,410k (2021:$953k).*

Accounting policies

Portfolio income from funded plans

Portfolio income is the difference between the shopper's underlying order value processed on the company's platform and the amount paid to the merchant by the Group, also referred to as Merchant fees. The Group generally pays merchants the net amount of the order value less the merchant fees, which consists of fixed and variable rates.

Portfolio income is recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income using the EIR method, accreting the Merchant fees over the average period from initial payment to the merchant by the Group to the final instalment collected from the shopper's credit card to the Group. The EIR adjustment is calculated based on the estimated future cash receipts over the expected life of the financial asset. In making their judgement of the estimated future cashflows and the expected life of the customer portfolio receivable balance, the Directors have considered the historical repayment pattern of the funded receivables on a portfolio basis.

These estimates require significant judgement and will be reviewed on an ongoing basis and where required, appropriate adjustments to the recognition of Portfolio income will be made. The adjustment is referred to as unearned future income and is recorded as a reduction in the portfolio receivable balance in Note 9.

Transaction revenue from non-funded plans

The Group generates transaction revenue via transaction fees for delivery of completed transactions. When the Group successfully completes an instalment payment collection from shoppers in regard to a previous successful basic plan (non-funded) transaction between that shopper and merchant, the Group then receives a fee from the merchant. Either a fixed fee and/or a percentage of the instalment value is recognized as revenue.

Revenue from instalment payments is considered a distinct service and recognised by reference to the stage of completion of a contract or contracts in progress at balance date, as required by IFRS 15 *Revenue from Contracts with Customers.* The Group does not have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds 1 year. Therefore, the Group does not adjust any of the transaction prices for the time value of money.

The Company white-label Instalments-as-a-Service product is offered under both the funded and non-funded models.

*Amount excluded EIR adjustments.

4. Cost of sales

A summary of the Group's cost of sales included within the Statement of profit or loss and other comprehensive income is shown as below:

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Processing & bank fees	709	544
Revenue share	492	614
Other	-	66
Total cost of sales	**1,201**	**1,224**

5. Expenses

A Employment expenses

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Wages and salaries	8,567	10,537
Employee on-costs	2,088	2,667
Other	1,228	1,292
Total employment expenses	**11,883**	**14,496**

B Other operating expenses

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Consultant and contractor costs	3,162	4,611
Marketing expenses	1,118	5,760
Technology related expenses	2,669	2,150
Net Foreign currency (gains) / losses	628	1,735
General and administrative expenses	1,328	2,109
Total other operating expenses	**8,905**	**16,365**

Accounting policies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in US dollars ($), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exercise rates, are generally recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income. Foreign exchange gains and losses are presented on a net basis within operating expenses.

6. Taxation

Income tax expense for the year is calculated at the Israeli corporate tax rate of 23% and the Group is subject to income tax where it has foreign operations. A summary of the Group's income tax expense included within the Statement of Profit or Loss and Comprehensive Income is shown as below:

	31-DEC-22 US$'000	31-DEC-21 US$'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax expense	(22,505)	(39,678)
Prima facie income / (benefit) tax at 23%	(5,176)	(9,126)
Tax effect of amounts not deductible (taxable) in calculating taxable income	209	1,186
Effect of deferred tax on temporary differences, foreign tax rate & **tax losses** not brought to account	4,967	7,940
Adjustments for current year tax of prior periods	82	11
Current year tax expenses	27	–
Income tax expense / (benefit)	**109**	**11**
(b) Deferred tax asset		
Temporary differences	(632)	245
Tax losses - Revenue	24,190	19,307
Deferred tax assets not brought to account	**23,558**	**19,552**

At 31 December 2022, the Group had $105,172,047 (2021: $83,945,502) of unrecognised tax losses. The potential tax benefit relating to future tax losses, in addition to the deferred tax assets detailed above, has not been recognised due to the history of recent losses incurred by the Group. These unrecognised deferred tax assets do not expire.

7. Loss per share

	31-DEC-22 US$'000	31-DEC-21 US$'000
Loss attributable to owners of the Group for basic earnings	(22,614)	(39,689)
Weighted average number of ordinary shares for basic EPS	491,007,963	460,972,665
	Dollars	Dollars
Basic and Diluted loss per share*	**(0.046)**	**(0.086)**

*As at 31 December 2022, the Group has share-based payment options and performance rights granted to employees and key management personnel – refer to disclosure note 17. These options (22,665,222) and performance rights (57,087,256) could potentially dilute basic loss per share in the future but were not included in the calculation above due to being anti-dilutive for the financial year(s) presented.

Basic EPS amounts are calculated by dividing the net loss after income tax by the weighted average number of security outstanding by the year.

8. Cash and cash equivalents

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Cash at bank	29,799	28,933
Total cash and cash equivalents	**29,799**	**28,933**

Cash and cash equivalents at the end of the year includes $10.6 million of pre-drawn Goldman Sachs funds which are available for receivables funding only and not for other operational activities.

Accounting policies

Cash and cash equivalents in the Consolidated Statement of Financial Position comprises cash at bank and in hand for daily receipts and settlements. Cash and cash equivalents also comprise short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Receivables

	31-DEC-22 US$'000	31-DEC-21 US$'000
Portfolio receivables – face value	73,018	80,938
Portfolio receivables – unearned future income	(956)	(1,180)
Total portfolio receivables	**72,062**	**79,758**
Trade and other receivables	**212**	**202**
Total receivables before provision for expected credit loss	**72,274**	**79,960**
Provision for expected credit losses		
Opening balance at 1 January	(1,858)	(300)
Amounts written off	2,087	1,596
Remeasurement of allowance*	(344)	(3,154)
Closing balance at 31 December	**(115)**	**(1,858)**
Total receivables	**72,159**	**78,102**
Current receivables	**71,114**	**74,143**
Non-current receivables	**1,045**	**3,959**

*The impairment expense disclosed on consolidated statement of profit or loss and comprehensive income includes impairment expenses of $235k (2021: $696k) that do not relate to receivables. These impairment expenses relate to voluntary market retention payments to merchants for defaulted non-funded plans. Furthermore, the impairment expense also includes 52k written off in relation to legacy unpaid fees on non-funded plans.

Splitit's business model exposes the Group to two areas of credit risk:

1. Merchant default risk, due to shopper collections that are passed to a merchant prior to being collected by Splitit.
2. Historical shopper default risk on a limited amount of payment gateways where a secured pre-authorisation is not possible, or on legacy debit card transactions (i.e. non-secured authorisation model). Going forward, due to business decisions made on risk exposure, the Group expects that shopper default risk will be negligible. This is reflected already in the current reporting period, with a material year-on-year reduction in impairment expenses. Internal policy and lender covenants restrict non-secured receivables to 10% of the portfolio, larger and/or higher risk merchants have been migrated to secured gateways after going live, and debit card transactions were disabled as an offering after 31 December 2020. However, limited periods of risk exposure remained in 2022 for plans created in the period before a transition to a secured gateway occurs, or from legacy debit card plans.

The Group has recognised receivable impairment expenses for the year amounting to $344k (2021: $3.154m). The decrease in expected credit losses recognised in the current year is mainly driven by the reduction of the credit default risk associated with historical non-secured transactions, as well as merchant defaults. To mitigate credit risk, the Group has shifted away from debit card transactions after 31 December 2020 and significantly reduced its exposure to non-secured credit authorisation models. To mitigate merchant default risk, the Group has launched new product offerings that divert funded collections directly to Splitit as opposed to via merchants. However, the transition to this model will be gradual over time.

Accounting policies

The allowance for expected credit losses (ECLs) represents the difference between cash flows contractually receivable by the Group and the cash flows the Group expects to receive.

For trade and other receivables, the Group has applied the standard's simplified approach permitted under IFRS 9 *Financial Instruments* and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Portfolio receivables are amounts due from shoppers for outstanding instalment payments from funded plans on orders processed on the Group's platform. The Group's business model is to hold the receivables with the objectives to collect contractual cash flows. Portfolio receivables are measured at amortised cost using the Effective Interest Rate (EIR) method. The Group applies the general provision approach permitted under IFRS 9 *Financial Instruments* to account for ECL on portfolio receivables.

The Group uses ageing of portfolio receivables as the basis for ECL measurement. At each reporting date, the Group assesses impairment risk on initial recognition of the portfolio receivables and movements in the ageing of outstanding instalment payments to estimate the ECL. Judgement is applied in measuring the Provision for expected credit losses and determining whether the risk of default has increased significantly since initial recognition of the Portfolio receivables. The Group considers both quantitative and qualitative information, including historical loss experience, internal expert risk assessment and data examination, and forward-looking information and analysis.

The Group considers forward looking adjustments, including macro-economic seasonality trends that are not captured within the base expected credit loss calculations. The inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECL.

IFRS 9 requires the Group to classify portfolio receivables into three stages, which measure the ECL based on credit migration between the stages. The Group has defined these stages as follows:

Stage	Ageing	Measurement basis
1	Not yet due	While the portfolio receivables are not yet due, an ECL has been determined based on a probability of a default event occurring within 12 months of the outstanding instalment balance.
2	1 to 90 days past due	There is usually no objective evidence of impairment, when a shopper has not paid by the due date, it is an indication that credit risk increased. The allowance provided for is measured at an amount equal to the lifetime ECL for Stage 2 portfolio receivables. Lifetime ECL is the expected credit losses result from all possible default events over the expected life of the receivables
3	Greater than 91 days past due	When the portfolio receivable is greater than 91 days past due, there is considered to be objective evidence of impairment and the Group is entitled to retain the withholding reserve amount in the event of default. Ageing greater than 180 days is considered to have an adverse impact on the estimated future cash flows of the portfolio receivable. Similar to Stage 2, the allowance provided for is measured at an amount equal to the lifetime ECL.

Receivables are written off when the Group has no reasonable expectation of recovery. Prior period receivables are either fully written off or collected during the current reporting period. Any subsequent recoveries following write off are credited to Receivable impairment expenses within the Consolidated statement of profit or loss and other comprehensive income.

31-DEC-2022	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Total US$'000
Portfolio receivables – face value	72,774	172	72	**73,018**
Provision for ECLs	(2)	(57)	(56)	**(115)**
Net portfolio receivables	**72,772**	**115**	**16**	**72,903**

31-DEC-2021	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Total US$'000
Portfolio receivables – face value	78,585	576	1,777	**80,938**
Provision for ECLs	(18)	(139)	(1,701)	**(1,858)**
Net portfolio receivables	**78,567**	**437**	**76**	**79,080**

10. Leases

Premises	Right-of-use assets US$'000	Lease liabilities US$'000
As at 1 Jan 2022	–	–
Additions	553	553
Lease incentive received	(42)	–
Depreciation expense	(92)	–
Interest expense	–	20
Payments	–	(112)
As at 31 Dec 2022	**419**	**461**
Current lease liabilities	**–**	**282**
Non-current lease liabilities	**–**	**179**
Total lease liabilities as at 31 Dec 2022	**–**	**461**

The Group has lease contracts for various offices with lease term between 2 to 3 years. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group also has certain leases of offices with lease terms of 12 months or less. The Group applies the "short-term lease" recognition exemption for these leases. The expense relating to short-term leases is $227k in 2022. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group had total cash outflows for leases of $339k in 2022 (2021: $350k). The maturity analysis of lease liabilities is disclosed in Note 15c.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

11. Trade and other payables

Trade and other payables for goods and services provided to the Group prior to the end of the financial reporting period and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are carried at amortised cost and are not discounted due to their short-term nature. At 31 December 2022, the carrying value of payables and other financial liabilities approximated their fair value.

	31-DEC-22 US$'000	31-DEC-21 US$'000
Trade payables and accrued expenses	1,764	2,780
Accrued interest expense	737	1,166
Other	406	335
Total trade and other payables	**2,907**	**4,281**

12. Interest bearing liabilities and borrowings

A Summary of facilities

All borrowings are initially recognised at fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any borrowing costs and any discount or premium on settlement.

Foreign currency denominated borrowings are translated to US dollars at the applicable exchange rate at each reporting date with the gain or loss attributable to exchange rate movements recognised in the Statement of profit or loss and other comprehensive income.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement for at least 12 months from reporting date.

	31-DEC-22 US$'000	31-DEC-21 US$'000
Non-current liabilities		
Secured loans	75,200	66,423
Deferred debt costs*	(3,283)	(3,973)
Total Non-current liabilities	**71,917**	**62,450**
Total interest bearing liabilities and borrowings	**71,917**	**62,450**

* Deferred debt cost comprise the unamortised value of borrowing costs and warrant costs in establishment of debt facilities. These costs are deferred on the balance sheet as part of the amortised cost of the liability and amortised to finance costs in the Statement of profit or loss and other comprehensive income.

On 5 February 2021 Splitit Treasury USA LLC and Splitit Treasury Europe DAC entered into a loan agreement with Goldman Sachs Bank USA ("GS") pursuant to which GS has provided a 150,000,000 USD three-year revolving funding facility. The facility is used to fund merchant receivables at a rate of 95% of the Gross Receivable (less merchant fees), based on geographic and other eligibility criteria. Drawings under this facility incur an interest rate of 3.05% to 5.85% plus benchmark rate p.a. As at 31 December 2022, the credit facility has $75.2 million drawn.

Splitit Treasury USA LLC, a Delaware limited liability company, was formed on November 6, 2020. Splitit Treasury Europe DAC, an Irish designated activity company, was formed on November 18, 2020. Each of these entities is a special purpose entity that is consolidated for financial reporting purposes within the Group and which have been structured to be "bankruptcy remote." Splitit Treasury USA LLC and Splitit Treasury Europe DAC are separate legal entities from Splitit USA Inc., Splitit UK Ltd. and each other member of the Group. The assets of Splitit Treasury USA LLC and Splitit Treasury Europe DAC will not be available to creditors of Splitit USA Inc., Splitit UK Ltd. or any other member of the Group. Drawdown amounts under the GS facility are secured against receivables owned by Splitit Treasury USA LLC that were acquired from Splitit USA Inc., receivables owned by Splitit Treasury Europe DAC that were acquired from Splitit UK Ltd., and cash held by Splitit Treasury USA LLC and Splitit Treasury Europe DAC. None of Splitit USA Inc., Splitit UK Ltd. nor any member of the Group other than Splitit Treasury USA LLC and Splitit Treasury Europe DAC is an obligor under the GS facility. The foregoing statements in this paragraph are applicable to the Group from the date of the abovementioned companies' respective incorporations.

As of 31 December 2022, Splitit Treasury USA LLC held total assets totalling US$64.7 million and Splitit Treasury Europe DAC held assets totalling US$14.5 million. These assets and liabilities are included in the accompanying consolidated balance sheets.

On 29 July 2022, the Group entered into a loan amendment and restatement agreement with Goldman Sachs Bank USA ("GS"). The key changes are changing the revolving period from three years to four years and interest rate from 6.85% plus a benchmark rate p.a. to 3.05%~5.85% (based on merchant) plus a benchmark rate p.a. The facility end date was also amended from an original end date of February 2024, to an amended end date of February 2025.

In addition, the exercise price of 6.5 million warrants granted to GS has been reduced from AU$1.30 to AU$0.18. The incremental fair value granted as a result of the modification is $0.87 million.

The warrants granted are initially measured at their grant date fair value in accordance with IFRS 2 Share based payments. The total costs of the award are capitalised as part of the establishment of debt facilities and will be amortised over the term of the facility. For the year ended 31 December 2022, the Group has expensed $935k (31 December 2021: $487k) in the Statement of profit or loss and other comprehensive income in relation to the amortisation of grant date fair value of warrants issued.

On 29 December 2022, the Group entered a loan amendment with GS to include AUD and CAD as eligible currencies in the facility.

B Finance costs

Finance costs consist of interest, warrants expenses and other finance costs that are incurred in connection with the borrowing of funds. Finance costs are expensed to the Statement of profit or loss and other comprehensive income using the effective interest rate method.

	31-DEC-22 US$'000	31-DEC-21 US$'000
Interest & borrowing expenses	6,101	7,344
Termination fee paid on credit facilities	–	1,390
Amortisation of deferred debt costs	753	1,311
Warrants	935	487
Interest expenses - leases	20	–
Closing balance	**7,809**	**10,532**

C Changes in Interest bearing liabilities and borrowings arising from financing activities

The table below details changes in the Group's interest bearing liabilities and borrowings from financing activities, including both cash and non-cash changes.

	31-DEC-22 US$'000	31-DEC-21 US$'000
Opening balance	62,450	69,571
Cash drawdowns of borrowings	10,952	66,795
Capitalisation of borrowings costs	(247)	(2,874)
Capitalisation of deferred warrant costs	(769)	(2,293)
Foreign exchange rate adjustments in profit and loss	(2,157)	417
Repayment of borrowings	–	(70,964)
Amortisation of debt costs	753	1,311
Amortisation of warrant costs	935	487
Closing balance	**71,917**	**62,450**

D Defaults and covenants

At 31 December 2022, the Group has no defaults on debt obligations or breaches of lending covenants (31 December 2021: Nil). Under the terms of the Group's borrowing facilities, the Group is required to comply with lending covenants, including always maintaining a minimum unencumbered cash balance of $10 million and a minimum net tangible assets balance of $22.5 million at all times. The 29 December 2022 amendment provided a temporary waiver to reduce the net tangible assets covenant to $15 million until 30 June 2023 (or a capital event, if earlier).

E Fair value of interest bearing liabilities

As at 31 December 2022, the carrying amount of interest bearing liabilities and borrowings was $73.6 million and approximates its fair value, after accounting for deferred debt costs.

13. Issued capital

Ordinary shares are classified as issued capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds raised via the issue of new shares.

Information relating to employee options, including details of options issued, exercised and lapsed during the financial year and options, performance rights outstanding at the end of the reporting period, is disclosed in Note 17.

The number of ordinary shares issued by the Group is shown in the table below. All ordinary shares are fully paid. There was no on-market share buy-back during the financial year.

	Number	US$'000
At 1 January 2022	469,374,453	126,091
Issue of shares – capital raising	60,355,000	7,181
Capital raising costs (net of tax)	–	(435)
Share options exercised	2,617,930	116
Performance rights vested	400,000	–
Derivatives	–	(1,389)
At 31 December 2022	**532,747,383**	**131,565**
At 1 January 2021	447,728,903	123,606
Issue of shares – capital raising	–	–
Capital raising costs (net of tax)	–	–
Share options exercised	19,595,550	2,485
Performance rights vested	2,050,000	–
At 31 December 2021	**469,374,453**	**126,091**

On 29 Aug 2022, the Group announced it had completed an AU$10.5 (US$7.4 equiv.) million equity placement to institutional, sophisticated and professional investors ("Unrelated Investors"), plus a further AU$0.8 (US$0.6 equiv.) million to directors and management ("Placement") through the issue of approximately 64.4m new shares at AU$0.175 per share. On 5 September 2022, the Group allotted and issued 60,496,573 fully paid ordinary shares to unrelated investors. The issuance of shares to directors were subject to shareholder approval, which was obtained at a shareholder meeting on 31 January 2023.

Under the Placement, the Company also issued to investors options, further information is provided in Note 14.

14. Derivative liability

Accounting policies

The Group measures certain financial instruments such as derivative liabilities, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

1) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
2) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
3) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

August 2022 Placement

Under the Placement in August 2022, the Company agreed to issue to investors one (1) free-attaching option for every two (2) new shares subscribed for ("Placement Options"). On 5 October 2022, the Group issued 30,177,505 options exercisable at AUD$0.20 each and expiring on 5 April 2025.

Under IAS 32 Financial Instruments: Presentation, the offer of the Placement Options is treated as a derivative liability because they were denominated in a currency other than the Company's functional and presentation currency of US dollars, and accordingly the Group was not able to demonstrate that it was issuing a fixed number of shares for a fixed amount of US dollars, which is the criterion under IFRS to account for the options in shareholders equity.

However, where an entity does not meet the fixed for fixed criterion, such options could be accounted for as equity when the instruments are offered pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, regardless of the denominated currency of the offered instruments. Judgement was required in determining that the investors in the placement did not constitute their own class of equity holders and not all other investors in the Company's ordinary shares were offered the same options pro-rata to their existing ordinary shareholding. Derivatives are carried at fair value and changes in fair value are recognised in the profit or loss in the period it arises.

The fair value of the placement options at initial recognition upon issuance was $1.4 million (AU$2.1 million) valued at 5 October 2022 using the Black-Scholes option valuation model. The level of the fair value hierarchy measurement of derivative liability is categorised as Level 3 (non-market observable inputs).

The option derivative has been valued at 31 December 2022 in accordance with IFRS 9 Financial Instruments. The key inputs used by the Black-Scholes valuation model include:

Significant inputs	Inputs	Sensitivity of the input to fair value
Splitit market Share price	AU$0.16	25% increase would result in an increase in fair value by $619K, 25% decrease would result in decrease in fair value by $565k
Volatility	90%	10% increase would result in an increase in fair value by $165K, 10% decrease would result in decrease in fair value by $174k

The revaluation did not result in a material change in fair value of the derivative liability at 31 December 2022

15. Capital and financial risk management

In the course of its operations the Group is exposed to certain financial risks that could affect the Group's financial position and performance. The note explains the sources of risks below, how they are managed by the Group and exposure at reporting date:

- Interest rate risk, Note 15a;
- Foreign exchange risk, Note 15b;
- Liquidity risk, Note 15c; and
- Credit risk, Note 15d.

Information about the Group's objectives for managing capital is contained in Note 15e.

Risk management approach

The Group's treasury and internal risk teams are responsible for performing the day-to-day management of the Group's capital requirements and the financial risks identified above. These activities are overseen by the Audit, Risk and Governance committee.

The overall objectives of the treasury team are to:

- ensure that the Group has funds available to meet all financial obligations, working capital requirements;
- monitor and ensure compliance with all relevant financial covenants under the Group's debt facilities;
- reduce the impact of adverse interest rate or foreign exchange movements on the Group;
- diversify banking counterparties to mitigate counterparty credit risk; and
- ensure the Group's funding operations team operates in an appropriate control environment, with effective systems and procedures.

The overall objectives of the risk team are to:

- ensure that appropriate underwriting reviews, credit limits, and ongoing controls are conducted when assessing new merchant funding applications
- Merchant and shopper monitoring of missed and delayed collections, transaction history, concentration risk

A Interest rate risk

Nature and source of risk

Interest rate risk represents the potential for changes in market interest rates to impact the total expense on floating rate borrowings (cash flow Interest rate risk) held by the Group.

Exposure

As at the reporting date, the Group had one funding facility in place which has variable interest rate borrowings. Information about the Group's funding facilities is contained in Note 12.

The table below shows the sensitivity analysis on the impacts to the Group's net loss and equity of a reasonable change in benchmark interest rates. The results are mainly driven by the various benchmark rate components on the interest rates on the loan agreement with Goldman Sachs.

	31 Dec 22 US$'000	31 Dec 21 US$'000
25bps decrease	138	25
100bps increase	(751)	(272)

B Foreign exchange risk

Nature and source of risk

Foreign exchange risk represents the potential for changes in market foreign exchange rates to impact the cash flows arising from the Group's foreign denominated financial assets and financial liabilities (cash flow foreign exchange rate risk) held by the Group.

Exposure

As at the balance date, the Group had the following exposure to cash flow foreign exchange rate risk:

Foreign denominated financial assets and financial liabilities	31-DEC-22 '000	31-DEC-21 '000
Financial assets		
Cash and cash equivalents		
GBP £	1,345	630
AUD $	4,253	2,117
EUR €	1,364	4,517
ILS ₪	353	60
JPY ¥	363,685	274,122
SGD $	3	84
CAD $	360	318
Receivables and other financial assets		
GBP £	6,074	3,225
AUD $	3,901	754
EUR €	6,835	6,479
JPY ¥	3,047,022	2,262,687
SGD $	996	469
CAD $	688	531
Financial liabilities		
Trade and other payables		
GBP £	4	84
AUD $	81	(5)
EUR €	(1)	44
ILS ₪	714	177
CAD $	–	30

Interest bearing liabilities		
GBP £	4,655	2,310
EUR €	6,210	6,210
JPY ¥	2,600,000	1,850,000
AUD $	3,300	–

As at the reporting date, as illustrated in the table below, with all other variables held constant and if exchange rates had moved, the impact on net loss and equity for the next 12 months would be:

Loss for the year higher / (lower)	31-DEC-22 US$'000	31-DEC-21 US$'000
GBP/USD +10%	(333)	(197)
GBP/USD -5%	167	99
AUD/USD +10%	(549)	(208)
AUD/USD -5%	275	104
EUR/USD +10%	(213)	(536)
EUR/USD -5%	107	268
ILS/USD +10%	10	4
ILS/USD -5%	(5)	(2)
JPY/USD +10%	(619)	(596)
JPY/USD -5%	310	298
SGD/USD +10%	(75)	(41)
SGD/USD -5%	37	20
CAD/USD +10%	(77)	(64)
CAD/USD -5%	39	32

Sensitivity analysis performed above is not be considered a projection.

C Liquidity risk

Nature and source of risk

Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due.

To manage this risk, sufficient capacity under the Group's liquid assets such as cash and cash equivalents (as disclosed in Note 8) and financing facilities (as disclosed in Note 12) are maintained to meet the funding assets identified in the Group's latest forecasts. This is achieved through obtaining and maintaining funding from a range of sources (e.g. global banks and Australian capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.

Exposure

The contractual maturity of cash on term deposit, interest bearing liabilities and the interest payment profile on interest bearing liabilities are shown below. Estimated interest and principal payments are calculated based on the foreign exchange rates prevailing at year end. Timing of payments are based on current contractual obligations.

31-DEC-2022	Less than 1 year US$'000	1 to 2 years US$'000	2 to 3 years US$'000	Greater than 3 years US$'000	Total US$'000
Financial assets					
Cash and cash equivalents	29,799	–	–	–	29,799
Receivables	71,114	1,045	–	–	72,159
Other financial assets	200	–	–	–	200
Other	1,021	–	–	–	1,021
Total financial assets	**102,134**	**1,045**	**–**	**–**	**103,179**
Financial liabilities					
Trade and other payables	(2,907)	–	–	–	(2,907)
Interest bearing liabilities	–	–	(71,917)	–	(71,917)
Lease liabilities	(282)	(179)	–	–	(461)
Total Financial liabilities	**(3,189)**	**(179)**	**(71,917)**	**–**	**(75,285)**
Estimated interest payments and lender fees	(6,858)	(6,858)	(571)	–	(14,287)
Fees					
Total contractual inflows / (outflows)	**92,087**	**(5,992)**	**(72,488)**	**–**	**13,607**

31-DEC-2021	Less than 1 year US$'000	1 to 2 years US$'000	2 to 3 years US$'000	Greater than 3 years US$'000	Total US$'000
Financial assets					
Cash and cash equivalents	28,933	–	–	–	28,933
Receivables	74,143	3,959	–	–	78,102
Other financial assets	200	–	–	–	200
Other	998	–	–	–	998
Total financial assets	**104,274**	**3,959**	**–**	**–**	**108,233**
Financial liabilities					
Trade and other payables	(4,281)	–	–	–	(4,281)
Interest bearing liabilities	–	–	(62,450)	–	(62,450)
Total Financial liabilities	**(4,281)**	**–**	**(62,450)**	**–**	**(66,731)**
Estimated interest payments and lender fees	(5,045)	(5,045)	(420)		(10,510)
Total contractual inflows / (outflows)	**94,948**	**(1,086)**	**(64,677)**	**–**	**30,992**

Derivative liabilities are currently exercisable and will be settled in the entities own equity instruments.

D Credit risk

Nature and source of risk

Credit risk is the risk that a shopper or merchant to a financial asset held by the Group fails to meet their financial obligations. The Group's financial assets that are subject to credit risk are bank deposits, receivables and other financial assets.

The Group utilises its secured gateway payment platforms and risk assessment to mitigate credit risk for its portfolio receivables. The Group regularly reviews the adequacy of the expected credit loss provision to ensure it is sufficient to mitigate credit risk exposure in relation to the financial reporting. Expected credit loss provision disclosed in Note 9 represents management's best estimate at reporting date based on their experienced judgement.

Additionally, the Group previously made available to its merchants guarantees that may require the Group to make payments to those merchants in instances where non-secure gateway shopper transactions default. In 2022 expenses totalled $235k (2021: $696k), which are disclosed as part of the impairment expense on the consolidated statement of profit or loss and comprehensive income. On 4 February 2022, the Group's Platform Agreement was updated, with retroactive effect to all existing and new merchants, so that the Group will take no liability for shopper defaults on any plan on a non-secured gateway irrespective of the date the plan was initiated. The payments made in 2022 are the voluntary merchant retention payments to the merchants rather a settlement of contractual liability. As a result, the Group does not expect to incur expenses related to this guarantee arrangement in 2023.

The maximum exposure to credit risk at the reporting date is the carrying amount of the Group's financial assets which are recognised within the consolidated statement of financial position net of any provision for losses.

E Capital management

The Group reviews its capital management position on a regular basis to ensure that it maintains adequate funding for short-term and medium-term obligations and aims to ensure that it meets financial covenants attached to the interest-bearing loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the lender to immediately call the loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group also periodically reviews its capital management strategy to ensure that funding initiatives are in place to support medium-term growth objectives.

The Group's cash and net debt position at the reporting date is as follows:

	31-DEC-22 US$'000	31-DEC-21 US$'000
Cash and cash equivalents	29,799	28,933
Restricted cash	200	200
Interest bearing liabilities	(71,917)	(62,450)
Net (debt)/cash position	**(49,918)**	**(33,317)**

16. Key Management Personnel

Compensation of Key Management Personnel (KMP) includes Executive KMP and Non-Executive Directors. The compensation of KMP included in the Group's statements comprises:

	31-DEC-22 US$'000	31-DEC-21 US$'000
Short-term employee benefits – Executive KMP	1,323	736
Short-term employee benefits – Non-executive KMP	416	317
Termination benefits	–	–
Post-employment benefits	–	–
Share based payments	1,479	407
Total remuneration of KMP of the Group	**3,218**	**1,460**

17. Share based payments

The Group remunerates eligible employees through its Share Incentive Plan (SIP). The plan is designed to align executives' and employee' interests with those of security holders by incentivising participants to deliver long-term shareholder returns. A summary of SIP is described as below:

SIP category	Measurement basis
Performance rights	Executives are granted performance rights to acquire the Group's securities for nil consideration. These rights vest after completion of a required service period and when certain hurdle requirements, which are set when the rights are granted, are met.
Share options	The Group's share options are granted periodically to eligible employees for a pre-determined exercise price. Options granted under the plan are subject to a required service period.
Warrants	The exercise price of each of the 13,000,002 warrants issued, or agreed to be issued, under the GS Facility Agreement, are reduced from $1.30 to $0.18 with effect from: (1) In respect of 6,500,001 GS Warrants already on issue, 28 April 2022; and (2) In respect of 2,166,667 GS Warrants already on issue, and 4,333,334 GS Warrants to be issued upon the Company drawing down specific amounts under the Facility, the date that the Company draws down funds from the Facility for funding plans pursuant to the specified global merchant expansion.

The share based payments reserve is used to recognise the grant date fair value of SIP issued to employees and Goldman Sachs Bank. The movement in the share options, performance rights and reserve are as follows:

A The movement of share options during the period was as follows:

	31-DEC-22 US$'000	Weighted average exercise price ($ AUD)	31-DEC-21 US$'000	Weighted average exercise price ($ AUD)
Opening balance at the beginning of the year	**36,547,109**	**$0.58**	**55,280,691**	**$0.36**
Granted during the period	8,493,636	$0.27	8,036,266	$1.21
Exercised during the period	(2,699,180)	$0.08	(21,228,476)	$0.27
Forfeited during the period	(19,676,343)		(5,541,372)	
Outstanding at the end of the year	**22,665,222**	**$0.60**	**36,547,109**	**$0.58**

B The movement in the number of performance rights during the period was as follows:

	31-DEC-22 US$'000	31-DEC-21 US$'000
Opening balance at the beginning of the year	**2,000,000**	**3,050,000**
Granted during the period	56,487,256	2,000,000
Exercised during the period	(400,000)	(2,050,000)
Forfeited during the period	(1,000,000)	(1,000,000)
Outstanding at the end of the year	**57,087,256**	**2,000,000**

Weighted average remaining contractual life of performance rights as at 31 December 2022 was 3.6 years (2021: 2.5 years). Weighted average remaining contractual life of options as at 31 December 2022 was 2.8 years (2021: 2.5 years). Number of exercisable rights as at 31 December was 1,350,000 (2021: 100,000).

C Expenses and movements relating to share based payment plans

The following table and movements were recognised within share based payment expense and reserve in relation to the SIP.

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Performance rights	1,615	450
Share options	1,302	3,582
Forfeited during the period	(268)	(360)
Total share based payments	**2,649**	**3,672**

D Valuation

SIP category	Measurement basis
Performance rights	The number of securities deferred under the SIP as at reporting date relating to performance rights were granted during financial year 2022 and hurdle requirements are non-market related, except for tranche 2. All tranches issued are subject to each employee's continued employment and performance with Splitit Payments Ltd (otherwise at the discretion of the Board of Directors). The fair value of these securities is estimated at the date of grant using a Hull-White model taking into account the terms and condition upon which the rights were granted. Fair value of the FY22 issuance are: • Tranche 1 being 15,249,675 units issued to CEO (employment based): $0.24 AUD • Tranche 2 being 4,692,208 units issued to CEO (employment and market capitalisation based): $0.031 AUD • Tranche 3 being 14,076,623 units issued to CEO (employment and performance based): $0.24 AUD • Tranche 4 being 13,500,000 units issued to several Senior Executives (employment and performance based). The fair value ranged from AU$0.155 to AU$0.185 per security. • Tranche 5 being 2,000,000 units issued to several Senior Executives (employment based). The fair value ranged from AU$0.165 to AU$0.170 • Tranche 6 being 6,968,750 unit issued to employees (employment based): $0.175 AUD At 31 December 2022, 57,087,256 units of SIP remain outstanding.
Share options	The Group's share options are granted periodically to eligible employees for a pre-determined consideration. Options granted under the plan are subject to a required service period. The number of securities granted and deferred under the share options plan during the year relating to incentive payments earned by the employees. The fair value of these securities is estimated at the date of grant using a Hull-White model taking into account the terms and conditions upon which the options were granted. The fair value ranged from AU$0.091 AUD - AU$0.10 per security.

A number of assumptions were used in valuing the SIPs – share options at the grant date as shown in the table below:

	FY22 issuance		FY21 issuance	
Assumption	**Warrants***	**SBP**	**Warrants***	**SBP**
Security price at issuance date ($ AUD)	N/A	$0.16 -$0.24	$0.49 - $0.85	$0.50 - $1.60
Risk free rate	N/A	0.46%-3.22%	0.76% - 0.79%	0.31% - 0.46%
Volatility	N/A	80% -85%	80%	75%
Expected dividend yield	N/A	0%	0%	0%
Early exercise multiple	N/A	3	3	3

*Details of GS credit funding facilities and warrant expenses recognised as finance costs are disclosed in note 12.

18. Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Group, Ernst & Young,or its related practices:

For the 12 months to:	31-DEC-22 US$'000	31-DEC-21 US$'000
Audit and review of statutory financial statements of the Group	162	147
Other assurance services and agreed-upon procedures services or contractual agreements	–	–
Total auditor's remuneration	**162**	**147**

19. Group structure

Splitit Payments Limited (a foreign company registered in its original jurisdiction of Israel as Splitit Ltd).

The Consolidated Financial Statements include the financial statements of Splitit Payments Limited and its subsidiaries. Subsidiaries are listed in the following table:

		% Equity interest	
Name	**Country of incorporation**	**2022**	**2021**
Splitit Australia Capital Pty Ltd	Australia	100%	100%
Splitit Australia Pty Ltd	Australia	100%	100%
Splitit Operations CA Ltd	Canada	100%	100%
Splitit Capital USA Revere LLC	United States	100%	100%
Splitit USA Inc.	United States	100%	100%
Splitit Treasury USA LLC	United States	100%	100%
Splitit Capital Inc*	United States	0%	100%
Splitit Capital USA Inc*	United States	0%	100%
Splitit Capital USA GCI LLC*	United States	0%	100%
Splitit Capital UK Ltd	United Kingdom	100%	100%
Splitit UK Ltd	United Kingdom	100%	100%
Splitit Treasury Europe Designated Activity Company**	Ireland	0%	0%

*Entities were deregistered during the current financial year.

** Splitit Treasury Europe Designated Activity Company is an Irish Section 110 Special Purpose Vehicle (Orphan Entity). Its result is consolidated in the Group's financial statements. Details of the SPV is disclosed at Note 12a.

20. Other Group accounting matters

Other accounting policies

This section contains other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting policies.

Principle of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 31 December 2022 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity: and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the data on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, leave entitlements.

Liabilities arising in respect of employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rate which expected to be paid when the liability is settled.

Future impact of Accounting Standards and Interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective that are expected to have an impact on the Group, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require negotiation.

21. Contingencies

From time to time, the Group is subject to various claims and litigation from third parties during the ordinary course of business. The Directors have given consideration to such matters which are or may be subject to claims or litigation at the end of the period and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims or litigation exist.

22. Events occurring after the reporting period

As part of the August 2022 Placement certain directors agreed to subscribe for, subject to shareholder approval, approximately AU$712,500 of new shares, on the same terms that applied to the Unrelated Investors. This included the issuance to investors one (1) free-attaching option for every two (2) new shares subscribed for. Subsequent to year end, this approval was obtained at the Extraordinary General Meeting on 31 January 2023 and resulted in the issuance of approximately 4 million placement shares at AU$0.175 per share and 2 million placement options exercisable at AU$0.20.

No other matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Director's declaration

In accordance with a resolution of the Directors of Splitit Payments Limited, I state that: In the opinion of the Directors:

A. The financial statements and notes of the consolidated entity are:

1. Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the period ended on that date; and

2. Complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 2 section of the financial statements.

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.

Signed in accordance with a resolution of the Board of Directors.

Nandan Sheth
CEO & Managing Director
28 February 2023

Building a better working world

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Independent auditor's report to the members of Splitit Payments Limited

Opinion

We have audited the financial report of Splitit Payments Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the Group's ability to raise additional debt and/or equity funding to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis for opinion

We conducted our audit 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 financial report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Effective interest rate

Why significant	How our audit addressed the key audit matter
As described in Note 3 of the financial report, Portfolio income from funded plans is calculated and recognised using the effective interest rate (EIR) method in accordance with IFRS 9 *Financial Instruments*. When calculating the EIR, the Group estimates the expected cash flows by considering all the contractual terms of portfolio receivables, excluding the expected credit losses. Portfolio income of $7.938 million was recognised during the year ended 31 December 2022. The EIR method is based on a management IFRS 9 adjustment calculation, which contains key estimates and assumptions, including: ▶ the timing and value of estimated future cash flows; ▶ percentage of merchant fees charged on funded plans; and ▶ the period over which historical repayment patterns are assessed. This was a key audit matter due to degree of judgment and estimation uncertainty involved in the key estimates and assumptions.	Our audit procedures included the following: ▶ Assessed management's IFRS 9 adjustment calculation against the principles of IFRS 9; ▶ Assessed the reasonableness of management's key assumptions used in determining estimated future cash flows and the percentage of merchant fees charged on funded plans; ▶ Assessed the reasonableness of the period over which and the type of data used as inputs into the key assumptions; ▶ Tested the integrity of data inputs on a sample basis; and ▶ Assessed the mathematical accuracy of the IFRS 9 adjustment calculation.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 this financial report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Ashley Butler.

Ernst & Young

Ernst & Young

Melbourne
28 February 2023

Additional securities exchange information

The following information was applicable as at 20 January 2023.

1. Substantial Shareholders

The following holders are registered by SPT as a substantial holder of the voting shares below:

Holder Name	Number of ordinary shares disclosed in last ASIC notice [1]	% of issued capital[2]	Number of ordinary shares registered in holder's name as at 20 January 2023[5]	% of issued capital[6]
Viktoria Neil Krain[3]	52,161,723	11.09%	Nil	0.00%
Read the Book Trust[4]	57,420,778	12.21%	3,075,000[8]	0.58%
Thorney Technologies Ltd[9]	48,294,232	9.08%	-	-
Perea Capital Partners, LP[10]	42,579,658	8.00%	-	-

1 As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2 The percentage is based on the number of shares set out in the notice lodged with the ASX relative to the total issued capital of the Company at 20 January 2023.
3 As disclosed in the ASIC Form 604 relating to the Read the Book Trust dated 30 June 2021 comprising 22,061,723 shares beneficially held by Viktoria Krain and 30,100,000 shares held by Read the Book Trust over which Viktoria Krain has retained voting rights.
4 As disclosed in the ASIC Form 603 dated 30 June 2021, including 22,061,723 shares beneficially held by Viktoria Krain and 30,100,000 shares held by Read the Book Trust over which Viktoria Krain has retained voting rights.
5 The Company is unable to confirm the extent to which the holder may hold additional shares under a custodian or nominee.
6 The percentage is based on the number of shares in the holder's name as at 20 January 2023 relative to the total issued capital of the Company at 20 January 2023. The Company is unable to confirm the extent to which the holder may hold additional shares under a custodian or nominee.
8 3,075,000 shares held by Mr Jason Julian Krigsfeld <Read the Book No 3 A/C>.
9 As disclosed in the ASIC Form 604s relating to Thorney Technologies Ltd dated 6 December 2022, including various related body corporates including TIGA Trading Pty Ltd who also submitted ASIC Form 604 dated 6 December 2022 outlining a relevant interest in the same number of equity securities.
10 As disclosed in the ASIC Form 604s relating to Perea Capital LLC, the investment manager of Perea Capital Partners, LP. dated 22 November 2022.

2. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	15,621
Listed Options	78
Unlisted Options (Options)	53
Performance Rights	5
Warrants	1

3. Voting Rights

Securities	Number of Holders
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.
Listed Options	Listed Options do not carry any voting rights.
Unlisted Options	Options do not carry any voting rights.
Performance Rights	Performance Rights do not carry any voting rights.
Warrants	Warrants do not carry any voting rights.

4. Distribution Schedule

Ordinary Shares

Spread of Holdings	Holders	Securities	%
1 - 1,000	4,889	2,875,376	0.54%
1,001 - 5,000	5,737	14,941,276	2.80%
5,001 - 10,000	1,885	14,439,524	2.71%
10,001 - 100,000	2,655	82,815,843	15.55%
100,001 - 9,999,999,999	454	417,675,364	78.40%
Totals	**15,620**	**532,747,383**	**100.00%**

Listed Options

Spread of Holdings	Holders	Securities	%
1 - 1,000	1	1	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	1	10,000	0.03%
10,001 - 100,000	40	1,749,203	5.80%
100,001 - 9,999,999,999	36	28,418,311	94.17%
Totals	**78**	**30,177,515**	**100.00%**

Unlisted 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	16	835,498	4.02%
100,001 - 9,999,999,999	37	19,949,724	95.98%
Totals	**53**	**20,785,222**	**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	5	38,868,506	100.00%
Totals	**5**	**38,868,506**	**100.00%**

Warrants

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	1	8,666,668	100.00%
Totals	**1**	**8,666,668**	**100.00%**

5. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
20 January 2023	$0.205	7900

6. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 54.00% of the securities in this class and are listed below:

Rank	Date	Securities	%
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,522,503	13.43%
2.	UBS NOMINEES PTY LTD	49,097,732	9.22%
3.	CITICORP NOMINEES PTY LIMITE	43,911,610	8.24%
4.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	17,098,622	3.21%
5.	GIL DON	15,369,467	2.88%
6.	RIVERVIEW FLATS PTY LTD	15,071,582	2.83%
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	14,756,178	2.77%
8.	ORIENT GLOBAL HOLDINGS PTY LTD <AL'N'ALL A/C>	12,482,381	2.34%
9.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,243,509	1.74%
10.	IBI TRUST MANAGEMENT <ALON FEIT A/C>	8,012,659	1.50%
11.	TOMANOVIC MULTIOWN PTY LTD <AFS SUPER FUND A/C>	7,000,000	1.31%
12.	BRAD PATERSON & KATY PATERSON <PATERSON FAMILY A/C>	3,585,566	0.67%
13.	BNP PARIBAS NOMS PTY LTD <DRP>	3,486,837	0.65%
14.	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	3,278,266	0.62%
15.	HARPER PAPPAS AND CO PTY LTD	3,086,582	0.58%
16.	MR JASON JULIAN KRIGSFELD <READ THE BOOK NO 3 A/C>	3,075,000	0.58%
17.	BT PORTFOLIO SERVICES LIMITED <JOHN NICOLIS SUPER FUND A/C>	2,052,988	0.39%
18.	IBI TRUST MANAGEMENT <ROEY SHOCHAT A/C>	1,950,575	0.37%
19.	IBI TRUST MANAGEMENT <KOBI DAVID A/C>	1,869,945	0.35%
20.	DOWNTOWN SPECIAL SITUATIONS HOLDINGS LLC	1,750,014	0.33%
		287,702,016	**54.00%**

7. Unquoted Securities

Options

The following Options over unissued ordinary shares are on issue:

Class	Date of Expiry	Exercise Price	Number of Options
Unlisted Options	21/01/2027	AUD$0.31	90,909
Unlisted Options	16/09/2024	AUD$0.20	3,415,000
Unlisted Options	21/01/2023	AUD$0.70	500,000
Unlisted Options	21/01/2023	AUD$0.85	500,000
Unlisted Options	31/05/2025	AUD$0.50	2,420,000
Unlisted Options	26/01/25	AUD$0.82	150,000
Unlisted Options	18/05/25	AUD$0.466	2,200,000
Unlisted Options	01/02/2025	AUD$0.50	800,000
Unlisted Options	03/09/2024	AUD$0.48	54,167
Unlisted Options	12/01/2025	AUD$0.86	65,000
Unlisted Options	02/11/2025	AUD$1.61	500,000
Unlisted Options	10/08/2025	AUD$1.16	150,000
Unlisted Options	23/06/2025	AUD$0.58	100,000
Unlisted Options	03/11/2025	AUD$1.61	100,000
Unlisted Options	03/08/2025	AUD$1.08	200,000
Unlisted Options	04/01/2026	AUD$1.44	100,000
Unlisted Options	26/03/2026	AUD$1.24	2,140,000
Unlisted Options	20/08/2025	AUD$1.24	100,000
Unlisted Options	01/09/2025	AUD$0.50	65,000
Unlisted Options	27/04/2026	AUD$1.15	2,000,000
Unlisted Options	11/05/2026	AUD$1.41	140,844
Unlisted Options	11/05/2026	AUD$1.42	70,422
Unlisted Options	20/01/2027	AUD$0.31	181,818
Unlisted Options	08/02/2027	AUD$0.28	90,909
Unlisted Options	14/02/2027	AUD$0.249	2,990,000
Unlisted Options	13/04/2024	AUD$0.50	600,000
Unlisted Options	18/07/2027	AUD $0.21	1,000,000
Unlisted Options	15/08/2024	NIS 0.01	61,153
			20,785,222

No holder holds more than 20% of Options in the Company.

Performance Rights

There is a total of 38,868,506unlisted performance rights on issue.

The number of performance right holders is 5.

No holder holds more than 20% of Options in the Company outside of an employee incentive scheme.

Warrants

There is a total of 8,666,668 unlisted warrants on issue.

The number of warrant holders is 1.

The following holder hold more than 20% of the Warrants in the Company:

Rank	Holder Name	Performance Rights	%
1	Goldman Sachs International	8,666,668	100.00%

8. Share Buy-Backs

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

9. Issues under ASX Listing Rule 10.14

In accordance with ASX Listing Rule 10.15.11, during the financial year ending 31 December 2022, the following securities were issued with shareholder approval under ASX Listing Rule 10.14:

Director	Security	# Securities	Exercise Price	Expiry Date	Date of full vesting
Dawn Robertson	Options	90,909	$0.31	20/1/27	20-Jan-23
Dawn Robertson	Options	90,909	$0.28	08/2/27	8-Feb-23
Thierry Denis	Options	90,909	$0.31	20/1/27	20-Jan-23
Jan Koelble	Options	90,909	$0.31	21/1/27	21-Jan-23

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