



APPSVILLAGE AUSTRALIA LIMITED

ABN: 50 626 544 796

ANNUAL REPORT

31 DECEMBER 2019



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AppsVillage Australia Limited

Corporate Directory

31 December 2019

Directors



Yoav Ziv
Non-Executive Chairman



Leanne Graham
Non-Executive Director



Max Bluvband
Executive Director



Shahar Hajdu
Executive Director



Jonathan Hart
Non-executive Director

Company Secretary

Jonathan Hart

Registered Office

Suite 3
Level 10
23 Hunter Street
Sydney NSW 2000
Australia

Auditors (Australia)

BDO Audit (WA) Pty Ltd
Level 1, 38 Station Street
Subiaco WA 6008
Australia

Legal Advisors

Steinpreis Paganin
16 Milligan Street
Subiaco WA 6008
Australia

Share Registry

Automatic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000
Australia

Stock Exchange Listing

Australia Securities
Exchange
ASX Code: APV

AppsVillage Annual Report

Chairman's letter

Dear Shareholders,

Welcome to the inaugural annual report of AppsVillage since listing on the Australian Stock Exchange in August 2019. It has been a milestone year for the Company and I would like to take this opportunity to thank all shareholders for your support during this time. Financial Year 2019 was a transformational year for the business as we made significant progress towards fulfilling our mission of becoming the go-to provider for SMBs.

A transformational year delivering record results

AppsVillage joined the ASX following an extremely successful IPO that saw us raise AU\$5 million. This gave us a strong financial platform from which we were able to go on and deliver a number of key achievements in line with our growth and expansion strategy. This included delivering very substantial growth in revenues along with very strong growth in the number of paying subscribers.

Our primary focus for 2019 was to deliver solid growth across our proprietary app development platform and demonstrate the ability of our business to scale. In order to achieve this, an in-house analytical project was initiated to establish the highest achieving customer acquisition channels and an assessment was made into how we could capitalise on that information. As a result, we expanded our relationship with Facebook to enable an automatic app development process utilising the SMBs existing Instagram account. The relationship was also then expanded even further to integrate the one-click Facebook advertising capabilities available in-app to all customers.

This strategy proved to be extremely successful and we reached a record in paying SMBs as a result. **The growth in paying SMBs in the emerging markets was over 2000% and followed by the US with over 200% growth during 2019.**

Additionally, we rolled out our app-platform offering to a number of high-growth emerging markets including the Philippines, India, Malaysia and multiple countries in Africa. These geographies represent markets of strategic importance for us and initial growth has exceeded expectations.

Growth through strategic expansion

We are also focused on developing a suite of products to aid and propel the growth of all SMBs globally and we further expanded our product offering to incorporate micro-loans. In doing this we are able to leverage our large global database of ambitious CEO's looking to grow their businesses. The launch of a microfinance service is not only harmonious to our existing offering and business model but also allows us to further capitalise on existing assets.

The US and Australian markets are strategically important for the Company in the launch of this offering and in order to materially progress developments we signed partnership agreements with existing SMB loan providers in each region. In the US, we signed agreements with Seek Capital LLC and Fundomate, Inc and in Australia an agreement was signed with Lumi Financial Management.

Signing agreements of this nature not only allow us to test and launch this product without risk but also allows us to begin establishing a footprint in the sector while we finalise the regulatory requirements that will enable us to offer our own SMB loans in the future.

A strong start to 2020

We finished calendar 2019 with very strong momentum in sales growth and growth in the number of paying SMBs on the AppsVillage platform. I am pleased to report that this momentum has continued into 2020. Despite the challenges that have arisen from COVID-19 on global economies and SMBs, we have substantially exceeded our reported revenue guidance and we have much confidence in the robustness of our platform to continue to deliver strong outcomes for the remainder of the 2020 financial year.

We continue to develop valuable initiatives for our SMB customers. Subsequent to the year-end we formally launched the micro-loan offering in the US, following successful beta testing. We also commenced the beta testing for our Australian launch. Over the next financial year, we are focused on strengthening our relationships with capital lenders and delivering strong revenues from sales of this offering. We are also working on upgrading the capabilities of our core offering – the app development platform to increase its intuitiveness and offer even further added value to SMB customers. This process has already started with the imminent launch of our new marketplace. The marketplace is an additional online platform allowing consumers access to the apps developed by our customers and a valuable promotional tool for the SMBs. These initiatives are continuing to drive strong revenue and paying subscriber growth into the 2020 financial year.

Finally, as a company we are committed to creating shareholder value through delivering continued growth across all metrics and are streamlining our commercial application processes to ramp up delivery of our growth strategy in order to ensure our operational and commercial targets are met. We believe the impacts of COVID-19 make digital marketing more important than ever, so we will continue to work closely with our customers to help them through these hard times. We also are working diligently to ensure responsible operations in this time of uncertainty.

Yours sincerely

A handwritten signature in black ink, appearing to read "Yoav Ziv".

Yoav Ziv
Chairman

AppsVillage Australia Limited
Directors' Report
31 December 2019

The Directors present their report, together with the financial statements of AppsVillage Australia Limited (“the Company” or “AppsVillage”) and its controlled entity (“the Group”) for the financial year ended 31 December 2019.

Directors

Name	Status	Appointed	Resigned
Yoav Ziv	Chairman and Non-Executive Director	23 May 2019	-
Jonathan Hart	Independent Non-Executive Director and Company Secretary	1 March 2019	-
Leanne Graham	Non-Executive Director	19 May 2019	-
Max Bluvband	Executive Director and Chief Executive Officer	21 May 2019	-
Shahar Hajdu	Executive Director and Chief Technology Officer since Company's inception	3 October 2019	-
Nathan Barbarich	Non-Executive Director	1 June 2018	20 May 2019
Moshe Cohen	Non-Executive Director and VP of business development	1 June 2018	20 May 2019 for Non-Executive Director role
Howard Digby	Non-Executive Director	1 June 2018	15 May 2019
Peter Webse	Non-Executive Director	1 June 2018	28 February 2019

Principal Activities

AppsVillage Australia Limited is a software-as-a-service (“SaaS”) company that commenced activities in 2016.

AppsVillage provides an easy and inexpensive SaaS solution that allows small-to-medium businesses to create and manage their own mobile application as a means of connecting with their customers and growing their business.

AppsVillage’s technology has automated the design, development, maintenance and marketing of mobile apps, allowing any business to build, preview and launch their own application without have any code writing or digital marketing knowledge.

Dividends

No dividends have been paid or declared by the Group since the beginning of the financial year. No dividends were paid for the previous financial year.

Review of Operations

Unless otherwise stated, all figures in this report are in the Company’s presentation currency US\$.

AppsVillage Australia Limited delivered in 2019, **2X** on its annual revenues and contract liabilities compared to 2018, increasing its contract liabilities over **3X** compared to 2018.

AppsVillage Australia Limited delivered **6,418** paying SMBs during 2019, representing a **323%** increase year over year.

Additionally, AppsVillage Australia Limited generated in 2019 an annualized **recurring** revenue of **\$926,518** and monthly **recurring** revenue of **\$77,210**, each representing **212%** increase year over year.

AppsVillage Australia Limited had a loss for the year ended 31 December 2019 of \$5,017,237 (2018: \$1,521,102). The 2019 loss included a non-cash share-based payment of \$289,930.

The net assets of the Group have increased by \$1,276,442, from \$385,390 at 31 December 2018 to \$1,661,832 at 31 December 2019.

As at 31 December 2019, the Group’s cash and cash equivalents increased from a balance of \$453,655 at 31 December 2018 to a balance of \$2,662,198.

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Significant changes in the state of affairs

Acquisition of AppsVillage Ltd ("AppsVillage Israel") and ASX Listing of AppsVillage Australia Limited.

On 26 August 2019, AppsVillage Australia Limited completed the acquisition of 100% of the issued capital of AppsVillage Ltd (AppsVillage Israel), an Israeli company which has developed a proprietary Software as a Service (SaaS) cloud-based platform that provides small-to-medium businesses with a simple and inexpensive way to develop their own branded mobile business applications as a means of connecting with their clients and growing their revenues. The transaction between the Company and AppsVillage Israel has been accounted for as a capital re-organisation rather than a business combination under the Australian Accounting Standards. As such, the historical information of the Company will be presented as a continuation of the pre-existing accounting values of the Israeli entity AppsVillage Ltd.

The terms of the transaction were as follows:

- The issue of 6,875,000 shares in AppsVillage Australia post 31 December 2018 prior to the acquisition date to the founders of the Company.
- The issue of 19,950,686 ordinary shares and 3,049,314 options exercisable at AUD\$0.039 to the vendors of AppsVillage Israel prior to the acquisition date.
- The issue of 25,000,000 ordinary shares at AUD\$0.20 to raise AUD\$5,000,000 before costs (the entire amount was raised by the Company and all shares were issued).
- The issue of 10,910,905 ordinary shares on conversion of US\$2,023,577 mandatorily convertible converting loans in AppsVillage Australia.
- The issue of converting loans post 31 December 2018 by AppsVillage Australia which resulted in AUD \$549,248 being raised, a financing cost (AUD \$235,392) has been recognised for the value of the 3,923,198 shares to be issued to settle the liability.
- 1,000 shares to be issued under the cleansing offer.
- The issue of 5,000,000 options with an exercise price of AUD\$0.30 and a life of 3 years to the Lead Manager.
- The issue of 2,000,000 warrants with an exercise price of AUD\$0.30 and a life of 2.5 years to certain past shareholders of AppsVillage Israel.
- The issue of 750,000 director options were issued to Leanne Graham, Jonathan Hart and Yoav Ziv at exercise price of AUD \$0.30 with three years exercise period.
- The issue of 26,250,000 performance options with an exercise price of AUD\$0.30 and a life of three years which are subject to (refer to Note 17 for further details):
 - Tranche A Performance Options: will vest and become exercisable upon the Company achieving at least one of the Customer Collections or ACV revenues of at least AUD \$2,500,000 from sales of products and services based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.
 - Tranche B Performance Options: will vest and become exercisable upon the Company achieving at least one of customer collections or ACV revenues of at least AUD \$5,000,000 from total sale of products and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date; and
 - Tranche C Performance Options: will vest and become exercisable upon the Company achieving at least one Customer Collections or ACV revenues of at least AUD\$10,000,000 from total sales of products based and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.

Further information on the capital reorganisation is detailed in Notes 1(b) and 2.

AppsVillage Australia was admitted to the Official List on the ASX on 23 August 2019 with Official Quotation of its securities commencing on 27 August 2019.

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Highlights during the year

During the year ended 31 December 2019, the Company had the following highlights:

ASX listing

AppsVillage Australia was admitted to the Official List on the ASX and securities commenced on 27 August 2019.

Since its listing and up to the date of this report, the Company has made the following material announcements:

- 16 December 2019 – capital raise of 9,998,968 ordinary shares issued at AUD\$0.25.

Major Business Developments:

- *The Company selected to participate in Facebook's prestigious Playground Program for fast growing and innovative Israeli companies.*
- *The Company Partnered with Instagram, increasing the Company's potential customers by an estimated 100 million customers globally.*
- *The Company expanded its offering to emerging markets in Africa and APAC, eliminating the need for a credit card when onboarding Facebook promotions.*
- *The Company signed an agreement with Lumi to offer SMB Micro-Finance services in Australia.*
- *The Company started a pilot in USA allowing loans between \$5,000 and \$50,000 to a limited number of SMBs and locations.*
- *The Company leveraged on its growing traffic and offered one-click Microfinance services via a staged roll-out over 18 months period subject to satisfying all relevant regulatory requirements. The Company will roll out the following services:*
 - *Micro Loans and Credit*
 - *Micro Savings*
 - *Micro insurance*

Events after the reporting period

Major Business Developments:

- *AppsVillage signed an agreement with a leading B2B credit risk analytics company Credit Risk Community, Inc. to integrate its credit risk to integrate its credit risk analysis technology into the AppsVillage Capital Platform.*
- *AppsVillage has integrated an artificial intelligence algorithm into its app development software.*
- *Following COVID-19 situation, the Company has setup an Emergency Micro Loan program to assist SMBs with their immediate cashflow needs to deal with the impacts of the situation.*

Also on 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020.

While offering unique opportunities for AppsVillage, COVID-19 also represents significant challenges for all companies globally and AppsVillage is not different. We continue to focus on our strategy of expanding the Company's operations and have implemented measures to maintain low operational expenditure and mitigate the impact of COVID-19 on our activities.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

The Company recently announced that following the global situation, the Company has setup an Emergency Micro Loan program to assist SMBs with their immediate cashflow needs to deal with the impacts of COVID-19 on their operations. Eligible businesses on the AppsVillage platform will be able to access loans of up to \$10,000 within 24 hours for an immediate relief of Coronavirus effect on their business.

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Information on Directors

Yoav Ziv	Chairman and Non-Executive Director appointed on 23 May 2019
Qualifications	Yoav holds an MBA from Ben Gurion University, Israel, and is a Computer Science and Economics graduate from Tel Aviv University, Israel.
Experience	Yoav Ziv is senior vice president and the General Manager of AT&T consumer, media and advertising for Amdocs Limited (Amdocs), a leading software and services provider to communications and media companies. Yoav resides in New York City. From 2015 to 2017, Yoav was the global head of the quality engineering services business unit within Amdocs. From 2013 to 2015, Yoav was the customer business executive responsible for the Amdocs business at a tier 1 pay T provider in New York.
	From 2010 to 2013, Yoav was VP of marketing and strategic services at Realization, a Silicon Valley technology and consulting firm specializing in project management technologies and practices. Prior to 2010, Yoav filled numerous roles in Amdocs in development, product management, sales, presales and operations management.
Interest in Shares and Options at the date of this report	250,000 unlisted options expiring 27 Aug 2021 40,000 ordinary shares
Directorships held in other listed entities (last 3 years)	Nil
Max Bluvband	Executive Director and Chief Executive Officer appointed on 21 May 2019
Qualifications	Bachelor of Science in Computer Science from Netanya Academic College.
Experience	Max Bluvband is the Chief Executive Officer and co-founder of AppsVillage. Max is an entrepreneur with more than 18 years of experience and has founded multiple technology and mobile-focused companies. In these companies, Max has led fundraising rounds from angel investors and top-tier venture capitalists, such as Sequoia Capital, totaling more than US\$15 million (approximately A\$20.2 million) in funding. Max has also led merger and acquisition activity, sales and other strategic initiatives in his companies. Prior to co-founding AppsVillage, Max founded and served as the Chief Executive Officer of Silent Communication Ltd., a company that provides device and network agnostic mobile client solutions. He led all activities with Silent Communication Ltd., including multi-million dollar transactions with customers such as T-Mobile US (NASDAQ:TMUS), Sony (TYO:6758), Metro PCS, Alltel, Alcatel Lucent (Euronext: ALU), France Telecom (Euronext: ORA), A1, Ericsson (NASDAQ:ERIC), Sony Ericsson, Telecom Italia (BIT: TIT), MTS (MCX: MTSS) and Safaricom, among others.
Interest in Shares and Options at the date of this report	3,092,506 ordinary shares 1,108,457 unlisted options expiring on or before 5 years from the date of quotation (August 27, 2019) on ASX. 9,187,500 performance options
Directorships held in other listed entities (last 3 years)	Nil

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Information on Directors (continued)

Leanne Graham

Non-Executive Director appointed on 19 May 2019

Qualifications

N/A

Experience

With over 30 years in the software sector, Leanne has assisted technology companies with her broad experience and SaaS expertise. In 2018, Ms. Graham was awarded the New Zealand Order of Merit for her services to the software industry.

Interest in Shares and Options at the date of this report

250,000 unlisted options expiring 27 August 2021
 50,000 ordinary shares

Directorships held in other listed entities (last 3 years)

BidEnergy Limited (ASX: BID)
 archTIS Limited (ASX: AR9)
 VPCL Limited (ASX:VPC)

Jonathan Hart

Independent Non-Executive Director and Company Secretary appointed on 1 March 2019

Qualifications

Bachelor of Law and Commerce

Experience

Jonathan is currently a director of Emerge Gaming Limited (ASX:EM1), Company Secretary for Hera-Med Limited and Mayur Resources Limited (ASX:MRL). He holds a Bachelor of Laws and Commerce and has provided corporate advisory services and held several board positions on various ASX listed companies over the years. His experience includes initial public offerings on ASX (AIM and JSE), reverse takeovers, due diligence investigations, general corporate and commercial drafting, public and private mergers and acquisitions, general corporate advice in relation to capital raisings, Corporations Act and ASX compliance.

Interest in Shares and Options at the date of this report

250,000 unlisted options expiring 27 August 2021
 50,000 ordinary shares

Directorships held in other listed entities (last 3 years)

Emerge Gaming Limited (ASX:EM1)

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Information on Directors (continued)

Shahar Hajdu	Director appointed 3 October 2019 & Chief Technology Officer since Company's inception
Qualifications	Bachelor of Science in Computer Science cum laude from The Technion – Israel Institute of Technology.
Experience	Shahar Hajdu leads the research and development of AppsVillage's SaaS platform. Over the last 26 years, Shahar has gained extensive experience in software development, in industries ranging from communications to multimedia. Prior to co-founding AppsVillage, Shahar co-founded and served as the Chief Technology Officer of Silent Communication Ltd., a company that provides device and network agnostic mobile client solutions, working with mobile network operators, device manufacturers, and value-added service providers to rapidly expand deployment and revenue opportunities for mobile applications and services. There, Shahar lead the technology vision across Silent Communication Ltd's product line and worked with top-tier customer companies including TMobile US (NASDAQ: TMUS), Sony (TYO: 6758), MetroPCS, Alltel, Alcatel Lucent (Euronext: ALU), France Telecom (Euronext: ORA), A1, Ericsson (NASDAQ: ERIC), Sony Ericsson, Telecom Italia (BIT: TIT), MTS (MCX: MTSS) and Safaricom among others.
	Shahar was also a senior software developer and senior engineer at Elbit Systems Ltd. (TLV: ESLT), an international high technology company engaged in a wide range of defence, homeland security, and commercial programs.
Interest in Shares and Options at the date of this report	3,092,506 ordinary shares 1,108,457 unlisted options expiring on or before 5 years from the date of quotation on ASX 9,187,500 performance options
Directorships held in other listed entities (last 3 years)	Nil
 Nathan Barbarich	 Non-Executive Director Resigned on 20 May 2019
Qualifications	BComm (Property) & BComm (Law)
Experience	Nathan started his career in Stockbroking with ABN Amro in the 1990's and has since held several Director and Managing Director positions in Investment Banking and Corporate Finance leading many recognisable transactions over those nearly 20 years. Nathan has been responsible for listing many companies onto the ASX, AIM and LSE markets and has been Lead Manager to Capital Raisings in the many hundreds of millions of dollars. With a particular focus on the small to mid-cap sectors Nathan has been mandated by Companies in the Resources, Energy, Technology and Industrial sectors and has held a number of Non-Executive Director positions across his career.
Interest in Shares and Options at resignation date	2,958,333 shares
Directorships held in other listed entities (last 3 years)	Nil
 Moshe Cohen	 Non-Executive Director (resigned on 20 May 2019) and VP of business development
Experience	With more than 25 years of business experience, Moshe Cohen is an entrepreneur and angel investor with high-level managerial experience in product and business development for the web, mobile, media and consumer electronics industries. Moshe is a listed inventor of more than 30 issued patents
Interest in Shares and Options at resignation date	4,980,336 ordinary shares 2,625,000 performance options 300,000 warrants
Directorships held in other listed entities (last 3 years)	Nil

Information on Directors (continued)

Howard Digby	Non-Executive Director Resigned on 15 May 2019
Qualifications:	BE (Mechanical, Hons)
Experience:	Mr Digby started his career at IBM and has spent over 25 years managing technology related businesses across the Asia Pacific region, of which 12 years were spent in Hong Kong. More recently, he was with The Economist Group as Regional Managing Director. Prior to this he held senior management roles at Adobe and Gartner where his clients included major semiconductor players inclusive of Samsung, Hynix and TSMC. Upon returning to Perth, Howard served as Executive Editor of WA Business News and now spends his time as an advisor and investor, having played key roles in several M&A and reverse takeover transactions.
Interest in Shares and Options at resignation date:	Nil
Directorships held in other listed entities (last 3 years):	Hear Me Out (HMO); ImExHS Limited (IME); Elsie Limited (ELS); Votriv Ltd (VOR); Cirralto Limited (CRO); 4ds Memory Limited (4DS); Estrella Resources Limited (ESR); Omni Market Tied Limited (OMT); Transaction Solutions International Limited (TSN)
Peter Webse	Non-Executive Director Resigned on 28 February 2019
Qualifications:	Bachelor of Business
Experience:	Mr Webse has over 25 years' company secretarial experience and is Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.
Interest in Shares and Options at resignation date:	Nil
Directorships held in other listed entities (last 3 years):	Cynata Therapeutics Limited (CYP)

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Meetings of Directors

Director	Status	Directors' Meetings		Audit and Risk Committee		Remuneration Committee	
		Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Yoav Ziv	Appointed May 2019	2	2	-	-	-	-
Leanne Graham	Appointed May 2019	2	2	-	-	-	-
Max Bluvband	Appointed May 2019	2	2	-	-	-	-
Jonathan Hart	Appointed May 2019	2	2	-	-	-	-
Shahar Hajdu	Appointed October 2019	1	1	-	-	-	-
Nathan Barbarich	Resigned May 2019	-	-	-	-	-	-
Moshe Cohen	Resigned May 2019	-	-	-	-	-	-
Howard Digby	Resigned May 2019	-	-	-	-	-	-
Peter Webse	Resigned February 2019	-	-	-	-	-	-

Committee membership

The Board has chosen not to establish an Audit and Risk Committee and a Remuneration committee. The Board considers that due to the relatively small size of the Company, the interests of the Company are best served by the full Board completing the functions normally delegated to an audit committee.

The processes that the Board employs to independently verify and safeguard the integrity of its corporate reporting include:

- reviewing and adopting the Company's quarterly, half year and annual report prior to release to shareholders and the ASX;
- overseeing the Company's relationship with the external auditor, the external audit function generally and ensuring the external audit engagement partner rotation is in accordance with the Corporations Code.
- overseeing the adequacy of the Company's financial risk management and internal controls.

Options

During the financial year, no options were exercised.

As at the date of this report, and the reporting date, there were 37,049,314 options on issue (2018: 29,581. Refer to Note 17) of the financial statements for details on options issued during the financial year.

The holders of these options do not have any rights under the options to participate in any share issue of the Company or any other entity.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification and Insurance of directors and officers

The Group has indemnified the Directors and Executives of the Group for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to ensure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Environmental Regulations

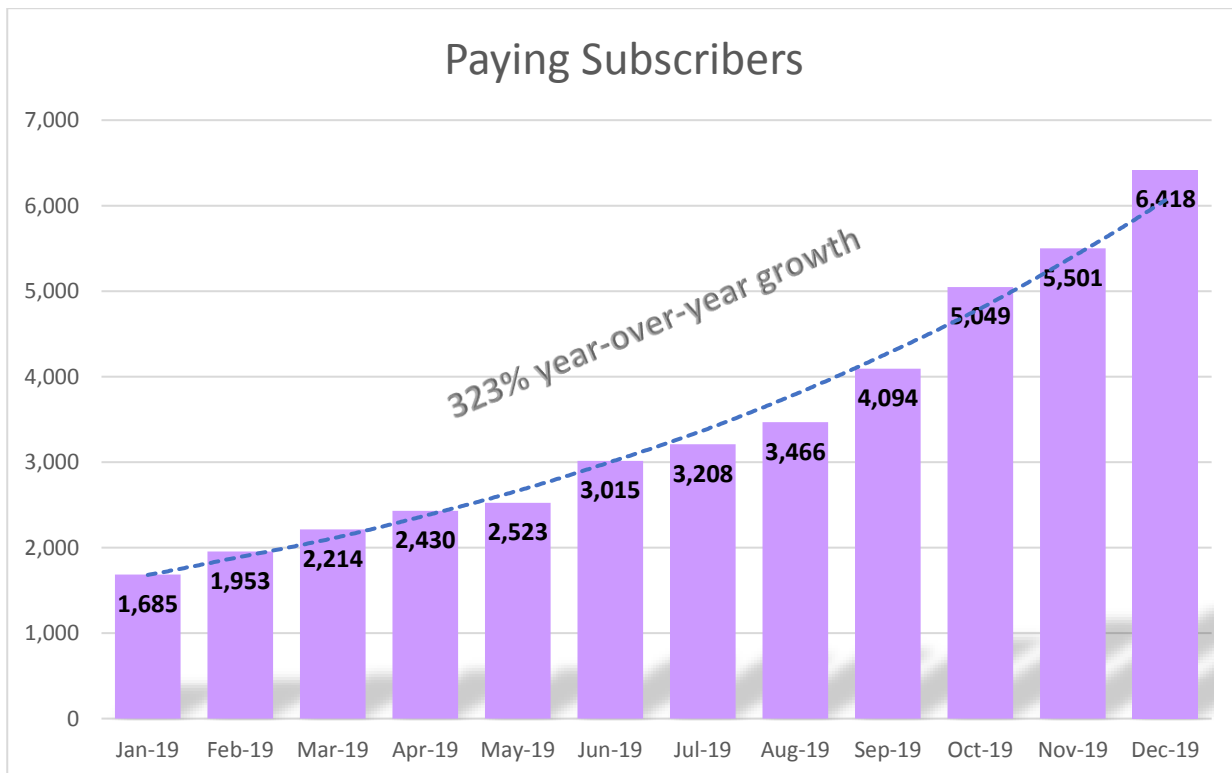
The Directors are not aware of any significant environmental issues affecting the Group or its compliance with relevant environmental issues affecting the Group or its compliance with relevant environmental agencies or regulatory authorities.

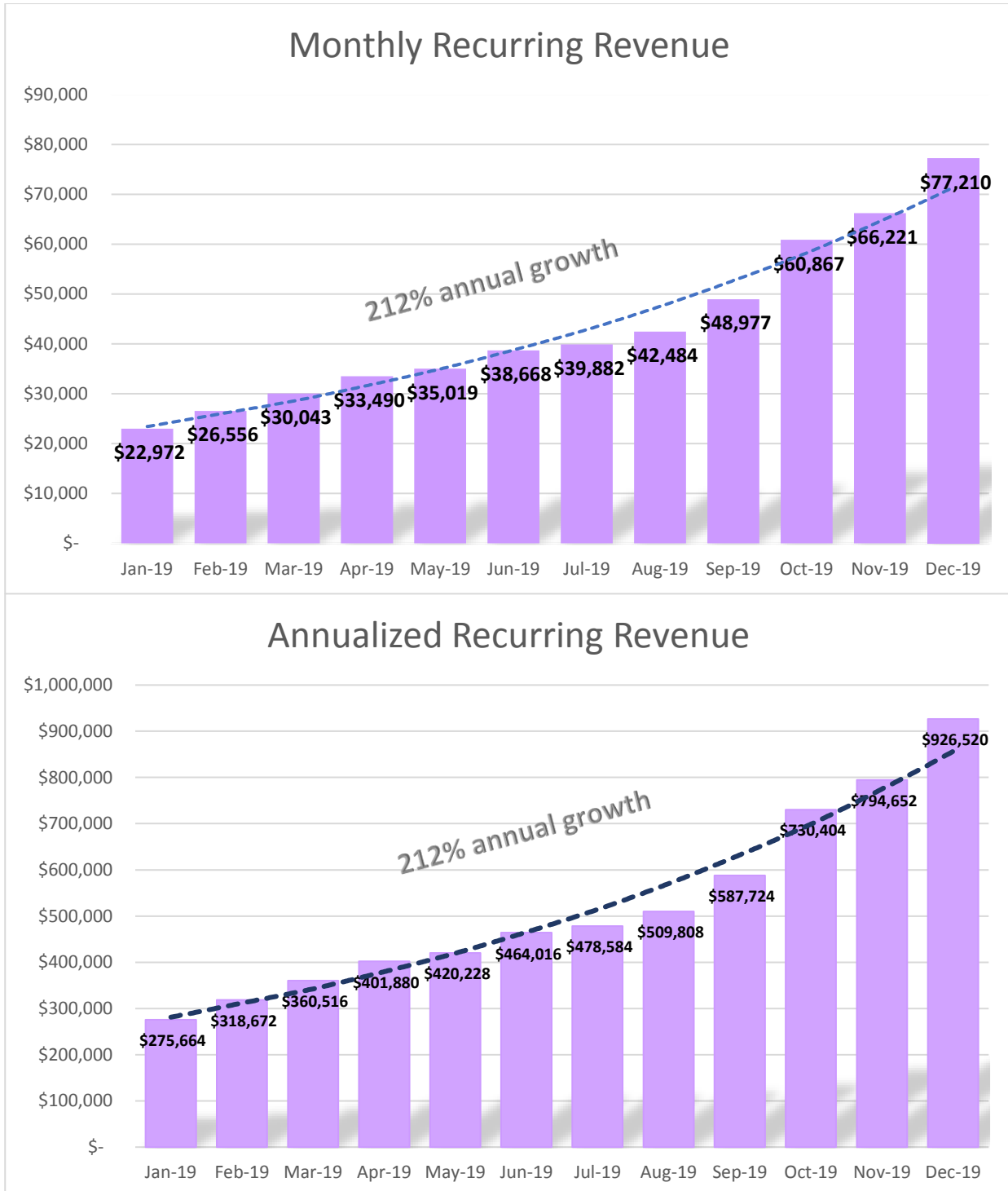
Likely Developments and Expected Results of Operations

AppsVillage has delivered strong and continuous growth since listing on the ASX in August 2019 and this momentum has continued into the 2020 financial year. Having completed FY2019 with 6,418 paying SMB customers utilising its app-development and marketing platform for SMBs, the Company is confident in its ability to continue to deliver growth in FY2020.

FY2019 saw the launch of AppsVillage’s SMB loan offering, with partners in the USA (Seek Capital and Fundomate) and Australia (Lumi). Strong traction was built during the pilot phase of its US offering and APV has ramped up its strategy to build further momentum for this offering. APV’s SMB finance pilot phase is still ongoing in Australia and results to date have been extremely encouraging. The full launch of this service is expected to commence in Q4 2020 and the Company expects immediate and strong traction.

As a result of the strong growth delivered to date, the Company expects to continue to deliver the following growth across its revenue generation, paying subscribers and SMB finance offering in 2020.





The recent outbreak of COVID-19 has presented unprecedented challenges for governments and small businesses globally. These challenges have also provided opportunities for AppsVillage’s robust business model, particularly in relation to the initiatives like SMB loan offerings which are expected to drive increased demand from SMBs.

AppsVillage has refined its customer acquisition strategy to focus on high margin, high revenue geographies such as the USA, the United Kingdom and Australia in order to reduce overall marketing expenditure. The Company expects this initiative will improve customer ROI and profitability.

At this stage, the Company does not foresee a negative impact to its operations as a result of COVID-19 and is continuing with its strategy to grow customers and revenues.

**AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019**

Indemnification of Auditors

To the extent that is permitted by law, the Company has agreed to indemnify its auditors, BDO Perth (WA) Pty Ltd, as part of the terms of the agreement against claims by third parties arising from their report on the financial report. No payment has been made to indemnify BDO Perth (WA) Pty Ltd during or since the financial year.

Non-audit Services

The Company's auditor, BDO Audit (WA) Pty Ltd, has provided US\$20,160 in non-audit service and its network firm has provided \$4,000 in non-audit services to the Group during the year ended 31 December 2019 (2018: nil).

Full details of their remuneration can be found within the financial statements at Note 7.

In the event that non-audit services are provided by BDO Audit (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise the auditor independence requirements of the *Corporations Act 2001*. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

This report is made in accordance with a resolution of Directors.

AppsVillage Australia Limited
Directors' Report (continued)
31 December 2019

Remuneration Report - Audited

The remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (Act) and its regulations. The information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Key management personnel covered in this report
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties
9. Voting of Shareholdings at last year's annual general meeting

1. Key management personnel covered in this report

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel. Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

Key management personnel covered in this report are as follows:

Name	Status	Appointed	Resigned
Yoav Ziv	Non-Executive Chairman	23 May 2019	-
Jonathan Hart	Independent Non-Executive Director	1 March 2019	-
Leanne Graham	Non-Executive Director	19 May 2019	-
Max Bluvband	Executive Director and Chief Executive Officer since Company's inception	21 May 2019	-
Shahar Hajdu	Executive Director and Chief Technology Officer since Company's inception	3 October 2019	-
Nathan Barbarich	Non-Executive Director	1 June 2018	20 May 2019
Moshe Cohen	Non-Executive Director and VP of business development	1 June 2018	20 May 2019
Howard Digby	Non-Executive Director	1 June 2018	15 May 2019
Peter Webse	Non-Executive Director	1 June 2018	28 February 2019
Other key management personnel			
Gidi Krupnik	Chief Financial Officer	1 January 2019	-
Moshe Cohen	Vice President of Business Development	1 June 2018	-

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a Remuneration Committee Charter.

At this stage the Board does not consider the Group's earnings- or earnings-related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

During the financial year, the Company did not engage any remuneration consultants.

AppsVillage Australia Limited

Directors' Report, Remuneration Report - Audited (continued)

Below is a summary of the remuneration framework

Element	Purpose	Performance metrics	Potential value	Changes for FY 2019
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning
STI	Nil	-	-	-
LTI	Alignment to long-term business growth	Please refer to Note 17 for the performance options requirements.	Alignment with long term shareholders value	Granted upon IPO

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to social benefits/superannuation funds. There is no performance based remuneration.

The compensation of the executives is subject to the approval by the Board on a case-by-case basis.

Mr Max Bluvband

Mr Max Bluvband is the Co-Founder, Executive Director/ Chief Executive Officer (CEO). In July 2016, AppsVillage Israel entered into an executive agreement with Max Bluvband pursuant to which Mr Bluvband was appointed as the CEO.

A summary of the agreement is as follows:

- (a) (Term) Mr Bluvband's service commenced on 1 July 2016 and continues in full force and effect until terminated in accordance with the agreement.
- (b) (Salary): Mr Bluvband is paid a gross monthly salary of NIS 37,800 and super-annuation and social benefits of NIS 7,900 (approximately US\$12,700 based on prevailing exchange rates) per month pursuant to the agreement. Until 30 June 2019 Mr Bluvband was paid a gross monthly salary of NIS 15,000 and super-annuation and social benefits of NIS 7,900 (approximately US\$6,400 based on prevailing exchange rates) per month pursuant to the agreement.
- (c) (Events of Termination): the agreement is terminable by either party by 90 days' prior written notice but may be terminated immediately by AppsVillage Israel where Mr Bluvband commits a material breach of the agreement, including continued no-performance of his duties under the agreement.

The agreement is prepared in accordance with, and is subject to, the laws of Israel and contains terms and conditions which are considered standard for an agreement of its nature, including those in relation to confidentiality, non-competition and non-solicitation, confirmation of proprietary rights and other standard clauses.

Mr Shahar Hajdu

Mr Shahar Hajdu is the Co-Founder, Executive Director/Chief Technology Officer (CTO). In July 2016, AppsVillage Israel entered into an agreement with Mr Shahar Hajdu pursuant to which Mr Hajdu was appointed as the CTO.

A summary of the agreement is as follows:

- (a) (Term) Mr Hajdu's service commenced on 1 July 2016 and continues in full force and effect until terminated in accordance with the agreement.
- (b) (Salary): Mr Hajdu is paid a gross monthly salary of NIS 37,800 and super-annuation and social benefits of NIS 7,300 (approximately US\$12,600 based on prevailing exchange rates) per month pursuant to the agreement. Until 30 June 2019 Mr Hajdu was paid a gross monthly salary of NIS 15,000 (approximately US\$4,300 based on prevailing exchange rates) and super-annuation and social benefits.
- (c) (Events of Termination): the agreement is terminable by either party by 90 days' prior written notice but may be terminated immediately by AppsVillage Israel where Mr Hajdu commits a material breach of the agreement, including continued no-performance of his duties under the agreement.

The agreement is prepared in accordance with, and is subject to, the laws of Israel and contains terms and conditions which are considered standard for an agreement of its nature, including those in relation to confidentiality, non-competition and non-solicitation, confirmation of proprietary rights and other standard clauses.

Mr Moshe Cohen

Mr Moshe Cohen is Vice President of Business Development. In June 2018, AppsVillage Israel entered into an agreement with Mr Moshe Cohen pursuant to which Mr Cohen was appointed as the Vice President of Business Development.

A summary of the agreement is as follows:

- (a) (Term) Mr Cohen's service commenced on 1 June 2018 and continues in full force and effect until terminated in accordance with the agreement.
- (b) (Salary): Mr Cohen is paid a monthly fee of US\$ 6,000 per month pursuant to the agreement.
- (c) (Events of Termination): the agreement is terminable by either party by 90 days' prior written notice but may be terminated immediately by AppsVillage Israel where Mr Cohen commits a material breach of the agreement, including continued non-performance of his duties under the agreement.

The agreement is prepared in accordance with, and is subject to, the laws of Israel and contains terms and conditions which are considered standard for an agreement of its nature, including those in relation to confidentiality, non-competition and non-solicitation, confirmation of proprietary rights and other standard clauses.

Mr Gidi Krupnik

Mr Gidi Krupnik is Chief Financial Officer. In January 2019, AppsVillage Israel entered into an agreement with Mr Gidi Krupnik pursuant to which Mr Krupnik was appointed as the Chief Financial Officer.

A summary of the agreement is as follows:

- (a) (Term) Mr Krupnik's service commenced on January 1, 2019 and continues in full force and effect until terminated in accordance with the agreement.
- (b) (Salary): Mr Krupnik is paid an hourly fee of US\$ 150 per hour pursuant to the agreement.
- (c) (Events of Termination): the agreement is terminable by either party by 30 days' prior written notice but may be terminated immediately by AppsVillage Israel where Mr Krupnik commits a material breach of the agreement, including continued non-performance of his duties under the agreement.

The agreement is prepared in accordance with, and is subject to, the laws of Israel and contains terms and conditions which are considered standard for an agreement of its nature, including those in relation to confidentiality, non-competition and non-solicitation, confirmation of proprietary rights and other standard clauses.

4. Non-executive director fee arrangements

The Board policy is to remunerate non-executive directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

The maximum aggregate amount of fees that can be paid to non-executive directors is presently limited to an aggregate of approximately \$342,000 (A\$500,000) per annum and any increase is subject to approval by shareholders. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold shares in the Company.

Total fees for non-executive directors for the financial year were \$71,820 (A\$105,000) and cover main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

5. Details of Remuneration

31 December 2019

	Short term salary, fees & commissions	Super- annuation & social benefits	Non- monetary benefits	Bonus	Share-based payments (i)	Total	Performance based remuneration
	US\$	US\$	US\$	US\$	US\$	US\$	%
Executive Directors :							
Max Bluvband	88,132	26,304	27,445	-	37,781	179,662	-
Shahar Hajdu	88,132	24,462	8,794	-	37,781	159,169	-
Non-Executive Directors:							
Yoav Ziv	23,940	-	-	-	18,166	42,106	-
Leanne Graham	23,940	-	-	-	18,166	42,106	-
Jonathan Hart	23,940	-	-	-	18,166	42,106	-
Nathan Barbarich (ii)	-	-	-	-	-	-	-
Howard Digby (ii)	-	-	-	-	-	-	-
Peter Webse (ii)	-	-	-	-	-	-	-
Other KMP:							
Moshe Cohen (iii)	74,977	-	-	-	19,710	94,687	-
Gidi Krupnik	64,418	-	-	-	-	64,418	-
Total	387,479	50,766	36,239	-	149,770	624,254	-

- (i) Refer to Section 6 Additional Disclosures relating to equity instruments for further information on share-based payments granted to directors and key management during the year.
- (ii) Mr Barbarich resigned on 20 May 2019, Mr Digby resigned on 15 May 2019, and Mr Webse resigned on 28 February 2019. They are not considered to be a KMP from these dates.
- (iii) Mr Cohen resigned on 20 May 2019 from the position of Non-Executive Director, however continued to act as KMP in the capacity of Vice President of Business Development.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

31 December 2018

	Short term salary, fees & commissions	Superannuation & social benefits	Non-monetary benefits	Bonus	Share-based payments (i)	Total	Performance based remuneration
	US\$	US\$	US\$	US\$	US\$	US\$	%
Non-Executive Director	-	-	-	-	-	-	-
Nathan Barbarich	-	-	-	-	-	-	-
Moshe Cohen	23,768	-	-	-	-	23,768	-
Howard Digby	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-
Other KMP							
Max Bluvband	50,071	16,690	27,103	-	121,976	215,840	-
Shahar Hajdu	50,071	14,528	-	-	121,976	186,575	-
Total	123,910	31,218	27,103	-	243,952	426,183	

- (i) Refer to Section 6 Additional Disclosures relating to equity instruments for further information on share-based payments granted to directors and key management during the year.

6. Additional disclosures relating to equity instruments

9,294,238 shares were issued to KMP during the 2019 financial year (2018: nil).

The number of ordinary shares in AppsVillage Australia Limited held by KMP of the Group during the financial year are as follows:

31 December 2019

	Balance at start of the year	Shares issued during the year (i)	Other changes during the year (ii)	Balance at end of the year
Directors				
Yoav Ziv	-	-	40,000	40,000
Max Bluvband	30,000	3,062,506	-	3,092,506
Shahar Hajdu	30,000	3,062,506	-	3,092,506
Leanne Graham	-	-	50,000	50,000
Jonathan Hart	-	-	50,000	50,000
Nathan Barbarich(iii)	-	208,333	2,750,000	2,958,333
Howard Digby (iii)	-	-	-	-
Peter Webse(iii)	-	-	-	-
Other KMP				
Gidi Krupnik	-	-	-	-
Moshe Cohen (iv)	31,943	3,260,893	1,687,500	4,980,336
Total	91,943	9,594,238	4,577,500	14,263,681

- (i) Shares issued to key management personnel as consideration for their shareholding in AppsVillage. On or about 5 June 2019, the Company entered into a share swap agreement and option swap agreement (Acquisition Agreement) with the holders of the shares and/or options of AppsVillage. For a summary of the Acquisition Agreement please see section 8.1 of the Prospectus.
- (ii) Shares acquired by Mr Ziv, Mr Hart and Ms Graham as part of the initial public offer in the Prospectus. Mr Barbarich and Moshe Cohen received the shares as part of the 6,875,000 founder shares issued (Note 15).
- (iii) Mr Barbarich resigned on 20 May 2019, Mr Digby resigned on 15 May 2019 and Mr Webse resigned on 28 February 2019. They are not considered to be a KMP from these dates and the balance at the end of the year represents the outstanding shares as of the date of the resignation.
- (iv) Mr Cohen resigned on 20 May 2019 from the position of Non-Executive Director, however continued to act as KMP in the capacity of Vice President of Business Development.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

31 December 2018

	Balance at start of the year	Shares issued during the year	Other changes during the year	Balance at end of the year
Non-Executive Directors				
Nathan Barbarich	-	-	-	-
Moshe Cohen	31,943	-	-	31,943
Howard Digby	-	-	-	-
Peter Webse	-	-	-	-
Other KMP				
Max Bluvband	30,000	-	-	30,000
Shahar Hajdu	30,000	-	-	30,000
Total	91,943	-	-	91,943

KMP Option Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

31 December 2019

	Balance at start of the year	Granted as remuneration	Exercised during the year	Options issued during the year (i)	Other changes during the year (ii)	Balance at end of the year	Vested and exercisable	Unvested and un-exercisable
Executive Directors								
Max Bluvband	10,753	-	-	9,187,500	1,097,704	10,295,957	1,108,457	9,187,500
Shahar Hajdu	10,753	-	-	9,187,500	1,097,704	10,295,957	1,108,457	9,187,500
Non-Executive Directors								
Yoav Ziv	-	250,000	-	-	-	250,000	250,000	-
Leanne Graham	-	250,000	-	-	-	250,000	250,000	-
Jonathan Hart	-	250,000	-	-	-	250,000	250,000	-
Nathan Barbarich	-	-	-	-	-	-	-	-
Howard Digby	-	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-	-
Other KMP								
Gidi Krupnik	-	-	-	-	-	-	-	-
Moshe Cohen (iii)	-	-	-	2,625,000	-	2,625,000	-	2,625,000
Total	21,506	750,000	-	21,000,000	2,195,408	23,966,914	2,966,914	21,000,000

- (i) Refer terms and conditions of the share-based payment arrangements section below for details of remuneration options issued during the year.
- (ii) Conversion of the options upon acquisition of the subsidiary Appsvillage Israel.
- (iii) Mr Cohen resigned on 20 May 2019 from the position of Non-Executive Director, however continued to act as KMP in the capacity of Vice President of Business Development.

Options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

KMP Option Holdings (continued)

31 December 2018

	Balance at start of the year	Granted as remuneration	Exercised during the year	Options issued during the year	Other changes during the year	Balance at end of the year	Vested and exercisable	Unvested and un-exercisable
Non-Executive Directors								
Nathan Barbarich	-	-	-	-	-	-	-	-
Moshe Cohen	-	-	-	-	-	-	-	-
Howard Digby	-	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-	-
Other KMP								
Max Bluvband	10,753	-	-	-	-	10,753	10,753	-
Shahar Hajdu	10,753	-	-	-	-	10,753	10,753	-
Total	21,506	-	-	-	-	21,506	21,506	-

KMP Warrants Holdings

The number of warrants over ordinary shares held by each KMP of the Group during the financial year is as follows:

31 December 2019

	Balance at start of the year	Granted as remuneration	Exercised during the year	Warrants issued during the year (i)	Other changes during the year	Balance at end of the year	Vested and exercisable	Unvested and un-exercisable
Executive Directors								
Max Bluvband	-	-	-	-	-	-	-	-
Shahar Hajdu	-	-	-	-	-	-	-	-
Non-Executive Directors								
Yoav Ziv	-	-	-	-	-	-	-	-
Leanne Graham	-	-	-	-	-	-	-	-
Jonathan Hart	-	-	-	-	-	-	-	-
Nathan Barbarich	-	-	-	-	-	-	-	-
Howard Digby	-	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-	-
Other KMP								
Gidi Krupnik	-	-	-	-	-	-	-	-
Moshe Cohen	-	-	-	300,000	-	300,000	300,000	-
Total	-	-	-	300,000	-	300,000	300,000	-

- (i) The warrants with an exercise price of AUD\$0.30 and a life of 2.5 years were issued to certain past shareholders of AppsVillage Israel.

Warrants do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

KMP Warrant Holdings (continued)

31 December 2018

	Balance at start of the year	Granted as remuneration	Exercised during the year	Warrants issued during the year	Other changes during the year	Balance at end of the year	Vested and exercisable	Unvested and unexercisable
Non-Executive Directors								
Nathan Barbarich	-	-	-	-	-	-	-	-
Moshe Cohen	-	-	-	-	-	-	-	-
Howard Digby	-	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-	-
Other KMP								
Max Bluvband	-	-	-	-	-	-	-	-
Shahar Hajdu	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Terms and conditions of the share-based payment arrangements

Directors options

Option class	Number granted	Grant Date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Vested %
Director Options	750,000	8 August 2019	27 August 2019	3 years from the date of issue	AUD\$0.30	US\$0.07266	100%

250,000 Director Options to each of Mr Jonathan Hart, Mr Yoav Ziv and Ms Leanne Graham.

The full terms and conditions apply to the Director Options:

- 1) Each Director Option entitles the holder to subscribe for one Share upon exercise of the Option.
- 2) Subject to paragraph (8), the amount payable upon exercise of each Director Option will be AUD\$0.30.
- 3) Each Director Option will expire 3 years after the date of issue (Expiry Date). An Option not exercisable before the Expiry Date will automatically lapse on the Expiry Date.
- 4) The Director Options are exercisable at any time on and from the date which is 24 months from quotation of the Company's Shares on the ASX, provided that the Option holder remains a Director of the Company (Exercise Period).
- 5) The Director Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (Note of Exercise) and payment of the Exercise Price for each Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

Terms and conditions of the share-based payment arrangements (continued)

Performance options

During the year, the following performance options were granted to Directors and other key management personnel:

Performance rights series	Grant date	No. of performance options	No. of performance options vested during the year	Fair value per performance option	Total fair value of performance options	Total value yet to be expensed
Class A	8 August 2019	7,000,000	-	\$0.0837	\$585,714	\$585,714
Class B	8 August 2019	7,000,000	-	\$0.0837	\$585,714	\$585,714
Class C	8 August 2019	7,000,000	-	\$0.0837	\$585,714	\$585,714
Total		21,000,000	-	-	\$1,757,142	\$1,757,142

In relation to Class A, B and C performance options the Directors have assessed the probability of meeting the non-market conditions as less than probable. Accordingly, no amount in relation to these performance options has been recognised in the Statement of Profit or Loss and Other Comprehensive Income or in the remuneration disclosures for Directors and key management personnel.

The 21,000,000 performance options have been granted to eligible participants as defined under the Company's performance options and options plan (PROP). In order to remain an eligible participant, the employee or director must remain in service to the Group or the right will lapse and not vest.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

Terms and conditions of the share-based payment arrangements (continued)

Performance options (continued)

The above performance options were issued to the following Directors and other key management personnel:

	Class A	Class B	Class C	Total
Directors:			-	-
Max Bluvband	3,062,500	3,062,500	3,062,500	9,187,500
Shahr Hajdu	3,062,500	3,062,500	3,062,500	9,187,500
Other KMP:				
Moshe Cohen	875,000	875,000	875,000	2,625,000
Total	7,000,000	7,000,000	7,000,000	21,000,000

The following terms and conditions apply to the Performance Options:

- 1) The performance hurdles for the performance options are based on 3 separate targets relating to the Company's revenue targets.
 - Tranche A Performance Options: will vest and become exercisable upon the Company achieving at least one of the Customer Collections or ACV revenues of at least AUD \$2,500,000 from sales of products and services based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.
 - Tranche B Performance Options: will vest and become exercisable upon the Company achieving at least one of customer collections or ACV revenues of at least AUD \$5,000,000 from total sale of products and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date; and
 - Tranche C Performance Options: will vest and become exercisable upon the Company achieving at least one Customer Collections or ACV revenues of at least \$10,000,000 from total sales of products based and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.
- 2) In order to remain an eligible participant, the employee and director must remain in services to the Group or the right will lapse and not vest.
- 3) The performance options will vest on the date the milestone relating to that performance options has been satisfied. All of the performance rights will vest and become exercisable if a change of control event occurs in relation to the Company (whether by way of takeover bid, scheme of arrangement involving the Company which results in a change in 40% or more of the voting shares in the Company, or the Group sells all or substantially all of its business or assets).
- 4) Each performance Option entitles the holder to one fully paid ordinary share upon exercise.
- 5) Upon:
 - a. a takeover bid under Chapter 6 of the *Corporations Act* having been made in respect if the Company and:
 - i. having received acceptances for not less than 50.1% if the Company's Shares on issue; and
 - ii. having been declared unconditional by the bidder; or
 - b. a Court granting orders approving a compromise or arrangement for the purposes or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies, then, to the extent Performance Options have not converted into Shares due to satisfaction of the Vesting Conditions, the Performance Options will automatically vest and become exercisable.
- 6) The Performance Options are exercisable at any time on or prior to the Performance Expiry Date.
- 7) The Performance Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate and payment of the Performance Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

AppsVillage Australia Limited
Directors' Report, Remuneration Report - Audited (continued)

Terms and conditions of the share-based payment arrangements (continued)

Warrants

Option class	Number granted	Grant Date	Vesting and exercise date	Expiry date	Exercise price	Value per warrant at grant date	Vested %
Warrants	300,000	8 August 2019	27 August 2019	2.5 years from the date of issue	AUD\$0.30	US\$0.0657	100%

300,000 warrants issued to Moshe Cohen.

The full terms and conditions apply to the Warrants:

- 1) Each Warrant entitles the holder to subscribe for one Share upon exercise of the Warrant.
- 2) Subject to paragraph (7), the amount payable upon exercise of each Warrant will be AUD\$0.30.
- 3) Each Warrant will expire 2.5 years after the date of issue (Expiry Date). A Warrant not exercisable before the Expiry Date will automatically lapse on the Expiry Date.
- 4) The Warrants are exercisable at any time on or prior to the Expiry Date (Exercise Period).
- 5) The Warrants may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Warrant certificate (Note of Exercise) and payment of the Exercise Price for each Warrant being exercised in Australian currency by electronic funds transfer or other means of payment acceptable by the Company.
- 6) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Warrant being exercised in cleared funds (Exercise Date).
- 7) For so long as the Warrants remain unexercised, nothing contained in these terms shall be constructed as conferring upon the holder the right to vote or consent as a shareholder in respect of meetings or shareholders for the election of directors of the Company, the right to receive any dividends declared by the Company or any other right as a shareholder.

7. Loans from key management personnel (KMP) and their related parties

No loans are noted between the Group and key management personnel and their related parties for the current year (2018: Nil).

8. Other transactions and balances with KMP and their related parties

Transactions with related parties are entered into on terms equivalent to those that prevail in arm's length transactions.

Related parties of the Group's key management personnel are as follows:

Mr Zigmund Bluvband – Executive Director and CEO Max Bluvband's Father
Mrs Hagit Bluvband – Executive Director and CEO Max Bluvband's wife
Gnat Pty Ltd – Company that controlled by Nathan Barbarich
RM Corporate - Nathan Barbarich has significant influence over the Company
Pearl Cohen Zedek Latzer Baratz – CEO's sister Anna Moshe is a partner of this legal firm

The Group has transactions with members of the Group's key management personnel and/or their related parties during the year as follows:

8(a) Share holdings by KMP related parties

31 December 2019

	Balance at start of the year	Granted as remuneration (iii)	Conversion(i)	Other changes during the year(ii)	Balance at end of the year
Moshe Cohen	-	1,687,500	-	-	1,687,500
Zigmund Bluvband	10,896	-	1,112,296	(673,909)	449,283
GNat Pty Ltd	-	2,750,000	-	176,251	2,926,251
Total	10,896	4,437,500	1,112,296	(497,658)	5,063,034

(i) Conversion upon acquisition of the subsidiary AppsVillage Israel.

- (ii) Other changes during the year reflects on market sales / on market purchases.
- (iii) Received as part of 6,875,000 shares issued to the founders of the Company prior to the IPO with unit price of 0.1353. Refer to Note 15.

8(b) Options Holdings by KMP Related Parties

31 December 2019

	Balance at start of the year	Granted as remuneration(i)	Conversion upon acquisition of the subsidiary AppsVillage Israel	Balance at the end of the year
RM Corporate	-	5,000,000	-	5,000,000
Hagit Bluvband	2,222	-	226,830	229,052
Total	2,222	5,000,000	226,830	5,229,052

- (i) The issue of 5,000,000 options with an exercise price of AUD\$0.30 and a life of 3 years to the Lead Manager of IPO.

8(c) Details of remuneration

31 December 2019

	Short term salary, fees & commissions US\$	Super-annuation & social benefits US\$	Non-Monetary benefits US\$	Total US\$
Pearl Cohen Legal(ii)	58,127	-	-	58,127
RM Corporation (i)	371,511	-	-	371,511
Hagit Bluvband	29,120	11,094	12,624	52,838
Total	458,758	11,094	12,624	482,476

- (i) This is the fee paid to RM Corporation for IPO related service and broking capital raising completed in December 2019. The terms of the agreement is on an arm's length basis.
- (ii) This is the fee paid to Pearl Cohen Legal for legal consult service in 2019. The terms of the agreement is on an arm's length basis.

9. Voting of shareholders at last year's annual general meeting

The financial year ended 31 December 2019 is the Company's first financial year as a disclosing entity; accordingly, no remuneration report was prepared at 31 December 2018 and no vote by shareholders was applicable.

This is the end of the audited remuneration report

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Max Bluvband
Chief Executive Officer

Tel Aviv, 31 March 2020

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF APPSVILLAGE AUSTRALIA LIMITED

As lead auditor of AppsVillage Australia Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* 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 AppsVillage Australia Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2020

AppsVillage Australia Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 US\$	2018 US\$
Revenue from contracts with customers	3	611,042	373,406
Operating expenses			
Cost of revenues - commissions		(59,921)	(74,371)
Research and development		(547,790)	(197,261)
Selling and marketing		(2,616,218)	(1,161,926)
General and administrative		(542,185)	(162,962)
Share-based payments	17	(289,930)	(298,258)
Listing and registration expenses	4	(634,487)	-
Issue of founder shares	15	(929,952)	-
Loss before finance expenses		(5,009,441)	(1,521,372)
Finance income	4	5,998	1,483
Finance expense	4	(13,794)	(1,213)
Loss before income tax		(5,017,237)	(1,521,102)
Income tax expense	5	-	-
Loss for the year		(5,017,237)	(1,521,102)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve	16(c)	160,343	-
Total comprehensive loss for the year attributable to owners of the Company		(4,856,894)	(1,521,102)
Loss per share attributable to owners of the Company			
Basic/diluted loss per share (cents per share)	8	(0.140)	(0.076)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AppsVillage Australia Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 US\$	2018 US\$
CURRENT ASSETS			
Cash and cash equivalents	9	2,662,198	453,655
Restricted cash	10	28,223	137,278
Trade and other receivables	11	138,884	78,055
TOTAL CURRENT ASSETS		2,829,305	668,988
NON-CURRENT ASSETS			
Plant and equipment		10,116	3,754
TOTAL NON-CURRENT ASSETS		10,116	3,754
TOTAL ASSETS		2,839,421	672,742
CURRENT LIABILITIES			
Trade and other payables	12	736,034	177,731
Employee provisions	13	93,577	3,296
Contract liability	14	347,978	106,325
TOTAL CURRENT LIABILITIES		1,177,589	287,352
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		1,177,589	287,352
NET ASSETS		1,661,832	385,390
SHAREHOLDERS' EQUITY			
Issued capital	15	7,967,290	304,314
Mandatorily convertible bridge loans	15	-	2,023,577
Reserves	16	952,538	298,258
Accumulated losses		(7,257,996)	(2,240,759)
SHAREHOLDERS' EQUITY		1,661,832	385,390

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AppsVillage Australia Limited
Consolidated Statement of Changes in Equity
As at 31 December 2019

	Issued Capital	Accumulated losses	Share-based payment reserve	Foreign Currency Translation Reserve	Predecessor accounting reserve	Mandatorily convertible bridge loans	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2018	304,314	(719,657)	-	-	-	600,000	184,657
Loss for the year	-	(1,521,102)	-	-	-	-	(1,521,102)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	(1,521,102)	-	-	-	-	(1,521,102)
Mandatorily convertible bridge loans	-	-	-	-	-	1,423,577	1,423,577
Share based payments	-	-	298,258	-	-	-	298,258
Balance at 31 December 2018	304,314	(2,240,759)	298,258	-	-	2,023,577	385,390
Balance at 1 January 2019	304,314	(2,240,759)	298,258	-	-	2,023,577	385,390
Loss for the year	-	(5,017,237)	-	-	-	-	(5,017,237)
Other comprehensive income	-	-	-	160,343	-	-	160,343
Total comprehensive Income(loss) for the year	-	(5,017,237)	-	160,343	-	-	(4,856,894)
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares – Note 15	6,584,350	-	-	-	-	-	6,584,350
Capital raising costs –Note 15	(944,951)	-	363,210	-	-	-	(581,741)
Share based payments –Note 17	-	-	289,929	-	-	-	289,929
Conversion of convertible loan - Note 15	2,023,577	-	-	-	-	(2,023,577)	-
Transactions under capital restructure(i)	-	-	-	-	(159,202)	-	(159,202)
Balance at 31 December 2019	7,967,290	(7,257,996)	951,397	160,343	(159,202)	-	1,661,832

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

- (i) As a result of the capital reorganisation transaction, an equity account called ‘Predecessor Account Reserve’ exists. This equity account represents the carrying value of the net liabilities acquired. See Note 2 for further details of the acquisition.

AppsVillage Australia Limited
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

Note	2019 US\$	2018 US\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Receipts from customers	852,695	479,731
Payments to suppliers and employees	(2,910,460)	(1,540,623)
Listing and registration expenses	(634,487)	-
Interest paid	(7,796)	(1,206)
Net used in operating activities	9(b) (2,700,048)	(1,062,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(8,984)	(2,607)
Net used in investing activities	(8,984)	(2,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	5,103,455	-
Transaction costs related to issues of shares	(581,741)	-
Investments in restricted cash	-	(128,623)
Proceeds from mandatorily convertible bridge loans	371,472	1,423,577
Net cash provided from financing activities	4,893,186	1,294,954
Net increase in cash and cash equivalents	2,184,154	230,249
Cash and cash equivalents at the beginning of the financial year	453,655	223,406
Impact of movement in foreign exchange rates	24,389	(21,592)
Cash and cash equivalents at the end of the financial year	9 2,662,198	453,655

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements cover AppsVillage Australia Limited (Company) and its controlled entity (also referred to as Group).

AppsVillage Australia Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The nature of operations and principal activities of the Company are described in the Directors' report.

Basis of preparation of the financial report

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

b) Basis of Measurement and Reporting Conventions including Capital Re-organisation

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

On 26 August 2019, AppsVillage Australia Limited (APV) completed a transaction with the shareholders of AppsVillage Ltd (AppsVillage Israel) to acquire 100% of the share capital of AppsVillage Israel in exchange for the following equity instruments in the Company; 19,950,686 shares and 3,049,314 options exercisable at AUD\$0.039. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as APV was established for the sole purpose of facilitating the listing process to acquire AppsVillage Israel by way of an equity swap. The shareholders of AppsVillage Israel received the same proportion of equity instruments in APV.

The financial report will represent:

- the results of AppsVillage Israel for the period 1 January 2019 to the Acquisition Date
- the results of the consolidated group from the Acquisition Date to 31 December 2019
- the consolidated Groups financial position as at 31 December 2019

The comparative financial information in the financial statements will be that of AppsVillage Israel and not AppsVillage Australia Limited (although the capital structure will be that of AppsVillage Ltd). Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

c) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for year ended 31 December 2019 of US\$ 5,017,237 (2018: US\$1,521,102) and net cash outflows from operating activities of US\$2,700,048 (2018: US\$1,062,098).

Subsequent to reporting date, on 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities. The timing and extent of the impact and recovery from COVID-19 is unknown but it may

have an impact on Group's activities and potentially impact on being able to increase its revenue and/or raise capital in an uncertain market.

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there will be sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- the Directors have assessed the likely cash flow for the 12 month period from the date of signing this financial report and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements as at the date of this report;
- the Group has recently been successful in raising equity and is planning to raise further funds;
- the level of expenditure can be managed;
- the Directors also have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the provision of the Group's services; and
- Is continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable. The directors plan to continue the Group's operations on the basis as outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve months from the date of this report

d) Principles of Consideration

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls as investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group, and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss. Accumulated losses as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

e) Income Tax

Current income tax expense charged to the profit or loss is tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in the deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

When temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

(i) Receivables

Trade receivables are measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 0 - 60 days.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through amortisation process and when the financial liability is derecognised.

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised on profit or loss.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

h) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 0 - 60 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Revenue Recognition

The Group provides an online platform that enables users to create applications using their Facebook ('FB') pages and generates revenue primarily from services related to such applications.

The Group recognises revenue when the customer obtains control over the promised services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the services promised to the customer, other than amounts collected for third parties.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customer business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Group can identify the rights of each party in relation to services that will be transferred;
- (c) The Group can identify the payment terms for the service that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable the consideration, to which the Group is entitled to in exchange for its services transferred to customer, will be collected.

For the purposes of paragraph (e) the Group examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

If a contract with a customer does not meet all the above criteria, consideration received from the customer is recognised as a contract liability until the criteria are met or when one of the following events occurs; the Group has no remaining obligation to transfer services to the customer and any considerations promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Identifying Performance Obligations

On the contract's inception date, the Group assesses the services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Services that are distinct; or
- (b) A series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

The Group identifies services promised to the customer as being distinct when the customer can benefit from the services on their own or in conjunction with other readily available resources and the Group's promise to transfer the services to the customer is separately identifiable from other promises in the contract.

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the services promised to the customer, other than amounts collected for third parties.

Satisfaction of performance obligations

Revenue is recognised overtime when the Group satisfies a performance obligation by transferring control over promised services to the customer.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Revenue Recognition

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

j) Research and development expenses

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has intention and sufficient resources to complete development and to use or sell the asset.

As of 31 December 2019, the Group does not meet the conditions to capitalise any development expenditure, therefore, all expenditure was recognised in profit or loss as incurred.

k) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

l) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computer and software 33%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

m) Goods and Services Tax (GST)/Value Added Tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable.

Receivable and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of the GST/VAT recoverable from, or payable to, the tax authorities is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Employee Benefits

Post-employment benefits

The liability for severance pay is in accordance its obligations under Israeli employment law (Section 14 of the Severance Compensation Act, 1963). All Israel based employees are included under Section 14, and are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies or pension funds. Under Israeli employment law, payments in accordance with Section 14 release the employer from any future severance payments.

The funds are made available to the employee at the time the employer-employee relationship is terminated, regardless of the cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the statements of financial position as the severance pay risks have been irrevocably transferred to the insurance companies or pension funds.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

o) Equity-settled compensation

The Group measures the share-based expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes option valuation model which takes into account the terms and conditions upon which the instruments are granted.

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

r) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The Share-based payment reserve records the cost of share-based payments.

s) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars which is the subsidiary's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

AppsVillage Australia Limited

**Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Foreign currency transactions and balances

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period which the operation is disposed of.

t) Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

u) Share based payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black Scholes option valuation model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

For performance options with non-market based vesting conditions, at each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option reserve.

v) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w) Predecessor Accounting

Business combinations involving entities under capital reorganisation are accounted for using the predecessor accounting method. Under this method;

- Carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on the acquisition; and
- The carrying value of net assets or liabilities acquired is recorded as a separate element of equity.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and judgements

Capital Re-organisation

The acquisition of 100% of the issued capital of AppsVillage Ltd (Israel) by the Company, by way of issuing the shareholders of AppsVillage Ltd (Israel) fully paid shares in the Company, has been determined as a capital reorganisation as the transaction does not meet the definition of a business. Capital reorganisation transactions are a complex accounting area because there are no specific accounting standards for these types of transactions. In the absence of specific guidance, management has used the guidance in AASB 108 *Accounting Policies, Change in Accounting Estimates and Errors* (para 10) whereby management has used its judgement in developing and applying a relevant and reliable accounting policy using pre-combination book values to account for this transaction as no substantive economic change has occurred. Refer to Note 2 for additional information.

Share based payments

The Group initially measures the cost of equity-settled transactions with employees, KMP and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market-based vesting conditions.

The directors also apply judgements to assess the probability and timing of achieving milestones related to the performance options. At 31 December 2019 the Directors have assessed the probability of meeting the non-market conditions as less than probable. Accordingly, no amount in relation to these performance rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income or in the remuneration disclosures for Directors and key management personnel. The assumptions and models for estimating fair value for share-based payment transactions are disclosed on Note 17.

The Directors make estimates and judgements in preparing the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events based and are based on current trends and economic data, obtained both externally and within the Group.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 2: CAPITAL REORGANISATION EQUITY

Summary of Acquisition

AppsVillage Australia Limited (the acquirer) was incorporated in Australia on 1 June 2018 for the purpose of identifying technology acquisitions showing potential for growth and development. On 5 June 2019, the Company entered an agreement to acquire AppsVillage Ltd (Israel Company) (AppsVillage).

On 26 August 2019, the Company completed a transaction with the shareholders of AppsVillage Ltd (Israel) under capital reorganisation to acquire 100% of the share capital in AppsVillage Australia Limited in exchange for 19,950,686 ordinary shares and 3,049,314 options exercisable at \$0.0039 in the Company prior to the ASX listing.

As at the date of acquisition, the assets and liabilities of the Company were as follows:

a) Assets and Liabilities Acquisition Date	2019 US\$
Cash and cash equivalents	4,207
Trade and other receivables	1,476
Prepayments	98,922
Intercompany loan	233,053
Fixed assets	36,711
Trade and other payables	(2,897)
Convertible loan	(371,472)
Convertible loan – finance cost	(159,202)
Net liabilities at acquisition date	(159,202)

b) Predecessor Accounting Reserve	2019 US\$
Net liabilities of AppsVillage Australia Limited at acquisition date	(159,202)
Predecessor Accounting Reserve	(159,202)

NOTE 3: REVENUE

The Group operates in one operating segment. In the following table sales are attributed to geographic distribution based on the location of the customer:

	2019 US\$	2018 US\$
Israel	18,942	9,246
United States	305,521	334,058
Other countries	286,579	30,102
Total revenue to external customers	611,042	373,406

Total revenue in both financial years are generated from provision of services that allow small-to-medium businesses to create and manage their own mobile application as a means of connecting with their customers and growing their business. The revenue is recognised over time in both periods.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 4: EXPENSES

	2019 US\$	2018 US\$
Loss before income tax from continuing operations includes the following specific expenses:		
Payroll and related expenses	674,105	224,132
Professional services	392,729	111,864
Depreciation of plant and equipment	2,621	418
Exchange rate differences	96,991	-
Finance expenses:		
- Interest income	(5,998)	(1,483)
- Interest expenses	13,794	1,213
Total finance expenses	7,796	(270)
Listing and registration expenses	634,487	-

The Company incurred costs to list on ASX which include professional fees in preparing the prospectus and additional expenditure in connection with this process. The amounts incurred represents one off costs and will not be incurred in the future.

Share based payments expense	289,929	298,258
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During the period the Group undertook several share-based payment transactions which are detailed in Note 17.

NOTE 5: INCOME TAX

The financial accounts for the year ended 31 December 2019 comprise the results of AppsVillage Australia Limited and AppsVillage Israel. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5% (2018: 27.5%). The applicable tax rate in Israel is 23% (2018: 23%).

a) Income tax expense

	2019 US\$	2018 US\$
Current tax	-	-
Deferred tax	-	-
	-	-

b) The income tax expense for the year can be reconciled to the accounting loss as follows:

	2019 US\$	2018 US\$
Loss for the year before tax	(5,017,237)	(1,521,102)
Tax at the Australian tax rate of 27.5%	(1,379,740)	(418,303)
Effect of different tax rate of group entities operating in a different jurisdiction	147,973	68,450
Effect of expenses that are not deductible in determining taxable income	323,657	163,972
Effect of unused tax losses not recognised as deferred tax assets	908,110	185,881
	-	-

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 5: INCOME TAX (CONTINUED)

Tax losses

Unused tax losses for which no deferred tax asset has been recognised will be subject to the Group satisfying the requirements imposed by regulatory taxation authorities. The benefits of deferred tax assets will only be recognised if:

- Future assessable income is derived of a nature of an amount sufficient to enable the benefit to be realised.
- The condition for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the Group in realising the benefit.

- c) Deferred tax losses not recognised at reporting date

	2019 US\$	2018 US\$
Deferred tax assets not recognised at the reporting date		
Unused tax losses	1,358,457	450,347

NOTE 6: RELATED PARTY TRANSACTIONS

a) Key Management Personnel Compensation

The totals of remuneration paid to KMP during the year are as follows:

	2019 US\$	2018 US\$
Short term salary and fees	387,479	123,910
Social benefits	50,766	31,218
Non-Monetary benefits	36,239	27,103
Share based payments	149,770	243,952
Total KMP Compensation	624,254	426,183

b) Other transactions

Transactions with related parties are entered into on terms equivalent to those that prevail in arm's length transactions.

Related parties of the Group's key management personnel are as follows:

Mr Zigmund Bluvband – CEO's Father
Mrs Hagit Bluvband – CEO's Wife
Gnat Pty Ltd – Company that controlled by Mr Barbarich
RM Corporate - Company that controlled by Mr Barbarich
Pearl Cohen Zedek Latzer Baratz – CEO's sister Anna Moshe is a partner of this legal firm

The Group has transactions with members of the Group's key management personnel and/or their related parties during the year as follows:

b(1) Share holdings by KMP related parties

31 December 2019

	Balance at start of the year	Granted as remuneration (iii)	Conversion(i)	Other changes during the year(ii)	Balance at end of the year
Moshe Cohen	-	1,687,500	-	-	1,687,500
Zigmund Bluvband	10,896	-	1,112,296	(673,909)	449,283
GNat Pty Ltd	-	2,750,000	-	176,251	2,926,251
Total	10,896	4,437,500	1,112,296	(497,658)	5,063,034

- (i) Conversion upon acquisition of the subsidiary AppsVillage Israel.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

- (ii) Other changes during the year reflects on market sales / on market purchases.
- (iii) Received as part of 6,875,000 shares issued to the founders of the Company prior to the IPO with unit price of 0.1353. Refer to Note 15.

31 December 2018

	Balance at start of the year	Granted as remuneration	Conversion	Other changes during the year	Balance at end of the year
Zigmund Bluvband	10,896	-	-		10,896
Total	10,896	-	-	-	10,896

b(2) Options Holdings by KMP Related Parties

31 December 2019

	Balance at start of the year	Granted as remuneration(i)	Conversion(ii)	Balance at the end of the year
RM Corporate	-	5,000,000	-	5,000,000
Hagit Bluvband	2,222	-	226,830	229,052
Total	2,222	5,000,000	226,830	5,229,052

- (i) The issue of 5,000,000 options with an exercise price of AUD\$0.30 and a life of 3 years to the Lead Manager.
- (ii) Conversion upon acquisition of the subsidiary AppsVillage Israel.

31 December 2018

	Balance at start of the year	Granted as remuneration	Conversion	Balance at the end of the year
Hagit Bluvband	2,222	-	-	2,222
Total	2,222	-	-	2,222

b(3) Details of remuneration

31 December 2019

	Short term salary, fees & commissions US\$	Super-annuation & social benefits US\$	Non-Monetary benefits	Total US\$
Pearl Cohen legal(ii)	58,127	-	-	58,127
RM Corporation (i)	371,511	-	-	371,511
Hagit Bluvband	29,120	11,094	12,624	52,838
Total	458,758	11,094	12,624	482,476

- (i) This is the fee paid to RM Corporation for IPO related service. The terms of the agreement are on an arm's length basis.
- (ii) This is the fee paid to Pearl Cohen Legal for legal consult service in 2019. The terms of the agreement are on an arm's length basis.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

31 December 2018

	Short term salary, fees & commissions US\$	Super-annuation & social benefits US\$	Non-Monetary benefits	Total US\$
Hagit Bluvband	14,995	8,085	12,384	35,464

NOTE 7: AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 US\$	2018 US\$
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) - Australia	29,700	-
- Auditing and reviewing the financial reports (BDO) – Israel	30,000	-
- Auditing and reviewing the financial reports (KPMG) – Israel	-	48,000
	59,700	48,000
Other non-audit remuneration		
- Investigating Accountant's Report (BDO) – Australia	20,160	-
- Tax service (BDO) – Israel	4,000	-
	24,160	-

NOTE 8: LOSS PER SHARE

	2019 US\$	2018 US\$
Loss per share (EPS)		
a) Loss used in calculation of basic EPS and diluted EPS	(5,017,237)	(1,521,102)
b) Number of ordinary shares outstanding at year end used in calculation of basic and diluted loss per share	36,293,692	19,950,686

The number of ordinary shares outstanding (the denominator of the EPS calculation) for the years ended 31 December 2019 and 31 December 2018 has been adjusted to reflect the capital reorganisation. The number of shares outstanding for the year ended 31 December 2018 is based on the number of shares outstanding in the period following the acquisition.

NOTE 9: CASH AND CASH EQUIVALENTS

	2019 US\$	2018 US\$
Cash at bank	2,662,198	453,655
Total cash and cash equivalents in the statement of cash flows	2,662,198	453,655

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 9 b: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

	2019	2018
	US\$	US\$
Loss after income tax	(5,017,237)	(1,521,102)
Non-cash flows in loss after income tax		
- Non-cash currency differences expenses	106,077	-
- Share based payment expense	289,930	298,258
- Non-cash expense related to convertible loan	159,202	-
- Depreciation and amortisation	2,621	-
- Expenses related to issue of founder shares	929,952	-
Changes in assets and liabilities		
- (Increase) in trade and other receivables	(60,829)	(46,864)
- Increase in trade and other payables	558,303	156,046
- Increase in contract Liability	241,405	106,743
- Increase/(decrease) in provisions	90,529	(55,179)
Cash flow used in operating activities	(2,700,048)	(1,062,098)

Non-Cash investing and financing activities

The Group issued shares for the capital restructure transaction and converted debt to equity as described in Note 16. There were no other non-cash investing and financing activities during the year.

NOTE 10: RESTRICTED CASH

	2019	2018
	US\$	US\$
Restricted cash	28,223	137,278

NOTE 11: TRADE AND OTHER RECEIVABLES

	2019	2018
	US\$	US\$
CURRENT		
Accounts receivables	16,538	33,788
Other receivables	122,346	44,267
	138,884	78,055

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. The Group's exposure to the risks associated with trade and other receivables are disclosed in Note 19.

NOTE 12: TRADE AND OTHER PAYABLES

	2019	2018
	US\$	US\$
CURRENT		
Trade payables	65,099	38,493
Accrued expenses	485,444	95,024
Employee payables	185,491	44,214
	736,034	177,731

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value. The Group's exposure to the risks associated with trade and other payables are disclosed in Note 19.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 13: EMPLOYEE PROVISIONS

	2019 US\$	2018 US\$
CURRENT		
Annual leave	93,577	3,296

NOTE 14: CONTRACT LIABILITY

	2019 US\$	2018 US\$
Opening Balance	106,325	-
Payments received in advance	852,695	479,731
Transfer to Revenue	(611,042)	(373,406)
Contract liability	347,978	106,325

NOTE 15: ISSUED CAPITAL

	2019 Shares No.	2018 Shares No.	2019 US\$	2018 US\$
a) Share Capital				
Fully paid ordinary shares	76,658,758	110,028	7,967,290	304,314

b) Movement in Ordinary Capital	Date	No.	Unit Price US\$	Total US\$
Opening balance as at 1 January 2019 (i)		110,028	n/a	304,314
Issue of shares in AppsVillage Ltd (Israel) (ii)	26 August 2019	19,950,686	n/a	-
Less: adjustment for predecessor accounting (i)	26 August 2019	(110,028)	n/a	-
Issue of shares upon conversion of loans held in the AppsVillage Ltd (Israel) by third parties(iii)	26 August 2019	10,910,905	n/a	2,023,577
Issue of shares – initial public offering	27 August 2019	25,000,000	0.1353	3,401,911
Issue of shares upon conversion of loans held in the Company	27 August 2019	3,923,198	0.1353	530,674
Existing shares of AppsVillage Australia Limited (iv)	27 August 2019	6,875,001	0.1353	929,952
Issue of shares in relation to capital raising via public offer	16 December 2019	9,998,968	0.1722	1,721,813
Costs of capital raising	-	-	-	(581,741)
Issue of 5,000,000 Lead Manager Options (refer to Note 17)	-	-	-	(363,210)
Closing balance at 31 December 2019		76,658,758		7,967,290

- (i) The application of continuation accounting for the acquisition and consolidation of common shareholders entity AppsVillage Ltd (Israel) required the disclosure of AppsVillage Ltd (Israel) shares on issue as at 31 December 2018 as a comparative.
- (ii) The Company issued 19,950,686 fully paid ordinary shares to AppsVillage Ltd (Israel), refer to Note 2 for further details.
- (iii) The issue of 10,910,905 ordinary shares on conversion of US\$2,023,577 mandatorily convertible converting loans in AppsVillage Australia.
- (iv) A financing cost of US \$ 929,952 has been recognised for the value of 6,875,000 shares of AppsVillage Australia post 31 December 2018 prior to the acquisition date to the founders of the company. The share is valued at AUD\$0.20 per share which is the IPO offer price.

b) Movement in Ordinary Capital	Date	No.	Unit Price US\$	Total US\$
Opening balance as at 1 January 2018		110,028		304,314
Movement during the year (i)		-		-
Closing balance at 31 December 2018		110,028		304,314

- (i) No movement on share capital during 2018 financial year.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 15: ISSUED CAPITAL (continued)

a) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required. Any surplus funds are invested with major financial institutions.

NOTE 16: RESERVES

a) Share Based Payment Reserve

	2019 US\$	2018 US\$
37,049,314 (31 December 2018: 29,581) options on issue	951,397	298,258

b) Movement in Share Based Payment Reserve

	2019 US\$
Opening balance as at 1 January 2018	-
Issue of 29,581 options (Note 17)	298,258
Closing balance as at 31 December 2018	298,258
<i>Expensed in the statement of profit or loss and other comprehensive income</i>	
Issue of 2,000,000 warrants (Note 17)	131,499
Issue of 750,000 options (Note 17)	54,497
Issue of 3,049,314 options (Note 17)	103,934
<i>Recognised in equity</i>	
Issue of 5,000,000 Broker Options (Note 17)	363,210
Closing balance as at 31 December 2019	951,398

c) Foreign currency translation Reserve

	2019 US\$	2018 US\$
Foreign exchange reserve closing balance	160,343	-

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

d) Predecessor Accounting Reserve

	2019 US\$	2018 US\$
Predecessor accounting reserve closing balance	(159,202)	-

The reserve arises from the capital reorganisation and records the net liabilities of AppsVillage Australia Limited as at the acquisition date of 26 August 2019. Refer to Note 2.

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Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 17: SHARE BASED PAYMENTS

During the year ended 31 December 2019, the Company recorded the following share-based payments:

- The issue of 5,000,000 options with an exercise price of AUD\$0.30 and a life of 3 years to the Lead Manager (“Broker Options”).
- The issue of 2,000,000 warrants with an exercise price of AUD \$0.30 and a life of 2.5 years to certain past shareholders of AppsVillage.
- The issue of 750,000 options with an exercise price of AUD \$0.30 and a life of 3 years to the Directors (“Directors Options”).
- The issue of 3,049,314 options exercisable at AUD \$0.039 to the vendors of AppsVillage Israel to cover the existing options in AppsVillage Israel prior to the acquisition date.
- The issue of 26,250,000 performance options with an exercise price of AUD\$0.30 and a life of three years which are subject to:
 - Tranche A Performance Options: will vest and become exercisable upon the Company achieving at least one of the Customer Collections or ACV revenues of at least AUD \$2,500,000 from sales of products and services based on the Company’s technology, for any 12-month period after Admission and before the Performance Expiry Date.
 - Tranche B Performance Options: will vest and become exercisable upon the Company achieving at least one of customer collections or ACV revenues of at least AUD \$5,000,000 from total sale of products and services that are based on the Company’s technology, for any 12-month period after Admission and before the Performance Expiry Date; and
 - Tranche C Performance Options: will vest and become exercisable upon the Company achieving at least one Customer Collections or ACV revenues of at least AUD\$10,000,000 from total sales of products based and services that are based on the Company’s technology, for any 12-month period after Admission and before the Performance Expiry Date.

Fair Value

Fair value is independently determined using a Black-Scholes option pricing model that takes into account the effective exercise price, the terms of the option, the share price at grant date and expected price volatility of the underlying share value. This valuation technique also applies to the Broker options as the value of the service performed could not be reliably determined. The Black Scholes inputs and valuations were as follows:

Options	Broker Options	Warrants	Directors Options	Performance Options
Number of options	5,000,000	2,000,000	750,000	26,250,000
Grant date	8 August 2019	8 August 2019	8 August 2019	8 August 2019
Issue date	27 August 2019	27 August 2019	27 August 2019	27 August 2019
Exercise price AUD \$	\$0.30	\$0.30	\$0.30	\$0.20
Expected volatility	100%	100%	100%	100%
Implied option life	3 years from date of the official quotation to ASX	2.5 years from date of the official quotation to ASX	3 years from date of the official quotation to ASX	3 years from date of the official quotation to ASX
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rate	0.69%	0.69%	0.69%	0.69%
Valuation per option AUD \$	\$0.1074	\$0.0972	\$0.1074	\$0.1235
Exchange rate	0.6763	0.6763	0.6763	0.6763
Valuation per option USD \$	\$0.0726	\$0.0657	\$0.0726	\$0.0837
Total valuation USD \$	\$363,210	\$131,499	\$54,497	\$3,241,960

All options and warrants except for the performance options vest immediately.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 17: SHARE BASED PAYMENTS (CONTINUED)

Share Based Payments expense

Non-cash share-based payment expense for the full year is comprised as follows:

	2019 US\$	2018 US\$
Issue of 2,000,000 warrants	131,499	-
Issue of 750,000 options	54,497	-
Issue of 3,049,314 options (i)	103,934	298,258
Total expense recognised in profit or loss	289,930	298,258
Issue of 5,000,000 Broker Options	363,209	-
Total expense recognised in equity	363,209	-
Total share-based payments expense	653,139	298,258

(i) The issue of 3,049,314 options to cover the existing options in AppsVillage Israel prior to the acquisition date.

Performance Options/Rights

	Number of Options	Expense recognised \$
Performance Options – Tranche A	8,750,000	-
Performance Options – Tranche B	8,750,000	-
Performance Options – Tranche C	8,750,000	-
Total	26,250,000	-

Fair value of rights granted

A performance options plan (PROP) was established for the Chief Executive Officer (director), Chief Technology Officer (director) and other certain key employees. The performance rights were issued on 27 August 2019. The performance rights issued to the CEO and certain key employees pursuant to the PROP vest based on the achievement of various performance hurdles. The performance rights have been granted to eligible participants as defined under the Company's performance rights and option plan. In order to remain an eligible participant, the employee and director must remain in services to the Group or the right will lapse and not vest.

The performance hurdles for the performance rights and options are based on 3 separate targets relating to the Company's revenue targets.

- Tranche A Performance Options: will vest and become exercisable upon the Company achieving at least one of the Customer Collections or ACV revenues of at least AUD \$2,500,000 from sales of products and services based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.
- Tranche B Performance Options: will vest and become exercisable upon the Company achieving at least one of customer collections or ACV revenues of at least AUD \$5,000,000 from total sale of products and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date; and
- Tranche C Performance Options: will vest and become exercisable upon the Company achieving at least one Customer Collections or ACV revenues of at least \$10,000,000 from total sales of products based and services that are based on the Company's technology, for any 12-month period after Admission and before the Performance Expiry Date.

The performance rights will vest on the date the milestone relating to that performance right has been satisfied. In total 26,250,000 performance rights were issued to the CEO and employees. The fair value of the performance rights has not been deemed as the performance rights are based on non-market conditions. The directors of the Company have deemed the likelihood of the non-market conditions being achieved as less than likely for Tranche A, Tranche B and Tranche C accordingly, no fair value assessment has been made in relation to these Tranches.

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Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 18: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

NOTE 19: FINANCIAL INSTRUMENTS

a) Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Group's approach to capital management during the year.

b) Categories of financial instruments

	2019	2018
	US\$	US\$
Financial Assets		
Cash and cash equivalents	2,662,198	453,655
Restricted cash	28,223	137,278
Trade and other receivables	138,884	78,055
	2,829,305	668,988
Financial liabilities		
Trade and other payables	250,590	177,731
	250,590	177,731

The fair value of the above financial instruments approximates their carrying values.

c) Financial risk management policies

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

The board has overall responsibility to the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of those risks on the Group where such impacts may be material. The board receives financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that see to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

d) Market risk

Market risk for the Group arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see (e) below).

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

e) Interest rate risk management

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Floating Interest Rate	Non-interest bearing	2019 Total	Floating Interest Rate	Non-interest bearing	2018 Total
	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets						
<i>- Within one year</i>						
Cash and cash equivalents	2,662,198	-	2,662,198	453,655	-	453,655
Restricted cash	28,223	-	28,223	137,278	-	137,278
Trade and other receivables	-	138,884	138,884	-	78,055	78,055
Total financial assets	2,690,421	138,884	2,829,305	590,933	78,055	668,988
<i>Interest rate</i>	0% to 1.5%			0% to 1.5%		
Financial Liabilities						
<i>- Within one year</i>						
Trade and other Payables	-	250,590	250,590	-	82,707	82,707
Total financial liabilities	-	250,590	250,590	-	82,707	82,707
<i>Interest rate</i>						
Net financial assets/liabilities	2,690,421	(111,703)	2,578,718	590,933	(4,652)	586,281

Year ended 31 December 2019

+/-1% in interest rates

Year ended 31 December 2018

+/-1% in interest rates

	Movement in Profit	Movement in Equity
	US\$	US\$
	26,622	26,622
	4,537	4,537

f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rates its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 19: FINANCIAL INSTRUMENTS (CONTNUED)

g) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date excluding interest payments:

	Interest rate	Less than 6 months US\$	6-12 months US\$	1-2 years US\$	2-5 years US\$	Over 5 years US\$	Total contractual cash flows US\$	Carrying amount US\$
2019								
Trade and other payables	-	250,590	-	-	-	-	250,590	250,590
	-	250,590	-	-	-	-	250,590	250,590
2018								
Trade and other payables	-	82,707	-	-	-	-	82,707	82,707
	-	82,707	-	-	-	-	82,707	82,707

h) Net fair value of financial assets and liabilities

Fair value estimation

Due to the short-term nature of the receivables and payables, the carrying value approximates fair value.

i) Foreign currency risk

The currency risk is that risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's function currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar (the functional currency of the subsidiary company), the New Israeli Shekel, the Australian Dollar (functional currency of the parent company). No sensitivity analysis is disclosed as the balances in foreign currency are immaterial.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 20: PARENT ENTITY FINANCIAL INFORMATION

The following information of the legal parent AppsVillage Australia Limited has been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

a) Financial Position of AppsVillage Australia Limited	2019 US\$	2018 US\$
ASSETS		
Current assets	1,565,200	1
Non-current assets	-	-
TOTAL ASSETS	1,565,200	1
LIABILITIES		
Current liabilities	96,632	-
Non-current liabilities	-	-
TOTAL LIABILITIES	96,632	-
NET ASSETS	1,661,832	1
SHAREHOLDERS' EQUITY		
Issued capital	7,804,186	1
Reserves	547,766	-
Accumulated losses	(6,690,120)	-
SHAREHOLDERS' EQUITY	1,661,832	1
b) Statement of profit or loss and other comprehensive income		
Loss for the year	(6,690,120)	-
Other comprehensive income	157,729	-
Total comprehensive loss	(6,532,391)	-

During 2019, AppsVillage Australia Limited became the parent entity as part of a capital reorganisation. Refer to Note 2 for further details.

c) Guarantees entered into by AppsVillage Australia Ltd for the debts of its subsidiary

There are no guarantees entered into by AppsVillage Ltd.

d) Contingent liabilities of AppsVillage Australia Ltd

There were no contingent liabilities as at 31 December 2019 (2018: nil).

e) Commitments by AppsVillage Australia Ltd

There were no commitments as at 31 December 2019 (2018: nil).

NOTE 21: CONTROLLED ENTITIES

The ultimate legal parent entity of the Group is AppsVillage Australia Ltd, incorporated and domiciled in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Controlled entity	Country of incorporation	Percentage owned	
		2019	2018
<i>Parent entity</i>			
AppsVillage Australia Limited	Australia		
<i>Subsidiaries of AppsVillage Australia Limited</i>			
AppsVillage Ltd	Israel	100%	100%

The proportion of ownership interest is equal to the proportion of voting power held.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 22: COMMITMENTS

There are no material commitments at 31 December 2019 (31 December 2018:Nil).

NOTE 23: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 31 December 2019 (31 December 2018:Nil).

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

Major Business Developments:

- *AppsVillage signed an agreement with a leading B2B credit risk analytics company Credit Risk Community, Inc. to integrate its credit risk to integrate its credit risk analysis technology into the AppsVillage Capital Platform.*
- *AppsVillage has integrated an artificial intelligence algorithm into its app development software.*
- *Following COVID-19 situation, the Company has setup an Emergency Micro Loan program to assist SMBs with their immediate cashflow needs to deal with the impacts of the situation.*

Also on 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020.

While offering unique opportunities for AppsVillage, COVID-19 also represents significant challenges for all companies globally and AppsVillage is not different. We continue to focus on our strategy of expanding the Company's operations and have implemented measures to maintain low operational expenditure and mitigate the impact of COVID-19 on our activities.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

The Company recently announced that following the global situation, the Company has setup and Emergency Micro Loan program to assist SMBs with their immediate cashflow needs to deal with the impacts of COVID-19 on their operations. Eligible businesses on the AppsVillage platform will be able to access loans of up to \$10,000 within 24 hours for an immediate relief of Coronavirus effect on their business

There were no other material events after the reporting period other than the above.

NOTE 25: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue 31 March 2020.

The directors are unaware of any other significant event or circumstance that has arisen since 31 December 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those disclosed above.

AppsVillage Australia Limited
Notes to the Consolidated Financial Statements (continued)
For the Year Ended 31 December 2019

NOTE 26: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

New, revised or amending Accounting Standards and Interpretations issued and adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the entity:

AASB 16 Leases

The entity has adopted AASB 16 from 1 January 2019. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. A depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

The adoption of AASB 16 did not result in a material impact on the group as all the leases where the group is a lessee met the exemption for low-value or short-term leases.

AppsVillage Australia Limited
Directors' Declaration
For the Year Ended 31 December 2019

In the Director's opinion:

- 1) The consolidated financial statements and notes set out on pages 28 to 56 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements, noting the matters documented in Note 1(a);
 - b) giving a true and fair view, the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
- 2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3) This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read "Max Bluvband", written over a horizontal line.

Max Bluvband

Chief Executive Officer
Tel Aviv, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of AppsVillage Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AppsVillage Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for capital reorganisation

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 1 to the financial report, on 26 August 2019, AppsVillage Australia Limited acquired 100% of the issued capital of AppsVillage Ltd by issuing the shareholders of AppsVillage Ltd fully paid ordinary shares in AppsVillage Australia Limited. AppsVillage Australia Limited has been incorporated to effect the Australian listing of AppsVillage Ltd under a capital reorganisation.</p> <p>The accounting of this capital reorganisation is a key audit matter due to the accounting complexity of the arrangement as there is limited guidance in Australian accounting standards relating to these types of transactions. There is a risk that the financial report is not presented and disclosed in accordance with the accounting policy adopted for capital reorganisations by the Group.</p> <p>Refer to Note 1(b), Note 1(x) and Note 2 to the financial report for a description of the accounting policy and judgements applied to this transaction.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the relevant agreements in line with management’s assessment of the transaction and the accounting policies adopted to reflect the capital reorganisation; • Involving our internal technical accounting specialists to evaluate the appropriateness of the use of the continuation accounting as it was applied to this transaction; and • Assessing the adequacy of the Group’s disclosures in respect of the accounting for this capital reorganisation in Note 1(b), Note 1(x) and Note 2 to the financial report.

Accounting for share-based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year ended 31 December 2019, the Group issued equity instruments in the form of shares, options, warrants and performance options, to eligible directors, employees and other consultants, which have been accounted for as share-based payments, as detailed in Note 17 to the financial report.</p> <p>Refer to Note 1(u) and Note 1(x) in the financial report for a description of the accounting policy and significant judgements applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of share-based payments. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Reviewing management’s determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation input; • Evaluating the independence, competence and objectivity of the managements’ expert to assess the reasonableness of management’s valuation inputs; • Assessing management’s determination of achieving the non-market vesting conditions attached to the performance options issued; • Assessing the allocation of the share-based payment expense over management’s expected vesting period; and • Assessing the adequacy of the related disclosures in Note 1(u), Note 1(x) and Note 17 in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2019, but does not include the financial report and the auditor’s report thereon.

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

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

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



Other Matter

The financial report of the Group for the year ended 31 December 2018 was audited by another auditor who expressed an unmodified opinion on that financial report on 26 May 2019.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 23 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of AppsVillage Australia Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 31 March 2020

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as 19 March 2020.

As at 19 March 2020 there were 867 holders of Ordinary Fully Paid Shares.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options and deferred securities that the Company currently has on issue. Upon exercise of the options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY (20) LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Holder Name	Holding	% IC
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,405,130	13.57%
MR MOSHE COHEN	5,447,006	7.14%
VICTORIA LINDENBAUM	4,021,644	5.25%
MR SHAHAR HAJDU & MS RONI HAJDU	3,092,506	4.03%
MR MAX EITAN BLUVBAND	3,092,506	4.03%
GNAT PTY LTD<G & N INVESTMENT A/C>	2,926,251	3.82%
ARMAND GOLDBERG	2,338,966	3.05%
MR TAMIR ELIEZER KREMENER	2,202,527	2.87%
TRUE COLOUR ADVERTISEMENT PTY LTD <THE CHEN FAMILY A/C>	2,154,000	2.81%
SCOPUS VENTURES FUND I LP	2,014,641	2.63%
ILIYA SOFKOV	1,306,964	1.70%
MR DAN GOTLIEB	1,166,493	1.52%
YULIA UVAROVA <TECHINVEST NOMINEES A/C>	1,125,000	1.47%
MR YORAM LEVY & MS RUTHIE LEVY <THE LEVY A/C>	1,026,701	1.34%
NADAV DANIEL	1,014,961	1.32%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	955,000	1.25%
MARTIN SHUSTER	857,812	1.12%
MR JOSEPH YAVIN	797,875	1.04%

MR DANIEL ESTEBAN GROSZ & MRS CLAUDIA VIVIANA GROSZ <PROFIT SHARING PLAN A/C>	686,288	0.90%
MR JOSEPH YAVIN	686,288	0.90%
SABRE POWER SYSTEMS PTY LTD	650,000	0.85%
MR BARAK HARPAZ	611,644	0.80%
TOTAL	48,610,203	63.41

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 19 March 2020 are:

Name	No of Shares Held	% of Issued Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,405,130	13.57%
MR MOSHE COHEN	5,447,006	7.14%
VICTORIA LINDENBAUM	4,021,644	5.25%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	18	7,681	0.01%
1,001 - 5,000	179	547,698	0.71%
5,001 - 10,000	193	1,661,417	2.17%
10,001 - 100,000	392	12,988,162	16.94%
100,001 - 9,999,999,999	83	61,453,800	80.17%
Totals	865	76,658,758	100.00%

Unmarketable Parcels – 150 Holders with a total of 327,866 shares, based on the last trading price of \$0.13 on 18 March 2020.

RESTRICTED SECURITIES

As at 19 March 2020, the following shares are subject to escrow:

5,596,303	Ordinary Fully Paid Shares voluntary escrowed until 14 August 2020
706,169	Ordinary Fully Paid Shares voluntary escrowed until 14 September 2020
4,021,256	Ordinary Fully Paid Shares escrowed 12 months from date of issue
15,277,548	Ordinary Fully Paid Shares escrowed 24 months from date of issue
2,639,248	Unlisted Options Expiring 5 years from quotation @ NIS0.01 escrowed 24 months from quotation
5,750,000	Unlisted Options Expiring 3 years from date of issue @ \$0.30 escrowed 24 months from quotation
26,250,000	Unlisted Performance Options escrowed 24 months from quotation
2,000,000	Warrants Expiring 30 months from date of issue \$0.30 escrowed 24 months from quotation
410,066	Unlisted Options Expiring 5 years from quotation @ NIS0.01 escrowed 12 months from date of issue

UNQUOTED SECURITIES

As at 19 March 2020, the following unquoted securities are on issue:

Unlisted Options Expiring 5 years from quotation @ NIS0.01 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
MR MAX EITAN BLUVBAND	1,108,457	42%
MR SHAHAR HAJDU & MS RONI HAJDU	1,108,457	42%

Unlisted Options Expiring 3 years from date of issue @ \$0.30 – 19 Holders

Holder with more than 20%

Holder Name	Holding	% IC
GNAT PTY LTD <G & N INVESTMENT A/C>	2,578,500	44.84%

Unlisted Performance Options escrowed 24 months from quotation – 5 Holders

Holder with more than 20%

Holder Name	Holding	% IC
MR MAX EITAN BLUVBAND	9,187,500	35%
MR SHAHAR HAJDU & MS RONI HAJDU	9,187,500	35%

Warrants Expiring 30 months from date of issue \$0.30 – 7 Holders

Holder with more than 20%

Holder Name	Holding	% IC
ARMAND GOLDBERG & HERTZEL ROSENBLUM	600,000	30%
VICTORIA LINDENBAUM	600,000	30%

Unlisted Options Expiring 5 years from quotation @ NIS0.01 escrowed 12 months from date of issue – 4 Holders

Holder with more than 20%

Holder Name	Holding	% IC
NEXTAGE CONSULTING SERVICES (2008) LTD	193,282	47.13%
ILAY RON	114,526	27.93%

ON-MARKET BUY BACK

There is currently no on-market buyback program.

ASX LISTING RULE 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing of the Company's securities to quotation in a way consistent with its business objectives.