



Real Technology Broker Limited

Consolidated Financial Statements

December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders and Board of Directors of
Real Technology Broker Limited**

Opinion

We have audited the consolidated financial statements of Real Technology Broker Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Auditor's Responsibilities for the Audit of the Financial Statements (Cont)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
March ●, 2020

Real Technology Broker Limited

Consolidated Statement of Financial Position

As at December 31, 2018

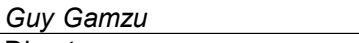
real

<i>In thousands of U.S. dollars</i>	Note	2018	2017
Assets			
Cash	14	485	1,784
Restricted cash	14	40	43
Trade receivables	13	276	19
Other receivables		9	15
Related parties		178	278
Prepaid expenses and deposits		19	29
Current assets		1,007	2,168
Property and equipment	15	27	30
Right-of-use assets	15	323	-
Non-current assets		350	30
Total assets		1,357	2,198
Liabilities			
Accounts payable and accrued liabilities		352	203
Other payables		90	203
Lease liabilities	18	122	-
Current liabilities		564	406
Lease liabilities	18	220	-
Preferred shares	16	10,750	9,500
Non-current liabilities		10,970	9,500
Total liabilities		11,534	9,906
Deficit			
Share capital	16	1,187	1,180
Share premium	16	78	5
Stock-based compensation reserve		1,134	1,159
Deficit		(12,576)	(10,052)
Total deficit		(10,177)	(7,708)
Total liabilities and deficit		1,357	2,198
Commitments and contingencies	20		
Subsequent events	22		

Approved by the Board of Directors:

Tamir Poleg

 Director

Guy Gamzu

 Director

Real Technology Broker Limited

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2018 and 2017



<i>In thousands of U.S. dollars</i>	Note	2018	2017
Revenue	8(A)	8,444	5,821
Cost of sales	9	7,133	5,010
Gross profit		1,311	811
Selling expenses	9	744	734
Administrative expenses	9	2,333	3,746
Research and development expenses	9	607	1,002
Operating loss		(2,373)	(4,671)
Finance costs		151	117
Loss before tax		(2,524)	(4,788)
Income taxes	12	-	-
Total loss and comprehensive loss		(2,524)	(4,788)
Earnings per share			
Basic loss per share	10(A)	(0.06)	(0.27)
Diluted loss per share	10(B)	(0.05)	(0.26)

The notes on pages 9 to 35 are an integral part of these consolidated financial statements.

Real Technology Broker Limited
 Consolidated Statements of Changes in Equity
 For the years ended December 31, 2018 and 2017



<i>In thousands of US dollars</i>	Share capital	Share premium	Stock-based compensation reserve	Deficit	Total equity
Balance, at January 1, 2017	1,180	5	70	(5,264)	(4,009)
Total loss and comprehensive loss for the period	-	-	-	(4,788)	(4,788)
Equity-settled share-based payment	-	-	1,089	-	1,089
Balance, at December 31, 2017	1,180	5	1,159	(10,052)	(7,708)
Total loss and comprehensive loss for the period	-	-	-	(2,524)	(2,524)
Issue of common shares	7	73	-	-	80
Equity-settled share-based payment	-	-	(25)	-	(25)
Balance, at December 31, 2018	1,187	78	1,134	(12,576)	(10,177)

Real Technology Broker Limited
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017



<i>In thousands of US dollars</i>	Note	2018	2017
Cash flows from operating activities			
Loss for the period		(2,524)	(4,788)
Adjustments for:			
– Depreciation		147	104
– Equity-settled share-based payment transactions		(25)	1,089
– Finance costs and other		(42)	24
		(2,444)	(3,571)
Changes in:			
– Trade receivables		(257)	(19)
– Other receivables		6	27
– Related parties		100	(278)
– Prepaid expenses and deposits		10	(23)
– Accounts payable and accrued liabilities		149	(183)
– Other payables		(113)	203
Net cash used in operating activities		(2,549)	(3,844)
Cash flows from investing activities			
Change in restricted cash		(3)	3
Acquisition of property and equipment		2	-
Acquisition of right-of-use assets		(323)	-
Net cash used in investing activities		(324)	3
Cash flows from financing activities			
Proceeds from issuance of common shares		7	-
Proceeds from the issuance of preferred shares		1,250	3,500
Payment of lease liabilities		342	-
Net cash from financing activities		1,599	3,500
Net increase in cash and cash equivalents		(1,274)	(341)
Cash, January 1		1,784	2,131
Effect of movements in exchange rates on cash held		(25)	(6)
Cash, December 31		485	1,784

The notes on pages 9 to 35 are an integral part of these consolidated financial statements.

1. General information

Real Technology Broker Limited (“Real” or the “Company”) is a technology-powered real estate brokerage firm, licensed in over 20 states with over 1,100 agents. Real offers agents a mobile focused tech-platform to run their business, as well as attractive business terms and wealth building opportunities. The consolidated operations of Real include the subsidiaries of Real Broker MA, LLC incorporated on July 11, 2018 under the law of the state of Delaware, Real Broker CT, LLC incorporated on July 11, 2018 under the law of the state of Delaware, Real Broker, LLC (formerly Realtyka, LLC) incorporated on October 17, 2014 under the law of the state of Texas, and Real Brokerage Technologies Inc. (formerly Realtyka Tech Ltd.) incorporated on June 29, 2014 in the state of Israel. The Company’s registered head office is 89 Medinat Hayehudim, Herzliya, Israel, 4676672.

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Standard, as issued by the IASB. They were authorized for issue by the Company’s board of directors on March ●, 2020.

3. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand dollars, unless otherwise indicated.

4. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. Basis of consolidation

i. Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company (see (A)(ii)). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred.

ii. Subsidiaries

Subsidiaries are entities controlled by the Company. The Company ‘controls’ an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated. Unrealized losses are eliminated in the same way unrealized gains, but only to the extent there is no evidence of impairment.

4. Significant accounting policies (Cont.)

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the report date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss presented within finance costs.

ii. Foreign operations

The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at exchange rates at the date of the transactions. When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

C. Revenue from contracts with customers

The Company generates substantially all of its revenue from commissions from the sale of real estate properties. Other sources of revenue include subscription income from the brokerage-platform and other revenues relating to auxiliary services.

The Company is contractually obligated to provide services for the fulfillment of transfer of real estate between agents, buyers and sellers. The Company satisfies its obligations through closing of a transaction and provides services between the agents and buyers and sellers as a principal. Accordingly, Real will recognize revenues in the gross amount of consideration, to which it expects to be entitled to.

Please see [Note 8\(B\)](#) for more information about the Company's revenues from contracts with customers.

D. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

4. Significant accounting policies (Cont.)

E. Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognized using the effective interest method.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability.

F. Income tax

Income tax expense comprises of current and deferred tax. It is recognized in profit or loss, or recognized or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

i. Current tax

Current tax comprises the expected payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is

measured using the tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

4. Significant accounting policies (Cont.)

F. Income tax (Cont.)

ii. Deferred tax (Cont.)

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

G. Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

ii. Subsequent expenditures

Subsequent expenditures are capitalized only if it is probable that future economic benefits with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

4. Significant accounting policies (Cont.)

G. Property and equipment (Cont.)

iii. Depreciation (Cont.)

The estimated useful lives of property and equipment for current and comparative periods are as follows:

- computer equipment: 3 years
- furniture and fixtures: 5-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

H. Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are recognized on the Company's consolidated statements of financial position when Real becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

ii. Classification and subsequent measurement

Financial assets – Policy

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions as is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Significant accounting policies (Cont.)

H. Financial instruments (Cont.)

ii. Classification and subsequent measurement (Cont.)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company assesses the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and the expectations of future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for the purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4. Significant accounting policies (Cont.)

H. Financial instruments (Cont.)

ii. Classification and subsequent measurement (Cont.)

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows or the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

4. Significant accounting policies (Cont.)

H. Financial instruments (Cont.)

iii. Derecognition (continued)

Financial liabilities (continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented on the consolidated statements of financial position, only when the Company has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

I. Share capital

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transactions costs of an equity transaction are accounted for in accordance with IAS 12.

ii. Preference shares

The Company's preference shares are classified as liability, due to the rights of the of the holders to require the settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company's shareholders.

J. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost; and
- contract assets

Loss allowances for trade receivables and contract assets are always measured at an amount equal to the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without

4. Significant accounting policies (Cont.)

J. Impairment

i. Non-derivative financial assets (cont.)

Financial instruments and contract assets (cont.)

undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company; or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

K. Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

4. Significant accounting policies (Cont.)

L. Leases

At the inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

i. Real as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

4. Significant accounting policies (Cont.)

L. Leases (Cont.)

i. Real as a lessee (Cont.)

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' in the consolidated statements of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a least term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

M. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

4. Significant accounting policies (Cont.)

M. Fair value measurement (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

5. Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- [Note 8](#) – revenue recognition: whether revenue from commission income on the sale of properties is recognized at a point in time;
- [Note 4](#) – consolidation: whether the Company has de facto control over an investee;

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant result of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- [Note 12\(C\)](#) – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- [Note 4\(K\)](#) – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- [Note 11](#) – valuation of share-based payment arrangements: key assumptions used to measure the fair value of the Company's share-based payment arrangements;

5. Use of judgments and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

i. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as a broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from third parties to support the conclusion of these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about assumptions made in measuring fair values is included in the following notes:

- [Note 11](#) – share-based payment arrangements; and
- [Note 19](#) – financial instruments.

6. Changes in significant accounting policies

IFRS 15, *Revenue from Contracts with Customers*

The Company adopted IFRS 15 on its effective date of January 1, 2018 using the modified retrospective approach. IFRS 15 replaces IAS 18, *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The Company's assessment included a review of relevant contracts for the following key areas that are in the scope of IFRS 15, commissions from real estate contracts and service contracts with real estate agents. The Company has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018.

IFRS 9, *Financial Instruments*

The Company adopted IFRS 9 on its effective date of January 1, 2018, using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in the financial statements.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (i) amortized cost; (ii) fair value through other comprehensive income (FVOCI) with fair value gains or losses recycled into net income on derecognition; or (iii) fair value through profit and loss (FVTPL). Financial liabilities are classified and measured either as: (i) amortize cost; or (ii) FVTPL. No transitional adjustments have been recorded relating to the Company's adoption of IFRS 9 as at January 1, 2018.

IASB Annual Improvements 2015-2017 Cycle (Issued in December 2017)

In December 2017, the IASB issued amendments to four standards IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes*, and IAS 23, *Borrowing Costs*. These amendments became effect on January 1, 2019. The implementation of these standards did not have a significant impact on the Company's financial statements.

IFRIC 23, *Uncertainty over Income Tax Treatment*

In June 2017, the IASB issued amendments as a clarification to requirements under IAS 12, *Income Taxes*. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. The amendments became effective on January 1, 2019. The amendments did not have an impact on the Company's financial statements.

7. Operating segments

In measuring its performance, the Company does not distinguish or group its operations on a geographical or on any other basis, and accordingly has a single reportable operating segment.

Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations, and an expectation of operating segments within a reportable segment, which have similar long-term economic characteristics.

The Company's chief executive officer is the chief operating decision maker, and regularly reviews Real's operations and performance on an aggregate basis. Real does not have any significant customers or any significant groups of customers.

8. Revenue

A. Revenue streams and disaggregation of revenue from contracts with customers

The Company generates revenue primarily from commissions from the sale of real estate properties. Other sources of revenue include subscription income from the brokerage-platform and immaterial amounts relating to auxiliary services.

In the following table, revenue from contracts with customers is disaggregated by major products and service lines and timing of revenue recognition.

<i>In thousands of US dollars</i>	2018	2017
Major service lines		
Commissions	8,297	5,743
Subscriptions	108	77
Other	39	1
Total revenue	8,444	5,821
Timing of revenue recognition		
Products transferred at a point in time	8,297	5,743
Services transferred over time	108	77
Revenue from contracts with customers	8,405	5,820
Other revenue	39	1
Total revenue	8,444	5,821

B. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies.

8. Revenue

B. Performance obligations and revenue recognition policies (continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Commissions from real estate contracts	Customers obtain control of real estate property on the closing date, which is ordinarily when consideration is received.	Revenue is recognized at a point in time as the purchase agreement is closed and the sale is executed.
Service contracts with real estate agents	Under service contracts with real estate agents, they enroll in an annual subscription plan to use the tech-platform.	Revenue is recognized over time as the Company provides promised services to real estate agents on a paid subscription plan.

9. Expenses by nature

<i>In thousands of US dollars</i>	2018	2017
Commissions to agents	7,078	4,734
Salaries and benefits	807	3,121
Consultancy	1,554	940
General and administrative	485	662
Dues and subscriptions	305	367
Advertising	147	221
Travel	127	102
Depreciation	147	59
Other	119	101
Occupancy	48	185
Total cost of sales, selling expenses, administrative and research and development expenses	10,817	10,492

10. Loss per share

A. Weighted average number of ordinary shares

<i>In thousands of shares</i>	2018	2017
Issued ordinary shares at January 1,	41,797	14,000
Effect of share options exercised	-	4,000
Weighted-average number of ordinary shares at December 31,	41,797	18,000

B. Diluted earnings per share

<i>In thousands of shares</i>	2018	2017
Issued ordinary shares at January 1,	41,797	14,000
Effect of share options on issue	4,355	4,679
Weighted-average number of ordinary shares (diluted) at December 31,	46,152	18,679

11. Share-based payment arrangements

See accounting policy in [Note 23\(D\)](#).

A. Description of share-based payment arrangements

i. Stock option plan (equity-settled)

On January 20, 2016, the Company established a stock-option plan that entitles key management personnel and employees to purchase shares in the Company. Under the stock-option plan, holders of vested options are entitled to purchase shares based for the exercise price as determined at grant date.

The key terms and conditions related to the grants under these programs are as follows; all options are to be settled by physical delivery of shares.

B. Measurement of fair values

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management personnel			
On January, 2016	142	25% on first anniversary, then quarterly vesting	4 years
On January, 2017	559	25% on first anniversary, then quarterly vesting	4 years
On June, 2018	326	25% on first anniversary, then quarterly vesting	4 years
On July, 2018	244	Immediate	4 years
	1,271		

The fair value of the stock-options have been measured using the Black-Scholes formula which was also used to determine the Company's share value. Service and non-market performance conditions attached to the arrangements were not considered in measuring fair value.

The inputs used in the measurement of the fair values at the grant and measurement date were as follows:

	2018	2017
Share price	\$ 0.14	\$ 3.30
Exercise price	\$ 0.14	\$ 0.13
Expected volatility (weighted-average)	66.1%	64.6%
Expected life (weighted-average)	4 years	4 years
Expected dividends	-%	-%
Risk-free interest rate (based on government bonds)	3.02%	2.65%

Expected volatility has been based on an evaluation of based on a comparable companies historical volatility of the share price, particularly over the historical period commensurate with the expected term.

11. Share-based payment arrangements (continued)

C. Reconciliation of outstanding stock-options

The number and weighted-average exercise prices of stock-options under the stock option plan (see A(i)) are as follows:

	Number of options 2018	Weighted- average exercise price 2018		Number of options 2017	Weighted- average exercise price 2017
Outstanding at January 1,	17,525	\$ 0.13		3,550	\$ 0.13
Granted during the year	2,888	\$ 0.13		13,975	\$ 0.13
Outstanding at December 31,	20,413	\$ 0.13		17,525	\$ 0.13
Exercisable at December 31,	5,672			990	

The stock-options outstanding as at December 31, 2018 had an exercise price of \$0.13 (2017: \$0.13) and a weighted-average contractual life of 4 years (2017: 4 years).

12. Income taxes

A. Effects of tax legislation

Economic Efficiency Law

On December 29, 2019, the Economic Efficiency Law (2016) was published, stating that the corporate tax rate will be reduced to 24% in 2017 and will continue to be reduced to 23% in 2018 and thereafter.

B. Reconciliation of effective tax rate

	2018	2018	2017	2017
Loss before tax from continuing operations	(2,524)		(4,788)	
Recovery using the Company's domestic tax rate	(606)	24.00%	(1,197)	25.00%
Reduction in tax rate	6	-1.00%	12	-1.00%
Tax effect of:				
Non-deductible expenses	-	-	-	-
Current-year losses for which no deferred tax asset is recognized	600	-23.77%	1,185	-24.75%
	-	0.00%	-	0.00%

C. Deferred taxes

The Company has non-capital loss carry-forwards for income tax purposes of \$3,731 (2017 - \$1,934), which may be available to reduce taxable income in future years. The potential benefit of these losses has not been recognized in the financial statements as deferred tax assets.

13. Trade receivables

<i>In thousands of US dollars</i>	2018	2017
Trade receivables	297	19
Less: allowance for trade receivables	(21)	-
Trade receivables	276	19

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in [Note 19\(C\)\(ii\)](#).

14. Cash

<i>In thousands of US dollars</i>	2018	2017
Bank balances	485	1,784
Restricted cash	40	43
	525	1,827

15. Property and equipment and right-of-use assets

A. Reconciliation of carrying amount

<i>In thousands of US dollars</i>	Right-of-use assets	Computer equipment	Furniture and equipment	Total
Cost				
Balance at January 1, 2017	-	33	86	119
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at December 31, 2017	-	33	86	119
Adoption of IFRS 16	433	-	-	433
Additions	-	-	2	2
Disposals	-	(12)	(23)	(35)
Balance at December 31, 2018	433	21	65	519
Accumulated depreciation and impairment losses				
Balance at January 1, 2017	-	12	24	36
Depreciation	-	1	52	53
Balance at December 31, 2017	-	13	76	89
Depreciation	110	9	6	125
Disposals	-	(2)	(43)	(45)
Balance at December 31, 2018	110	20	39	169

15. Property and equipment and right-of-use assets (Cont.)

A. Reconciliation of carrying amount (Cont.)

<i>In thousands of US dollars</i>	Right-of-use assets	Computer equipment	Furniture and equipment	Total
Carrying amounts				
At January 1, 2017	-	21	62	83
At December 31, 2017	-	20	10	30
At December 31, 2018	323	1	26	350

16. Capital and reserves

A. Share capital and share premium

	Ordinary shares		Non-redeemable preference shares	
	2018	2017	2018	2017
In issue at January 1,	1,180	1,180	9,500	6,000
Issued for cash	7	-	1,250	3,500
Exercise of stock-options	-	-	-	-
In issue at December 31, – fully paid	1,187	1,180	10,750	9,500
Authorized – par value \$1	3,500	3,500	10,750	9,500

All ordinary shares rank equally with regards to the Company's residual assets. Preference shareholders participate only to the extent of the face value of the shares.

i. Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares are held by the Company are suspended until those shares are reissued.

Issue of ordinary shares

During 2017, the general meeting of shareholders approved the issue of 1,000 ordinary shares at a price of \$1.00 per share.

ii. Preferred shares

During 2017, the company completed a private placement of 12,454 series A preferred shares at a price of \$0.28 per share for \$3,500.

During 2018, the company completed a private placement of 111,652 series A preferred shares at a price of \$0.01 per share for \$1,250.

16. Capital and reserves (continued)

A. Share capital and share premium (continued)

iii. Reverse share split

On December 31, 2017, the Company effected a 1-for-25 reverse stock split of its capital stock. All of the share and per share information referenced throughout the consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect this reverse stock split.

17. Capital management

Real defines capital as its equity. The Company's objective when managing capital is:

- to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- to provide adequate return to shareholders by obtaining an appropriate amount of financing commensurate with the level of risk.

The Company sets the amount of capital in proportion to the risk. Real manages its capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust the capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell asset to reduce debt. Real's objective is met by retaining adequate liquidity to provide the possibility that cash flows from its assets will not be sufficient to meet operational, investing and financing requirements.

There have been no changes to the Company's capital management policies during the years ended December 31, 2018 and 2017.

18. Lease liabilities

	2018	2017
Maturity analysis – contractual undiscounted cash flows		
Less than one year	122	-
One year to five years	245	-
Total undiscounted lease liabilities	367	-
Lease liabilities included in the balance sheet	342	-
Current	122	-
Non-current	220	-

19. Financial instruments – Fair values and risk management

A. Accounting classifications and fair values

	Carrying amount			Fair value			
	Financial assets at amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Cash	485	-	485	485	-	-	485
Restricted cash	40	-	40	40	-	-	40
Trade receivables	276	-	276	276	-	-	276
Other receivables	9	-	9	9	-	-	9
Related parties	178	-	178	178	-	-	178
	988	-	988	988	-	-	988
Financial liabilities not measured at fair value							
Accounts payable and accrued liabilities	-	352	352	352	-	-	352
Other payables	-	90	90	90	-	-	90
Preferred shares	-	10,750	10,750	-	10,750	-	10,750
	-	11,192	11,192	442	10,750	-	11,192

B. Transfers between levels

During the year ended December 31, 2018 and 2017, there have been no transfers between Level 1, Level 2 and Level 3.

C. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk (see (C)(ii));
- liquidity risk (see (C)(iii));
- market risk (see (C)(iv));

i. Risk management framework

The Company's activity exposes it to a variety of financial risks, including credit risk, liquidity risk and market risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department, within Board approved policies and guidelines.

On an ongoing basis, the finance department actively monitors the market conditions, with a view of minimizing exposure of the Company to changing market factors, while at the same time limiting the funding costs of the Company.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

19. Financial instruments – Fair values and risk management (Cont.)

C. Financial risk management (Cont.)

ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers. The receivables are processed through an intermediary trustee, as part of the structure of every deal, which ensures collection on the close of a successful transaction. In order to mitigate the residual risk, the Company contracts exclusively with reputable and credit-worthy partners.

The carrying amount of financial assets and contract assets represents the maximum credit exposure.

Trade receivables and contract assets

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers other factors may influence the credit risk of the customer base, including the default risk associated with the industry and the country in which the customers operate.

The risk management committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment and terms and conditions are offered. The Company’s review includes external ratings, if they are available, credit agency information, industry information and bank references.

The Company does not require collateral in respect to trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

As at December 31, 2018, the exposure to credit risk for trade receivables and contract asset by geographic region was as follows.

	2018	2017
US	297	45
Other regions	22	-
	319	45

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, credit information about the customer and the type of home purchased.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions of the Company’s view of economic conditions over the expected lives of the receivables.

19. Financial instruments – Fair values and risk management (Cont.)

C. Financial risk management (Cont.)

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to maintaining liquidity is to ensure, as far as possible, that it will have sufficient cash and cash equivalents and other liquid assets to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

iii. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to transactional foreign currency risk to the extent there is a mismatch between currencies in which purchases and receivables are denominated and the respective functional currencies of the Company. The currencies in which transactions are primarily denominated are US dollars and Israeli shekel.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported to management of the Company is as follows.

	December 31, 2018		December 31, 2017	
	Real Broker LLC	Real Technologies Inc.	Real Broker LLC	Real Technologies Inc.
Trade receivables	276	-	19	-
Trade payables	(299)	(35)	(139)	(64)
Net balance sheet exposure	(23)	(35)	(120)	(64)

The following significant exchange rates have been applied.

	2018	2017
Year end	0.27	0.29
Average	0.28	0.28

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US dollar or Israeli shekel against all other currencies as at December 31, 2018 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

19. Financial instruments – Fair values and risk management (Cont.)

C. Financial risk management (Cont.)

Sensitivity analysis (continued)

	Average rate		Year-end spot rate	
	Strengthening	Weakening	Strengthening	Weakening
December 31, 2018				
NIS (5% movement)	66	(66)	155	(155)
December 31, 2017				
NIS (5% movement)	229	(229)	98	(98)

20. Commitments and contingencies

The Company may have various other contractual obligations in the normal course of operations. The Company is not contingently liable with respect to litigation, claims and environmental matters, including those that could result in mandatory damages or other relief. Any expected settlement of claims in excess of amounts recorded will be charged to profit or loss as and when such determination is made.

21. Related parties

A. Transactions with key management personnel

i. Key management personnel compensation

Key management personnel compensation comprised the following.

	2018	2017
Short-term employee benefits	7	34
Share-based payments (recovery)	(25)	1,089
	(18)	1,123

Executive officers participate in the Company's stock option program (see [Note 11\(A\)\(i\)](#)). Furthermore, real estate agents of the Company are entitled to participate in the stock option program if they meet certain eligibility criteria.

ii. Key management personnel transactions

Directors of the Company control 13.4% of the voting shares of the Company.

22. Subsequent events

A. Private placement

On September 22, 2019, the Company completed a private placement of 2,936 series A preferred shares at a price of \$0.1362 per share for \$400.

B. Authorized capital

On October 6, 2019, the Company approved an amendment to increase the Company's authorized share capital to 123,000 ordinary shares and 66,000 series A preferred shares.

C. Issuance of convertible debentures

On February 16, 2020, the Company issued convertible debentures of \$200. The convertible debentures are non-interest bearing unless it is paid subsequent to March 25, 2020, the target date for the Qualifying Transaction (see below), which after will bear bearing interest at 4% per annum.

D. Qualifying transaction

On August 13, 2019, ADL Ventures Inc. ("ADL") entered into a Letter of Intent with Real, which provides for the acquisition of all of the issued and outstanding securities of Real in exchange for:

(a) the issuance of common shares of ADL to shareholders of Real on the basis of 1.0083 ADL common shares for each Real common share (including Real common shares to be issued upon conversion of Real preferred shares on a one-for-one basis immediately prior to the closing of the transaction); and

(b) convertible securities of ADL in exchange for outstanding convertible securities of Real, with appropriate adjustments.

On March 5, 2020, ADL and Real entered into a Transaction Agreement (the "Qualifying Transaction"). Following the closing, the resulting issuer will be named "Real Technology Brokerage Inc.", and will carry on the business of Real.