

# **WAY2VAT LTD.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019**

**WAY2VAT LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019**

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## **Independent Auditors' Statement to Shareholders of WAY2VAT Ltd.**

### **Opinion**

We have audited the accompanying consolidated financial statements of WAY2VAT Ltd and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of comprehensive income, changes in equity (deficit) and cash flows for each of the two years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its financial performance, the changes in equity (deficit) and its cash flows for each of the two years then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the management and directors for the Financial Statements**

The directors and management of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as directors and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors and the management are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the Audits of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

אילת	נצרת	מודיעין עילית	קרית שמונה	בני ברק	באר שבע	חיפה	ירושלים	תל אביב
08-6339911	04-6555888	08-9744111	077-5054906	073-7145300	077-7784100	04-8680600	02-6546200	03-6386868

**משרד ראשי:** בית אמות הביטוח, דרך מנחם בגין 48, תל אביב, 6618001 **דוא"ל:** [bdo@bdo.co.il](mailto:bdo@bdo.co.il) **בקרוא באתר שלנו:** [www.bdo.co.il](http://www.bdo.co.il)

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audits conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits 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 audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Tel-Aviv, Israel  
11 March 2021

  
Ziv haft  
Certified Public Accountants (Isr.)  
BDO Member Firm

אילת	נצרת	מודיעין עילית	קרית שמונה	בני ברק	באר שבע	חיפה	ירושלים	תל אביב
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**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(USD in thousands)**


	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		2,510	400
Trade receivables		437	234
Other accounts receivable		136	45
		<u>3,083</u>	<u>679</u>
<b>Non-Current Assets:</b>			
Right-of-use assets	17	409	-
Property, plant and equipment, net	4	175	93
		584	93
<b>Total Assets</b>		<u><u>3,667</u></u>	<u><u>772</u></u>

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

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(USD in thousands)

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>LIABILITIES AND DEFICIT</b>			
<b>Current Liabilities:</b>			
Trade accounts payable		128	76
Convertible loans	5	3,250	-
Lease liabilities	17	149	-
Other accounts payable	6,13	477	369
		<u>4,004</u>	<u>445</u>
<b>Non-Current Liabilities:</b>			
Convertible loans	5	3,494	1,275
Lease liabilities	17	280	-
Liability for royalties payable	13	31	20
		<u>3,805</u>	<u>1,295</u>
<b>Deficit:</b>	8		
Share capital		8	8
Additional paid in capital		4,930	4,922
Share based payment reserve		617	227
Adjustments arising from translating financial operations		(5)	(7)
Accumulated deficit		(9,692)	(6,118)
<b>Total Deficit</b>		<u>(4,142)</u>	<u>(968)</u>
<b>Total Liabilities And Deficit</b>		<u><u>3,667</u></u>	<u><u>772</u></u>

  
Amos Simantov  
CEO & Director

  
Aviv Barshaf  
VP Finance & Director

11.3.2021  
Date of approval of financial statements

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

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(USD in thousands)**

	<u>Note</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Revenues		408	287
Cost of revenues		<u>129</u>	<u>139</u>
<b>Gross profit</b>		279	148
Research and development expenses	9	1,460	1,704
Selling and marketing expenses	10	1,171	1,020
General and administrative expenses	11	<u>1,612</u>	<u>618</u>
<b>Operating loss</b>		(3,964)	(3,194)
Financial expenses		(36)	(10)
Financial income		<u>426</u>	<u>-</u>
<b>Loss for the year</b>		(3,574)	(3,204)
<b>Other comprehensive income (loss), net of tax:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange gains (losses) arising on translation to reporting currency		2	(7)
<b>Total comprehensive loss for the year</b>		<u>(3,572)</u>	<u>(3,211)</u>
Basic and diluted loss per ordinary share in USD		<u>\$1.096</u>	<u>\$ 0.983</u>

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

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
**(USD in thousands)**

	<b>Share capital</b>	<b>Additional paid in capital</b>	<b>Shares based payment reserve</b>	<b>Adjustments arising from translating financial operations</b>	<b>Accumulated deficit</b>	<b>Total Shareholders' equity</b>
<b>Balance at January 1, 2018</b>	8	4,620	230	*	(2,914)	1,944
<b>Changes during 2018:</b>						
Exercise of options to ordinary shares	*	160	(160)	-	-	*
Issuance of Preferred A-1 shares (note 8)	*	143	-	-	-	143
Share based payment	-	-	156	-	-	156
Loss for the year	-	-	-	-	(3,204)	(3,204)
Other comprehensive loss	-	-	-	(7)	-	(7)
Total comprehensive Profit (loss)	*	303	(4)	(7)	(3,204)	(2,912)
<b>Balance at December 31, 2018</b>	<u>8</u>	<u>4,923</u>	<u>226</u>	<u>(7)</u>	<u>(6,118)</u>	<u>(968)</u>
<b>Changes during 2019:</b>						
Exercise of options to ordinary shares	*	7	(7)	-	-	*
Share based payment	-	-	398	-	-	398
Loss for the year	-	-	-	-	(3,574)	(3,574)
Other comprehensive Income	-	-	-	2	-	2
Total comprehensive Profit (loss)	*	7	391	2	(3,574)	(3,174)
<b>Balance at December 31, 2019</b>	<u>8</u>	<u>4,930</u>	<u>617</u>	<u>(5)</u>	<u>(9,692)</u>	<u>(4,142)</u>

\* Less than 1 thousands USD

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



**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss for the year	(3,574)	(3,204)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	104	22
Increase in trade receivables	(207)	(136)
Increase in other accounts receivable	(91)	(21)
Increase in trade accounts payable	53	51
Increase in other accounts payable	117	147
Increase /(decrease) in liability for royalties payable	10	(10)
Change in fair value of convertible loan	(406)	-
Share based payment	398	156
<b>Net cash used in operating activities</b>	<u>(3,596)</u>	<u>(2,995)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(111)</u>	<u>(60)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Exercise of options to ordinary shares	*	*
Issuance of Preferred A-1 shares	-	143
Interest paid on Lease liabilities	21	-
Principal paid on lease liabilities	(79)	-
Receipt of convertible loan	5,936	1,275
<b>Net cash provided by financing activities</b>	<u>5,878</u>	<u>1,418</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,171</u>	<u>(1,637)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>400</u>	<u>2,046</u>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<u>(61)</u>	<u>(9)</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>2,510</u></u>	<u><u>400</u></u>

\* Less than 1 thousands USD

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**APPENDIX A - NON-CASH ACTIVITIES:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Recognition of right of use assets and lease liabilities	493	-
Change in terms of lease	(10)	-

**WAY2VAT LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(USD in thousands)**

**NOTE 1 - GENERAL:**

1. Way 2 Vat Ltd. ("the Company") was incorporated on February 19, 2014, under the laws of Israel and commenced operations in January 1, 2015. The Company is developing application for automatic VAT reclaims and compliance for enterprises.
2. The consolidated financial statements include the results of the Company and its wholly-owned subsidiaries (together "the Group"), see also note 16.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board. The financial statements have been prepared under the historical cost convention except for the convertible loans which is measured at fair value. The Group has elected to present the statement of comprehensive income using the function of expense method. In addition, these consolidated financial statements are presented in U.S. Dollar. All currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

**Principal of consolidation**

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Group has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights.

The consolidated financial statements of the Group include the accounts of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies were eliminated in full. The consolidated financial statements of the Group include the accounts of the companies detailed in Note 16.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Use of estimates and assumptions in the preparation of the financial statements**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year which they are identified. Actual results could differ from those estimates. See also Note 3.

**New and amended standards and interpretations adopted in the period**

The Group adopted IFRS 16 Leases with a transition date of January 1, 2019. The Group has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Details of the impact this standard have had are disclosed below. Other new and amended standards and Interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies, such as the implementation of IFRIC Interpretation 23 disclosed below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 Leases**

Effective January 1, 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with exemptions to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low-value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have leasing acting as a lessor.

IFRS 16 provides for certain optional practical expedients, including those related to the initial application of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application and do not contain a purchase option.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New and amended standards and interpretations adopted in the period (cont.)**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for all leases.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 1, 2019), without restatement of comparative figures.

On initial application of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases of office space and motor vehicles, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.25%.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table presents the impact of applying IFRS 16 on the statement of financial position as at January 1, 2019:

	<u>Under previous policy</u>	<u>The change</u>	<u>Under IFRS 16</u>
<b>Non-current assets:</b>			
Right-of-use assets	-	11	11
<b>Current liabilities:</b>			
Lease liabilities	-	6	6
<b>Non-current liability:</b>			
Lease liabilities	-	5	5

For the year ended December 31, 2019:

- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets. This resulted in increases in General and administrative expenses of \$77.
- 'Financial expense' increased by \$21 relating to the interest expense on additional lease liabilities recognised.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New and amended standards and interpretations adopted in the period (cont.)**

*Significant accounting policies subsequent to transition*

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the underlying asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful life of the right of use asset, if rarely, this is judged to be shorter than the lease term. In the scenario that the measurement of lease liabilities takes into consideration the purchase option the Group will amortize the right of use assets over its useful life. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the Group's assessment of the term of any lease. The remeasurement being recognized in front of the right of use assets.



**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New and amended standards and interpretations adopted in the period (cont.)**

The following is a reconciliation of the Group's liabilities in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019:

Operating lease commitments as of December 31, 2018	12
Weighted average incremental borrowing rate as of January 1, 2019	6%
<b>Lease liabilities as of January 1, 2019</b>	<b>11</b>

*Use of estimates and judgements*

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods except where the implementation of IFRS 16 discussed above requires a different approach to the accounting previously applied. Significant estimates and judgements that have been required for the implementation of the new standard are:

- The determination of whether an arrangement contains a lease;
- The determination of lease term for some lease contracts in which the Group is a lessee that include renewal options and termination options, and the determination whether the Group is reasonably certain to exercise such option; and
- The determination of the incremental borrowing rate used to measure lease liabilities;

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatments**

Effective January 1, 2019, the Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Interpretation did not have an impact on the consolidated financial statements of the Group as it requires accounting which is consistent with the Group's current accounting policies.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Operational and foreign currency**

The Group functional currency is Euro. However, the presentation currency is US Dollars ("USD"). Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Accordingly, transactions and balances have been converted as follows:

- Assets and liabilities items reported at closing rate of exchange at the statements of financial position date.
- Profits are reported at annual average rate of exchange at the statements of financial position date.
- Share capital, capital reserve and other capital movement items at rate of exchange as of the date of recognition of those items.
- Retained earnings based on the opening balance for the beginning of the reporting period in addition to the movements mentioned above.
- Rate of exchange differentials created were recognized in other comprehensive income and accumulated in equity.

**Cash and cash equivalents**

Cash equivalents are considered by the Group to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

**Fair value measurement**

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:

- A. In the principal market for the asset or liability, or
- B. 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.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Fair value measurement (cont.)**

When there are no quoted prices in active markets for identical assets or liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification by fair value hierarchy

Assets and liabilities measured in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

- Level 1      - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2      - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3      - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

For assets and liabilities that are recognized 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**WAY2VAT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(USD in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Financial instruments**

**1. Financial assets**

The Group classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Group's accounting policy for the relevant category is as follows:

Amortized cost: These assets arise principally from the provision of products and services to customers (e.g. income receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value including direct transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for income receivables are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

**2. Financial Liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss:

Financial liabilities in fair value through profit or loss that were designated as such were recognized at fair value with changes on fair value presented in profit or loss. The amount of changes in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income unless it create or enlarge an accounting mismatch in profit or loss.

Amounts that were presented at other comprehensive income will not be reclassified in profit or loss. At de-recognition of the financial liability the company classifies the amount from other comprehensive income to accumulated loss.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Financial instruments (cont.):**

Other financial liabilities include the following items: Trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

3. De-recognition

- Financial assets - The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.
- Financial Liabilities - The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

4. Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group's assessed its financial assets that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Property, plant and equipment**

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight line basis, over the useful lives of the assets at annual rates as follows:

	<u>Annual depreciation rate (%)</u>	<u>Main annual depreciation rate (%)</u>
Electronic equipment and software	15-33	33
Furniture and equipment	6-10	6

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or the estimated useful lives of the improvements, whichever is shorter.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values, depreciation rates, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. As of the event of Impairment please refer to Impairment of non-financial assets paragraph . Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**Impairment of non-financial assets**

Non-financial assets are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

An impairment loss allocated to asset, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.



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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Impairment of non-financial assets (cont.):**

Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. After an impairment of non-financial asset is recognized, the Group examines at each reporting date whether there are indications that the impairment which was recognized in the past is no longer exists or should be reduced. The reversal of impairment loss of an asset is recognized in profit or loss. Impairment charges are included in general and administrative expenses.

During the years ended December 31, 2019 and 2018, no impairment charges of non-financial assets were recognized.

**Research and development costs**

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditures is recognized as an intangible asset when the Company can demonstrate:

- The product is technically and commercially feasible.
- The Company intend to complete the product so that it will be available for use or sale.
- The Company has the ability to use the product or sell it.
- The Company has the technical, financial and other resources to complete the development and to use or sell the product.
- The Company can demonstrate that the product will generate future economic benefits.
- The Company is able to measure reliably the expenditure attributable to the product during the development.

During the reported years the expenses were not capitalized, as they do not met the criteria set forth in IAS 38.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Leases**

Effective January 1, 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, excluding leases where the lease term is 12 months or less, or where the underlying asset is of low-value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing acting as a lessor.

IFRS 16 provides for certain optional practical expedients, including those related to the initial application of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application and do not contain a purchase option.

On initial application of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases of office facilities and motor vehicles, which had previously been classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.25%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

**Current taxes**

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Deferred tax**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes are recognized in Profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized on "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

**Liability for royalties payable**

The Group measured its governmental liabilities on grants received, each period, based on discounted cash flows derived from Group's future anticipated revenues.

**Earnings (loss) per share**

Earnings (loss) per share is calculated by dividing the net profit attributable to owners of the parent, by the weighted number of ordinary shares and series A & A-1 preferred shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Revenue recognition**

Revenue from contracts with customers is recognized when the service was provided by the Group at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework :

- 1) Identify the contracts with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognize revenue when the entity satisfies a performance obligation

Revenue from VAT claims is recognized when all the significant risks and rewards of ownership have passed to the customer and the group no longer retains continuing managerial involvement. The submission of the claim is the date on which risks and rewards pass.

**Share-based payments**

Where equity settled share options are awarded to employees, the fair value of the options are calculated at the grant date based on the share fair value and is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Employee benefits**

The Group has several employee benefit plans as to Israeli employees:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans. The Company has contributed for all of its employees contribution plans pursuant to Section 14 to the Severance Pay Law since 2018 under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Obligations for periods prior to 2018 were fully covered by deposits at compensation funds.

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**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:**

The area requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position is the share based payment.

**Going concern**

The Group addressed its liquidity issues by seeking additional investments and borrowings to allow cover its anticipated deficit.

Subsequent to the balance sheet date, the Company completed an additional convertible loan round and loan agreement from a bank (see note 18). As such, the Company assures that it will succeed in obtaining an adequate level of financing needed for its long-term activities.

**Share based payment**

The Group has a share based remuneration scheme for employees. The fair value of share options is estimated by using a simulation based Black Scholes and Merton simulation approach, which was aimed to model the value of the Company's equity over time. The simulation approach was designed to take into account the unique terms and conditions of the share options, as well as the capital structure of the Group, on the date of grant based on certain assumptions. Those conditions are described in Note 8 and include, among others, expected volatility, the dividend growth rate and expected term. The fair value of the equity settled options granted is charged to the statement of comprehensive income over the vesting period of each tranche and the credit is recognized in equity, based on the Company's estimate of shares that will eventually vest.



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**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT, NET:**

	<b>Leasehold improvements</b>	<b>Furniture and equipment</b>	<b>Electronic equipment and software</b>	<b>Total</b>
<b>Cost:</b>				
<b>As of January 1, 2019</b>	41	26	62	129
Additions	60	24	27	111
<b>As of December 31, 2019</b>	<u>101</u>	<u>50</u>	<u>89</u>	<u>240</u>
<b>Accumulated depreciation:</b>				
<b>As of January 1, 2019</b>	6	2	27	35
Additions	5	7	15	27
<b>As of December 31, 2019</b>	<u>11</u>	<u>9</u>	<u>42</u>	<u>62</u>
Adjustments arising from translating financial operations	-	-	(3)	(3)
<b>Net Book Value:</b>				
<b>As of December 31, 2019</b>	<u>90</u>	<u>41</u>	<u>44</u>	<u>175</u>

	<b>Leasehold improvements</b>	<b>Furniture and equipment</b>	<b>Electronic equipment and software</b>	<b>Total</b>
<b>Cost:</b>				
<b>As of January 1, 2018</b>	11	15	43	69
Additions	30	11	19	60
<b>As of December 31, 2018</b>	<u>41</u>	<u>26</u>	<u>62</u>	<u>129</u>
<b>Accumulated depreciation:</b>				
<b>As of January 1, 2018</b>	1	1	11	13
Additions	5	1	16	22
<b>As of December 31, 2018</b>	<u>6</u>	<u>2</u>	<u>27</u>	<u>35</u>
Adjustments arising from translating financial operations	(1)	-	-	(1)
<b>Net Book Value:</b>				
<b>As of December 31, 2018</b>	<u>34</u>	<u>24</u>	<u>35</u>	<u>93</u>

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**NOTE 5 - CONVERTIBLE LOANS:**

- a. In July 2018, the Company signed several convertible loan agreements with both new and existing investors in an aggregate amount of \$1,275 (hereafter- the "2018 CLA") . The 2018 CLA bears annual interest of 4%. The 2018 CLA principal amount and accrued interest shall be payable within 24 months after its respective issuance (the "Maturity Date").

The 2018 CLA shall be convertible under the following terms:

- (1) Upon the occurrence of a financing round of at least \$3 million ("Qualified Financing"), excluding the convertible loan amount, the principal amount will be automatically converted into the identical class of preferred shares issued in such Qualified Financing. The conversion price will be a price per share equal to the lower of: (i) 20% less than such price per share paid for the shares issued in such Qualified Financing, and (ii) a conversion price per share reflecting a Company's pre-money valuation of \$18,000 calculated immediately prior to the issuance of the shares in such Qualified Round on a Fully Diluted Basis.
- (2) If following the Maturity Date, the principal amount remains outstanding, then the Lenders providing the majority of the principal amount shall have the right, but not the obligation, to convert the entire principal amount which is due on such date, into the most senior class of preferred shares then outstanding with the Company, at any time prior to, including, and following the Maturity Date. In such event, the conversion price will be a price per share equal to the pre-money Company's valuation in such Non-Qualified Financing divided by the outstanding share capital of the Company prior to the issuance of such shares in such Non-Qualified Round on a Fully Diluted Basis. In event that until the Maturity Date the Company does not close an equity financing, in one or more transactions totaling, at least \$1,000 (or at all), then the previous Round A-1 Investment in the Company shall be deemed a "Non-Qualified Financing" for the purpose of this Section, including with respect to the price per share and class of shares which will be issued to Lenders, upon the Lender's Majority decision to convert the Principal Amount under this Section.

In February 2019, the Company's Board of Directors approved to increase the principal amount under the convertible loan to up to \$3,500. The additional amount was received fully during 2019.

The accrued interest will not be convertible in any case. The Convertible Loans were designated at fair value. See also note 18.1.

- b. In August 2019, the Company signed several convertible loan agreements with new investors in an aggregate amount of \$3,650 (hereafter- the "2019 CLA"). The Company received a total amount of \$3,413, net of commissions in the amount of \$237.

The 2019 CLA bears annual interest of 8%. The 2019 CLA principal amount shall be payable within 24 months after its respective issuance (the "Maturity Date").

The 2019 CLA shall be convertible under the following terms:

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**NOTE 5 - CONVERTIBLE LOAN (CONT.):**

- (1) Reverse Merger/IPO under the ASX - The conversion price will be a price per share equal to the lower of: (i) 20% less than such price per share determined in such IPO, and (ii) a conversion price per share reflecting a Company's pre-money valuation of \$24,000 calculated immediately prior to the issuance of the shares in such Qualified Round on a Fully Diluted Basis.
- (2) Upon the occurrence of change of control or a financing round of at least \$2 million ("Qualified Financing"), excluding the convertible loan amounts, the 2019 CLA principal amount will be automatically converted into the identical class of preferred shares issued in such Qualified Financing. The conversion price will be a price per share equal to the lower of: (i) 20% less than such price per share paid for the shares issued in such Qualified Financing, and (ii) a conversion price per share reflecting a Company's pre-money valuation of \$24,000 calculated immediately prior to the issuance of the shares in such Qualified Round on a Fully Diluted Basis.
- (3) If following the Maturity Date, the principal amount remains outstanding, then the Lenders providing the majority of the principal amount shall have the right, but not the obligation, to convert the entire principal and interest amount which is due on such date, into the most senior class of preferred shares then outstanding with the Company, at any time prior to, including, and following the Maturity Date. In such event, the conversion price will be a price per share equal to the pre-money Company's valuation in such Non-Qualified Financing divided by the outstanding share capital of the Company prior to the issuance of such shares in such Non-Qualified Round on a Fully Diluted Basis.

The accrued interest will not be convertible or payable in any case, except for liquidation.

See also note 18.4.

**Fair value measurement**

The fair value measurement of the convertible loan, was measured using the Black-Scholes frame work, is based on significant unobservable inputs a thus represent a level 3 measurement within the fair value hierarchy. The key inputs that were used in measuring the fair value of the convertible loan were: risk free interest rate- 1.7%, expected volatility-50%, expected dividend yield 0% and expected term- 3 year.

	<b>Convertible loan</b>
Convertible loan as of December 31, 2018	(1,275)
Receipts of convertible loan	(5,936)
Adjustments arising from translating financial operations	61
Change in fair value of convertible loan- Financial income	406
Convertible loan as of December 31, 2019	(6,744)

	<b>Fair value hierarchy</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
As of December 31, 2019				
Convertible loan	-	-	(6,744)	(6,744)

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**NOTE 6 - OTHER ACCOUNTS PAYABLE:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Employees, salaries and related liabilities	85	75
Accrued expenses	221	122
Institutions	74	47
Provision for vacation	28	29
Customers advances	35	77
Liability for royalties payable (See also note 13)	34	19
	<u>477</u>	<u>369</u>

**NOTE 7 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS:**

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows :

	<b>Loans</b>
<b>As of January 1, 2019</b>	<u>(1,275)</u>
Changes from financing cash flows:	
Change in fair value	406
Receipt of convertible loan	(5,936)
Effects of exchange rate differences	61
<b>As of December 31, 2019</b>	<u>(6,744)</u>

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**NOTE 8 - EQUITY:**

**Composed as follows as of December 31, 2019:**

	<u>Authorized</u>	<u>Issued and outstanding</u>
	<u>Number of shares as of December 31, 2019</u>	
Ordinary shares par value of NIS 0.01 per share	7,866,844	1,129,254
Series A Preferred shares	884,538	884,538
Series A-1 Preferred shares	1,248,618	1,248,618

**Composed as follows as of December 31, 2018:**

	<u>Authorized</u>	<u>Issued and outstanding</u>
	<u>Number of shares as of December 31, 2018</u>	
Ordinary shares par value of NIS 0.01 per share	7,866,844	1,125,280
Series A Preferred shares	884,538	884,538
Series A-1 Preferred shares	1,248,618	1,248,618

**Issuance of ordinary shares:**

During 2019 and 2018, certain employees exercised 3,974 and 110,950 options, respectively, into ordinary shares, for a total consideration of the par value.

**Issuance of preferred shares:**

During 2018 the Company issued 51,026 Series A-1 Preferred for a total consideration of 143.

**Share rights:**

Ordinary Shares confer to their holder the right to vote at, receive notices of, to attend and participate at all of the meetings of shareholders of the Company and the right to be paid its proportional part in any dividends that may be declared by the Company.

In addition, in the case of the winding-up of the Company, ordinary shares confer to their holder the right to take part in the distribution of the surplus assets, all in accordance with the provisions of the Company's articles of association.

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**NOTE 8 – EQUITY (CONT.):**

Preferred A and A-1 Shares:

The Preferred Shares confer on the holders all rights and restrictions accruing to holders of Ordinary Shares in the Company, and in addition, the holders of the Preferred Shares are entitled to such additional rights as stipulated in the Company's Amended Articles of Association.

The holders of Preferred Shares are in preference to the holders of Ordinary Shares, shall be entitled to receive, out of cash dividends declared and distributed by the Company as stipulated in the Company's Amended Articles of Association.

The Preferred Shares confer upon the holders certain liquidation preference, depending on the ratio between the assets available from distribution and the original purchase price, all as set forth in the Company's Amended Articles of Association.

The Preferred Shares are convertible into Ordinary Shares on a one-for-one basis at any time, at the holder's discretion. The Preferred Shares will be automatically converted into Ordinary Shares on a one-for-one basis upon certain events, all as set forth in the Company's Amended Articles of Association.

**Share based payment:**

During 2016, the Group established a share option plan (the "Plan"). Under the Plan, an amount of 539,876 options for ordinary shares have been granted to employees and service providers as of December 31, 2019. The options have an exercise price per share of \$0.003-\$2.803. The vesting period is up to 3 years, which begins on the grant date. Contractual life of the options under the Plan is 7 years. Part of the options were granted under section 102 to Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise. Another part of the options were granted to service providers under section 3.i to Israeli tax ordinance.

The fair value of share options was estimated by using a simulation based Black Scholes and Merton simulation approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility of the existing business is 45-52%.
- The dividend growth rate 0%,
- Expected term - 3 years

The valuation performed by an external valuator was based on management's assumptions.



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**NOTE 8 – EQUITY (CONT.):**

**Share based payment (cont.):**

The options to employees and service providers outstanding as of December 31, 2019 are comprised, as follows:

	<b>Year ended December 31, 2019</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price in USD</b>
Outstanding at beginning of year	214,094	0.4
Granted	145,443	1.18
Exercised	(3,974)	0.01
Forfeited	(26,642)	1.45
Outstanding at end of year	328,921	0.44
Exercisable options	171,141	0.51

	<b>Year ended December 31, 2018</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price in USD</b>
Outstanding at beginning of year	304,517	0.11
Granted	84,608	0.55
Exercised	(110,950)	0.01
Forfeited	(64,081)	0.01
Outstanding at end of year	214,094	0.4
Exercisable options	94,076	0.22

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**NOTE 9 - RESEARCH AND DEVELOPMENT EXPENSES:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Salary and related expenses	920	1,177
Share based payment	77	57
Subcontractors and consultants	169	253
Patents legal expenses	10	31
Others	284	186
	<u>1,460</u>	<u>1,704</u>

**NOTE 10 - SELLING AND MARKETING EXPENSES:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Salary and related expenses	680	210
Share based payment	85	45
Marketing fees	338	719
Travel abroad	64	35
Vehicles maintenance	4	11
	<u>1,171</u>	<u>1,020</u>

**NOTE 11- GENERAL AND ADMINISTRATIVE EXPENSES:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Salary and related expenses	324	234
Professional fees	627	155
Share based payment	236	49
Travel abroad	59	47
Depreciation	104	21
Others	262	112
	<u>1,612</u>	<u>618</u>

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**NOTE 12 - TAX ON INCOME:**

**1. General tax rate applicable to income in Israel:**

Israeli corporate tax rate is 23% in 2019 and 2018.

The Company in Israel has final tax assessments until 2015.

**2. Non - Israeli subsidiaries:**

Romanian corporate tax rate is 16% in 2019 and 2018. The Company in Romania has no final tax assessments.

UK corporate tax rate is 19% in 2019 and 2018. The Company in the UK has no final tax assessments.

**3. Net losses carry forwards:**

As of December 31, 2019, the Company has estimated carry forward tax losses of approximately 7,633 which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

**4. Tax reconciliation:**

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Loss before taxation	(3,574)	(3,204)
Tax credit at applicable statutory rate (2019 and 2018:23%)	(822)	(737)
Non-allowable expenses:	180	56
Tax losses and other differences for which no deferred tax asset was recognized:	642	681
Tax on income	-	-

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**NOTE 13 - LIABILITY FOR ROYALTIES PAYABLE**

1. The Group is committed to pay royalties to the Israeli government on income proceeds based on its product. Under the terms of the Israeli government funding program, the Group will pay royalties of 3% of the increase in sales. The royalties' payment shall not exceed 100% of the grant received. As of December 31, 2019 and 2018, the liability for royalties payable is 30 and 39, respectively.
  
2. In July 2018, the Foreign Trade Administration ("FTA") of the Israeli Ministry of Economy approved the Company's participation in the "Shalav" Program, which provides financial assistance for promoting sales and marketing activities in the UK market. For its marketing efforts in the UK, the FTA has approved a budget of \$116, from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of \$58, which was received in full in February 2019.  
  
Under the terms of the FTA, the Group will pay royalties of 3% of the sales derived in the UK. The royalties' payment shall not exceed 100% of the grant received. As of December 31, 2019, the liability for royalties payable is 35. (See also note 18.6).

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**NOTE 14 - RELATED PARTIES:**

The following transactions arose with related parties:

<b>Transaction - expenses</b>		<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Management Fee to CEO, shareholder and director		210	208
Short term salary expenses to VP finance, shareholder and director		137	105
Long term salary expenses to VP finance, shareholder and director		4	7
Share based payment to CEO, shareholder and director		184	58
Share based payment to VP finance, shareholder and director		60	27
Share based payment to related company		33	11
Consulting fees to related company		66	21
<b>Liabilities to related party</b>			
<b>Balances</b>	<b>Nature of transaction</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
CEO, shareholder and director	Management Fees	32	23
VP finance, shareholder and director	Short term salary expenses	13	5
Shareholders	Convertible loan	2,303	1,025

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**NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:**

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, trade accounts receivable and other accounts receivable, trade accounts payables and other accounts payables and Convertible loans. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Group to manage these risks are discussed below.

**Credit risk:**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the statement of financial position net of doubtful debt provisions estimated by the management based on prior year experience and an evaluation of prevailing economic circumstances. Wherever possible and commercially practical the Group holds cash with major financial institutions In Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	2,510	400
Trade accounts receivable	437	234
Other accounts receivable	136	45
Total	<u>3,083</u>	<u>679</u>

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**NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

**Currency risk:**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the NIS, USD, GBP and RON. The Group's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

<b>Assets</b>	<b>December 31, 2019</b>				
	<b>NIS</b>	<b>USD</b>	<b>GBP</b>	<b>RON</b>	<b>TOTAL</b>
Cash and cash equivalents	65	2,245	58	6	2,374
Trade accounts receivable	329	-	108	-	437
Other accounts receivable	82	-	15	5	102
	476	2,245	181	11	2,913
<b>Liabilities</b>					
	<b>NIS</b>	<b>USD</b>	<b>GBP</b>	<b>RON</b>	<b>TOTAL</b>
Trade accounts payable	(104)	(10)	(10)	(4)	(128)
Other accounts payable	(459)	-	-	(16)	(475)
Convertible loan	-	(6,744)	-	-	(6,744)
Lease liabilities	(331)		(69)	(29)	(429)
	(894)	(6,754)	(79)	(49)	(7,776)
<b>Net</b>	<b>(418)</b>	<b>(4,509)</b>	<b>102</b>	<b>(38)</b>	<b>(4,863)</b>

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**NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

**Currency risk (cont.):**

<b>Assets</b>	<b>December 31, 2018</b>				
	<b>NIS</b>	<b>USD</b>	<b>GBP</b>	<b>RON</b>	<b>TOTAL</b>
Cash and cash equivalents	79	175	13	-	267
Trade accounts receivable	227	-	-	-	227
Other accounts receivable	38	-	-	5	43
	<u>344</u>	<u>175</u>	<u>13</u>	<u>5</u>	<u>537</u>
<b>Liabilities</b>					
	<b>NIS</b>	<b>USD</b>	<b>GBP</b>	<b>RON</b>	<b>TOTAL</b>
Trade accounts payable	(47)	(29)	-	-	(76)
Other accounts payable	(281)	(76)	-	(15)	(372)
Convertible loan	-	(1,275)	-	-	(1,275)
	<u>(328)</u>	<u>(1,380)</u>	<u>-</u>	<u>(15)</u>	<u>(1,723)</u>
<b>Net</b>	<u>16</u>	<u>(1,205)</u>	<u>13</u>	<u>(10)</u>	<u>(1,186)</u>

**Sensitivity analysis:**

A 10% strengthening of the Euro against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
NIS	10	(1)
USD	(451)	120
GBP	(17)	(1)
RON	<u>(2)</u>	<u>1</u>



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**NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

**Liquidity risks:**

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	<b>Up to 3 Months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 year</b>
<b>At December 31, 2019</b>			
Trade accounts payable	(128)	-	-
Other accounts payable	(860)	-	(20)
Lease liabilities	-	(149)	(280)
Convertible loan	-	(3,500)	(3,650)
<b>Total</b>	<b>(988)</b>	<b>(3,649)</b>	<b>(3,950)</b>

	<b>Up to 3 Months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 year</b>
<b>At December 31, 2018</b>			
Trade accounts payable	(76)	-	-
Other accounts payable	(340)	(29)	(20)
Convertible loan	-	-	(1,275)
<b>Total</b>	<b>(416)</b>	<b>(29)</b>	<b>(1,295)</b>

**WAY2VAT LTD.**  
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**NOTE 16 - SUBSIDIARIES:**

The principal subsidiaries of Company, all of which have been consolidated in these consolidated financial statements, are as follows:

Entity name	Country of incorporation	Proportion of ownership interest at December 31		Held by
		2019	2018	
WAY 2 VAT SRL	Romania	100%	100%	WAY 2 VAT Ltd.
WAY 2 VAT UK Limited	UK	100%	100%	WAY 2 VAT Ltd.
WAY 2 VAT SASU	France	100%	100%	WAY 2 VAT Ltd.
WAY 2 VAT Inc.	USA	100%	100%	WAY 2 VAT Ltd.

**WAY2VAT LTD.**  
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**NOTE 17 - LEASES:**

The Group has lease contracts for office facilities and vehicles used in its operations. Leases of office facilities generally have lease terms of between 2 and 3 years and vehicles generally have lease terms between 2 and 3 years, The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	<u>Office facilities</u>	<u>vehicles</u>	<u>Total</u>
<b>At January 1, 2019</b>	-	11	11
Additions	482	-	482
Depreciation expense	(71)	(6)	(77)
Change in terms of lease	(10)	-	(10)
Adjustments arising from translating financial operations	3	-	3
<b>As at December 31, 2019</b>	<u>404</u>	<u>5</u>	<u>409</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<u>2019</u>
<b>At January 1, 2019</b>	11
Additions	482
Accretion of interest	21
Payment	(79)
Change in terms of lease	(10)
Adjustments arising from translating financial operations	4
<b>As at December 31, 2019</b>	<u>429</u>

The following are the amounts recognized in profit or loss:

	<u>2019</u>
Depreciation expense of right-of-use assets	77
Interest expense on lease liabilities	21
<b>Total amount recognized in profit or loss</b>	<u>98</u>

The Group had total cash outflows for leases of 79 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of 482 in 2019.

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**NOTE 18 - SUBSEQUENT EVENTS:**

1. In April 2020, the Company signed an amendment to the 2018 CLA, under which the Maturity date has been extended by 12 months.
2. In July 2020, the Company signed a Short term loan agreement (hereafter – the "Loan") with a bank in the amount of approximately \$521. The consideration relating to the Loan shall bear an annual interest of Prime+4.5%.  
  
As of the signing date of these financial statements, the Company received the full Loan amount, which was received in New Israeli Shekel.  
  
In addition, the Company pledged all its assets to the bank, in order to ensure the repayment of the loan given to the Company by the bank.
3. In July 2020, the Company received approval from the Israeli Chief Scientist Office for a budget of \$1,472, for R&D expenditure .Out of which a grant of 50% of the actual expenses related to the program in the amount of \$736. As of the signing date of these financial statemtns, the Company received an amount of \$368.
4. In August 2020, the Company completed an additional convertible loan raise of \$1,705 from new and existing investors. As of the signing date of these financial statements, the Group received a total amount of \$1,590, net of commissions in the amount of \$65.
5. During 2020, certain employees exercised 13,068 options into ordinary shares, for a total consideration of \$1.
6. In November 2020, the Foreign Trade Adminstration ("FTA") of the Israeli Ministry of Economy approved the Company's participation in the "Shalav" Program, which provides financial assistance for promoting sales and marketing activities in the UK market.  
  
For its marketing efforts in the UK, the FTA has approved a budget of \$167, from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of \$84.
7. The world is currently experiencing an event with actual or potential macroeconomic consequences, originating from the spread of the Corona virus (COVID 19) in many countries globally (hereinafter - "the Coronavirus" or the "Event"). Following the Event, many countries, including Israel, are taking significant steps to try to prevent the spread of the Coronavirus, such as restrictions on civilian movement, gatherings, transit restrictions on passengers and goods, and closing borders between countries, etc. As a result, the Event and the actions taken by the various countries have or may have significant implications on many economies as well as capital markets worldwide.  
  
As of the date of approval of the financial reports, all sites in which the Company operates are active and operate as planned. Furthermore, the Company does not foresee any material changes in sales and marketing activity in all of its sites due to the COVID 19 in the foreseeable future.