WAY 2 VAT LTD

ARBN 637 709 114

ANNUAL REPORT 2022

Way 2 Vat Ltd (ASX: W2V)
Corporate Directory
31 December 2022

Directors	Adoram Ga'ash Amos Simantov David Assia David Buckingham Robert Edgley Ayelet Verbin
Joint Company Secretaries	Lucy Rowe (appointed 23 August 2022) Emily Austin (appointed 23 August 2022) Sujani Goonatilleka (resigned 27 May 2022) David Hwang (resigned 23 August 2022)
Registered Office	C/ - Automic Group Pty Ltd Level 5, 126 Phillip Street Sydney, NSW 2000
Principal Place of Business (Israel)	3rd Floor, 34A Ha'Barzel Street Tel Aviv, Israel 6971051 Telephone: 97 2 3 508 0022 Email: info@way2vat.com Website: www.way2vat.com
Share Register	Automic Registry Services Level 5, 126 Phillip Street Sydney, NSW 2000
Auditor	BDO Israel Amot BDO House, 48 Menachem Begin Road Tel Aviv, Israel 6618001
Australian Legal Advisors	Thomson Geer Level 27, Exchange Tower 2 The Esplanade Perth WA 6000
Israeli Legal Advisors	Kafri Leibovich 3rd Floor, 11 Habarzel Street Tel Aviv, Israel 6971017

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Way2Vat's annual report for the financial year ending 31 December 2022 (FY22).

2022 was a productive year for Way2VAT as we expanded our product suite, made a strategic acquisition allowing us to move into another new market, increased our enterprise and SMB client list and proved our capability to scale our tech platform as trading conditions began to return to normal after the COVID pandemic.

During the year we increased our client list to 250 enterprise . The large multinational brands we've brought on have increased our global footprint, and the smooth integration with existing and new partnerships has enabled us to grow and strengthen our position as a leader in automated VAT/ GST recovery solution provision.

As the year evolved, travel and expense activity are picking up again towards the pre-COVID levels, mirroring increased business travel. In April 2022 we launched our world-first Smart Spend Debit Mastercard and have held successful pilots in targeted sectors, now rolling it out in select markets. In time we expect to add additional revenue streams from, interchange fees, and payment solutions as business travel and expense payable management is automated.

This momentum drove the strong growth which saw our gross transaction value increase by 57% to A$21.33 million on the prior year; the gross transaction value being a leading indicator of revenues we expect to receive.

Importantly, normalising business travel and improved market conditions has meant the amount of time needed by government tax authorities to process claims, after they have been booked by the Company as revenue, has halved to about 7.5 months, after reaching nearly 15 months during the COVID period. This reduced lag time is now contributing significantly to increasing cash receipts.

In line with our growth strategy, we acquired Spanish VAT automation business DevoluIVA opening a significant new market for us in Spain, which has a different VAT and accounts payable claim regime to most of the rest of Europe and with the potential for markets in certain Latin American countries. We are already recognising significant transaction volume and revenue from a broader product suite through their extensive national network which leads the local market.

To ensure our technology platform remains at the forefront of innovation, we added a complementary product for our VAT/GST automated platform based on AIA (Automated Invoice Analysis – Way2Vat Patented technology), AI (Artificial Intelligence) and computer vision technology.

Our strong transaction growth during the reporting period reflects our increased marketing and sales efforts and product evolution which has enabled us to harness improving market conditions with business, international and domestic travel and foreign Accounts Payable.

The tremendous achievements we have seen in FY22 would not have been possible without the continuing dedication of our Founder and CEO Amos Simantov and the hard work of the entire staff of Way2Vat. I'd like to thank them all for their loyalty, commitment, and outstanding effort.

On behalf of the Board, I would also like to thank our loyal shareholders for their continued support during 2022. We have more than doubled transaction volume from last year and added significant new partnerships and contracts in key markets. We will continue to build on the solid progress we made this year to increase our client base, expand into new markets, and capitalise on opportunities to deliver value.

Adoram Ga'ash
Non-Executive Chairman

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Directors' Report
31 December 2022

The Directors present their report, together with the financial statements of Way 2 Vat Ltd ("the Company" or "Way 2 Vat") for the year ended 31 December 2022.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Amos Simantov	CEO and Managing Director	19 February 2014	-
Adoram Ga'ash	Non-Executive Director	10 February 2016	-
David Assia	Non-Executive Director	02 December 2018	-
Ayelet Verbin	Non-Executive Director	09 September 2021	-
Robert Edgley	Non-Executive Director	09 September 2021	-
David Buckingham	Non-Executive Director	09 September 2021	-

Principal Activities

During the financial year, the principal activities of the Company expanded to now include VAT reclaim for accounts payable as well as travel expenses. The company launched a Smart Spend Debit Mastercard and expanded into Spain with the acquisition of leading Spanish VAT automation business DevoluIVA. The Company continued to sign on new enterprise clients and increasing SMB clients through indirect sales with strong technology and accounting partnerships.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2022 (2021: nil).

Review of Operations

Our overall growth in 2022 was driven by foreign and domestic travel returning to pre-pandemic levels. This enabled the Company to attract new enterprise clients and in new sectors with more claims being submitted. Improved market conditions also saw the time needed by government tax authorities to process claims reduce to about 7.5 months (similar to pre-pandemic), after reaching nearly 15 months during the COVID period.

This increased business activity saw FY22 gross transaction value, increase 57% on the prior year to A$21.33 million. Importantly, the gross transaction value is a leading indicator of revenues the Company expects to receive.

After launching the Smart Spend Debit Mastercard, the world's first spending card automating VAT/GST returns for the SMB and Enterprise market in April 2022, the Company moved from pilot into production to generating revenue. The product supports both control and compliance of the expense management cycle using a corporate debit card. This focus on unique products along with strategic acquisitions added two new revenue streams, and Way 2 Vat will continue to invest in and develop these initiatives.

Way 2 Vat's acquisition of Spanish company DevoluIVA in the second half enabled it to enter a new market, with the Spanish market having a different VAT structure to most countries in Europe. This acquisition will contribute to growth in transaction volume and revenues and widen Way 2 Vat's presence in the global market.

The Company raised A$2.49 million during the year from share placements which is being invested to scale the marketing capability of the Company's broader suite of products, the rollout of its Smart Spend Debit Mastercard and to continue to optimise the patented technology platform.

Financial Overview

Results for the year included the following key movements:

- Transaction volume of A$21.33 million, up 57% on pcp (FY21: A$13.57 million) attributable to the increasing transaction volume and increasing value claims, supported by the return of the international travel of customers during the year.
- Reported revenue of A$1.88 million, up 7% on pcp (FY21: A$1.76 million) with operational revenue of €$1.24 million, before adjusting for currency translation, up 11% on pcp (FY21: €$1.12 million).
- Cash balance of A$1.52 million at 31 December 2022.
- A$2.49 million raised in share placements to accelerate growth opportunities for expanded product suite.

Growth strategy

In 2022, the Company secured major multinational clients increasing the enterprise client count to 250, a 25% increase over 12 months. Significant clients include TikTok, Playmobil, BASF Spain, Pizza Hut Spain, Duracell and Artsana.

Additionally, Way2VAT increased its SMB (small-medium business) clients to 900 in FY2022, a 29% increase on the prior year, through its successful IT and accounting partnership with six key partners Xero, Zoho, WebExpense, Sage, Circula, Allocate and DevoluIVA. Way2VAT originates its revenue from these clients through one-year contracts based on each successful VAT reclaim transaction that it processes through the Way2VAT platform, with the ability to process large numbers of reclaims without substantially increasing the cost of processing. These partners proactively offer the Way2VAT platform to clients.

On 21 September 2022, the Company acquired DevoluIVA, Spain's first fully digital solution for corporate expense and VAT recovery. DevoluIVA provides automated management of corporate expenses and automatic recovery of domestic VAT services through over 35,000 merchants via its platform.

The acquisition also supported the rollout of the world's first Smart Spend Debit Mastercard throughout DevoluIVA's established network. Integration of DevoluIVA has progressed as planned with the consolidation of support functions now largely complete and the sales teams are now coordinating new business development opportunities.

Product development

During the year Way 2 Vat successfully piloted and launched the world's first spending card automating VAT/GST returns for the SMB and Enterprise market. Built to meet customer demand, the Smart Spend Debit Mastercard provides businesses with the capability to submit spend receipts and capture invoices through Way2VAT's proprietary technology platform.

The Smart Spend Debit Mastercard enables Way 2 Vat to upsell to existing enterprise and SMB clients as well generating additional new income streams through a Software-as-a-Service (SaaS) model consisting of monthly charges to card users, administration licenses and a percentage from each successful VAT/GST refund.

Research and development and patents

Way 2 Vat's AI-based platforms use natural language processing (NLP) and machine learning algorithms to interpret VAT/GST regulations, extract relevant information from millions of invoices, and generate accurate VAT reclaim in 40 different countries. The AI- software automates the filing process by validating the data, identifying errors, and submitting the claims to TAX authorities with e-filing.

Further, the AI VAT compliance identify potential noncompliance by analysing large volumes of data from different sources. AI can detect inconsistencies, anomalies, and patterns that would otherwise require a lot of manual labor to uncover.

Overall, Way 2 Vat's AI technology is helping to streamline tax processes, reduce errors, and improve compliance.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

In connection with the short term loan mentioned in note 9.a, the company signed an additional agreement with the bank in February 2023 under which the short term loan shall be extended until May 31, 2023.

In March 2023, the Company received an amount of NIS 156 (approximately $43) from the IIA , in connection with the approval mentioned in note 19.1.

Other than the above, no further matters have arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

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Directors' Report
31 December 2022
Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Information on Directors

Amos Simantov	**Chief Executive Officer and Managing Director**
Qualifications	BA and MBA Tel Aviv Unveracity
Experience	Mr Simantov has more than 25 years of experience as an executive including as CEO, and EVP Sales of major global high-tech enterprises such as SintecMedia/Operative, Rit Technologies (a NASDAQ Company), Lognet Systems, and ADI. Mr Simantov specialises in the SaaS platform, Fintech, broadcast, IT and telecom industry and has a track record in leading companies to economic success, including several exits and successful mergers and acquisitions.
Interest in shares and Options	8,536,221 Ordinary shares 3,972,414Performance Rights 16,890,321 Options
Adoram Ga'ash	**Non-Executive Chairman**
Qualifications	BScEE in Computer Engineering - Israeli Institute of Technology (Technion) MBA, and an MA (Cum laude) in Philosophy from Tel Aviv University
Experience	Mr Ga'ash has a track record of 20 years as a venture capitalist and in startups leadership. Prior to founding Moneta VC, Mr Ga'ash founded StageOne VC which invested in approximately 20 start-ups and resulted in seven exits. Later in his career, Mr Ga'ash joined Silicon Valley based investment bank, GrowthPoint Technology Partners, to head up the Israeli practice and in this role, he has assisted start-ups with exploring their exit strategy with global companies. Earlier in his career, Mr Ga'ash founded Radwiz that was subsequently acquired by a Silicon Valley company.
Interest in shares and Options	13,534,332 Ordinary shares 476,688 Performance Rights 3,355,577 Options
David Assia	**Non-Executive Director**
Qualifications	B.A. degree in economics and statistics and an M.B.A. degree, from Tel Aviv University

Experience	Mr David Haim Assia is a serial entrepreneur and angel investor, being one of the pioneers of the vibrant Israeli high tech software industry. Mr Assia founded multiple global companies and listed them on either NASDAQ or TASE (Tel-Aviv Stock Exchange). Mr Assia is the Chairman of iAngels, a leading crowd funding platform and is actively involved as a lead angel and a director in multiple high-tech companies. Mr Assia also runs his family's, privately held, investment company, Nadyr Investments Ltd. Prior to iAngels, Mr Assia was the executive Chairman of eToro, the world's largest social trading network. In 1986, Mr Assia co-founded Magic Software, where he served as either Chairman or CEO until 2007. Magic Software is a global international software company with world class innovative development and integration platforms. Magic Software was the first Israeli Software Company to be listed on NASDAQ (MGIC) in 1991. In 1980, Mr Assia co-founded Mashov Computers, the leading micro-computer software company in Israel, being one of the first high tech companies to be listed three (3) years later, on the Tel-Aviv Stock Exchange – TASE. Mr Assia is involved in educational institutions such as the Weizmann Institute of Science, the Israel Education Fund, Tel-Aviv University and Yeda Research and Development, the technology transfer office of the Weizmann Institute. Mr Assia is also on a board member of the First International Bank of Israel and DBmaestro and Become (formerly Lending Express).
Interest in shares and Options	3,954,668 Ordinary shares
Ayelet Verbin	**Non-Executive Director**
Qualifications	An LLB from the Hebrew University and an LLM (with honors) in commercial law from the Tel Aviv university-Berkeley program
Experience	Ms Verbin has had a versatile career in the business sector as well as the public sector. Ms Nahmias Verbin started her career as an assistant in the Prime Minister's office under the leadership of the late Itzhak Rabin. After several years, Ms Nahmias Verbin moved to the private sector where she served as a board member in several leading companies and as Chairperson of Tavlit Plastic, a water technologies company founded by her late father. A lawyer since 1996, Ms Nahmias Verbin specialises in corporate law and the capital markets and is considered a leading expert in corporate governance. She has been lecturing in Lahav

	Management School in Tel Aviv Koller Management faculty since 2005. As a Member of Knesset (2015-2019), Ms Nahmias Verbin served in the economic committee, security and foreign relations committee, house committee and special hearing committee of the Israeli credit market and has a unique background in regulation. In 2016 she was awarded with the "excellent MK" rating by Israel Democracy institute (IDI). Currently, Ms Nahmias Verbin has taken on public and voluntary roles and re-assumed positions in the business sector. Since early 2020, Ms Nahmias Verbin has served as Vice President of the Israeli Manufacturer's Association, Chairman of Tavlit Plastic, Chairperson of Jready – the global crises management of the Jewish agency as well as the fund of the victims of terror. In the business sector, Ms Nahmias Verbin also serves as a board member in several companies.
Interest in shares and Options	1,000,000 Options
Robert Edgley	**Non-Executive Director**
Qualifications	Bachelor of Economics and Japanese Language, Monash University in Melbourne
Experience	Mr Edgley has served multiple board roles throughout his career. Previously serving as a founding non-executive director for Praemium Limited (ASX:PPS), Mr Edgley saw the company through its listing on the ASX in 2006 and served as the chairman for the audit and risk committee, due diligence committee and remuneration and nomination committee. Mr Edgley is currently the non-executive director for EVZ Limited (ASX:EVZ) and SelfWealth Limited (ASX:SWF) and is the non-executive chairman for DataMesh Limited.
Interest in shares and Options	196,078 Ordinary shares 2,000,000 Options
David Buckingham	**Non-Executive Director**
Qualifications	Bachelor of Technology (Hons) from the Loughborough University of Technology ACA Chartered Accountant in England & Wales and a member of the Australian Institute of Directors
Experience	Mr Buckingham has over thirty years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career in the Audit and Corporate Finance team at PricewaterhouseCoopers in the UK and

	Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries. Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, Virginmedia, as Finance Director Business Division and iiNet (ASX:IIN) where he held the roles of chief financial officer and chief executive officer between 2008 and 2015. Mr Buckingham is currently the non-executive chairman of Pentanet Limited (ASX:5GG), , non-executive director of Nuheara Limited (ASX:NUH) and non-executive director of Hiremii Limited (ASX:HMI).
Interest in shares and Options	476,114 Ordinary shares 2,000,000 Options

Joint Company Secretaries

- Sujani Goonatilleka (resigned 27 May 2022)
- David Hwang (resigned 23 August 2022)
- Emily Austin (appointed 23 August 2022)
- Lucy Rowe (appointed 23 August 2022)

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

Board	Number eligible to attend	Number attended
Amos Simantov	13	13
Adoram Ga'ash	13	13
David Assia	13	12
Ayelet Verbin	13	11
David Buckingham	13	13
Robert Edgley	13	13

Audit and Risk Committee

Name of Director	Number Eligible to Attend	Number Attended
Ayelet Verbin	2	1
David Buckingham	2	2
Robert Edgeley	2	2

Shares under Option

Unissued ordinary shares of Way 2 Vat Ltd under option at the date of this report are as follows:
Options37,857,604

Shares issued on the exercise of options

During the year ended 31 December 2022 no options were exercised.

Performance Rights

As at 31 December 2022, the Company had 4,766,894 Performance Rights on issue.

Performance rights lapsed during the year

During the year ended 31 December 2022 4,966,212 performance rights were lapsed as the relevant milestone was not met.

The Performance Rights had been issued as a cost effective and efficient way to appropriately incentivise or remunerate the continued performance of Messrs Simantov, Ga'ash and Barshaf and are not ordinary course of business remuneration securities.

The remaining balance of 4,766,894 performance rights (class 2) lapsed on February, 2023.

State of Incorporation

The Company is incorporated in Israel under the Israeli Companies Law. As a foreign company registered in Australia, the Company is subject to different reporting regime than Australian companies.

Indemnity and insurance of Officers

The Company indemnifies each of its directors, officers and company secretary.

The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure directors and officers against any liability which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

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Directors' Report
31 December 2022
Insurance premiums

During the period the Company maintained insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract the nature of the liabilities insured against and the premium paid cannot be disclosed.

Non-audit Services

During the year, BDO Ziv Haft the Company's auditor did not provide any services other than their statutory audits.

Auditor's Independence Declaration

The Auditor's independence declaration for the year ended 31 December 2021 has been received and included in the financial report.

Future Developments, Business Strategies and Prospects

The company will explore merger and acquisition deals in the VAT related domain to extend its market share and presence in new markets.

In addition, Way 2 Vat will k6eep investing in its proprietary technology based on Artificial Intelligence and Computer Vision to provide innovative complementary products to its current and future business clients, including a smart spending card (purchase card) to support both control and compliance of expense management cycle using corporate debit card and virtual wallet, as well as to integrate such corporate card with Way2Vat core automated VAT reclaim platform.

Corporations Act 2001

As a foreign company registered in Australia, the Company will not be subject to Chapters 6a, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. Substantial holders and takeover).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares.

Otherwise, the acquisition of the company's securities are generally not restricted by the company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

Amos Simantov
CEO and Managing Director

DECLARATION OF INDEPENDENCE BY BDO ZIV HAFT TO THE DIRECTORS OF WAY2VAT LTD.

As lead auditor of Way2Vat Ltd. for the year ended 31 December, 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Way2Vat Ltd.

Tel-Aviv, Israel

March 31, 2023

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

WAY2VAT LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

WAY2VAT LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

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Independent Auditors' Report 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, 2022 and the related consolidated statements of loss and other comprehensive Loss, changes in equity and cash flows for the year 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 of December 31, 2022 and of its financial performance, the changes in equity (deficit) and its cash flows for the year 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.

Material uncertainty related going concern

We draw attention to note 1(3) of the financial statements, which indicates among other factors, the company has incurred negative cash from operation of $ 3,163 thousand and net losses of $ 4,562 thousand during the year ended December 31, 2022. As stated in note 1(3), these matters, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of that matter.

Key Audit Matters

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

Share based payment	***How the matter was addressed in our audit***
The Company has a share-based remuneration scheme. The fair value of share options is estimated by using the pricing model, on the date of grant based on certain assumptions. The fair value of the share-based payment granted is charged to the statement of comprehensive income over the vesting period of each tranche and the credit is taken to equity, based on the Company's estimate of equity instruments that are expected to vest. Some of the share options plans have performance conditions in addition to service conditions.	Our procedures in respect of this area included: • Reviewing the terms of the share-based scheme and ensuring that they were appropriately accounted for. • Holding discussions with key management personnel to understand the share-based payment schemes and the changes made to the awards, if any. • Reviewing communications to scheme members regarding any changes and the reviewing shareholder's approval.

Share-based payments is a complex accounting area including assumptions utilized in the fair value calculations. There is a risk that amounts are incorrectly recognized and/or inappropriately disclosed in the financial statements. The accounting policy for share-based payment is described in Note 2, and the assumptions are disclosed in note 10 of the accompanying financial statements.	• Evaluating, with our valuation experts, the calculation of the fair value as held by the Company's independent valuation expert. • Recalculating the estimated charge which reflect the best estimate of the number of options expected to be vested. • Confirming the inputs to the calculations, where appropriate, to external data. • Considered the adequacy of the Company's disclosures in respect with the treatment of share-based payments in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the management's discussion and analysis for the year ended 31 December 2022 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the management's discussion and analysis for the year ended 31 December 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 engagement partner on the audit resulting in this independent auditor's report is Yaniv Cohen.

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

Tel Aviv, Israel
March 31, 2023

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(USD in thousands)

	Note	As of December 31, 2022	As of December 31, 2021
ASSETS			
Current Assets:			
Cash and cash equivalents		1,030	3,132
Trade receivables	4	1,669	1,466
Other accounts receivable		493	219
		3,192	4,817
Non-Current Assets:			
Right-of-use assets	23	363	201
Intangible Assets	5	776	-
Property, plant and equipment, net	6	129	167
		1,268	368
Total Assets		4,460	5,185

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(USD in thousands)

	Note	As of December 31, 2022	As of December 31, 2021
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Credit line	9	876	857
Trade payables		467	135
Lease liabilities	23	86	154
Contingent consideration	5	102	-
Other accounts payable	8,19	1,491	896
		3,022	2,042
Non-Current Liabilities:			
Borrowings	10	145	-
Contingent consideration	5	307	-
Deferred tax liability	5	30	-
Lease liabilities	23	273	81
Liability for royalties payable	19	344	238
		1,099	319
Equity:	12		
Share capital		706	481
Additional paid in capital		19,844	18,057
Share based payment reserve		3,245	2,996
Adjustments arising from translation to reporting currency		(520)	(336)
Accumulated deficit		(22,936)	(18,374)
Total Equity		339	2,824
Total Liabilities and Equity		4,460	5,185

Amos Simantov CEO & Director	Smadar Noy VP Finance	March 31, 2023 Date of approval of financial statements

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(USD in thousands)

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Revenues	13	1,305	1,321
Cost of revenues		300	275
Gross profit		1,005	1,046
Research and development expenses	14	1,680	1,565
Selling and marketing expenses	15	1,268	1,521
General and administrative expenses	16	2,888	2,689
Operating loss		(4,831)	(4,729)
Financial expenses	17	(64)	(1,661)
Financial income	17	333	9
Loss before taxes on income		(4,562)	(6,381)
Taxes on income	18	-	-
Loss for the year		(4,562)	(6,381)
Other comprehensive income (loss), net of tax:			
Item that will not be reclassified to profit or loss:			
Exchange gains (loss), arising on translation to reporting currency		(184)	174
Total comprehensive loss for the year		(4,746)	(6,207)
Loss per share			
Basic and diluted loss per share ($)	24	(0.0267)	(0.0903)

The accompanying notes are an integral part of the financial statements

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(USD in thousands)

	Share capital	Additional paid in capital	Shares based payment reserve	Adjustments arising from translation to reporting currency	Accumulated deficit	Total
Balance on January 1, 2021	8	4,969	1,058	(510)	(11,993)	(6,468)
Changes during 2021:						
Loss for the year	-	-	-	-	(6,381)	(6,381)
Other comprehensive income	-	-	-	174	-	174
Total comprehensive income (loss)	-	-	-	174	(6,381)	(6,207)
Issuance of shares upon IPO, net of Issuance expenses	109	4,147	-	-	-	4,256
Issuance of bonus shares	110	(110)	-	-	-	-
Issuance of shares upon conversion of convertible loans	254	8,980	-	-	-	9,234
Exercise of options to ordinary shares	*	71	(71)	-	-	*
Share based payment	-	-	2,009	-	-	2,009
Balance on December 31, 2021	481	18,057	2,996	(336)	(18,374)	2,824
Changes during 2022:						
Loss for the year	-	-	-	-	(4,562)	(4,562)
Other comprehensive loss	-	-	-	(184)	-	(184)
Total comprehensive loss for the year	-	-	-	(184)	(4,562)	(4,746)
Issuance of shares, net of Issuance expenses	191	1,368	-	-	-	1,559
Acquisition of controlled entity (see note 5)	34	246	-	-	-	280
Exercise of options to ordinary shares	*	13	(13)	-	-	*
Expiration and forfeiture of Share based payment	-	160	(187)	-	-	(27)
Share based payment	-	-	449	-	-	449
Balance on December 31, 2022	706	19,844	3,245	(520)	(22,936)	339

*) Represent an amount lower than $1 thousand.

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

	Year ended December 31,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(4,562)	(6,381)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	183	225
Change in fair value of convertible loans	-	1,247
Change in fair value of contingent consideration	(185)	-
Financial expense (income), net	(38)	21
Share based payment	422	1,659
Change in liability for royalties payable	147	23
Changes in assets and liabilities:		
Change in trade receivables	(290)	(583)
Change in other accounts receivable	111	(84)
Change in trade payables	455	(58)
Change in other accounts payable	618	(108)
Cash from operations	(3,139)	(4,039)
Interest paid	(24)	(11)
Net cash used in operating activities	(3,163)	(4,050)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of controlled entity	2	-
Purchase of property, plant, and equipment	(11)	(29)
Net cash used in operating activities	(9)	(29)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of options to ordinary shares	*	*
Net Proceeds from issuance of shares upon IPO (see note 5)	1,559	4,606
Credit line, net	127	524
Principal paid on lease liabilities	(143)	(146)
Receipt of IIA grant	-	247
Royalties paid to the IIA	(31)	(11)
Receipt of convertible loans, net	-	50
Net cash provided by financing activities	1,512	5,270
Net increase (decrease) in cash and cash equivalents	(1,660)	1,191
Cash and cash equivalents at the beginning of the year	3,132	1,912
Effects of exchange rate changes on cash and cash equivalents	(442)	29
Cash and cash equivalents at the end of the year	1,030	3,132
APPENDIX A - NON-CASH ACTIVITIES:		
Recognition of right of use assets and lease liabilities	300	74
Issuance of shares upon conversion of convertible loans	-	9,234

*) Represent an amount lower than $1 thousand.

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

NOTE 1 - GENERAL:

1. Way2Vat Ltd. ("the Company") was incorporated on February 19, 2014, under the laws of Israel and commenced operations on March 1, 2016. The Company is listed, and its shares are publicly traded on the Australian Securities Exchange ("ASX"), see also note 12. 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 22.
3. The company financed its operation through fundraising via its listing on the ASX, private placements, credit lines from Banks and Governments grants from the Israel Innovation Authority. Going forward the company will seek to finance its operations by additional credit, governmental grants and/or other fund raising from investors. As of December 31, 2022 the Company has incurred negative cash from operation of $ 3,163 and net losses of $ 4,562 thousand for the current year. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

   The directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceeds from:

   - Growth in revenues from existing and new clients, including revenues from the Company's recently launched new Smart Spend Card product;
   - Additional revenues and synergies that will arise from the recently announced acquisition of DevoluIVA S.L.U. (DevoluIVA) in Spain;
   - Lower operating costs following a restructuring of existing operations in Q2 FY22;
   - Recently awarded Research and Development grants from the Israeli Innovation Authority ("IIA"); and
   - the Directors expect to maintain continued support from shareholders and other financiers that have supported the consolidated entity's previous capital raisings such that the Company could reasonably expect to be able to raise sufficient funds to meet future working capital needs.

   The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished. The financial statements do not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

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 are 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.

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 22.

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.

functional and foreign currency

The reporting currency of the Group is U.S. Dollars, which provides relevant information for most investors and users of the financial statements. 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 functional currency of WAY2VAT LTD. is EUR, the functional currency of WAY2VAT UK Limited is the pound sterling ("GBP"), the functional currency of WAY2VAT SRL is the RON.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss and other comprehensive income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

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 market participants act in their economic best interest.

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.

<u>Classification by fair value hierarchy</u>

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. Financial assets

   The Group classifies its financial assets 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 (except trade receivables that initially recognized at transaction price) and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

   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 creates 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 deficit.

   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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 resulted from default events that are possible within the next 12-months (a 12-month ECL); For 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 risks, but recognizes a loss allowance based on lifetime ECLs at each reporting date instead. 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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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:

	Annual depreciation rate (%)	Main annual depreciation rate (%)
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 recognized 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 derecognized 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 year. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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 and reversals are included in general and administrative expenses.

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 did not meet the criteria set forth in IAS 38.

Leases

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 leasee 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 based on termination option being exercised.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 rate of the lease liability 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 the over the useful life of the underlying asset. Lease liabilities are re-measured 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 re-measurement being recognized against the book value of the right of use assets. The Group applied the following practical expedients when applying IFRS 16 - a single discount rate to a portfolio of leases with reasonably similar characteristics.

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.

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 foreseen 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 profit or loss. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Liability for royalties payable

Grants received from the IIA for Israel Innovation Authority (henceforth "IIA") as support for a research and development projects include an obligation to pay back royalties' conditional on future sales arising from the project. Grants received from the IIA are accounted for as forgivable loans, accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest at the date of receiving the grant, unless there is reasonable assurance that the company will meet the conditions for the forgiveness of the loan, then recognized as a government grant. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recognized in profit or loss. At the end of each reporting period, the company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recognized in profit or loss as an adjustment of research and development expenses.

loss per share

loss per share is calculated by dividing the net profit, by the weighted number of ordinary shares and series A & A-1 preferred shares outstanding during the period (those shares were converted to ordinary shares in 2021). Basic earnings per share only include shares that were outstanding during the period.

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.

Revenue from VAT claims is recognized in a point of time when control of the services is transferred to the customer. The submission of the claim is the date on which control pass.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is charged to the profit or loss over the vesting period. Non-market vesting conditions are considered 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.

(USD in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee benefits

The Group has several employee benefits 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 its employee's 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 plan assets.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

In the process of applying the significant accounting policies, the Group has made the following estimates and judgments which have the most significant effect on the amounts recognized in the financial statements:

Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Liability for royalties payable

The Group measured Liability for royalties' payable, each period, based on discounted cash flows derived from Group's future anticipated revenues. The discount rate reflects the market rate at the date of receiving the grant.

NOTE 4 – TRADE RECEIVABLES

	As of December 31,	
	2022	**2021**
Israel	423	622
Europe	1,246	844
	1,669	1,466

Major customer:

Out of the Trade receivables balance of December 31, 2022, 21% (2021: 25%) was attributed to client A, and 11% (2021: 16%) was attributed to client B.

NOTE 5 - INVESTMENT IN SUBSIDIARIES:

On 20 September 2022, the Company signed a binding share sale agreement with Voxel Media, S.L (Voxel) to acquire 100% of the issued share capital of a Spanish company DevoluIVA S.L.U. (DevoluIVA), a company that offers comprehensive management of corporate expenses and the automatic recovery of national VAT services.

The Company issued to the shareholders of DevoluIVA 11,704,463 shares on the day of the purchase.

Under the terms of the Agreement, Voxel will be entitled to receive earn-out payments in shares which will accrue as follows:

- 1st Earn Out (12 months post closing) – Voxel will be entitled to receive such number of the Company shares equivalent in value to the greater of: €500,000; or the total of 1.5 times of the difference between DevoluIVA's 2022 annual revenues derived from its VAT recovery related activity (2022R) less €500,000, divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the 1st Earn-Out Date).
- 2nd Earn Out (24 months post closing) – Voxel will be entitled to receive such number of the Company shares equivalent in value to the greater of: €500,000; or the total of 1.5 times of the difference between DevoluIVA's 2023 annual revenues derived from its VAT recovery related activity (2023R) less 2022R, divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the 2st Earn-Out Date).
- 3rd Earn Out (36 months post closing) – Voxel will be entitled to receive such number of the Company shares equivalent in value to the greater of: €500,000 divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the Third Earn-Out Date); or the total of: the difference between DevoluIVA's 2024 annual revenues derived from its VAT recovery related activity (2024R) less 2023R divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the Third Earn-Out Date); and 2024R less 2023R divided by two times the deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the Third Earn-Out Date). If the 2024R is equal or lower than 2023R, the Third Earn-Out will not be paid to Voxel.

In addition, prior to completion, the Company intends to enter into a service agreement with Voxel for the provision of digital invoicing, hosting and workspace services to DevoluIVA. It is presently envisaged that the Company will pay Voxel a monetary compensation of €30,000 per annum for the workspace and a quarterly compensation for hosting and digital invoicing services (with a minimum amount of €60,000 per annum). The Company will pay the quarterly compensation to Voxel either in cash or shares following receipt of an invoice from Voxel.

(USD in thousands)

NOTE 5 - INVESTMENT IN SUBSIDIARIES (CONT.):

A. Amounts recognized on the acquisition date in respect of assets and liabilities:

	Fair value
Cash and cash equivalents	2
Trade receivable	261
Prepaid expenses	108
Customer Relationship	264
Technology	172
Non-Compete Agreement	81
Trade payables	(114)
Borrowings	(136)
Deferred tax	(28)
Total identifiable net assets	**610**
Goodwill	230
Total purchase cost	**840**

B. Presented below is the fair value, as of the acquisition date, of the transferred consideration:

	Fair value
Issuance of 11,704,463 ordinary shares of the Company	280
Contingent consideration – current	280
Contingent consideration – non-current	280
	840

C. Cash inflow on the acquisition:

Consideration paid in cash	-
Cash received from the acquisition	2
Total	**2**

Since the acquisition date, DevoluIVA has contributed 190 to consolidated group revenues and 563 to consolidated group loss. If the acquisition had occurred on 1 January 2022, management estimates that consolidated group revenue would have been 1,617 and consolidated group loss for the period would have been 5,396.

As of 31 December 2022, the contingent consideration had decreased to 409 thousand.

(USD in thousands)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Leasehold improvements	Furniture & equipment	Electronic equipment & SW	Total
Cost:				
As of January 1, 2022	128	86	114	328
Additions	-	3	10	13
Adjustments arising from translating financial operations	(4)	(3)	(2)	(9)
As of December 31, 2022	124	86	122	332
Accumulated depreciation:				
As of January 1, 2022	35	48	78	161
Additions	12	21	5	38
Adjustments arising from translating financial operations	2	1	1	4
As of December 31, 2022	49	70	84	203
Net Book Value:				
As of December 31, 2022	75	16	38	129

	Leasehold improvements	Furniture & equipment	Electronic equipment & SW	Total
Cost:				
As of January 1, 2021	138	63	115	316
Additions	-	27	2	29
Adjustments arising from translating financial operations	(10)	(4)	(3)	(17)
As of December 31, 2021	128	86	114	328
Accumulated depreciation:				
As of January 1, 2021	25	27	69	121
Additions	13	22	10	45
Adjustments arising from translating financial operations	(3)	(1)	(1)	(5)
As of December 31, 2021	35	48	78	161
Net Book Value:				
As of December 31, 2021	93	38	36	167

NOTE 7 - CONVERTIBLE LOANS:

a. During the years 2018 till 2019, the Company signed several convertible loan agreements with both new and existing investors in a total amount of $7,150 (hereafter- the "CLA"). The CLA bears annual interest ranged between of 4% to 8%.

The Convertible Loans were designated at fair value.

In July 2021, the Company signed an amendment to the 2019 CLA, under which the Maturity date has been extended from August 31, 2021 until September 30, 2021.

b. In August 2020, the Company completed an additional convertible loan raise of $1,705 from new and existing investors (hereafter – "the 2020 CLA"). 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. The 2020 CLA principal amount shall be payable within 18 months after its respective issuance (the "Maturity Date"). The 2020 CLA bears annual interest of 6%. During March 2021, the Company received an additional amount of $50.

The 2020 CLA shall be convertible under the following terms:

(1) Reverse Merger/IPO under the ASX - The conversion price will be a price per share equal to the lower of: (i) 30% 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 $15 million 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 2020 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) 30% 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 $15 million 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 most 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.

As part of the completion of the Company's registration under the ASX mentioned in note 10, the outstanding CLAs were fully converted into 81,113,695 Ordinary shares, per the terms stipulated in the agreements.

(USD in thousands)

NOTE 8 - OTHER ACCOUNTS PAYABLE:

	As of December 31,	
	2022	2021
Accrued expenses	177	173
Employees, salaries, and related liabilities	83	104
Payroll Institutions	61	83
Provision for vacation	50	95
Balances due to customers	981	314
Liability for royalties payable (See also note 19)	139	127
	1,491	896

NOTE 9 – CREDIT LINE:

a. In November 2021, the Company signed a loan agreement with the bank. Under the agreement, the Company received an amount of NIS 2,650 (approximately $852) which shall bear an annual interest of Prime+4.5% and shall be repaid within three months until February 1, 2022.

According to the agreement, the Company's cash balance in its bank account must exceed at least 20% of the credit line amount.

In July 2022, the company signed an additional agreement with the bank which replaces the credit line mentioned above, under which the short term loan shall be extended until February 27, 2023. See also note 25.

b. In November 2022, the Company signed a loan agreement with the bank. Under the agreement, the Company received an amount of NIS 650 (approximately $190) which shall bear an annual interest of Prime+5% and shall be repaid until March 24, 2023. In December 22, an amount of NIS 217 (approximately $62) was repaid from this loan. See also note 25.

NOTE 10 – BORROWING:

A loan was received from the Innovation Fund in Spain. The repayment of the loan is in equal payments known in advance, twice a year in the amount of 18 EUR (approximately $19) each payment. The first payment is expected in July 2024.

(USD in thousands)

NOTE 11 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS:

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

	Liability for royalties payable	Credit Line	Lease Liabilities
At 1 January 2022	(365)	(857)	(235)
Changes from financing cash flows			
Royalties paid	31	-	-
Receipts of additional principal amount, net	-	(127)	-
Interest paid	-	-	24
Lease's payments	-	-	142
Total changes from financing cash flows	**(334)**	**(984)**	**(69)**
Interest expenses	**-**	**-**	(24)
Changes in fair value	(147)	-	-
Additions (new leases)	-	-	(302)
Adjustments arising from translating financial operations	(18)	63	16
Effects of exchange rate differences	16	45	20
At 31 December 2022	(483)	(876)	(359)

(USD in thousands)

NOTE 11 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS (CONT.):

	Convertible Loans	Liability for royalties payable	Credit Line	Lease Liabilities
At 1 January 2021	(7,897)	(335)	(333)	(306)
Changes from financing cash flows				
Receipt of convertible loans	(50)	-	-	-
Royalties paid	-	11	-	-
Receipt of grants	-	(247)	-	-
Receipts of additional principal amount, net	-	-	(524)	-
Interest paid	-	-	-	11
Lease's payments	-	-	-	146
Total changes from financing cash flows	**(50)**	**(236)**	**(524)**	**157**
Interest expenses	-	-	-	(11)
Conversion of convertible loans	9,234	-	-	-
Changes in fair value	(1,247)	(23)	-	-
Additions (new leases)	-	-	-	(74)
Adjustments arising from translating financial operations	305	38	25	-
Effects of exchange rate differences	(345)	191	(25)	(1)
At 31 December 2021	-	(365)	(857)	(235)

NOTE 12 – EQUITY:

In August 2021, the Company's Board of Directors approved the completion of an IPO in the Australian Securities Exchange ("ASX"). As a result, the following transactions and events occurred:

a. The Company issued a total of 34,180,204 bonus shares to all existing shareholders.

b. The issuance of 35,000,000 shares at an offer price per share of A$0.20 each to raise A$7 million ($5,081) before estimated costs. Issuance costs in cash totaled to $474. Those costs which are directly attributable to the capital raising are offset against contributed equity, with the remaining costs expensed through profit or loss.

c. The conversion of the convertible loans mentioned in note 6, resulting in the issuance of 81,113,695.

d. 13,760,254 bonus options were granted to existing option holders and the option pool increased in the amount of 2,129,409 options.

(USD in thousands)

NOTE 12 – EQUITY (CONT.):

e. The issuance of fully vested 8,330,000 options to the IPO Advisor ('Advisor Options') which are exercisable at A$0.30 each and will expire three years from the date of issue. The issue of the Advisor Options are deemed to be a cost of the capital raising and have therefore shall be offset against contributed equity. The Advisor Options have been valued at A$466 ($350).

f. The issuance of 5,000,000 options, to the three new incoming non-executive Directors ('Director Options'), 2.5 million of the Director Options are exercisable at A$0.30 each ('Tranche 1'), and 2.5 million of the Director Options are exercisable at A$0.40 ('Tranche 2'). The Director Options will expire four years from the date of issue. The value of the Director Options is $263, which will be expensed over the vesting period as follows: (1) 12.5% shall vest after one year, (2) the remaining amount shall vest on a quarterly basis.

The options valued using the Black Scholes option valuation methodology based on the following data and assumptions among others:

	8,330,000 options (see note 10E)	5,000,000 options (see note 10F)
expected volatility	65%	65%
Expected term	3	4

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

g. The issue of 14.5 million performance rights in three classes, Class 1 and Class 2 have non-market based vesting conditions and Class 3 has a market based vesting condition (collectively 'Performance Rights'), see also note 12.

h. The Company has adopted Corporate Governance rules, a new Articles of Association and Incentive Compensation Plan in accordance with the requirement of the AXS and the Israeli Companies Law.

In addition, the Company's Board of Directors has changed, by adding three new independent directors (David Buckingham, Robert Edgley and Ayelet Nachmias-Varbin) and ending the tenure for three active directors (Aviv Barshaf, Avraham Yaron and Andrey Yashunsky). The new independent directors serve as members of the Company's Audit Committee, in addition to the establishment of the Compensation Committee which include David Buckingham, Robert Edgley and David Asia.

i. The Company adopted two new agreements with the Company's CEO and the Company's Chairman of the board, both agreements were approved by the Company's Board of Directors and shareholders and effective as of listing for trade on ASX.

During the year 2022, a total of 78,146,394 shares were issued, which occurred as part of the following transactions and events:

j. In June 2022, the Company raised an amount of A$1.09 million ($762) for the issuance of 21,372,549 Ordinary shares at a price per share of A$0.051 ("June 2022 Financing Round"). Issuance costs totaled $46 and were offset against contributed equity.

Out of the total ordinary shares issued, the issuance of 196,079 shares, which are designated for a certain director of the company, was dependent on the approval of the Company's shareholders. The issuance of these shares was approved in September 2022.

NOTE 12 – EQUITY (CONT.):

k. In September 2022, the Company raised an amount of A$337 ($218) for the issuance of 6,607,844 Ordinary shares at a price per share of A$0.051. Issuance costs totaled $5 and were offset against contributed equity.

l. In December 2022, the Company raised an amount of A$1 million ($672) for the issuance of 38,461,539 Ordinary shares at a price per share of A$0.026. Issuance costs totaled $42 and were offset against contributed equity. See also note 25.

m. As part of the purchase of the company DevoluIVA, the Company issued to the shareholders of DevoluIVA 11,704,463 shares on the day of the purchase, 20 September 2022**.** See also note 5.

n. In July 2022, the Company issued 85,362 ordinary shares at NIS 0.01 per share upon exercise of options.

(USD in thousands)

NOTE 12 – EQUITY (CONT.):

Composed as follows as of December 31, 2022:	**Authorized**	**Issued and outstanding**
	Number of shares as of December 31, 2022	
Ordinary shares par value of NIS 0.01 per share at beginning of year	500,000,000	153,791,449
Issuance of ordinary shares NIS 0.01 per share upon Financing Round	-	66,441,931
Issuance of ordinary shares NIS 0.01 per share upon acquisition of controlled entity	-	11,704,463
Issuance of ordinary shares NIS 0.01 per share upon exercise of options	-	85,362
Ordinary shares par value of NIS 0.01 per share at end of year	500,000,000	232,023,205

Composed as follows as of December 31, 2021:	**Authorized**	**Issued and outstanding**
	Number of shares as of December 31, 2021	
Ordinary shares par value of NIS 0.01 per share at beginning of year	7,866,844	1,142,322
Conversion of A Preferred shares of NIS 0.01 per share	884,538	884,538
Conversion of Series A-1 Preferred shares of NIS 0.01 per share	1,248,618	1,248,618
Increase of Authorized share capital by creation of new ordinary shares of NIS 0.01 par share	490,000,000	-
Issuance of ordinary shares NID 0.01 per share upon exercise of options	-	222,072
Issuance of ordinary bonus shares NIS 0.01 per share	-	34,180,204
Issuance of ordinary shares NIS 0.01 per share upon conversion of Convertible loans (see note 7)	-	81,113,695
Issuance of ordinary shares NIS 0.01 per share upon IPO	-	35,000,000
Ordinary shares par value of NIS 0.01 per share at end of year	500,000,000	153,791,449

Share rights:

Ordinary Shares confer to their holder the right to vote at, receive notices of, to attend and participate at all 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.

Share based payment:

An amount of 9,738,137 options were granted during 2022. The options have an exercise price per share of $0.035-$0.103. The vesting period is up to 3 years, which begins on the grant date. Contractual life of the options is 7-10 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. These expenses are not deductible for tax purposes. Another part of the options was granted to service

(USD in thousands)

NOTE 12 – EQUITY (CONT.):

providers under section 3.i to Israeli tax ordinance. The options valued using the Black Scholes option valuation methodology based on the following data and assumptions among others: expected volatility – 62%, dividend growth rate 0% and Expected term - 2 years. The valuation performed by an external valuator was based on management's assumptions.

Data related to the share option plan as of December 31, 2022 and changes during the 2 years then ended are as follows:

	Year ended December 31, 2022	
	Number of options	**Weighted average Exercise price in USD**
Outstanding at beginning of year	27,891,835	0.14
Granted	9,738,137	0.04
Exercised	(85,362)	0.0003
Forfeited	(601,041)	0.078
Outstanding at end of year	36,943,569	0.11
Exercisable options	27,396,392	0.11

	Year ended December 31, 2021	
	Number of options	**Weighted average Exercise price in USD**
Outstanding at beginning of year	725,921	0.37
Granted to employees	668,049	0.14
Granted to directors (see note 10F)	5,000,000	0.25
Granted to advisor (see note 10E)	8,330,000	0.22
Bonus options (see note 10D)	13,760,254	0.14
Exercised	(222,072)	0.0005
Forfeited	(370,317)	0.27
Outstanding at end of year	27,891,835	0.14
Exercisable options	16,279,409	0.09

Total value of the options granted during the years ended December 31, 2022 and 2021 were $248 and $2,009, respectively.

(USD in thousands)

NOTE 12 – EQUITY (CONT.):

Performance rights:

Data related to the Performance rights as of December 31, 2021 and changes during the two years ended on that date are as follows:

	2022
Performance rights outstanding as beginning of year	9,733,106
Changes during the year:	
Granted (*)	-
Forfeited	(4,966,212)
Exercised	-
Performance rights outstanding at end of year (*)	4,766,894
Performance rights exercisable at year-end	-
Weighted-average fair value of Performance rights Granted during the year (per unit)	-

(*) On July 15th, 2021 the company has agreed to issue an aggregate of 14,500,000 Performance Rights to 3 certain directors, who received a total of 12,000,000, 1,500,000 and 1,000,000 Performance Rights, respectively on the terms and conditions set out below:

Class 1 – 4,766,894 Performance Rights

Upon the company achieving audited revenues (disregarding one off or extra-ordinary revenue items, revenue from governmental grants, allowances, rebates, or other handouts or 'manufactured' revenue to achieve this performance criteria) in the calendar year 2021 of two (2) times calendar year 2020.

Class 2 - 4,766,894 Performance Rights

Upon the company achieving audited revenues (disregarding one off or extra-ordinary revenue items, revenue from governmental grants, allowances, rebates, or other handouts or 'manufactured' revenue to achieve this performance criteria) in the calendar year 2022 of two (2) times calendar year 2021.

Class 3- 4,966,212Performance Rights

20 days of VWAP (volume-weighted average price) of at least $A0.40 within the first 12 months following IPO. This condition is not met as shown in the table above.

Class 3 valued using Monte-Carlo based risk-neutral valuation model valuation methodology based on the following data and assumptions: vesting period is up to 1 year, which begins on the grant date, risk-free rate of -0.013% and stock volatility of 52%.

Class 1 and 2 valued using the Black Scholes option valuation methodology based on the following data and assumptions among others: expected volatility – 65%, dividend growth rate 0% and Expected term – up to 2 years. The valuation performed by an external valuator was based on management's assumptions.

(USD in thousands)

NOTE 13 - REVENUES

	Year ended December 31,	
	2022	2021
Israel	146	286
Europe	1,159	1,035
	1,305	1,321

Major customer:
Out of the total revenues in the year ended 2022, 11% (2021: 30%) was attributed to client A, and 0% (2021: 4%) was attributed to client B.

NOTE 14 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31,	
	2022	2021
Salary and related expenses	1,080	1,527
Development costs	463	75
Share based payment	(4)	17
Subcontractors and consultants	309	194
Patents legal expenses	9	18
Governmental Grants received and changes in liability, net	(239)	(297)
Others	62	31
	1,680	1,565

NOTE 15 - SELLING AND MARKETING EXPENSES:

	Year ended December 31,	
	2022	2021
Salary and related expenses	937	907
Share based payment	3	353
Marketing fees	280	331
Governmental Grants received and changes in liability, net	45	(70)
Travel abroad	3	-
	1,268	1,521

NOTE 16- GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31,	
	2022	2021
Salary and related expenses	632	498
Professional fees	706	756
Share based payment	412	913
Travel abroad	65	34
Depreciation	183	181
Others	890	307
	2,888	2,689

(USD in thousands)

NOTE 17 - FINANCE EXPENSES AND INCOME:

Finance expenses:	Year ended December 31, 2022	Year ended December 31, 2021
Interest on lease liabilities	24	45
Interest and bank charges	36	44
Exchange rate differences	-	226
Change in fair value of convertible loan	-	1,246
Change in liability for royalties payable	-	92
Others	4	8
	64	1,661

Finance income:	Year ended December 31, 2022	Year ended December 31, 2021
Change in liability for royalties payable	82	-
Change in fair value of contingent consideration	187	
Exchange rate differences	46	-
Financial income related to lease liabilities	18	9
	333	9

NOTE 18 - TAXES ON INCOME:

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

   Israeli corporate tax rate is 23% in 2022 and 2021**.** The Company in Israel has final tax assessments until 2015.

2. **Non - Israeli subsidiaries:**

   Romanian corporate tax rate is 16% in 2022 and 2021**.** The Company in Romania has no final tax assessments.

   UK corporate tax rate is 19% in 2022 and 2021. The Company is the UK has no final tax assessments.

3. **Net losses carry forwards:**

   As of December 31, 2022, the Company has estimated carry forward tax losses of approximately $18 million 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:**

	Year ended December 31, 2022	Year ended December 31, 2021
Loss before taxation	(4,562)	(6,381)
Tax credit at applicable statutory rate (2022 and 2021:23%)	(1,049)	(1,467)
Different tax rates applied in overseas jurisdictions	(138)	68
Non-allowable expenses:	153	189
Tax losses and other differences for which no deferred tax asset was recognized:	1,034	1,210
Tax on income	-	-

NOTE 19 - LIABILITY FOR ROYAITIES PAYABLE:

1. In July 2020, the Company received approval from the Israeli Innovation Authority ("IIA") for a budget of NIS 5,088 (approximately $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 NIS 2,544 (approximately $736).

   In June 2022, the Company received approval from the IIA for a budget of NIS 5,017 (approximately $1,433), for R&D expenditure. Out of which a grant of 30% of the actual expenses related to the program in the amount of NIS 1,505 (approximately $430).

   As of December 31, 2022, the Company received an amount of NIS 3,712 (approximately $1,100). See also note 25.2.

   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 sales. The royalties' payment shall not exceed 100% of the grant received.

   As of December 31, 2022 and 2021, the liability for royalties payable is $374 and $273, respectively.

2. In July 2018, the Foreign Trade Adminstration ("FTA") of the Israeli Ministry of Economy approved the Company's participation in the "Shalav" Program, which provides finanical 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 NIS 400 (approximately $116), from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of NIS 200 (approximately $58), which was recived in full in February 2019.

   In November 2020, the FTA has approved an additional budget of NIS 580 (approximately $177), from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of NIS 290 (approximately $89). During July 2021, the Company received an amount of NIS 273 (approximately $70).

   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, 2022 and 2021, the liability for royalties payable is $109 and $92, respectively.

(USD in thousands)

NOTE 20 - RELATED PARTIES:

The following transactions arose with related parties:

	Year ended December 31,	
Transaction - expenses	**2022**	**2021**
Management Fee to CEO, shareholder, and director	284	252
Fee to directors	59	57
Fee to shareholder	65	92
Share based payment to CEO , shareholder, and director	226	1,038
Share based payment to directors	167	451
Share based payment to shareholder	12	168

Liabilities to related parties	**Nature of transaction**	**As of December 31, 2022**	**As of December 31, 2021**
CEO	Management Fees	25	32
Directors	Short term salary expenses	5	15
shareholder	Consulting fee	4	4

NOTE 21 – 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, lease liabilities, loans from bank 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.

(USD in thousands)

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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

	December 31, 2022	December 31, 2021
Cash and cash equivalents	916	1,083
Trade accounts receivable	1,629	1,466
Other accounts receivable	124	136
Total	2,669	2,685

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, DKK, CHF, GBP, AUD and RON. The Group's policy is not to enter 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:

	December 31, 2022							
	NIS	USD	GBP	RON	CHF	DKK	AUD	TOTAL
Assets								
Cash and cash equivalents	99	1	90	6	1	14	705	916
Trade accounts receivable	423	-	1,206	-	-	-	-	1,629
Other accounts receivable	124	-	-	-	-	-	-	124
	646	1	1,296	6	1	14	705	2,669
Liabilities								
Trade accounts payable	(148)	(13)	(8)	(2)	-	-	(66)	(237)
Other accounts payable	(440)	-	(650)	(40)	-	(5)	(66)	(1,201)
Credit line	(876)	-	-	-	-	-	-	(876)
Lease liabilities	(344)	-	-	(15)	-	-	-	(359)
Non-Current Liability for royalties payable	-	(344)	-	-				(344)
	(1,808)	(357)	(658)	(57)	-	(5)	(132)	(3,017)
Net	(1,162)	(356)	638	(51)	1	9	573	(348)

(USD in thousands)

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	December 31, 2021							
	NIS	USD	GBP	RON	CHF	DKK	AUD	TOTAL
Assets								
Cash and cash equivalents	719	19	35	5	1	13	290	1,082
Trade accounts receivable	622	-	844	-	-	-	-	1,466
Other accounts receivable	136	-	-	-	-	-	-	136
	1,477	19	879	5	1	13	290	2,684
Liabilities								
Trade accounts payable	(88)	(3)	(20)	1	-	-	(18)	(128)
Other accounts payable	(421)	(128)	(197)	(66)	-	-	(56)	(868)
Credit line	(857)	-	-	-	-	-	-	(857)
Lease liabilities	(182)	-	-	(53)	-	-	-	(235)
Non-Current Liability for royalties payable	-	(238)	-	-				(238)
	(1,548)	(369)	(217)	(118)	-	-	(74)	(2,326)
Net	(71)	(350)	662	(113)	1	13	216	358

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.

	Year ended December 31,	
	2022	2021
NIS	(116)	(7)
USD	(36)	(35)
GBP	64	66
RON	(5)	(11)
DKK	1	1
AUD	57	22

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.

(USD in thousands)

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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.

On December 31, 2022	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years
Trade accounts payable	(237)	-	-
Other accounts payable	(1,201)	-	-
Credit Line	(876)	-	-
Non-Current Liability for royalties payable	-	-	(344)
Lease liabilities	(22)	(65)	(273)
Total	(2,336)	(65)	(617)

On December 31, 2021	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years
Trade accounts payable	(128)	-	-
Other accounts payable	(869)	-	-
Credit Line	(857)	-	-
Non-Current Liability for royalties payable	-	-	(238)
Lease liabilities	(39)	(115)	(81)
Total	(1,893)	(115)	(319)

Fair value of financial assets and liabilities:

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Contingent consideration	-	-	409	409

The fair value measurement of the Contingent consideration in the table above, was estimated using Monte Carlo simulation, based on a variety of significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. As of December 31, 2022 the key inputs that were used in measuring the fair value of the Contingent consideration were: the expected company's stock's volatility -50%, expected Subsidiary's revenue's volatility – 30%, and the AUD/EUR exchange rate -0.635.

(USD in thousands)

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

31.12.2022

Item	Fair value	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Contingent consideration	409	expected company's stock's volatility	50%	A change in the volatility measure by %5 results in a change of +/- 22K of the fair value

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Contingent consideration	**2022**	**2021**
Contingent consideration as of January 1,	-	-
Contingent consideration in business combination (see note 5)	(560)	-
Change in fair value	187	-
Adjustments arising from translating financial operations	(36)	
Contingent consideration as of December 31,	(409)	-

Convertible loans	**2022**	**2021**
Convertible loans as of January 1,	-	(7,897)
Receipts of convertible loans	-	(50)
Conversion of convertible loans	-	9,234
Adjustments arising from translating financial operations	-	305
Effects of exchange rate differences	-	(345)
Change in fair value of convertible loans	-	(1,247)
Convertible loans as of December 31,	-	-

(USD in thousands)

NOTE 22 - 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 on December 31		Held by
		2022	2021	
WAY2VAT SRL	Romania	100%	100%	WAY2VAT Ltd.
WAY2VAT UK Limited	UK	100%	100%	WAY2VAT Ltd.
WAY2VAT SASU	France	100%	100%	WAY2VAT Ltd.
WAY2VAT Inc.	USA	100%	100%	WAY2VAT Ltd.
DevoluIVA S.L.U	Spain	100%	-	WAY2VAT Ltd.

See also note 5.

NOTE 23 - LEASES:

The Group has lease contracts for office facilities used in its operations. Leases of office facilities generally have lease terms of 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.

In January 2021, the Romanian subsidiary signed a new lease agreement for new office facilities, as a result the right-of-use assets and lease liability increased in the amount of $74.

In December 2022, the company signed an addendum to the existing lease agreement in Israel extending the use of new office facilities, as a result the right-of-use assets and lease liability increased in the amount of $300.

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

	Office facilities
On January 1, 2022	201
Depreciation expense	(124)
New lease	311
Exchange rate differences	(11)
Adjustments arising from translating financial operations	(14)
As of December 31, 2022	363

	Office facilities
On January 1, 2021	316
Depreciation expense	(180)
New leases	74
Exchange rate differences	-
Adjustments arising from translating financial operations	(9)
As of December 31, 2021	201

(USD in thousands)

NOTE 23 – LEASES (CONT.):

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

	2022	2021
On January 1,	235	306
Additions	302	74
Interest expenses	24	11
Interest paid	(24)	(11)
Lease's payments	(142)	(146)
Exchange rate differences	(20)	1
Adjustments arising from translating financial operations	(16)	-
As of December 31,	359	235

The following are the amounts recognized in profit or loss:

	2022	2021
Depreciation expense of right-of-use assets	124	180
Interest expense on lease liabilities	24	11
Total amount recognized in profit or loss	148	191

The Group had total cash outflows for leases of $166 and $157 in 2022 and 2021, respectfully. The Group also had non-cash additions to right-of-use assets and lease liabilities of $311 and $74 in 2022 and 2021, respectfully.

NOTE 24 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2022	**2021**
Net loss used in basic and diluted EPS	**(4,562)**	**(6,381)**
Weighted average number of shares used in basic and diluted EPS	170,874,961	70,650,442
Basic and diluted net EPS (dollars)	(0.0267)	(0.0903)

On 31 December 2022, 36,943,569 options (2021: 14,500,000 Performance Rights 29,698,113 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

NOTE 25 - SUBSEQUENT EVENTS:

1. In January 2023, the Company raised an amount of A$100 ($70) for the issuance of 3,846,154 Ordinary shares at a price per share of A$0.026, in connection with the investment mentioned in note 12.l above.

2. In connection with the short term loan mentioned in note 9.a, the company signed an additional agreement with the bank in February 2023 under which the short term loan shall be extended until May 31th, 2023.

NOTE 25 - SUBSEQUENT EVENTS (CONT.):

3. In March 2023, the Company received an amount of NIS 156 (approximately $43) from the IIA, in connection with the approval mentioned in note 19.1.

4. In connection with the performance rights mentioned in note 12, the remaining balance of 4,766,894 performance rights (class 2) lapsed in February 2023.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 27 March 2023.

1. DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding

Size of Holding	No. of Holders of Ordinary Securities	No. of Ordinary Securities	% of Issued Ordinary Securities	No. of Holders of Options	No. of Options	% of Issued Options	No. of Holders of Perf. Rights	No. of Perf. Rights	% of Issued Perf. Rights
1 – 1,000	22	6,116	0.00%	-	-	-	-	-	-
1,001 - 5,000	97	301,196	0.13%	-	-	-	-	-	-
5,001 - 10,000	144	1,304,218	0.55%	-	-	-	-	-	-
10,001 - 100,000	354	13,544,322	5.74%	-	-	-	-	-	-
100,001 - and over	192	220,628,146	93.57%	14	24,068,137	100.00%	0	0	0
Total	**809**	**235,783,998**	**100.00%**	**14**	**24,068,137**	**100.00%**	**0**	**0**	**0**
Holding less than a marketable parcel	545	-	-	-	-	-	-	-	-

2. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders as at 27 March 2023
The names of the twenty largest security holders of quoted equity securities are listed below:

Security Holder	Ordinary Shares	
	Number Held	% of total shares issued
MONETA SEEDS LP	11,943,527	5.47%
VOXEL MEDIA SL	11,704,463	5.36%
BNP PARIBAS NOMS PTY LTD<DRP>	11,619,457	5.32%
CITICORP NOMINEES PTY LIMITED	11,283,580	5.16%
IRWIN BIOTECH NOMINEES PTY LTD	9,442,308	4.32%
POALIM EQUITY LTD	9,280,778	4.25%
ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD<ABSOLUTE A/C>	8,000,000	3.66%
PRYTEK INVESTMENT HOLDINGS PTE LTD	6,846,718	3.13%
UBS NOMINEES PTY LTD	5,317,647	2.43%
PRYTEK INVESTMENT HOLDINGS PTE LTD	4,816,296	2.20%
WALKLEY HOLDINGS PTY LTD<AUSTRALASIAN SHOPFIT S/F A/C>	3,846,154	1.76%
CRAIG &CARON EASTON<C & C EASTON SUPERANNUATION FUND A/C>	3,846,154	1.76%
DE SILVA SUPER NOMINEES PTY LTD<APEX SUPER FUND A/C>	3,669,231	1.68%
PAUL ORFANOS	3,170,767	1.45%
WIDGRO NOMINEES PTY LTD <WIDGRO SUPER FUND A/C>	3,027,037	1.39%
AYMON PACIFIC PTY LTD<JEREZOS DISCRETIONARY A/C>	3,023,196	1.38%
ORIENT GLOBAL HOLDINGS PTY LTD<AL'N'ALL A/C>	2,941,176	1.35%
ACN 136 965 538 PTY LTD<THE NAGY A/C>	2,478,632	1.13%
RIVARPARK PTY LTD<TURBO S/F A/C>	2,400,000	1.10%
DAVID POZEZYNSKI	2,344,674	1.07%
BRICKLANE CAPITAL MANAGEMENT LIMITED	2,144,775	0.98%
Totals	**123,146,570**	**56.36%**

Total Issued Capital	**218,502,836**	**100.00%**

Unquoted equity securities

	Number on issue	Number of holders
Performance Rights	0	0
Options	24,068,137	17

Holders of 20% or more of unquoted equity securities:

Name	Class	Number held
PERFORMANCE SYSTEMS LTD	Options	8,738,137

3. VOTING RIGHTS

Voting rights are as set out below:

Ordinary shares	All ordinary shares carry one vote per share without restriction.
Options	Do not carry any voting rights

4. ON-MARKET BUY BACK

There is currently no on-market buyback program

5. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2022 in a way that is consistent with its business objectives and strategy.