iSignthis®

# ANNUAL REPORT 2019

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# Corporate Directory

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|---|---|
| **Directors** | Timothy Hart (Independent Non-Executive Chairman)<br>Nickolas John Karantzis (Managing Director)<br>Barnaby Egerton-Warburton (Independent Non-Executive Director)<br>Scott Minehane (Independent Non-Executive Director)<br>Christakis Taoushanis (Independent Non-Executive Director) |
| **Chief Financial Officer** | Elizabeth Warrell |
| **Joint Company Secretary** | Elizabeth Warrell and Todd Richards |
| **Date of Annual General Meeting** | 15th May 2020 |
| **Registered office** | 456 Victoria Parade<br>East Melbourne, VIC, 3002<br>Telephone: +61 3 8640 0990<br>Facsimile: +61 3 8640 0953 |
| **Share register** | Link Market Services<br>Level 12, 680 George Street<br>Sydney, NSW, 2000<br>Telephone: 1300 554 474 |
| **Auditor** | Grant Thornton Audit Pty Ltd<br>Level 22, Tower 5, Collins Square<br>727 Collins Street<br>Melbourne, VIC, 3008 |
| **Stock exchange listing** | iSignthis Ltd shares are listed on the Australian Securities Exchange and cross listed on Frankfurt Stock Exchange (ASX: ISX | FRA: TA8) |
| **Website** | www.isignthis.com |
| **Internal Auditor (Cyprus)** | Nexia Poyiadjis Chartered Accountants |
| **ISO27001 Assessor and Certifier** | British Standards Institute<br>Suite 5.02 Level 5<br>484 St Kilda Road<br>Melbourne, VIC 3004 |
| **PCI DSS Assessor and Certifier** | Security Centric Pty Ltd<br>Level 9<br>580 George Street<br>Sydney NSW 2000 |

# Letter from the Chairman

**Dear Shareholders,**

It is with great pleasure that I present the iSignthis Annual Report for the calendar year ended 31 December 2019.

2019 was a milestone year for the company, with the completion of Tier 1 card scheme and central banking connections and infrastructure so that the company was able to successfully scale up its operations without the constraints experienced in the past by third party partnerships.

This has meant the company achieved a breakeven run rate in May 2019 and on the back of revenue growth of 413% in 2019, the company has recorded its maiden profit after tax of $1.6m for the year.

I am particularly pleased to look back on the major developments that we have been able to announce throughout the 2019. These have included;

- Completed our Tier 1 card scheme and central banking connections and infrastructure, with merchants going live in February.
- Acquired UAB Baltic Banking Services, giving the group access to SEPA CORE and INSTANT network capabilities, allowing ISX to fully integrate our eMoney institutions and IBAN operations, to the Central Bank of Lithuania.
- Probanx CorePlus core banking system is fit for purpose and meets APRA's Prudential Standards CPS234.
- Granted a transitional Authority to operate in the UK, while also applying for a UK eMoney licence.
- Announcing that the Group achieved a break even run rate in May.
- Granted a Visa principal membership for Australia.
- Included in the ASX top 300 in September.
- Rated "Prime" by ISS ESG, the responsible investment arm of ISS following the completion of a rating process.

Unfortunately, this success has been dampened by the Australian Stock Exchange (ASX) suspension on 2nd October 2019. The company has tried to work with the ASX answering all query letters promptly, but with the ASX Appeals Tribunal terminated in 2015, this unfortunately left the company with no workable option, other than making the hard decision in December to take legal action against the ASX to fight for our shareholders rights to trade shares in the company.

As we look into 2020 I'm particularly pleased about our recent investment into NSX Limited which operates NSXA, Australia's second-largest Tier 1 market operator and our joint venture with NSX Limited in ClearPay. This investment and joint venture is a great opportunity to utilise iSignthis' payment and technology knowhow, to significantly increase NSXA competitiveness, enabling it to transform to a globally competitive stock exchange.

On behalf of the iSignthis Board of Directors, Management Team and dedicated employees, we would like to express our sincere appreciation to our shareholders who have maintained their support for the company through this unprecedented suspension. We look forward to making 2020 an even more successful year for the company.

Yours Sincerely,

**Timothy J. Hart**
Non-Executive Chairman

# Letter from the Managing Director

**Dear Shareholders,**

I'm delighted that after 4 years from the ASX listing of iSignthis, that in 2019 we have seen all the hard work come together not only in the completion of the Group's own Tier 1 card scheme and central banking connections and infrastructure, but in its maiden profit. Unfortunately though, what has been a hugely successful year for the company has been marred by the ASX suspension.

Unfortunately, despite answering scores of questions and providing more than 2000 pages of confidential documents dating back almost three years, the Company's shares have been suspended since October 2019. We believe that our shareholders have been denied the right to trade the Company's shares for far too long and therefore have commenced Federal Court proceedings against the ASX in December 2019. We remain committed to fighting for our shareholders rights.

**Introduction**

As at the Financial Year and Calendar Year ended 31st of December 2019, we completed the hard work started many years earlier, by finalising the build of our own Tier 1 card scheme and central banking connections and infrastructure. Rather than relying on third party partnerships, the business now has its own Tier 1 card scheme capabilities, and central banking capabilities direct with the Central Bank of Lithuania.

These key changes enabled the business to launch its own services and start to gain scale in Europe, independent from traditional banks. This saw the business rapidly gain scale, and break even in the first half of the financial year, as we delivered on our unique strategy.

**Business Update**

The Company has been developing its merchant and business focussed payment and account issuance capabilities since 2015, commencing initially with its patented identity verification service on the Paydentity™ platform, and then progressing to being an EU/EEA authorised eMoney Institution in early 2017.

This was followed by principal member licensing of Visa, Mastercard, JCB, Diners, Discover, China UnionPay and AMEX licensed as payment capabilities, with Eurosystem central banking facilities, deposit taking and IBAN account issuing capabilities, and SEPA transfers live in FY18.

In 2018 the group acquired Probanx Information Systems (Cyprus) Ltd, which developed the software for the CorePlus cloud-based core banking platform. The acquisition of UAB Baltic Banking Services in 2019 allows iSIgnthis to provide rapid connectivity to the SEPA Core and SEPA Instant networks. By bringing together the Probanx and BBS businesses, we have created Probanx Solutions, a unique, global, software as a service solution for banks, credit unions, neobanks and non-bank lenders . This has been further supported by Grant Thornton and Security Centric's review and confirmation that the CorePlus core banking system is fit for purpose, and meets APRA's Prudential Standards CPS234 which came into effect in July 2019.

**Strengthening Executive Experience and Expertise**

During July 2019, Michael Andrewes joined the Company as its Chief Technology Officer. Michael has 20 years of end to end delivery experience encompassing Banking, Trading, Media, Telecommunications and SaaS products in both enterprise and start-up environments including working, consulting or building product for use in companies such as the NAB, Sportsbet, Westpac, Optus, Morgan Stanley, Goldman Sachs, Deutsche Bank, Pepsi and the Austero and Nova radio networks.

In August 2019, the Company was further pleased to announce the appointment of Elizabeth Warrell as its Chief Financial Officer. Elizabeth brings extensive banking and finance knowledge and experience to our organisation having spent almost 20 years in the industry in various senior finance roles, most recently at the National Australia Bank.

**Regulatory Licensing**

- The Company applied for an Australian Authorised Deposit-Taking Institution (ADI) license directly to the Australian Prudential Regulation Authority (APRA), with authorisation anticipated during 2020. The Company is in final stages of responding to APRA's queries.
- The Company has already been granted Australian licensing under the Reserve Bank of Australia (RBA) "Card Access Regime" by Visa and Mastercard, with Amex, Diners, Discover and China UnionPay also licensed.
- Application for an RBA Exchange Settlement Account (ESA) is in progress.
- Application to ASIC for a non-cash payment, depositary & custodial Australian Financial Services Licence.
- iSignthis eMoney (AU) Pty Ltd now a member of the Australian Financial Complaints Authority.
- Tier 1 Card facilities on track for commercial deployment circa May 2020.
- The Company was granted a transitional Authority to operate in the UK by the Financial Conduct Authority (FCA), while also applying to the FCA for a UK eMoney licence during 2019.

**Operations**

In February 2019 we saw merchants going live with the completion of our Tier 1 card scheme and central banking connections and infrastructure. In doing so, iSignthis became the first ASX listed European Economic Area (EEA) Authorised monetary financial institution with inhouse account issuing and card payment processing capabilities. Unlike most other early start and emerging financial institutions, ISX has built and it operates its own Tier 1 network to Visa, Mastercard, JCB and SEPA networks, and does not 'piggy back' on other institutions infrastructure.

The soft launch during December of the flykk e-Money ecosystem means that the Paydentity platform is performing the identity verification, with ISXPay performing the payment processing and settlement, and Probanx.com is performing the journaling of the settlement deposits from ISXPay, with ISXPay executing outbound SEPA transactions. This is a complex e-Money ecosystem bringing together bank account issuance, payments, and AML/CFT compliance obligations, including remote customer due diligence.

**Our Focus for the Upcoming year**

With the completion of our Tier 1 card scheme and central banking connections and infrastructure in 2019, in 2020 the Company will continue to focus on building scale and growth, releasing several new products to market for additional revenue streams, and building out its European and Australian banking businesses.

I'm also delighted about our strategic investment in NSX Limited, which operated NSXA, Australia's second-largest Tier 1 market operator. I'm excited to be working with the NSX to develop a platform though our ClearPay JV with NSX Limited that will significantly increase NSXA's attractiveness to the broking community, as well as private organisations that intend to go public via IPO.

We are unable to provide market guidance until such time as the ASX induced suspension of our securities is lifted. With the delivery of our first profit and the generation of positive cashflows in FY19, we have every reason to be excited about the Company's 2020 outlook. We look forward to sharing further news and updates as the company develops and builds scale.

On behalf of the executive and staff members, I take the opportunity to thank our shareholders, merchants and customers as we develop iSignthis into a world class financial institution.

Yours Sincerely,

N J Karantzis
B.E. MCommrclLaw. M.Enterp FIEAust CPEng NER APEC Engineer IntPE(Aus) Adj
Managing Director and Chief Executive Officer

# Directors' Report – Operating and Financial Review

## Company Overview

iSignthis is a company headquartered in Melbourne, Australia, with operations in Nicosia, Cyprus, and sales offices in Sydney, Australia, Amsterdam, The Netherlands, Vilnius, Lithuania, Valetta, Malta, and London, United Kingdom. The Company is a public company listed on the Australian Stock Exchange (ASX: ISX) and cross-listed on the Frankfurt Stock Exchange (FRA: TA8).

It is the holder of European Economic Area (EEA) regulatory authorisation as an Electronic Money Institution, licences, know how, extensive software systems and intellectual property rights (including in the form of patents) in a number of jurisdictions and is in the deployment and commercialisation stage of its business life as an emerging neo-banking, transactions, payments, identity/KYC and technology provider to the financial services industry.

The Company holds payment services licenses in both Australia and the EEA for major card schemes, including Visa, Mastercard, JCB, Diners, Discover and others.

**iSignthis Service and Solutions**

iSignthis operates across two principal segments, being RegTech solutions and Regulated services, as follows:

**A. REG-TECH SOLUTIONS : Probanx®, BBS, Paydentity™ and other software services**

- Probanx® CorePlus CORE Banking Platform
- Probanx Core Networking via Baltic Banking Service (BBS)
- Paydentity™ Platform for remote customer due diligence.
- ISXPay® Platform

**B. REGULATED** SERVICES : Payments, e-Money and Account Issuance

- iSignthis as an EEA Regulated Monetary Financial Institution ("ISXPay® EEA")
- iSignthis as a proposed Australian Purchased Payment Facility Authorised Deposit Taking Institution ("ISXPay® AU") and as a proposed non-cash payment, depositary & custodial Australian Financial Services Licence.
- iSignthis as a proposed UK Regulated Monetary Financial Institution ("ISXPay® UK")
- flykk® Consumer IBAN based Accounts

**A.1 Probanx CorePlus CORE Banking Platform**
Probanx Systems Ltd (Probanx®), a wholly owned subsidiary of iSignthis Ltd, is an international core banking software company which has been serving the banking industry since the year 2000, by developing comprehensive banking software solutions to financial institutions around the globe. Probanx offers web-based banking solutions using the latest technology and international standard business rules. Probanx' customers are located on five continents and supported from our technical centres in Europe and Australia.

Probanx delivers core banking software, including a fully comprehensive and versatile banking solution for retail, corporate and private banks, eMoney and payment institutions, offering capabilities that up until now were affordable only by large commercial banks. Probanx® can be offered as a standalone license to prospective banking customers, with optional SEPA SaaS connectivity (via BBS), and with Paydentity™ and ISXPay® as 'bolt on' SaaS.

Probanx can be applied as a software solution for banks, non-bank lenders, credit unions, payment institutions, financial institutions and also unregulated entities that may require advanced journaling capabilities.

**A.2 Probanx Core Networking (previously Baltic Banking Service (BBS))**
Baltic Banking Service (BBS), a wholly owned subsidiary of iSignthis Ltd, was acquired during 2019 and it has developed software which provides API based access to SEPA Core, SEPA Instant and SEPA business scheme. This service is well suited as a standalone to neobanks, banks, credit unions and eMoney institutions, and provides a bridge to the Central Bank of Lithuania's CENTROLink service, as a SaaS.

The software stack for SEPA has also been integrated into the CorePlus stack, allowing our CorePlus customers access to interbank networking.

**A.3 Paydentity™ Platform**
The Paydentity™ service is the trusted back office solution for regulated entities, allowing merchants to stay ahead of the regulatory curve and focus on growing their core business. By converging payments and identity, Paydentity™ delivers regulatory compliance to an enhanced customer due diligence standard, offering global reach to any of the world's 4.2Bn 'bank verified' card or account holders. Customers can be remotely on-boarded whilst meeting the Customer Due Diligence requirements of AML regulated businesses in as little as 2 to 5 minutes. Paydentity™ has now onboarded and verified more than 1.8m persons to an AML KYC standard.

**A.4 ISXPay® Platform**
ISXPay® is our card processing and payments platform, utilised by our EEA authorised ISXPay® EEA when acting as a payment service provider (PSP). As an EEA authorised institution, ISXPay® EEA is a principal member of Visa Inc, Mastercard Inc, Diners, Discover, (China) Union Pay International and JCB International, and provides merchants with access to payments via alternative methods including SEPA, Poli Payments, Sofort, Trustly, WeChat, AliPay and others. Both ISXPay® AU and ISXPay® UK will utilise the ISXPAY® software platform as the foundation of their payment operations.

ISXPay® is integrated with Paydentity™, as Onboarding speed and reach are critical to our own operations as well as to our customers. Paydentity® provide a means for banked/financially included customers to be 'passported' to other financial services. Paydentity can reach, identify, verify and take payment at the same time from 4.2bn persons, or 69% or the world's population. A poor onboarding process can deter more than 80% of prospective customers when regulatory requirements such as AML/CFT Know Your Customer apply. As such, where other institutions may require in person onboarding, or have limited electronic reach using data matching databases, Paydentity™ provides ISXPay with the worlds most advanced integrated payments and identity platform to onboard customers remotely.

As a software platform, ISXPay® is being developed to operate as a SaaS for third party banks and PSP's, with interconnection to Paydentity™ and Probanx® platforms.

**B.1. iSignthis as an EEA Regulated Monetary Financial Institution ("ISXPay® EEA")**
iSignthis 100% owned subsidiary, iSignthis eMoney Ltd ("ISXPay® EEA"), operates within the EEA as a:

1. Payments Services Provider, including as a licensed principal member of Visa, Mastercard, JCB, Diners/Discover, as a Principal membership for credit card acquiring and future card issuance services;
2. Issuer of electronic money ("eMoney")
3. Issuer under its own Bank Identification Code (BIC) of ISEMCY22XXX of International Bank Account Number (IBAN) based accounts, in the name of legal or natural persons, accessible by all banks and institutions connected to the Single Euro Payment Area (SEPA) network
4. Remittance services, where connected to the issue or redemption of electronic money
5. SEPA direct debit transfers (DT) and credit transfers (CT) from accounts, where connected to the issue or redemption of electronic money

ISXPay® EEA operates in two principal modes – as a i) as a Payment Services Provider (PSP), including CT's, DT's, card acquirer and issuer of card services under Payment Services Directive 2015/2366 ("PSD2") , and ii) as an eMoney service under Electronic Money Directive 2009/110/EC.

**B.2 iSignthis as a proposed Australian Purchased Payment Facility Deposit Taking Institution ("ISXPay® AU")**
iSignthis 100% owned subsidiary, iSignthis eMoney (AU) Pty Ltd ("ISXPay® AU"), has applied for an Purchased Payment Facility (PPF) License from the Australian Prudential Regulation Authority (APRA), and a non cash payment facility license from the Australian Securities and Investment Commission.

The Company already holds card payment scheme license from Visa Inc, Mastercard Inc, Diners and Discover Inc, ChinaUnionPay to offer card acquiring, clearing and settlement services in Australia. It cannot however open 'accounts' of any form for its customers, until such time that the PPF license is granted.

**B.3 iSignthis as a proposed UK Regulated Monetary Financial Institution ("ISXPay® UK")**
iSignthis 100% owned subsidiary, iSignthis UK Ltd ("ISXPay® UK"), has applied for an Electronic Money Institution license from the United Kingdom's Financial Conduct Authority (FCA) to operate within the UK as a:

1. Payments Services Provider, including as a licensed Associate member of ISXPay® EEA for Visa, Mastercard, JCB, Diners/Discover credit card acquiring and future card issuance services;
2. Issuer of electronic money ("eMoney").
3. Issuer under its own future Bank Identification Code (BIC) of Sort Code based accounts, in the name of legal or natural persons, accessible by all banks and institutions connected to the Faster Payments Network and CHAPS networks.
4. Remittance services, where connected to the issue or redemption of electronic money direct debit transfers (DT) and credit transfers (CT) from accounts, where connected to the issue or redemption of electronic money.

The intent is to ensure that post BREXIT, that iSignthis Ltd as a group is appropriately licensed to continue offering the services presently offered by ISXPay® EEA under Financial Conduct Authority temporary permissions regime license FRN900871, by way of a new ISXPay® UK license.

**B.4 flykk® Consumer Accounts**
iSignthis have combined our three pillars of business, identity, payment processing and IBAN creation into a revolutionary product called ***flykk®***.

flykk is an instant e-money solution that allows end-users to instantly fund their accounts at participating merchants in a fast and secure way as well as enjoy fast pay-outs throughout the entire eurozone. iSignthis flykk not only supports real-time deposits but also instant withdrawals for users.

Users are able to use the flykk solution:

1. To pay merchants online (flykk merchant network)
2. To send/request money from other flykk users through the mobile app

3. To transfer money to individuals and businesses through SEPA, SEPA Instant and SWIFT
4. Hold and convert funds in up to 12 currencies
5. Future movement of funds via Australia's BECs network, and the UK's BACs and FPS networks (subject to licenses noted above)

## Strategy

**1. Scale and Grow**

iSignthis intends to continue to grow the business by marketing to achieve new contracts with entities, usually fintechs, which are regulated by anti-money laundering regulations and e-merchants who require payment, identity and/or authentication services, whilst seeking to mitigate online payment risk and/or achieve AML compliance.

The Company offers its technology services globally to other regulated and not-required-to-be-regulated fintechs, as well as regulated payment and electronic money services to regulated fintechs and eCommerce merchants within Australia and the EEA.

The regulated business is focused on continuing to scale and grow in Australia and Europe, with mid-term objectives being to expand into other jurisdictions including New Zealand, Canada, and Brazil over the next two to three years. The strong business driver in Europe is due to the European Central Bank legislative requirements around the 5AMLD and PSD2 which were introduced over the 2018 and 2019 and are being used as a blueprint for regulators around the world. The legislation requires all online payment transactions to be fully authenticated, which process is known as Strong Customer Authentication, and extends the requirements of AML customer due diligence.

The iSignthis service assists fintechs, merchants and businesses to meet their legislative requirements and provides commercial advantage for iSignthis versus other electronic money issuers. The EU represents approximately 1/3 of the global payments market. The Australian domestic market, whilst dominated by the Big 4 and major local banks, still represents an opportunity for the Company, as the Big 4 and major local banks do not have the technology and thus the risk appetite to provide services to fintechs.

Further the business will look to continue to scale and grow its Probanx and Baltic Banking Service business globally, focusing on giving customers a core banking system and access to the SEPA network, sold as a SaaS.

**2. Build out our banking operations in Europe and Australia**

Consistent with our 2014 prospectus, the business will continue to seek out opportunities during 2020, including potential acquisitions in Europe and Australia, to build out its payment and transactional banking operations in Europe and Australia. Potential acquisitions continue to be reviewed where they enable the business to offer further adjacent banking services to our customers, or open up new customer opportunities in another region. Our focus is on acquiring regulated financial services businesses that enhance or optimise existing operations.

While continuing to review acquisition opportunities, the business will continue to build out its payment and account operations through applying for new licences, including our current application to become an Australian Purchased Payment Facility Deposit Taking Institution ("ISEMAU") and a UK Regulated Monetary Financial Institution ("ISXPay® UK").

**3. Continue to innovate and seek adjacent market opportunities**

The Company will also explore further strategic business opportunities that may arise as a result of its identity, payment and banking technologies. The confluence of payment and identity services may present the company with further opportunities that may be of strategic interest, or bring about further and new business models to complement the Company's existing business model. This includes the recent announcement about the Company's investment into NSX Limited and the joint venture with NSX Limited, in ClearPay Pty Ltd ("ClearPay JV") to develop multicurrency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPay® and Paydentity™. ClearPay represents a global opportunity to deliver DvP to other local and international exchanges.

# Financial Review

In FY19 the Group has delivered its maiden profit of $1.6m (NPAT) driven by strong revenue growth in Europe.

### Group Financial Performance

In FY19 the business finalised the build of its own Tier 1 card scheme and central banking connections and infrastructure. This enabled the business to start to build scale and grow revenue and deliver its maiden profit after tax of $1.6m.

In the period we saw revenue from customers grow over 400% to $31.2m, from just $6.1m in FY18. This growth was predominately driven by regulated services in Europe, with ISXPay Card Platform revenues representing almost 70% of the Group's revenues. We also saw new revenue streams, such as ISXPay e-Money, start to become significant to the Group, with revenue from ISXPay e-Money now representing almost 10% of the revenue of the Group. The revenue from ISXPay Card Platform and e-Money have been driven by strong customer acquisition during the year and increased volumes from existing customers during the year.

Revenues from our Australian card processing business were up approximately 40% during the year, representing circa 10% of the group's revenues. This growth was driven by strong customer acquisition and increased volumes from existing customers during the year.

During the year, we did see a decrease in integration and customer set up revenue from within our ISXPay® EEA division. In FY18 the Group performed a number of significant integration and set up projects, which formed the foundations for ongoing transactional revenue during FY19.

The Group also saw strong revenue growth from its RegTech solutions division, which now represents approximately 7% of the group's revenue. The growth was driven by the acquisition of BBS during the year, as well as revenue growth of over 400% in Probanx, as the business continues to focus on customer growth.

In FY19 the Group's expenses grew 105% or $15.4m to $30.0m, largely to support the group's revenue growth. Operating costs, which represent card scheme interchange charges and other variable costs increased $9.2m due to the increase in processing volumes through ISXPay during the year. The Group also saw a $2.4m increase in employee costs during the year, due to new employees added during the year, mainly in technology and compliance roles. The Group also saw a $2.8m increase in corporate costs driven by increased regulatory costs, combined with increased costs related to the ASX suspension and one off scheme fee membership costs.

### Financial Position

The financial position of the group continued to strengthen during the year with cash and cash equivalents increasing by 110% or $9.3m to $17.7m during the year. This increase was due to the strong revenue growth experienced during the financial year, with operating cash flow increasing by $4.4m during the year.

The group also saw its Total Assets increase by circa $107m during the year, largely due to the increase in funds held on behalf of merchants, combined with the increase in cash and cash equivalents detailed above. Funds held on behalf of merchants increase by almost $92m or over 2000% due to increased merchants liabilities. Funds held on behalf of our merchants are held in cash, mainly with the Eurosystem Lithuanian Central Bank.

Similarly, the Group's total Liabilities have increased by circa $99m due to a corresponding $92m increase in merchant liabilities. This increase was due to increased customer growth in ISXPay Card processing and e-Money issuance services. With many ISXPay card customers choosing to open an eMoney account with ISXPAY® EEA we have seen significant increases in customer eMoney account balances through the year.

The Group's working capital, being current assets less current liabilities was $15.4m at 31 December 2019, a $5.5m increase from $9.9m as at 31 December 2018.

As a result of the above the Directors believe the Group is in a strong and stable position to expand and grow its current operations.

## Key Risks and Challenges

Risks related to the Group's business, corporate structure and industry

**1. If the Group cannot keep pace with rapid developments and change in its industry and provide new services to its clients, the use of its services could decline, reducing its revenue and profitability.**

The Company has designed, built, tested and received third party certification for its payment processing, core banking and interbank networking solutions. The Company has also been granted a number of patents for its inhouse developed Paydentity™ platform and continues to lodge patent applications based upon its research and development.

iSignthis is confident that its product provides a unique market proposition in providing real time customer due diligence, which is a significant differentiator to historical database checks and authentication services. The iSignthis product is also able to extend its market by offering a cross border service. Notwithstanding this, the industry in which iSignthis operates is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than iSignthis. Numerous entities around the world may compete with iSignthis' efforts to commercialise products that may compete with iSignthis' products. iSignthis' competitors may develop products in advance of iSignthis; that are more effective than those developed by iSignthis, or have greater market acceptance. As a consequence, iSignthis' current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

The Group may also face new competitive pressure from both non-traditional payments processors and other parties entering the regulated merchant payments industry, such as PayPal, Google, Apple, WeChat, Alibaba/Alipay, M-Pesa and Amazon, and in some cases payment schemes that are launching competing products. Although the Group intends to work with some of these parties, these companies have significant financial resources, consumer awareness and scale and may introduce new products and services and may compete in one or more of the functions performed in processing digital payments transactions or otherwise disrupt the current payments processing value chain. In addition, payment schemes' ability to modify and enhance their rules at their sole discretion may provide them with an advantage in selling or developing their own services that may compete directly or indirectly with the Group's services. If these companies gain a greater share of total digital payments transactions or if the Group is unable to successfully react to changes in the industry spurred by the entry of these new market participants, it could have a material adverse effect on its business, financial condition and results of operations.

In addition to non-traditional payments processors, the digital payments market in which the Group operates is characterised by rapid technological change, new product and service introductions, including e-commerce services, mobile payments applications, alternative payments systems, pre-paid services, evolving industry standards, changing consumer needs and the entrance of non-traditional competitors. In order to remain competitive in this rapidly evolving market, the Group regularly initiates a number of projects to develop new and innovative services, such as Online Gateway and QR payments, or integrates services into its platforms including, for example Paydentity®, ISXPay®, ISX Money, Probanx® and flykk®. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery, performance problems and lack of market acceptance of new or innovated services. Any delay in the delivery of new services or the failure to differentiate the Group's services or to accurately predict and address market demand could render its services less desirable to its clients, or possibly even obsolete. The Group may also face difficulties in installing or integrating its new or innovated services on the platforms used by its customers or maintaining these services at the required level on an ongoing basis. Further, as the market for alternative payments processing products and services evolves, it may develop too rapidly or not rapidly enough for the Group to recover the costs it has incurred in developing new products and services.

In addition, the new or innovated services the Group develops are designed to process complex transactions and provide information on those transactions, all at very high volumes and processing speeds. Any failure to deliver an effective and secure service, or any performance issue that arises with a new or innovated product or service, could result in significant processing or reporting errors or other losses. Because of these factors, the Group's development efforts could result in increased costs that could reduce its profitability in addition to a loss of revenue if promised new products are not delivered in a timely manner or do not perform as anticipated.

Although e-commerce and engagement with e-money are important elements of the Group's strategy, it cannot make any assurances that such markets or the Group's services in these markets will develop as quickly or as successfully as currently expected. Moreover, if the Group fails to introduce products or services on a timely basis, this could also impact the Group's competitive position. If these markets do not develop as expected, the Group's development efforts could result in increased costs that could reduce its profitability in addition to a loss of revenue if new products do not perform as expected. If any of the above were to occur, it could have a material adverse effect on the Group's business, financial condition and results of operations.

**2. The digital payments industry is highly competitive and the Group competes with certain firms that are larger and that have greater financial resources than it does.**

The Company has a number of competitive advantages, including being one of the very few hybrid e-Money issuers and card payment service providers in the EEA, with further advantages due to its RegTech stack, including Paydentity®.

However, the digital payments industry is highly competitive. The Group competes with other providers of digital payments services, some of which have significant resources and are present in the markets in which the Group operates. It also faces potential competitive pressure from banks and non-traditional payments processors and other market participants that have significant financial resources. Such competition could adversely affect the transaction fees and other fees the Group receives from merchants and financial institutions.

The Group competes in a relatively fragmented market, with a range of global, regional and country-specific competitors. The Group's principal card acquiring solutions competitors in the EEA also include global players such as Worldline, Paysafe, Wirecard, FIS (WorldPay), Safecharge and Adyen, regional players such as Credorax, eMerchantPay, Clearhaus, CardPay and country-specific players, as well as insourced operations at banks. In addition, the competition faced by the Group may increase as a result of consolidation within the industry. For example, in March 2019, FIS announced its intention to acquire Worldpay, and more recently Fiserv's July 2019 acquisition of First Data, and in February 2020, Worldline SA announced the acquisition of Ingenico.

The Group's electronic money competitors include Paysafe Group's Neteller and Skrill, and Paypal. However, of these, only iSignthis is a principal member of all the major card schemes, and is the only one able to offer card acquiring services to third parties as well as 'self acquire', in order to issue its own electronic money. See *"-Company Overview"* and *"Strategy*" above.

Paypal also offers card processing and electronic money facilities and has an inhouse only service comparable to Paydentity®, but with certain disadvantages, including not being cross currency capable and generally taking a longer period to verify a person. Both Paypal and iSignthis have patented their payment instrument verification methods.

The Group may face new competitive pressure from both non-traditional payments processors and other parties entering the payments industry. See *"—If the Group cannot keep pace with rapid developments and change in its industry and provide new services to its clients, the use of its services could decline, reducing its revenue and profitability*" above.

Certain of the Group's competitors may have substantially greater financial, technological and marketing resources than it does or, in the case of certain markets, greater local knowledge and presence. In addition, its competitors that are banks, financial institutions or are affiliated with financial institutions may not incur the costs it incurs for registration with certain payment schemes. Accordingly, these competitors may be able to offer more attractive pricing to the Group's current and prospective clients or other services that it does not provide. Competition could result in a loss of existing clients, and greater difficulty attracting new clients, particularly because of potential disadvantages associated with switching payments processing vendors, such as transition costs, business disruption and loss of accustomed functionality. Furthermore, if competition causes the Group to reduce the fees it charges in order to attract or retain clients, there is no assurance it can successfully control its costs in order to maintain its profit margins. One or more of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

**3. Real or perceived data breaches and unauthorised disclosure of data, whether through cyber security breaches, computer viruses or otherwise, could expose the Group to liability, protracted and costly litigation and damage its reputation.**

The group adheres to Payment Card Industry Data Security Standards (PCI-DSS), and ISO27001 data security practices, and is certified by third parties to these standards, including by British Standards Institute. In Australia, it is also required to adhere to APRA's CPS234 standard. Despite the Company adhering to these standards and best practices, there remains a risk of real or perceived data breach.

Under the European Union's Global Data Protection Regulation (GDPR), the card scheme rules and other regulations (which the Group refers to as payment scheme rules) as well as its agreements with its acquiring clients, the Group is responsible for the security of the information provided to it by certain third parties, including the end users (cardholders), merchants, third- party service providers and other agents (all of which the Group refer to as associated participants) as well as its financial institution customers. The Group requires this data in order to approve merchant accounts, process transactions and to help prevent fraud, all of which are fundamental to its business. This information includes confidential data such as names, addresses, credit or debit card numbers and bank account numbers. The Group processes the information and delivers its products and services through computer networks and telecommunications services operated by the Group and its associated participants. The Group has ultimate liability under the GDPR and to the payment schemes its failure and for the failure of its associated participants to protect this data in accordance with GDPR, payment scheme and financial institution requirements. The loss or misuse of merchant or cardholder data by the Group or its associated participants could result in significant fines and sanctions by the payment schemes, and, if its failure also breaches applicable GDPR law, governmental bodies. A significant cyber security breach could also result in payment schemes or financial institutions prohibiting the Group from processing transactions on their networks, either temporarily or for a longer period of time or the loss of its financial institution sponsorship that facilitates its participation in certain payment schemes. In the event of a breach, the Group could also incur significant compensation costs and reputational damage. All of these factors would have a material adverse effect on the Group's business, financial condition and results of operations.

These concerns about security are increased when the Group transmits information over the internet. The techniques used by hackers and other cyber criminals to obtain unauthorised access, disable or degrade service or sabotage systems change frequently and are often difficult to detect. There is a risk that the Group may experience more frequent or more sophisticated such attacks in the future.

Moreover, although the Group has not been subject to any material breaches from any attacks to date, it and its associated participants could be subject to material breaches of security in the future. In such circumstances, the Group's encryption of data and other protective measures may not prevent unauthorised access, service disruption or system sabotage. Moreover, its associated participants may also have insufficient or ineffective protective measures over which it has no control. Although the Group has not incurred material losses or liabilities as a result of security breaches which its associated participants have experienced, any future breach of its system or that of an associated participant could be material and harm its reputation, deter clients and potential clients from using its services, increase its operating expenses, expose it to uninsured losses or other liabilities, disrupt its operations (including potential service disruptions), distract its management, increase its risk of regulatory scrutiny, subject it to lawsuits, result in material penalties and fines under applicable laws or by the payment schemes or its financial institution customers, and adversely affect its continued payment scheme registration and financial institution relationships.

The Group could also be subject to liability for claims relating to misuse of personal information, such as its use for unauthorised marketing purposes or in violation of data privacy laws. The Group generally requires that its agreements with third parties who have access to merchant and customer data include confidentiality obligations and minimum security system specifications, such as compliance with best practices like ISO 27001 and PCI-DSS, but it cannot be certain that these contractual requirements are always followed or that they will always prevent the unauthorised use or disclosure of data. In addition, the Group has agreed in certain agreements to take certain protective measures in its systems, including ensuring the confidentiality of merchant and consumer data, such as compliance with PCI-DSS, ISO 27001, and other industry standards. The costs of systems and procedures associated with such protective measures may increase and could adversely affect the Group's ability to compete effectively. Any failure to adequately enforce or provide these protective measures could result in liability, protracted and costly litigation and, with respect to misuse of personal information of the Group's merchants and consumers, loss of clients and reputational harm.

In particular, the EU General Data Protection Regulation (Regulation (EU) 2016/679, the "GDPR") was adopted on 27 April 2016 and entered into force on 25 May 2018 with immediate direct application across the EU. The GDPR imposes more stringent data protection obligations than under the previous EU Directive 95/46/EC (Data Protection Directive), resulting in higher compliance burdens. The GDPR requires the Group to be able to demonstrate its compliance with data protection principles. In addition, the GDPR increases sanctions for data protection compliance violations of up to a maximum of €20,000,000 or 4% of the Group's global annual net turnover, whichever is higher. If the Group fails to comply with these regulations, it may face administrative sanctions, criminal penalties and/or reputational damage, which may have an adverse effect on the Groups business, financial condition, results of operations and prospects. Any failure, or perceived failure, by the Group to comply with its privacy policies or with any applicable privacy laws in one or more jurisdictions could result in proceedings or actions against the Group by governmental entities or others, including class action privacy litigation in certain jurisdictions, significant fines, penalties, judgments and reputational damages to the Group, requiring the Group to change its business practices, increasing the costs and complexity of compliance, any of which could materially and adversely affect its business, financial condition, results of operations and prospects. Data protection, privacy and information security have become the subject of increasing public, media and legislative concern. If merchants were to reduce their use of the Group's products and services as a result of these concerns, its business could be materially harmed. In addition, the Group is also subject to the possibility of security breaches, which themselves may result in a violation of these privacy laws. The Group's systems may be compromised, or its services may be affected as the result of DDoS/DNS/Routing or other cyber-attacks or other events.

Any failure of the Group, its merchants, partners or others who use its services to adequately protect sensitive data could have a material and adverse effect on its reputation, business, financial condition, results of operations and prospects.

The Group cannot make any assurances that its systems or arrangements with associated participants or other third parties will prevent the unauthorised use or disclosure of data or that it would be reimbursed by associated participants or other third parties in the event of any unauthorised use or disclosure of data by them. Any such unauthorised use or disclosure of data could result in protracted and costly litigation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is also vulnerable to systems failure and software defects which could impact its ability to ensure the security or integrity of the information provided to it.

See *"—The Group may experience software defects, undetected errors and development delays, which could damage customer relations, decrease its potential profitability and expose it to liability"* and *"—The Group's systems and its third-party providers' systems may fail due to a number of factors, including factors beyond its control, which could interrupt its service, cause it to lose business and increase its costs"* below.

**4. The Group is subject to the credit risk that its merchant solutions customers will be unable to satisfy obligations for which it may also be liable.**

The Group is subject to the credit risk that its merchant customers will be unable to satisfy obligations for which it may also be liable, including as a result of chargebacks or breach of payment scheme rules. In the event that a dispute between a cardholder and a merchant (whether because the cardholder did not receive the goods or services, or felt that the goods or services were not fit for purpose, or because a fraudulent transaction was made using the cardholder's card or card details) is not resolved in favour of the merchant, the transaction is normally "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If the Group is unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse the Group for a chargeback, the Group bears the loss for the amount of the refund paid to the cardholder. The Group's risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. In addition, the Group's associated participants are also liable for any fines or penalties that may be assessed by the payment schemes. In the event that the Group is not able to collect such amounts from its merchants or associated participants, due to insolvency, bankruptcy or any other reason, it is generally liable for any such charges. While the Group has historically experienced very low losses from chargebacks (with losses for the last year of 0.05 per cent of GPTV), and notwithstanding the Group's procedures for acceptance of new merchants and screening for credit risk, it is possible that a default on such obligations by one or more of its merchants could have a material adverse effect on its business, financial condition and results of operations.

The Group further mitigates these risks by;

- Requiring a contractual security to be advanced, for certain merchants, including those without a track record, withholding a rolling reserve, which is a proportion of the settlement amount due to the merchant (typically between 5-15%), for a period of 6 months.

- Managing the merchant settlement frequency from between weekly to fortnightly and occasionally monthly.
- Use of the card schemes 3D Secure liability shift mechanism
- Use of our inhouse developed risk engine, which may require the customer to satisfy Paydentity™
- Limiting transaction sizes during initial contract period with new merchants

**5. The Group may fail to successfully execute its strategy, including expanding its share of its existing digital payments markets, developing new capabilities and expanding into new geographies.**

The Group's future growth and profitability depend upon the growth of the markets in which it currently operates, the future expansion of those markets, its ability to develop new products and services that are commercially successful and its ability to increase its penetration and service offerings within these markets, as well as the emergence of new markets for its services and its ability to penetrate these new markets. It may be difficult to attract new clients because of potential disadvantages associated with switching payment processing vendors, such as transition costs, business disruption and loss of accustomed functionality. The Group seeks to overcome these factors by making investments to enhance the functionality of its software and differentiate its services, including the hybrid e-Money and payment services approach. However, there can be no assurance that its efforts will be successful, and this resistance may adversely affect its growth. In particular, the Group's growth strategy in the EEA region will depend on its ability to expand across the merchant acquiring and payments value chain and successfully cross- sell existing and new products to current and future customers, all of which is subject to uncertainty. Moreover, as the Group pursues further expansion into North America, Asia & Pacific, including into certain markets in which it has limited or no operating experience and faces additional cultural and language challenges, the Group cannot assure you that it will be able to successfully expand in any such markets due to the competition it expects to face from incumbent providers, including, in particular, larger pan-Asian banks with extensive cross-border operations, its relative lack of experience in new markets and the multitude of risks associated with global operations, including political uncertainty and potential lack of appropriate regulatory approval. The Group's expansion into new product markets is also dependent upon its ability to adapt its existing technology and offerings and to develop new or innovative applications to meet the particular service needs of each new market.

In particular, the Group's growth strategy is subject to the general risks of investing in new markets. Accordingly, the Group's business, prospects, financial condition and results of operations may be adversely affected by changes in the economic and social conditions, political structure, legal or regulatory environment in the countries in which it operates. In particular, operations in financial services, including payments, may be subject to additional risks including money laundering, bribery and corruption and terrorist financing. Although these risks are not unique to the Group, expanding its business operations into new markets is inherently more challenging than expanding in existing markets, and the Group's business may be more volatile than businesses in more existing markets. In order to effectively implement its growth strategy, the Group will need to anticipate and react to market changes and devote appropriate financial and technical resources to its development efforts, including understanding the specific challenges of its Asian and Pacific target markets, and there can be no assurance that it will have the necessary financial or technical resources or be successful in these efforts.

Finally, the Group's strategy involves expanding into new and existing digital payments markets, including through organic growth and strategic transactions. The success of the strategic transaction's strategy depends on the ability of the Group to identify suitable targets, to accurately assess the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such transactions, negotiate acceptable terms and to successfully integrate such businesses. There can be no assurance that the Group will be able to identify and to execute future strategic transactions on appropriate terms and at an acceptable cost. If the Group is unable to successfully expand into these markets, including due to local or international competitors, regulatory restrictions or requirements, technological limitations or otherwise, it may not be able to successfully implement its growth strategy.

**6. The Group is subject to macroeconomic conditions that affect consumer, business and government spending and growth in its markets.**

The digital payments industry in which the Group operates depends heavily upon the overall level of consumer, business, and government spending, which in turn depend significantly on global and regional economic conditions in the EEA region. In particular, although the Group's strategy is to further expand its business in the SE Asian and Pacific regions, it currently generates a substantial portion of its revenues from a limited number of markets (with the EEA accounting for 90 per cent of its revenues in 2019). Adverse changes or uncertainty about any number of macroeconomic factors, including political and social conditions, economic growth rates, interest rates, unemployment, asset values and financial market conditions, government spending, oil prices and consumer and business sentiment in the Group's markets may adversely affect overall spending levels, retail spending and trade. In addition to general economic conditions, additional factors such as the actual or perceived risk of health and safety hazards, including terrorist attacks or natural catastrophes, could adversely affect tourism and general spending. These and other adverse conditions may result in reduced digital payments volumes and card transactions. In addition, adverse changes in the economic environment could result in a higher rate of bankruptcy filings by the Group's merchants, resulting in lower revenue, credit risk losses and consequential reduction in earnings.

See *"—The Group is subject to the credit risk that its merchant solutions customers will be unable to satisfy obligations for which it may also be liable"* above.

Furthermore, credit card issuers may reduce credit limits, may restrict certain merchant categories, and be more selective with respect to whom they issue credit cards. The Group also has a certain amount of fixed and other costs, including rent and salaries and, potentially, debt service costs in the future, which could limit its ability to quickly adjust costs and respond to changes in its business and the economy. Accordingly, any material declines in the overall macroeconomic environment in the Group's markets could have a material adverse effect on its business, financial condition and results of operations.

**7. The Group is exposed to risks relating to its ability to manage ongoing changes to its technology systems.**

The Group's operations are dependent on its technology platform and global payments network, which are subject to constant change and upgrades in line with technological developments and industry practice, including as a result of mandatory payment scheme and regulatory changes as well as in line with product and service innovation. A delay in the completion of projects, including an unsuccessful migration of a service or platform, could result in interruption of service, create reputational or relational risks for the Group with its clients and adversely affect the Group's ability to execute its strategy. There is also a possibility that the Group's clients will use the migration as a reason to renegotiate their contracts to their benefit or to invite other companies to tender for their business, which could have an adverse impact on the profitability of the business.

There is a further risk that regulatory or payment scheme rule changes could require additional changes or modifications to be made to the Group's systems, which could increase the amount of work required and cause further delays. If the Group is unable to manage upgrades, developments or changes within its technology systems and networks, its business could be subject to operational disruption, reputational damage, regulatory scrutiny and significant additional costs which could have a material adverse effect on the Group's business, financial condition and results of operations, which could impact its revenue or profitability and have a material adverse effect on the Group's business, financial condition and results of operations.

**8. The Group may experience software defects, undetected errors and development delays, which could damage customer relations, decrease its potential profitability and expose it to liability.**

The Group's products are based on sophisticated software and computing systems that may encounter delays relating to development or upgrades and the underlying software may contain undetected errors, viruses or defects. Defects in the Group's software products and errors or delays in its processing of electronic transactions could result in additional development costs, diversion of technical and other resources from its other development efforts, loss of credibility with current or potential customers, harm to its reputation and exposure to liability claims. In addition, the Group relies on technologies and software supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on its business, financial condition and results of operations.

**9. The Group's systems and its third-party providers' systems may fail due to a number of factors, including factors beyond its control, which could interrupt its service, cause it to lose business and increase its costs.**

The integrity, reliability and operational performance of the Group's IT infrastructure and systems are critical to its operations. The most significant of these are the systems it uses to operate its merchant solutions. The Group also depends on the efficient and uninterrupted operation of numerous other systems, software, data centres and telecommunications networks, as well as the systems of third parties, including the Central Bank of Lithuania, Visa, Mastercard, Diners/Discover, ChinaUnionPay, JCB International, AMEX, Omnipay (Fiserv), Equinix, Microsoft Azure and Amazon Web Services (AWS) in order to provide services to its clients. In particular, the Group has experienced high growth rates in payment transaction volumes over the past year and expects growth to continue for the coming years. However, despite the implementation of architectural changes to safeguard sufficient future processing capacity on the Group's payments systems, in the long-term, these systems could potentially reach the limit of the number of transactions they are able to process, resulting in longer processing time or even downtime. The Group's efforts to safeguard sufficient future processing capacity are time-consuming, involve significant technical risk and may divert the Group's resources from new features and products, and there can be no guarantee that these efforts will succeed. A failure to adequately scale the Group's payments systems could therefore materially and adversely affect its business, financial condition and results of operations.

The Group's systems and those of its third-party service providers, including data centre facilities and cloud storage services are subject to the risk of both limited and significant service interruptions. The Group has in the past experienced limited system outages, due to various factors including large one-off unexpected increases in demand for payments services. Although the Group has not experienced any outages that have had a material impact on its business to date, its systems and operations and those of its third-party providers could be exposed to damage or interruption from these and other factors including hardware and software defects or malfunctions, and other events such as human error, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorised entry, fraud or sabotage, security breach, computer viruses, other defects and development delays.

See also *"—Real or perceived data breaches and unauthorised disclosure of data, whether through cyber security breaches, computer viruses or otherwise, could expose the Group to liability, protracted and costly litigation and damage its reputation*" above.

If third parties cease to provide the facilities, components or services the Group relies on, breach their agreements with the Group, or fail to meet the Group's requirements due to financial or regulatory issues, labour issues, or other problems, the Group's operations could be disrupted or otherwise negatively affected.

A system outage or data loss could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's merchant solutions customers and acquiring solutions customers may require it to maintain a certain level of systems availability, and failure to maintain agreed levels of service availability or to reliably process the transactions of its customers could result in financial or other penalties and customers switching to a different provider.

Losses in customers due to performance issues, system interruptions or other failures could result in a loss of revenue, payment of damages or fines imposed by payment schemes, reputational harm, and additional operating expenses in order to remediate the failures, and exposure to other losses or other liabilities, including those incurred in resolving backlog issues once systems are restored, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

**10. A substantial portion of the Group's revenue is dependent on its continued membership in international payment schemes.**

The vast majority of the transactions the Group processes are through international payment schemes. In order to access these international payment schemes to provide merchant acquiring and issuer processing services, the Group must have relevant geographically based memberships required by the schemes. The Group is a principal member of Visa, Mastercard, American Express, JCB, Diners/Discover and UnionPay International as an acquirer, and the Single Euro Payment Area (SEPA) as a instant, credit and debit transfer participant. As a result, the Group's business would be adversely affected if it were to lose membership status in the payment schemes for any reason.

As part of the Group's registration with its member payment schemes its merchant solutions customers are subject to detailed operating rules, including mandatory IT systems requirements that could subject the Group and its merchant solutions customers to a variety of fines and penalties for breaches of those operating rules, as well as suspension and termination of its membership in the event of significant breaches. The Group could lose its principal membership status in these payment schemes for a variety of reasons, including as a result of a significant cyber security breach.

See, for example, *"—Real or perceived data breaches and unauthorised disclosure of data, whether through cyber security breaches, computer viruses or otherwise, could expose the Group to liability, protracted and costly litigation and damage its reputation*" above. Any material fines or other sanctions imposed on the Group, particularly if they result in it ceasing to provide services through a particular payment scheme, whether temporarily or permanently, could significantly adversely affect its reputation and have a material adverse effect on its business, operating results and financial condition.

In particular, all payment scheme rules to which the Group is subject, as well as certain of its issuer solutions customers require it to comply with the Payment Card Industry Data Security Standards (Level 1 PCI DSS) by eliminating identified security control deficiencies. The Group cannot be certain that it will be able to address all new security issues that arise in a manner that will ensure its continued PCI DSS compliance. Any temporary or longer-term inability to maintain PCI DSS certification could adversely impact the Group's ability to procure new issuer or merchant solutions customers and retain existing customers, and could result in its suspension from membership with payment schemes or termination of existing processing agreements, all of which would have a material adverse effect on its business and future financial performance.

Payment scheme rules are established, interpreted, enforced and changed from time to time by each scheme as it may determine in its sole discretion and with or without advance notice to its participants. The Group must comply with any changes to payment scheme rules within the required time-frame or risk being fined or otherwise penalised for violation. Any changes in payment scheme rules or standards or the way they are implemented could increase the Group's cost of doing business or limit its ability to provide transaction processing or value added services to or through its customers and have a material adverse effect on its business, financial condition and results of operations.

Under the terms and conditions of its membership with payment schemes, the Group is also liable for the non- compliance of its merchant solutions customers. Although the Group has not been subject to any significant fines or penalties to date, if a merchant solutions customer of the Group fails to comply with the applicable requirements of any of its member payment schemes, the Group could be subject to a variety of fines or penalties that may be levied by the payment schemes. While the Group is generally indemnified for any such fines against its merchant solutions customers, if the Group cannot collect such amounts from the applicable customer, it could end up bearing such fines or penalties, resulting in lower earnings for the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**11. The Group's growth depends in part on the success of its strategic relationships with third parties.**

The Group anticipates that the growth of the business will continue to depend on third-party relationships. In addition to growing the Group's third-party partner ecosystem, the Group intends to pursue additional relationships with other third parties. Identifying, negotiating and documenting relationships with third parties require significant time and resources as does integrating third-party content and technology. These third-party providers may choose to terminate their relationship with the Group or to make material changes to their businesses, products or services. The Group's competitors may be effective in providing incentives to third parties to favour their products or services or to prevent or reduce volumes in the Group's platforms. In addition, these providers may not perform as expected under the Group's agreements or under their agreements with customers, and the Group or the customers may in the future have disagreements or disputes with such providers. While Management believes that there are viable alternatives for all of the Group's suppliers and its arrangements with its suppliers are under long-term contracts which are typically negotiated well in advance to minimise the risk to the Group and allow replacements to be sought if necessary, if the Group loses access to products or services from a particular supplier, or experiences a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have a material short-term adverse effect on the Group's business and operating results as the Group sources alternative providers and any disruption due to the transition to a new provider (particularly with respect to the Group's IT infrastructure).

**12. The Group is subject to potential credit risk from payment schemes, as well as short-term credit risk from its settlement banks, and any significant delays or payment defaults could lead to material losses.**

The Group is subject to the short-term credit risk that either a payment scheme, or a settlement bank, fails to pay it amounts that it may be obligated to pre-pay or credit its merchant customers. The Group generally only receive payments from the payment schemes one or two business days after the transaction, while it generally settles with merchants on the seventh business day after the transaction (and for a limited number of merchants on a fourteen day basis). If a non-payment exceeds the time the Group withholds settlement funds from a merchant, it could result in a temporary default on its obligations to its merchant customers, resulting in financial, reputational and customer loss.

**13. The Company is subject to credit risks in respect of counterparties, including other financial institutions.**

The Company is and will continue to be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions, in particular in relation to receivables from financial institutions regarding settled payment transactions and cash and cash equivalents held at financial institutions. One institution defaulting, failing a stress test or requiring bail-in by its shareholders and/or creditors and/or bail-out by a government could lead to significant liquidity problems and losses or defaults by other institutions, including for the Company. For example, the Kobenhavens Andelskasse bail-in caused such an issue for the Company during 2018 as the commercial and financial soundness of that particular financial institution (and in fact all other financial institutions) is closely related due to their credit, trading, clearing, AML compliance or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty or major financial institution may lead to market-wide liquidity problems and losses or defaults by financial institutions on which the Company has an exposure. This risk resulting from the interdependence on financial institutions is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as industry payment systems and banks, with whom the Company interacts on a daily basis. Systemic risk, particularly within the European Union or otherwise affecting Australia, could have a material adverse effect on the Company's ability to raise new funding and on its business, financial condition, results of operations and prospects.

The Company mitigates its risk with EUROS (€) by holding these at the Central Bank of Lithuania, which is rated as a zero credit risk, as it is a Eurosystem member. Zero credit risk on Australian Dollars will be possible via the proposed Exchange Settlement Account (ESA) with the Reserve Bank of Australia (RBA), and similarly with British Pounds, which will be held at the proposed Exchange Settlement Account (ESA) with the Bank of England (BoE). The BoE ESA relies upon an application subsequent to grant of the UK electronic money license application, which was recently lodged. The RBA ESA relies upon satisfaction of some remaining technical and operating criteria recently advised by the RBA to the Company.

**14. Fraud could have an adverse effect on the Group's operating results and financial condition.**

The Group could have potential liability for fraudulent digital payments transactions or credits initiated by merchants, consumers or others. Examples of fraud could include organised criminal activity or merchant fraud, such as when a merchant, consumer or other party knowingly uses a stolen or counterfeit credit or debit card, card number, or other credentials to record a false sale or credit transaction, or when a merchant or other party processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Fraud by the cardholder may also occur whereby the cardholder receives the goods or services, but then claims that they did not, or that they were not as described or faulty in some way.

While the Group has a dedicated team working collaboratively with law enforcement to thwart these efforts, criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting credit and debit cards and fraud. There is also a risk the Group's employees could engage in or facilitate fraudulent activity on their own behalf or on behalf of others.

If the levels of fraudulent payment card transactions become excessive, they could potentially result, and have in the past resulted, in the Group and the related merchants becoming subject to review by the scheme programmes. Such a review can result in fines and penalties and ultimately losing the right to process payment cards by the payment schemes, which could materially and adversely affect its business, financial condition and results of operations. Moreover, failure to effectively manage risk and prevent fraud could increase the Group's chargeback liability or cause it to incur other liabilities. It is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on the Group's operating results and financial condition.

In addition, financial services regulators may implement new requirements on direct acquirers and acquirer processors intended to reduce fraud, including online fraud, which could impose significant costs, require the Group to change its business practices, or reduce the ease of use of its products, which may materially and adversely affect its business, financial condition and results of operations.

The Group has taken measures to detect and reduce the risk of fraud, but these measures need to be continually improved and may not be effective against new and continually evolving forms of fraud or in connection with new product offerings. If these measures do not succeed, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

We are exposed to the risk that our merchants, employees or partners may seek to commit fraud against us or our merchant network.

Further Fraudulent behaviours could include:

- merchants undertaking identity theft, providing fraudulent information, misrepresenting their transaction history, or misrepresenting their ability to meet their contractual obligations; and
- employees or partners, individually or in collusion with others, obtaining a financial or other benefit (for example, tampering with our systems, processes or financial instructions).

Fraudulent behaviour could arise where we currently rely on manual processes (for example, through manual input of data).

There can be no assurance that our internal controls will prevent the incidence of fraud. Failure of our internal controls to detect fraud may result in damage to our reputation or standing with funding providers, significant losses obligations, or impact our ability to attract merchants, each of which could have an adverse impact on our business, financial performance and operations.

**15. A decline in the use of credit and debit cards as a payments mechanism by consumers or adverse developments with respect to the digital payments industry in general could have a material adverse effect on the Group's business, financial condition and results of operations.**

If consumers do not continue to use credit or debit cards as a payments mechanism for their transactions or if there is a change in the mix of payments between cash, alternative currencies, credit and debit cards or new payments systems which is adverse to the Group, it could have a materially adverse effect on its business, financial condition and results of operations. A potential tightening of credit underwriting criteria by financial institutions may make it more difficult or expensive for consumers to gain access to credit facilities such as credit cards. Moreover, if there is an adverse development in the digital payments industry in general, such as new legislation or regulation that makes it more difficult for the Group's clients to do business or which results in financial institutions seeking to charge their customers additional fees for card usage, cardholders may reduce their reliance on cards, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**16. Increased merchant attrition and decreased transaction volume could cause the Group's revenue to decline.**

Organic growth in the Group's business is derived primarily from acquiring new merchant solutions customer relationships. The Group relies on its third party relationships as a significant source of new merchant relationships. The Group cannot predict the level of attrition and decreased transaction volume in the future and its revenue could decline as a result of higher than expected attrition, which could have a material adverse effect on its business, financial condition and results of operations.

The Group also achieves organic growth by offering new or enhanced products and services to existing merchant solutions customers, cross-selling its existing products and services into existing relationships, and the general growth in the digital payments industry through increased usage of digital payments in consumer spending. The Group experiences attrition in merchant solutions customers and in the volume of credit and debit card transactions as a result of several factors, including:

- business closures and customer consolidations;
- inability to renew contracts on acceptable terms or at all or termination of such contracts;
- account closures that the Group initiates for various reasons, such as heightened credit risks or contract breaches by merchants;
- reductions in its merchant solutions' sales volumes or in credit and other card usage; and
- transfers of merchants' and financial institution accounts to competitors.

Furthermore, merchant attrition could also be caused by a variety of factors including competition, see *"—The digital payments industry is highly competitive, and the Group competes with certain firms that are larger and that have greater financial resources than it does*" above, technological changes, see *"—If the Group cannot keep pace with rapid developments and change in its industry and provide new services to its clients, the use of its services could decline, reducing its revenue and profitability*" above, or other factors, see *"Company Overview"* and *"Strategy"* above. In addition, any turmoil affecting the banking system or financial markets in the EEA region or Australia could cause additional consolidation of the financial services industry, significant financial service institution failures or new regulations, any of which could result in merchant attrition.

The Group could also experience significant attrition in the future as a result of service delivery interruptions (see *"—The Group's systems and its third-party providers' systems may fail due to a number of factors, including factors beyond its control, which could interrupt its service, cause it to lose business and increase its costs"* above) or other events which materially negatively affect its reputation and could have a material adverse effect on the Group's business, financial condition and results of operations (see, for example, *"—Real or perceived data breaches and unauthorised disclosure of data, whether through cyber security breaches, computer viruses or otherwise, could expose the Group to liability, protracted and costly litigation and damage its reputation*" above).

**17. The Group may require additional financing in the future, which may not be available to it on commercially reasonable terms, or at all.**

The Group may seek to raise additional financing in the future through public or private debt or equity financings as part of its growth strategy or as a result of unanticipated changes to its regulatory or competitive environment.

In particular, the Group may seek to raise additional financing to:

- take advantage of expansion or growth opportunities;
- acquire, form joint ventures with or make investments in complementary businesses or technologies;
- develop new products or services; or
- respond to competitive pressures.

Any future equity financing could lead to dilution for existing shareholders. Any additional financing may not be available on favourable terms or at all or may be subject to covenants or other restrictions, which could adversely affect the Group's ability to execute its strategy and pay dividends to its Shareholders, as well as have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**18. The Group may not have adequate insurance.**

Although the Group seeks and will continue to seek to ensure that it is appropriately insured and currently maintains insurance policies covering cybercrime, business interruption, directors and officers, and commercial crime, it cannot be certain that any of its existing insurance policies will be renewed on equivalent terms or at all or that it will be able to obtain, or increase the amount of, insurance for any new risks that it may face in the future on terms that are acceptable to it. Accordingly, there is a risk that the Group may be unable to obtain the insurance cover it desires at premiums which it believes to be reasonable. If the Group experiences an insured event, it cannot be certain that the proceeds of insurance which it receives will fully cover its loss. For example, companies engaged in the payments processing industry may be sued for substantial damages in the event of an actual or alleged breach of data security (see *"—Real or perceived data breaches and unauthorised disclosure of data, whether through cyber security breaches, computer viruses or otherwise, could expose the Group to liability, protracted and costly litigation and damage its reputation*" above) or the Group's properties (such as its network and data centres) could suffer physical damage from fire or other causes, resulting in losses (including loss of future income) that may not be fully compensated by insurance. Furthermore, the Group's insurance policies may be subject to deductibles or exclusions that could materially reduce the amount it recovers and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers or its reinsurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

Certain types of risks and losses (for example, losses resulting from acts of war or certain natural disasters) are not economically insurable or generally insured. If the Group experiences an uninsured or uninsurable loss in the future, it could incur significant expenditures, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**19. If the Group cannot pass along increases in interchange and other fees from payment schemes to its merchants, its operating margins would be reduced.**

The Group pays payment scheme membership, franchise and processing fees for payments services as well as scheme and card issuer fees (known as interchange fees) for each transaction that it processes through the payment schemes. From time to time, the payment schemes increase the interchange fees and other fees that they charge payments processors and, in cases in which the Group is a licensed member of a payment scheme, its financial institution sponsors. The Group has the right to pass any increases in interchange and other fees on to its merchant solutions customers and they have consistently done so in the past. While the Group has historically passed along the majority of these fee increases to its merchant solutions customers through corresponding increases in its processing fees, there is a risk that it may be unable to pass through these and other fee increases in the future, for example as a result of increased competitive pressure or the introduction of applicable regulation, which could have a material adverse effect on its direct acquiring margins, financial condition and its results of operations.

**20. The Group has experienced rapid growth and changes in its business, and if it cannot adequately manage its growth or change, its results of operations will suffer.**

The Group has experienced rapid growth in its operations in terms of the number of digital payments it processes on a daily basis, and it expects continued growth in transaction volume. The Group's growth strategy may not adequately budget for growth-related costs and associated risks, and its IT systems and infrastructure, procedures and managerial controls may prove to be inadequate to support further expansion in its operations. Any delay in implementing, or transitioning to, new or enhanced IT systems and infrastructure when needed may also adversely affect the Group's ability to process digital payments transactions, settle with its merchant solutions customers, record and report financial and management information on a timely and accurate basis, or otherwise manage its products and services. In particular, the Group is engaged in a significant refresh of its main technology platform. See *"—The Group is exposed to risks relating to its ability to manage ongoing changes to its technology systems"* above.

There is also a risk that, due to the pace of change in the Group's business and operating environment, its management and employees will not have the capacity to appropriately engage with all required change initiatives across the business. In addition, although the pace of regulatory change in the principal jurisdictions in which the Group operates has not been significant to date, there have been substantial changes in certain jurisdictions which if implemented in its markets, could have a material impact on its operations and its level of risk. If the Group does not effectively manage its growth and/or the demands of a changing environment, the quality of services and products it offers to its customers could decline, which could harm its reputation, reduce its profitability and have a material adverse effect on the Group's business, financial condition and results of operations.

**21. The Group is exposed to risks associated with acquisitions, partnerships and joint ventures.**

Acquisitions, partnerships and joint ventures are part of the Group's growth strategy. The Group evaluates, and expects in the future to evaluate, potential strategic acquisitions of, partnerships and joint ventures with complementary businesses, services or technologies. However, the Group may not be able to successfully identify suitable acquisition, partnership or joint venture candidates in the future sufficient to meet its growth strategy, or it may not be able to successfully execute its growth strategy and hence, may not be able to derive the anticipated benefits.

The acquisition of businesses involves a number of risks. Core risks are in the areas of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration (managing the complex process of integrating the acquired company's staff, products, technology and other assets to realise the projected value of the acquired company and the synergies projected to be realised in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including, for example: managing geographically separated organisations, systems and facilities; integrating personnel with diverse business backgrounds and organisational cultures; complying with additional regulatory requirements; exchange rate fluctuations; enforcement of intellectual property rights in different countries; difficulty entering new markets; the assumption of unforeseen liabilities and increased costs; and general economic and political conditions. If the integration and conversion process does not proceed smoothly, the following factors, among others, could reduce the Group's revenue and earnings, increase its operating costs, and result in a loss of projected synergies:

- if the Group is unable to successfully integrate factors of interest to the management and employees of the acquired business, it could lose employees to its competitors in the region, which could significantly affect its ability to operate the business and complete the integration;
- if the integration process causes any delays with the delivery of the Group's services, or the quality of those services, it could lose customers including those of an acquired entity to its competitors, which would reduce its revenue and profit;
- if the acquired businesses do not achieve anticipated revenue, profitability and return on investment; and
- the acquisition and the related integration could divert the attention of the Group's management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new digital payments markets.

In addition, the purchase price for any acquisition undertaken by the Group would be paid for in cash, with its shares, with the proceeds from the incurrence of debt, or through a combination of these three sources, which would impact the liquidity of the Group and could be dilutive to its shareholders. See *"—The Group may require additional financing in the future, which may not be available to it on commercially reasonable terms, or at all*" above.

Investments in which the Group does not have a controlling interest are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Group does not agree or that the controlling shareholders or the management of the company may take risks or otherwise act in a manner that does not serve the Group's interests. The Group's equity investments in such companies may also be diluted if it does not partake in future equity or equity-linked fundraising opportunities.

Joint Venture and Partnership risks are similar to those of acquiring a business, and in many cases represent some increased risk, as core capabilities may be under the control of a third party.

**22. The Group's risk management policies and procedures may not be fully effective in mitigating its risk exposure against all types of risks.**

The Group's risk management policies and procedures may not be fully effective to identify, monitor and manage its risks, particularly given the heightened risks of operating in a number of new intended markets in Asia and the Pacific (see—*Investments in new markets are subject to greater risks than those in more developed markets"* below). The Group has identified certain operational controls at a limited number of its newly-established or acquired operations for remediation, certain of which it only expects to remediate during 2020, and there can be no assurance that such remediation efforts will be completed within the timeframe set by the Group or that any delay will not lead to adverse consequences. Some of its risk evaluation methods depend upon information provided by others and public information regarding markets, clients or other matters that are otherwise inaccessible by it. In some cases, however, that information may not be accurate, complete or up to date. If the Group's policies and procedures are not fully effective or it is not always successful in capturing all risks to which it is or may be exposed, it may suffer harm to its reputation or be subject to litigation or regulatory actions that could have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), which is not entirely harmonised with the Australian Accounting Standard Board (AASB) requirements. Effective internal control over financial reporting is necessary for the Group to provide reliable reports and prevent fraud. The Group seeks to mitigate the risk of fraud through its management structure and regular financial review with an extensive use of business systems. Moreover, the Group's internal controls in certain jurisdictions, in which they have recently expanded operations may require more extensive updates than those in other jurisdictions. This structure or review may not identify fraud that may have a material adverse effect on the Group's reputation and results of operations. Internal control systems provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of such inherent limitations in control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Failure to maintain effective internal controls over financial reporting could have a material adverse effect on the Group's business, financial condition and results of operations.

**23. The Group is influenced by regulation, and any new laws and regulations or industry standards, or revisions made to existing laws, regulations or industry standards, affecting the digital payments industry and other industries in which it operates may have an unfavourable impact on its business, financial condition and results of operations.**

The Group's business is impacted by laws, regulations and standards that affect it and its industry in the countries in which it operates. In addition, the number of new and proposed regulations impacting the payments business has increased significantly in recent years

Moreover, the Group is affected by laws, regulations and guidelines in its other principal markets, principally including EEA and Australia. Both have regulatory frameworks for their payments industries, for example through ASIC, APRA and the Reserve Bank of Australia in the case of Australia and through the European Banking Authority and European Central Bank for the EEA. While the Group has taken steps to ensure compliance with current legislation and prepare for the implementation of possible future legislation, these frameworks or others could prevent the Group from pursuing certain opportunities or could force the Group to incur additional costs in reformatting or encrypting customer data, establishing new data centres or otherwise, thereby decreasing the Group's profitability. Failure to comply with regulations or guidelines may result in the suspension or revocation of registration, the limitation, suspension or termination of service, and the imposition of civil and criminal penalties, including substantial fines, or may cause customers or potential customers to be reluctant to do business with the Group, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes to applicable rules and regulations, or interpretation or enforcement thereof, even if not directed at the Group, may require significant efforts to change its systems and products and may require changes to how it prices its services to customers, adversely affecting its business. Even an inadvertent failure to comply with laws and regulations could damage the Group's business or its reputation. Furthermore, the Group is subject to tax laws in Australia and in certain jurisdictions outside of Australia where it conducts business, see *"—Changes in tax laws or their interpretations, or becoming subject to new taxes in the EEA region or Australia that cannot be passed through to the Group's merchants, could reduce its profitability*" below. Changes in such laws or their interpretations could also reduce the Group's after tax profit.

**24. The Group relies on key management personnel, and its business may be adversely affected by loss of such personnel or by any inability to recruit, train, retain and motivate key employees.**

The Company believes that its management teams contribute significant experience and expertise to the management and growth of its business. The continued success of its business and its ability to execute its business strategies in the future will depend in large part on the efforts of the Group's key personnel. There is a shortage of skilled personnel in the digital payments industry in the countries in which the Group operates (including in Australia, Cyprus and Lithuania), which Management believes is likely to continue. As a result, the Group may face increased competition for skilled employees in many job categories from local and regional finance and technology companies, including other merchant solutions and issuer solutions companies and this competition is expected to intensify.

Furthermore, the Group may need visas in various countries in order to recruit and retain the most competitive employees for various positions. As various countries in which the Group operates seek to increase the employment and hiring of local employees, the Group may be unable to obtain the requisite visas for its current or prospective employees from the respective governments in a timely manner or at all.

In addition, if the Group expands its business through acquisitions, the Group may be unable to retain and integrate skilled employees from acquired companies or businesses.

The Group's inability to successfully integrate, recruit, train, retain and motivate key skilled employees could have a material adverse effect on its business, financial condition and results of operations.

The Group depends upon the continued services and performance of its Directors and key senior management. The Directors and key senior management, amongst other things, play a key role in maintaining the Group's culture and in setting the Group's strategic direction. The unexpected departure or loss of one of the Group's Directors or key senior management team could have a material adverse effect on the Group's business and financial performance, and there can be no assurance that the Group will be able to attract or retain suitable replacements for such Directors and/or key management in a timely manner, or at all.

The Group also may incur significant additional costs in recruiting and retaining suitable replacements and avoiding disruption in integrating them into the Group's businesses. In addition, the Group's operations and execution of its business plan depend on the ability of the Group to attract, train and retain suitably skilled or qualified personnel with relevant industry and operational experience and to ensure that the Group have a robust succession planning system in place. In order for the Group to expand its operations in the future it will need to recruit and retain further personnel with suitable experience, qualifications and skill sets capable of advancing the Group's business. There is substantial competition for suitably skilled or qualified personnel with relevant industry and operational experience and there can be no assurance that the Group will be able to attract or retain its personnel on similar terms to those on which it currently engages its employees, or at all. If the Group is unable to attract or retain suitably skilled or qualified personnel then this could have a material adverse effect on the Group's business and financial performance.

**25. The Group's future results may differ materially from what is expressed or implied by the financial targets presented by the Company, and investors should not place undue reliance on these targets.**

The financial targets issued as 'guidance' are the Group's expectations for the medium term. The Group's actual results may differ materially from what is expressed or implied by the medium-term financial targets. These targets may not be achievable in the short term or at any time. These financial targets are based upon a number of assumptions, which are subject to significant business, operational, economic and other risks, many of which are outside of the Group's control. While the Group has detailed the key assumptions which management has made when setting its medium-term targets, these assumptions may not continue to reflect the commercial, regulatory and economic environment in which the Group operates. Accordingly, such assumptions used for settling the Group's financial targets may change or may not materialise at all. In addition, unanticipated events may have a material adverse effect on the actual results that the Group achieves in future periods whether or not its assumptions otherwise prove to be correct. As a result, the Group's actual results may vary materially from these targets and investors should not place undue reliance on them.

**26. The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect the Group's business, financial position and results of operations.**

iSignthis is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims, shareholder class actions and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of iSignthis.

The Group is involved in various litigation matters and from time to time may in the future be involved in governmental or regulatory investigations or similar matters arising out of its current or future business. For example, the Company and the Australian Stock Exchange (ASX) are in Federal Court at the suit of the Company, and the Company is also subject to an investigation by ASIC, regarding whether the Company met its continuous disclosure obligations during 2018. The Group's insurance or indemnities may not cover all claims that may be asserted against it, and any claims asserted against it, regardless of merit or eventual outcome, may harm its reputation. Furthermore, there is no guarantee that the Group will be successful in defending itself in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed the Group's insurance coverage, they could have a material adverse effect on its business, financial condition and results of operations.

**27. The Group is subject to certain economic and trade sanction laws and regulations as well as anti-money laundering laws and regulations, and if it fails to comply, it could be exposed to fines, sanctions and other penalties or governmental investigations, which may impact its business.**

The Group is subject to a wide range of anti-money laundering laws and regulations and trade and economic sanctions programmes. If the Group is found to have failed to comply with any of these laws, it may be exposed to material fines, sanctions and other penalties or governmental investigations. Although the Group seeks to fully comply with trade and economic sanctions programmes and anti-money laundering laws and regulations that may be applicable to it, there is a possibility that it may indirectly and/or inadvertently conduct business with financial institutions and/or payment schemes that may have customers in or operate in countries (such as Iran and Syria, where the Group has no operations or customers) or whose nationals may engage in transactions in countries that are the targets of sanctions by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, the US Department of State, the EU's CSDP, the UK's HM Treasury, Australia's DFAT and similar regulators in other countries.

Although the Group has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti-corruption and sanctions rules and regulations, and best practices, it cannot guarantee that such policies and procedures completely prevent situations of money laundering or corruption, including actions by the Group's employees, agents, merchants, third-party suppliers or other related persons for which the Group might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, criminal penalties and reputational consequences, which could have a material adverse effect on the Group's business, financial condition and results of operations. A failure to adopt effective measures against fraud, money laundering, corruption and terrorism financing may lead to regulatory proceedings, penalties by supervisory authorities and/or civil and criminal actions in courts.

**28. The Group's payment platforms may be used for illegal or improper purposes, and the Group may be subject to penalties or legal or regulatory actions and reputational damage.**

The Group's payments platforms may be subject to potentially illegal or improper uses, including money laundering, terrorist financing, circumvention of sanctions, illegal online gambling, fraudulent sales of goods or services, illicit sales of prescription medications or controlled substances, piracy of software, movies, music, and other copyrighted or trademarked goods (in particular, digital goods), bank fraud, child pornography, human trafficking, prohibited sales of alcoholic beverages or tobacco products, online securities fraud, or to facilitate other illegal activity. Certain activities that may be legal in one country may be illegal in another country, and a merchant may intentionally or inadvertently be found responsible for importing or exporting illegal goods, which may result in liability for the Group. Changes in law have increased the penalties for intermediaries providing payments services for certain illegal activities and additional payments-related proposals are under active consideration by government authorities. In addition, the Group may be held liable by merchants or payment schemes or other related third parties arguing that any failure to prevent the use of the Group's payments services for illegal purposes constitutes a breach of the Group's duty of care vis-á-vis such merchants or third parties. Intellectual property rights owners or government authorities may seek to bring legal or regulatory action against providers of payments solutions, including the Group, that are peripherally involved in the sale of infringing items. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume or increased costs may materially and adversely affect the Group's business, financial condition and results of operations.

The Group batch screens all of its customers on at least a weekly basis, and on a real time risk based approach for higher value, unusual frequency or low frequency destination transactions, utilising sanction lists provided by official government and UN sources, as well as against law enforcement watchlists, adverse media and politically exposed person lists, provided by reputable sources such as Lexis Nexis.

**29. The Group is dependent on third-party vendors to provide certain licences, products and services and its business and operations could be disrupted by any problems with its significant third-party vendors.**

The Group utilises a number of third-party suppliers and service providers to supply certain of the IT hardware, software and other components used in the development and operation of the Group's services and products. Among material suppliers are Amazon, Microsoft, LexisNexis, Google and OmniPay (Fiserv). In addition, the Group's mobile digital payments solutions require the use of third-party technology, including technology owned by international payment scheme operators. The Group relies upon these suppliers to produce and deliver products on a timely basis and at an acceptable cost or to otherwise meet the Group's product demands. The Group has in the past experienced disruptions to operations as a result of services provided by third parties, including disruptions to its platforms resulting in downtime in the use of products. Disruptions to the business, financial stability or operations of these suppliers and service providers, including due to strikes, labour disputes or other disruptions to the workforce, or to their willingness and ability to license, produce or deliver the products and provide the services the Group requires in accordance with the Group and its customers' requirements, could affect the Group's ability to fulfil customer demand on a timely basis, which could materially harm its revenues and results of operations. If these suppliers and service providers were unable to continue providing their products or services in the manner expected or at all, or if they simply denied the Group access to their products or services for any reason, the Group could encounter difficulty finding alternative suppliers. Even if the Group was able to secure alternative suppliers in a timely manner, the Group's costs could increase significantly. Any of these events could adversely affect the Group's business, financial condition, results of operations and prospects.

**30. The Group may be unable to adequately protect or enforce its intellectual property rights, or third parties may allege that the Group is infringing their intellectual property rights.**

The protection of such intellectual property, including the Group's patents, platforms, trademarks, copyrights, domain names, designs and trade secrets, is important to the success of its business. The Group seeks to protect its intellectual property rights by relying on applicable laws and regulations in the relevant markets, as well as a variety of administrative procedures. The Group also relies on contractual restrictions to protect its proprietary rights when offering or procuring products and services, including confidentiality and invention assignment agreements entered into with its employees and contractors and confidentiality agreements with parties with whom it conducts business. Any failure to adequately protect or enforce the Group's intellectual property rights, or significant costs incurred in doing so, could diminish the value of its intangible assets and materially and adversely affect its business, financial condition and results of operations.

As the number of products in the technology and payments industries increases and the functionality of these products further overlaps, the Group may become increasingly subject to the risk of intellectual property infringement and other claims. Litigation may be necessary to determine the validity and scope of the patent and other intellectual property rights of others. The ultimate outcome of any allegation is often uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention from the Group's business, and require the Group to, among other things, stop providing transaction processing and other payment-related services or redesign, stop selling its products or services, pay substantial amounts to satisfy judgments or settle claims or lawsuits, pay substantial royalty or licensing fees, or satisfy indemnification obligations that the Group has with certain parties with whom the Group has commercial relationships. The Group's failure to obtain necessary license or other rights, or litigation or claims arising out of intellectual property matters, may materially and adversely affect its business, financial condition and results of operations.

iSignthis relies heavily for its success on its ability to obtain and maintain patent protection for its technology. iSignthis has granted and pending patent applications (Intellectual Property Rights) covering major markets which present commercialisation opportunities. The prospect of attaining patent protection for products and the technology such as those proposed is highly uncertain and involves complex and continually evolving factual and legal questions. These include:

(i) legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect iSignthis' ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent being significantly less than the scope of protection sought by iSignthis. As a result, iSignthis' patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to iSignthis, or may not afford iSignthis adequate protection from competing products; and

(ii) since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, iSignthis cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

Even if, and where, iSignthis has succeeded in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.

**31. The Group may be subject to scrutiny under antitrust and competition laws.**

The Group may be subject to scrutiny by various government agencies in relevant markets, including antitrust and competition laws in certain jurisdictions. Other companies and government agencies may in the future allege that the Group's actions violate the antitrust or competition laws of the relevant markets, or otherwise constitute unfair competition. An increasing number of governments are regulating competition law activities. The Group's business agreements or arrangements with merchants or other companies could give rise to regulatory action or antitrust litigation. Some regulators may perceive the Group's business to be used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Any claims or investigations, even if without foundation, may be very expensive to defend or respond to, involve negative publicity and substantial diversion of management time and effort, and could result in reputational harm, significant judgments against the Group, or require the Group to change its business practices, which may materially and adversely affect its business, financial condition and results of operations.

**32. Changes in tax laws or their interpretations, or becoming subject to new taxes in the Australia, UK or EEA (Malta or Cyprus) that cannot be passed through to the Group's merchants, could reduce its profitability.**

The Group continues to engage with relevant tax authorities across its jurisdictions of operation. As the Group operates in a number of markets (through its legal presence or customer relations), the application of tax laws can be subject to a degree of uncertainty and interpretive discretion by tax authorities. Accordingly, the Group may be subject to additional material tax assessments in the future and which may also be subject to lengthy audit and review processes.
Changes in tax laws or in their interpretation or increases in the Group's effective tax rates due to shifts in the Group's geographic mix could decrease the profitability of the Group and have a material adverse impact on its business, financial condition and results of operations.

**33. The Group is subject to the risks of political, social and economic instability associated with the markets in which it operates and serves its customers.**

The Group is headquartered in Melbourne (Australia) and its operations are in Sydney and Melbourne (Australia), Nicosia (Cyprus), Valetta (Malta), Vilnius (Lithuania), Amsterdam (Netherlands) and London (UK), and its growth strategy is focused on these regions. While Australia is seen as a relatively stable political environment, certain other jurisdictions the Company operates in are not. In particular, since UK June 2016 referendum regarding BREXIT there has been increased political risks due to the intended withdrawal from the European Union and what this means for Electronic Money Institutions passporting rights into the UK post BREXIT. While the Company has been approved by the Financial Conduct Authority (FCA) as a Temporary Passporting participant, this is at least until 31 December 2020. If the Company has not established an FCA approved regulated business within the UK on or before this time, then it may result in passporting rights being removed and access to the UK market being restricted.

The Company has applied to the UK's FCA for an electronic money license during December 2019.

Investors should also note that the Company's business could be adversely affected by political, economic or related developments both within and outside the EEA region because of inter-relationships within the global financial markets.

Significant political, social and economic instability in one or more of the Group's markets could have a material adverse effect on the Group's business, financial condition and results of operations.

**34. Investments in new markets are subject to greater risks than those in more developed markets.**

You should also be aware that investments in new markets, such as the Asian and Pacific region, are subject to greater risks than those in existing markets, including risks such as:

- political, social and economic instability;
- exposure to local economic and social conditions, including logistical and communication challenges;
- exposure to local political conditions, including political disputes, requirements to expend a portion of funds locally and governmental industrial cooperation requirements, coups, the risk of seizure of assets by a foreign government, increased risk of fraud and political corruption, terrorism, acts or war or similar events;
- exposure to potentially undeveloped legal systems which make it difficult to enforce contractual rights and to potentially adverse changes in laws and regulatory practices, including grants, adjudications, concessions, among others;
- war, terrorism, rebellion or revolution;
- drought, famine, disease outbreaks and other complications due to natural or manmade disasters;
- governments' actions or interventions, including tariffs, protectionism, subsidies and other forms of exchange controls, expropriation of assets and cancellation of contractual rights;
- boycotts and embargoes that may be imposed by the international community on countries in which the Group operates;
- changes in taxation and other laws and regulations;
- exposure to different effective tax rates in each country in which the Group conducts business such that changes in its mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on its profitability;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- controls on the repatriation of profits and/or dividends, including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- difficulties and delays in obtaining new permits, licences and consents for business operations or renewing existing ones;
- difficulties or an inability to obtain legal remedies in a timely manner;
- compliance with a variety of US and other foreign laws, as well as European laws affecting the activities of European companies abroad, including:
- compliance (historical and future) with the requirements of applicable anti-bribery laws, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act of 1977; and compliance (historical and future) with sanctions and export control provisions (including the US Export Administration Regulations) in several jurisdictions, including the European Union, the United Kingdom, the United States, Australia and China; and
- compliance (historical and future) with the Modern Slavery Act (UK), and
- potential lack of reliability as to title to real property in certain jurisdictions.

**35. Local currency fluctuations could affect the Group's cash flows which could, in turn, impact its ability to pay certain obligations as cash flows are generated in local currencies.**

Each of the Group's subsidiaries earns its revenue and incurs operating expenses principally in the local currency of the markets in which it operates. The Group's operating results, as presented in AUD dollars, are affected by exchange rate fluctuations between the AUD dollar and a number of local currencies. Substantially, most of the Group's revenues are currently in EUROS (€), whereby volatility in the exchange rate of the Euro or any other currency against the AUD dollar can result in gains or losses. Any negative effect of local currency fluctuations on the Group's cash flows could adversely impact its ability to pay certain obligations, which could adversely affect its business, financial condition and results of operations.

**36. The Company is a holding company with no business operations of its own and depends on its subsidiaries for cash, including in order to pay dividends.**

The Company is a group holding company with no independent operations and is dependent on earnings and distributions of funds from its operating subsidiaries for cash, including in order to pay dividends to Shareholders.

The Company can pay dividends only to the extent that it has sufficient distributable reserves available, which depends upon the Company receiving cash from its operating subsidiaries in a manner which creates distributable reserves. The Company's ability to pay dividends to Shareholders therefore depends on its future Group profitability, the ability to distribute or dividend profits from its operating subsidiaries up the Group structure to the Company, general economic conditions and other factors the Directors deem significant. The Group's distributable reserves can be affected by reductions in profitability as well as by impairment of assets.

**37. Regulatory and legislative change.**

The iSignthis business assists its customers with complying with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations in relation to their customers. Future legislative changes concerning Anti Money Laundering Legislation (AML) and Counter Terrorism Funding (CTF) legislation, including the European Central Bank's (ECB) requirements for payment transactions to be subject to Strong Customer Authentication (SCA), may result in the product offering of iSignthis not being as effective in assisting its customers with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations which may have a significant effect on the business operations of iSignthis.

**38. Faults with products/services.**

The product of iSignthis may have errors or defects that are identified after customers start using it which could harm reputation and business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. Such an occurrence could result in loss of revenue or customers.

**39. Dependency on the internet and/or Cloud based services.**

Expanding sale of the iSignthis products and other future developed products depends on the continued acceptance of the internet and/or cloud as a communications and commerce platform for individuals and enterprises. The internet and/or cloud could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service.  If for any reason the internet and/or cloud does not remain a widespread communications medium and commercial platform, the demand for the product of iSignthis would be significantly reduced, which would harm the business.

**40. Customer Service and reputational risk .**

The reputation of iSignthis and its products is important in attracting and retaining existing business and obtaining new business and key employees. Reputational damage could arise due to a number of circumstances, including errors or defects, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of iSignthis which may potentially result in a fall in the number of customers seeking the products and services of iSignthis.

**41. Hackers.**

iSignthis relies on the availability of its website to provide services to customers. Hackers could render the website unavailable. Whilst iSignthis takes reasonable precautions, such as ensuring that services will be audited to and comply with the APRA's CPS234, the EBA's Cloud based services Guidelines, Payment Card Industry Data Security Standards (Level 1 PCI DSS) and ISO27001, iSignthis may be a target for hackers. Actual or perceived security vulnerabilities in iSignthis' services or any breaches of its security controls and unauthorized access to a customer's data could harm the business and operating results.

**42. Government metadata tracking.**

Government agencies may seek to access sensitive information that is generated by the iSignthis systems. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of services by users and create burdens on the business. Moreover, regulatory investigations into iSignthis' compliance with privacy-related laws and regulations could increase our costs and divert management attention.

**43. Infringement of third party intellectual property rights.**

If a third party accuses iSignthis of infringing its intellectual property rights or if a third party commences litigation against iSignthis for the infringement of patent or other intellectual property rights, iSignthis may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that iSignthis incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against iSignthis may be able to obtain injunctive or other equitable relief that could prevent iSignthis from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against iSignthis, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent iSignthis from commercialising available products and could cause it to incur substantial expenditure.

**44. Operational risk events.**

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which affect our business. Our business is exposed to operational risks such as external and internal fraud, processing errors, system or hardware failure and failure of information security systems. Loss from operational risk events could divert investment from new products into remediation of existing systems and processes, damage merchant relations or our reputation, adversely affect our financial results or position, as well as divert staff away from their core roles to remediation activity. In addition, losses could include legal or remediation costs and loss of property and/or information.

**45. Errors from manual systems.**

Non-compliance with manual systems and processes, or human error in manual processing, may expose our business to operational risks including process error and system failure, and regulatory non-compliance, and may result in loss or damage to our business or our merchants. In particular, our payments business depends heavily on the reliability of our processing systems and data quality

**46. System outages.**

In addition, a system outage could have an adverse effect on our business, financial performance and operations. Not only would we suffer damage to our reputation in the event of a system outage, but we may also be liable to third parties. To successfully operate our business, we must be able to protect our processing applications and other systems from interruption, including from events that may be beyond our control. Events that could cause system interruptions include fire, natural disaster, unauthorised entry, power loss, telecommunications failure, computer viruses, terrorist acts and war. Events of this nature may cause us to lose critical data or experience system failures.

**47. The Group's services must integrate with a variety of operating systems, software, hardware and web browsers.**

If the Group is unable to ensure that its services interoperate with such operating systems, hardware and web browsers, its business may be materially and adversely affected.

The Group is dependent on the ability of its products and services to integrate with a variety of operating systems, software and hardware, such as web browsers that it does not control. Any changes in these systems that degrade the functionality of the Group products and services, impose additional costs or requirements on it, or give preferential treatment to competitive services, including their own services, could materially and adversely affect usage of the Group's products and services. In addition, system integrators may show insufficient appetite to enable the Group's products and services to integrate with a variety of operating systems, software and hardware. In the event that it is difficult for the Group's merchants to access and use its products and services, for example, in case of incompatibility of their software and/or hardware with the Group's application programming interfaces ("APIs"), its business, financial condition, results of operations and prospects may be materially and adversely affected.

**48. The Group is subject to financial services regulatory risks.**

In the EEA, e-money issuers, such as iSignthis eMoney Ltd, are currently required to be authorised by the ECB under the Electronic Money Regulations 2016 to perform the regulated activity of issuing e-money (which has the meaning specified in the Second Electronic Money Directive). E-money means electronically (including magnetically) stored monetary value as represented by a claim on the electronic money issuer which (a) is issued on receipt of funds for the purpose of making payment transactions; (b) is accepted by a person other than the electronic money issuer; and (c) is not excluded by regulation. An e-money issuer is someone who issues and redeems electronic money and provides payment services in accordance with the Second Electronic Money Directive. iSignthis eMoney Limited has the appropriate licences and permissions to act as an e-money issuer in the EEA and passporting rights into the UK post BREXIT under the FCA temporary permissions regime. An entity that is authorised as an e-money issuer in one Member State can obtain a passport under the Second Electronic Money Directive to provide services in other EEA states by following a formal notification procedure. Isignthis eMoney Ltd has obtained a passport to carry out activities relating to its permissions to act as an e-money issuer in the various EEA states, and the UK. However, iSignthis eMoney Ltd issues e-money in other countries and territories. The Group takes the view that in general it is not conducting regulated activities in these other jurisdictions on the basis that its activities of issuing e-money are not conducted in each jurisdiction in which relevant customers reside, but rather e-money is issued in the Cyprus. The Group has customers resident in over 30 countries and territories. The Group acknowledges that local regulators in these jurisdictions may take a different view and, as transaction volumes increase and/or the matter is brought to its attention by local regulators, the Group will take advice in respect of local requirements on a case by case basis.

Due to ongoing developments in e-money regulation, the Group obtains advice from local counsel as required in order to assess the risk arising and, where necessary, will limit the extent of its operations in a particular jurisdiction or will consider whether to obtain a licence. However, the Directors believe that the likelihood of any enforcement action by a regulator is low due to factors such as the operation of the services through the internet on a cross-border basis from a country in which the relevant entity holds a licence, the limited extent of the Group's activities in the respective jurisdictions, the lack of enforcement action against similar payment processors, the lack of a physical presence in the respective jurisdictions and the effective management of the

Group's relationships with its customers. The Directors are not aware of any historic, current or pending financial, civil or criminal proceedings taken against the Group in connection with a failure to hold a licence in the relevant jurisdiction.

However, if the Group were found to be in violation of any current or future regulations, or to have previously been in breach of any regulation, in any countries from which it accepts merchants or customers, or were to lose any authorisation from the CBC, it may be required to seek additional licences and to comply with local regulations, which could lead to increased compliance costs. In addition, the Group, its Directors, Senior Managers or employees may also be exposed to a financial liability, civil or criminal liability, forced to change business practices or forced to cease doing business with merchants or customers in one or more of those countries or have funds held on behalf of a particular merchant or customer seized, which may have a material adverse effect on the Group's results of operations, financial condition and future prospects. In addition, if the Group decided to expand internationally, as it is currently in the process of doing in the US, it may incur additional costs of obtaining licences in those jurisdictions in which it chooses to have a presence. Such costs could have a material adverse effect on the Group's results of operations and financial condition.

**49. The Group may fail to hold, safeguard or account accurately for merchant or customer funds.**

The Group employs a high level of internal controls and compliance procedures to hold, safeguard and account accurately for account holders' funds. In order to safeguard funds, account holders' funds must either be held in secure, liquid low-risk assets that are held by a custodian or placed in a segregated account of an authorised credit institution or the firm may hold an insurance policy or bank guarantee to safeguard the funds. As the Group's business continues to grow, it must continue to strengthen its internal controls. The Group's success relies on public confidence in its ability to handle large and growing transaction volumes and merchants' or customers' funds. In addition, the Electronic Money Regulations require e-money providers to safeguard their customer funds from receipt until the e-money for which those funds have been exchanged is spent or redeemed and for a period of six years following termination of the e-money contract.

Any failure to maintain necessary controls, to effectively safeguard the funds of the Group's merchants or customers or to manage merchants' or customers' funds accurately, whether as a result of a failure of the Group's internal controls, failure to put in place adequate arrangements with banks or payment processors, human error, erroneous interpretation of the relevant regulatory requirements or otherwise, could severely diminish merchant or customer use of the Group's services and could have a material adverse effect on the Group's results of operations, financial condition and future prospects. Further, a failure to adequately safeguard the funds of its customers could result in the Group being subject to enforcement action by the relevant regulator which could result in fines or other penalties being levied against the Group.

**50. The Group may be affected by sections 1471-74 of the United States Internal Revenue Code of 1986, as amended (''FATCA'') and other cross border automatic exchange of information provisions.**

In light of FATCA, certain non-US financial institutions (''foreign financial institutions'' or ''FFIs'') are required to register with the IRS to obtain a Global Intermediary Identification Number (''GIIN'') and comply with the terms of FATCA, including any applicable intergovernmental agreement (''IGA'') and any local laws implementing such agreement or FATCA. Based on the current operations and business activities of the Group, including the flykk business, the Group has registered certain entities within the Group, and may be required to register certain entities within the Group, as FFIs and will therefore be required to register with the IRS to obtain a GIIN, and required to comply with the terms of any applicable IGA. Failure to comply with FATCA (including as the same may be implemented under the terms of any applicable IGA) could subject certain payments of US source fixed, determinable, annual, or periodical income made to the Group to 30 per cent. FATCA withholding tax. Further, as FFIs, the Group (and/or certain specific entities within the Group) would need to perform diligence on their existing and new customers, provided that their account balances reached certain thresholds, including obtaining self-certifications regarding the account holder's citizenship or tax residence in the United States. They would then be required to report certain information about their US accountholders to either the IRS or their local tax authorities (which will in turn provide such information to the IRS). This reporting requirement could potentially dissuade customers from doing business with the Group.

**51. Pandemic May Impact the Company's Operations or Revenue.**

A pandemic may impact our operations by affecting the Company's staff or staff of our key suppliers, or it may impact our revenues as merchant operations may be affected, or end users online spending habits may change.

To mitigate the impact of any pandemic, the Company has a pandemic response plan that has been approved by the major card schemes and the Company's regulators. The Company requires as part of its policy that key suppliers also have a pandemic response plan and policy.

# Directors' Report – Directors Information

## Information on Directors

**Name**
**Mr Timothy J. Hart**
**Title**
**Non-Executive Chairman**
**Qualifications**
BSc, MM(T), MMkting, MEd (Melb), PGDSI, PGDOL (Oxon), FAICD, FIML
**Experience and expertise**
Since 2015, Tim has Chaired ISignthis Limited (ASX:ISX, DE:TA8). He was formally the Managing Director & Chief Executive Officer of Ridley Corporation Limited (ASX:RIC) from April 2013 to July 2019, which he joined after an extensive career in agribusiness and manufacturing. His varied experience covers general management, strategic marketing, sales and supply chain. Before joining Ridley, Tim was the CEO of Sugar Australia for eight years, prior to this he has had a long career in fast moving consumer goods (FMCG) industry with SCA and in packaging with Carter Holt Harvey, ACI and Amcor, where he dealt with retailers and large food and beverage customers.

He is a Fellow of the Australian Institute of Company Directors and of the Institute of Managers and Leaders (Australian and New Zealand).

From 2007 to 2012 Tim was a Director of the Australian Food & Grocery Council, and Chair of the AFGCs Corporate Affairs Committee. He also Chaired the AFGC Agribusiness Forum. Tim is currently a Director of Enactus Australia (SIFE) (since 2009) and was also a Director of the World Sugar Research Organisation (2010-13).

He is a guest Lecturer and Mentor at the Faculty of Veterinary and Agriculture, University of Melbourne, an Ambassador (former Director) of the National Association of Women in Operations and has been a member of the Monash University Food and Agriculture Initiative, Advisory Board.

Tim has two Post Graduate Diplomas from Said Business School, The University of Oxford (Strategy & Innovation and Organisational Leadership) and he holds a number of degrees from The University of Melbourne - Bachelor of Science, Master of Management and Master of Marketing and Master of Education.
**Other current directorships**
Ridley Corporation Limited (ASX:RIC)
**Former directorships (last 3 years)**
Nil
**Special responsibilities**
Chairman, Member of the Audit Committee, Member of the Risk Committee, and Chairman of the Remuneration Committee.
**Interests in shares**
16,141,220 Fully paid ordinary shares.
**Interests in options**
Nil
**Interests in rights**
Nil

**Name**
**Mr Nickolas John Karantzis**
**Title**
**Managing Director and Chief Executive Officer**
**Qualifications**
B.E. MCommrclLaw. M.Enterp FIEAust CPEng NER APEC Engineer IntPE(Aus) Adj
**Experience and expertise**
Mr. Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne). He is the founder of iSignthis, and has led the Company to entry to the ASX300 and profitability in 5 years from listing on the ASX.

Mr. Karantzis has over 25 years' experience in a number of sectors, including payments, online media, secure communications, and e-commerce.

His previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).
**Other current directorships**
Nil
**Former directorships (last 3 years)**
Nil

**Special responsibilities**
Member of the Risk Committee.
**Interests in shares**
451,297,754 fully paid ordinary shares.
**Interests in options**
Nil
**Interests in rights**
Nil

**Name**
**Mr Scott Minehane**
**Title**
**Independent Non-Executive Director**
**Qualifications**
B.Econ LLB LL.M
**Experience and expertise**
Mr. Minehane has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 30 years. He is also an independent director of ASX listed Etherstack plc (ASX:ESK) which specialises in wireless technology including waveforms and public mobile radio solutions. Mr. Minehane has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws, specialising in Communications and Asian Law from the University of Melbourne.
**Other current directorships**
Etherstack plc (ASX:ESK)
**Former directorships (last 3 years)**
Nil
**Special responsibilities**
Chairman of Audit Committee and Member of the Remuneration Committee.
**Interests in shares**
10,604,633 fully paid ordinary shares.
**Interests in options**
Nil
**Interests in rights**
Nil

**Name**
**Mr Barnaby Egerton-Warburton**
**Title**
**Independent Non-Executive Director**
**Qualifications**
B. Ec. GAICD
**Experience and expertise**
Mr Egerton-Warburton holds a Bachelor of Economics Degree and is a graduate of the Australian Institute of Company Directors. He has over 20 years of trading, investment banking, international investment and market experience. He has held positions with global investment banks in Hong Kong, New York and Sydney including JPMorgan, Banque Nationale de Paris and Prudential Securities.
**Other current directorships**
Eneabba Gas Limited (ASX : ENB), Invictus Energy Limited (ASX: IVZ) (Formerly Interpose Holdings Limited) and Hawkstone Mining Limited (ASX: HWK)
**Former directorships (last 3 years)**
Global Geoscience Limited (ASX: GSC) resigned 23 May 2017
**Special responsibilities**
Member of Remuneration Committee, Audit Committee and Risk Committee.
**Interests in shares**
5,453,667 fully paid ordinary shares.
**Interests in options**
Nil
**Interests in rights**
Nil

**Name**
**Mr Christakis Taoushanis**
**Title**
**Independent Non-Executive Director**
**Qualifications**
B.Sc M.Sc
**Experience and expertise**
Mr. Taoushanis holds a BSc degree in Economics, and a Master's in Business Administration received from the London School of Economics and the London Business School, respectively. Mr. Taoushanis brings extensive banking and finance knowledge and experience to our organisation having spent over 30 years in the industry in various senior roles.

Mr. Taoushanis has worked for some of the world's largest banks in a number of different locations including Chicago, Greece, Hong Kong and Cyprus. This includes serving at Continental Illinois National Bank of Chicago for four years, the HSBC Group for eighteen years, with twelve of those as the Managing Director of the Cyprus subsidiary, and eight years as the Chief Executive Officer of the Cyprus Development Bank.

Since 2011, Mr. Taoushanis has been working with the private firm TTEG & Associates, providing services as an advisor to several companies (outside Australia), also acting as a Non-Executive director in some of them.
**Other current directorships**
Nil
**Former directorships (last 3 years)**
Nil
**Special responsibilities**
Chairman of the Risk Committee.
**Interests in shares**
2,550,000 fully paid ordinary shares.
**Interests in options**
Nil
**Interests in rights**
35,000 performance rights due to convert subject to various vesting conditions.

**Note**
'Other current directorships' quoted above are current directorships for Australian listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for Australian listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2019, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | | Risk Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held | Attended | Held |
| Mr T Hart | 7 | 7 | 3 | 3 | 1 | 1 | 2 | 2 |
| Mr S Minehane | 6 | 7 | 2 | 3 | - | - | 1 | 2 |
| Mr B Egerton-Warburton | 7 | 7 | 3 | 3 | 1 | 1 | 2 | 2 |
| Mr NJ Karantzis | 7 | 7 | - | - | 1 | 1 | - | - |
| Mr T Taoushanis | 6 | 7 | - | - | 1 | 1 | - | - |

Held: represents the number of meetings held during the time the director held office.

During the financial year the consolidated entity amended the structures of its committees. The committees effective 1 January 2019 consist of a Risk Committee, Remuneration Committee and Audit Committee. The details of the members of each committee are noted within the Information of Directors section of this Annual report.

## Chief Financial Officer and Joint Company Secretary

**Ms Elizabeth Warrell** joined the Group in September 2019 as the Chief Financial Officer and was subsequently appointed joint Company Secretary. Elizabeth is a Chartered Accountant with almost 20 years' experience in banking and financial services and is a graduate of the Australian Institute of Company Directors. Previous to joining the Group Elizabeth spent 11 years at the National Australia Bank in Group Finance and Australian Banking and 8 years at GE Money in Australia, India and the United States.

## Joint Company Secretary

**Mr Todd Richards** is a Certified Practising Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies. Todd is the Company Secretary of a number of ASX listed and unlisted entities.

# Directors' Report - Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

## Principles used to determine the nature and amount of remuneration.
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- aligning shareholder and executive remuneration through share-based payments
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

In accordance with best practice corporate governance, the structure of independent non-executive director and executive director remuneration is separate.

## Independent non-executive directors' remuneration
In the pre-positive operational cash phase of the Group, cash salary fees and payments to non-executive directors were kept flat to the 2014 prospectus. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. In 2020 the Board have engaged KMPG to review non-executive director and CEO remuneration, to ensure they reflect the growing size and complexity of the business and remain in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

## Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The board of directors of the consolidated entity have concluded that as they are still in the early stages of operations, a formal process regarding STI and LTI share based payments were not yet appropriate in 2019. In 2019 STI and LTI share based payments have been made on the basis of growing revenue and getting the business operations to cash flow and EBIT positive.

In 2020 the board has engaged KPMG to do a formal review of CEO and non-executive Directors remuneration. The Board will continue to monitor and review performance and in 2020 will look to formalise the remuneration plan for the CEO.

## Consolidated entity performance and link to remuneration.

Remuneration for certain individuals is not directly linked to performance of the consolidated entity. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall operational achievements. Directors and Executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders.

The Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

## Use of remuneration consultants

In the 2019 calendar year no remuneration consultants were used by the consolidated entity in setting the remuneration and reward framework. In 2020 the board has engaged KPMG to do a formal review of CEO and non-executive Directors remuneration and reward framework. The Board will continue to monitor and review performance and in 2020 will look to formalise the remuneration plan for the CEO.

## Voting and comments made at the company's 17 May 2019 Annual General Meeting ('AGM')

At the 17 May 2019 AGM, 86.2% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Details of remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

**Amounts of remuneration**

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

| | **Short-term benefits** | **Post-employment benefits** | **Share-based payments** | |
|---|---|---|---|---|
| **31-Dec-19** | **Cash salary and fees $** | **Super-annuation $** | **Performance rights $** | **Total $** |
| *Independent Non-Executive Directors:* | | | | |
| Mr Timothy Hart | 60,000 | 5,700 | 216,000 | 281,700 |
| Mr Scott Minehane | 40,000 | 3,800 | 216,000 | 259,800 |
| Mr Barnaby Egerton-Warburton | 40,000 | 3,800 | 216,000 | 259,800 |
| Mr Christakis Taoushanis | 44,484 | - | 216,940 | 261,424 |
| ***Executive Directors:*** | | | | |
| Mr Nickolas John Karantzis | 409,347 | 19,935 | 432,000 | 861,282 |
| *Other Key Management Personnel:* | | | | |
| Ms Elizabeth Warrell (1) | 109,666 | 7,001 | - | 116,667 |
| *Former Key Management Personnel:* | | | | |
| Mr Todd Richards (2) | 136,000 | 12,920 | 108,000 | 256,920 |
| | 839,497 | 53,156 | 1,404,940 | 2,297,593 |

(1) Ms. Warrell joined the company on 2 September 2019 as Chief Financial Officer and Joint Company Secretary.
(2) Mr. Richards was a KMP until 2 September 2019 when he stood down as Chief Financial Officer. He remains Joint Company Secretary.

| 31 December 2018 | Short-term benefits<br>Cash salary and fees<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Share-based payments<br>Performance rights<br>$ | Total<br>$ |
|---|---|---|---|---|
| Independent Non-Executive Directors: | | | | |
| Mr Timothy Hart | 60,000 | 5,700 | - | 65,700 |
| Mr Scott Minehane | 40,000 | 3,800 | - | 43,800 |
| Mr Barnaby Egerton-Warburton | 40,000 | 3,800 | - | 43,800 |
| Mr Christakis Taoushanis* | 45,642 | - | 1,569 | 47,211 |
| Executive Directors: | | | | |
| Mr Nickolas John Karantzis | 422,495 | 16,680 | - | 439,175 |
| Other Key Management Personnel: | | | | |
| Mr Todd Richards | 198,000 | 18,810 | 3,216 | 220,026 |
| | **806,137** | **48,790** | **4,785** | **859,712** |

* The cash salary and fees figure for Mr Taoushanis includes €14,875 ($23,337 AUD) paid to him before his appointment as a director of iSignthis Ltd, for his services as non-executive director of iSignthis eMoney Ltd, a subsidiary of iSignthis Ltd

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration<br>31 December 2019 | <br>31 December 2018 | At risk - STI<br>31 December 2019 | <br>31 December 2018 | At risk - LTI<br>31 December 2019 | <br>31 December 2018 |
|---|---|---|---|---|---|---|
| Non-Executive Directors: | | | | | | |
| Mr Timothy Hart | 23% | 100% | - | - | 77% | - |
| Mr Scott Minehane | 17% | 100% | - | - | 83% | - |
| Mr Barnaby Egerton-Warburton | 17% | 100% | - | - | 83% | - |
| Mr Christakis Taoushanis | 17% | 97% | - | - | 83% | 3% |
| Executive Directors: | | | | | | |
| Mr Nickolas John Karantzis | 50% | 100% | - | - | 50% | - |
| Other Key Management Personnel: | | | | | | |
| Ms Elizabeth Warrell (1) | 100% | - | - | - | - | - |
| Former Key Management Personnel: | | | | | | |
| Mr Todd Richards (2) | 58% | 99% | - | - | 42% | 1% |

(1) Ms Warrell joined the company on 2 September 2019 as Chief Financial Officer and Joint Company Secretary.
(2) Mr Richards was a KMP until 2 September 2019 when he stood down as Chief Financial Officer. He remains Joint Company Secretary.

## Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | Mr. Nickolas John Karantzis |
| Title: | Executive Director and Group Chief Executive Officer |
| Agreement commenced: | 1st March 2018 |
| Term of agreement: | Ongoing |
| Details: | The terms of Mr. Karantzis Executive Services Agreement for the position of Executive Director and Group Chief Executive Officer include a termination period of three (3) months by either party, the base salary for the Executive role totalling €212,000 (plus director's fees as noted below) per annum which was approved by the Remuneration Committee during the financial year. The agreement shall recognise 21 days of paid annual leave per annum and other statutory employment requirements.<br><br>Mr Karantzis' directors fees equating to $48,000 per annum inclusive of superannuation. |
| Name: | Ms. Elizabeth Warrell |
| Title: | Chief Financial Officer and Company Secretary |
| Term of agreement: | Ongoing |
| Details: | The terms of Ms. Warrell's Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company includes a termination period of six (6) months by either party, a salary of $350,000 including statutory superannuation entitlements. The agreement includes a KPI Based Bonus, capped at 25% of the employees Base Salary Package paid in performance rights, with one third vesting one year from grant date, one third vesting two years from grant date and the remaining one third vesting three years from grant date.<br><br>Ms. Warrell's KPI Based Bonus is determined based on her delivery of KPIs related to Leadership, Accountability, Strategy and General and Administrative KPI's. Ms. Warrell's remuneration is not directly linked to performance of the consolidated entity, but instead any KPI based bonus will be paid in performance rights and deferred over several years, to facilitate goal congruence between Ms. Warrell and with that of the business and shareholders. |
| Name: | Mr. Todd Richards |
| Title: | Joint Company Secretary |
| Term of agreement: | Ongoing |
| Details: | Mr. Richards was a KMP until he stepped down as Chief Financial Officer on 2 September 2019. While as a KMP the terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company included a termination period of three (3) months by either party, a base salary of $198,000 per annum which was approved by the Nomination and Remuneration Committee during the prior financial year (which is effective from 1 July 2017), plus statutory superannuation entitlements, and domicile portability provisions. The agreement provided for participation in the employee incentive plan.<br><br>Mr. Richards continues to be employed as Joint Company Secretary by the company but was no longer a KMP from 2 September 2019. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

## Share-based compensation

**Issue of shares**
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2019 as set out below:

| Name | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Timothy Hart | 2 September 2019 | 250,000 | $0.419 | 104,750 |
| Timothy Hart | 2 September 2019 | 250,000 | $0.445 | 111,250 |
| Scott Minehane | 2 September 2019 | 250,000 | $0.419 | 104,750 |
| Scott Minehane | 2 September 2019 | 250,000 | $0.445 | 111,250 |
| Barnaby Egerton-Warburton | 2 September 2019 | 250,000 | $0.419 | 104,750 |
| Barnaby Egerton-Warburton | 2 September 2019 | 250,000 | $0.445 | 111,250 |
| Christakis Taoushanis | 25 April 2019 | 50,000 | $0.170 | 8,500 |
| Christakis Taoushanis | 2 September 2019 | 250,000 | $0.419 | 104,750 |
| Christakis Taoushanis | 2 September 2019 | 250,000 | $0.445 | 111,250 |
| Nickolas John Karantzis | 2 September 2019 | 500,000 | $0.419 | 209,500 |
| Nickolas John Karantzis | 2 September 2019 | 500,000 | $0.445 | 222,500 |
| Todd Richards | 2 September 2019 | 125,000 | $0.419 | 52,375 |
| Todd Richards | 2 September 2019 | 125,000 | $0.445 | 55,625 |
| Todd Richards (1) | 2 January 2019 | 10,000 | $0.140 | 1,400 |

(1) Mr. Richards had 10,000 performance rights vest on 2 January 2019 at an issue price of $0.140. The cost for these performance rights was included in the cost of Mr. Richards performance rights in prior years.

Mr Karantzis, Mr Hart and Mr Minehane were appointed as the Directors of the Company on 22 December 2014. Mr Egerton-Warburton assumed the role of Non Executive Director at that time and Mr Taoushanis was appointed as a Director in July 2018. Since the time of re-listing as iSignthis Ltd, the Directors have overseen the executive team that has achieved numerous milestones, including the successful relisting of the Company on ASX in 2015, the successful licensing of the company as an eMoney Institution in the European Union, Payment Card Industry Certification, Principal Membership of the major card schemes and completing the majority of the items required by APRA in order for the company to become an Australian Deposit Taking Institution (Mr. Taoushanis has played a significant role in the ADI application based on his extensive banking experience). The Board deemed the performance rights detailed below, appropriate to be awarded to the Directors, based on the achievements of the business since 2014. Further on the 17 May 2019 at the Annual General Meeting of the company, shareholders voted in favour of issuing the following Performance Rights to the Directors as a long term incentive in connection with their role as Directors:

- 1,000,000 Performance Rights (comprising 500,000 Class A Performance Rights and 500,000 Class B Performance Rights to Mr Nickolas John Karantzis;
- 500,000 Performance Rights (comprising 250,000 Class A Performance Rights and 250,000 Class B Performance Rights to Mr Timothy Hart;
- 500,000 Performance Rights (comprising 250,000 Class A Performance Rights and 250,000 Class B Performance Rights to Mr Scott Minehane;
- 500,000 Performance Rights (comprising 250,000 Class A Performance Rights and 250,000 Class B Performance Rights to Mr Barnaby Egerton-Warburton; and
- 500,000 Performance Rights (comprising 250,000 Class A Performance Rights and 250,000 Class B Performance Rights to Mr Christakis Taoushanis.

The vesting conditions in relation to these rights included the following milestones:

| Class of performance Right | Performance Condition | Milestone Date | Expiry Date |
|---|---|---|---|
| Class A Performance Right | Upon the Company Shares achieving a 15 day VWAP of $0.40 | 30 June 2021 | At 5.00pm on the date which is 5 business days after the Class A Milestone Date |
| Class B Performance Right | Upon the Company Shares achieving a 15 day VWAP of $0.50 | 30 June 2022 | At 5.00pm on the date which is 5 business days after the Class B Milestone Date |

**Options**
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 December 2019.

## Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Vesting date | Expiry date | Fair value per right at grant date |
|---|---|---|---|
| 27 January 2017 | 2 January 2019 | 2 January 2019 | $0.140 |
| 3 September 2018 | 1 September 2020 | 1 September 2020 | $0.170 |
| 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |

| Name | Number of rights granted | Grant date | Vesting date | Expiry date | Fair value per right at grant date |
|---|---|---|---|---|---|
| Timothy Hart | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Timothy Hart | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |
| Scott Minehane | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Scott Minehane | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |
| Barnaby Egerton-Warburton | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Barnaby Egerton-Warburton | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |
| Nickolas John Karantzis | 500,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Nickolas John Karantzis | 500,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |
| Christakis Taoushanis | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Christakis Taoushanis | 250,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |
| Christakis Taoushanis | 35,000 | 3 September 2018 | 1 September 2020 | 1 September 2020 | $0.170 |
| Christakis Taoushanis | 50,000 | 3 September 2018 | 25 April 2019 | 25 April 2019 | $0.170 |
| ***Former key management personnel:*** | | | | | |
| Todd Richards | 10,000 | 27 January 2017 | 2 January 2019 | 2 January 2019 | $0.140 |
| Todd Richards | 154,000 | 3 September 2018 | 1 September 2020 | 1 September 2020 | $0.170 |
| Todd Richards | 125,000 | 17 May 2019 | 2 September 2019 | 30 June 2021 | $0.419 |
| Todd Richards | 125,000 | 17 May 2019 | 2 September 2019 | 30 June 2022 | $0.445 |

Performance rights granted carry no dividend or voting rights. Key Performance Indicators set for each KMP determine the award of performance right's with vesting and conversion contingent on continued employment. The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2019 are set out below:

| Name | Number of rights granted during the year 31 December 2019 | Number of rights granted during the year 31 December 2018 | Number of rights vested during the year 31 December 2019 | Number of rights vested during the year 31 December 2018 |
|---|---|---|---|---|
| Timothy Hart | 500,000 | - | 500,000 | - |
| Scott Minehane | 500,000 | - | 500,000 | - |
| Barnaby Egerton-Warburton | 500,000 | - | 500,000 | - |
| Nickolas John Karantzis | 1,000,000 | - | 1,000,000 | - |
| Christakis Taoushanis* | 500,000 | 35,000 | 550,000 | - |
| *Former key management personnel:* | | | | |
| Todd Richards | 250,000 | 154,000 | 260,000 | - |

* The 35,000 performance rights were issued to Mr Taoushanis in 2018 were prior to his appointment to the board of iSignthis Ltd, for services rendered to iSignthis eMoney Ltd, a subsidiary of iSignthis Ltd.

**Additional information**

The earnings of the consolidated entity for the three years to 31 December 2019 are summarised below:

| | 2019<br>$ | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Revenue and other income** | 32,226,927 | 6,623,413 | 1,889,915 |
| **Profit / (Loss) before income tax expense** | 2,185,693 | (8,030,052) | (4,950,486) |

## Additional disclosures relating to key management personnel

**Shareholding**

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Ordinary shares | | | | | |
| Barnaby Egerton-Warburton | 4,953,667 | 500,000 | - | - | 5,453,667 |
| Timothy Hart | 15,641,220 | 500,000 | - | - | 16,141,220 |
| Nickolas John Karantzis | 450,297,754 | 1,000,000 | - | - | 451,297,754 |
| Scott Minehane | 10,104,633 | 500,000 | - | - | 10,604,633 |
| Christakis Taoushanis | 2,000,000 | 550,000 | - | - | 2,550,000 |
| Elizabeth Warrell | - | - | - | - | - |
| *Former key management personnel:* | | | | | |
| Todd Richards | 24,115,783 | 260,000 | - | (500,000) | 23,875,783 |
| | 507,113,057 | 3,310,000 | - | (500,000) | 509,923,057 |

**Performance rights holding**

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Performance rights over ordinary shares | | | | | |
| Barnaby Egerton-Warburton | - | 500,000 | (500,000) | - | - |
| Timothy Hart | - | 500,000 | (500,000) | - | - |
| Nickolas John Karantzis | - | 1,000,000 | (1,000,000) | - | - |
| Scott Minehane | - | 500,000 | (500,000) | - | - |
| Christakis Taoushanis | 85,000 | 500,000 | (550,000) | - | 35,000 |
| Elizabeth Warrell | - | - | - | - | - |
| *Former key management personnel:* | | | | | |
| Todd Richards (1) | 164,000 | 250,000 | (260,000) | - | 154,000 |
| | 249,000 | 3,250,000 | (3,310,000) | - | 189,000 |

(1) Mr. Richards was a KMP until 2 September 2019. He remains Joint Company Secretary.

**Loans to key management personnel and their related parties**

During the year the consolidated entity didn't enter into any loans for key management personnel or their related parties.

This concludes the remuneration report, which has been audited.

# Directors' Report – Other Matters

### Shares under option

Unissued ordinary shares of iSignthis Ltd under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 13 March 2019 | 10 July 2020 | $0.30 | 3,000,000 |
| | | | 3,000,000 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

### Shares under performance rights

Unissued ordinary shares of iSignthis Ltd under performance rights at the date of this report are as follows:

| **Grant date** | **Expiry date** | **Number under rights** |
|---|---|---|
| 23 May 2018 | 1 March 2020 | 62,500 |
| 3 September 2018 | 1 September 2020 | 1,857,000 |
| 9 May 2019 | 30 April 2020 | 74,000 |
| 9 May 2019 | 30 April 2021 | 69,000 |
| 1 August 2019 | 1 August 2020 | 96,625 |
| 1 August 2019 | 1 August 2021 | 96,625 |
| 30 June 2019 | 30 June 2020 | 4,545 |
| 31 July 2019 | 31 July 2020 | 3,846 |
| 8 August 2019 | 8 August 2020 | 1,000 |
| 31 August 2019 | 31 August 2020 | 8,906 |
| 30 September 2019 | 30 September 2020 | 2,381 |
| 31 October 2019 | 31 December 2020 | 2,500 |
| 30 June 2019 | 30 June 2021 | 4,545 |
| 31 July 2019 | 31 July 2021 | 3,846 |
| 8 August 2019 | 8 August 2021 | 1,000 |
| 31 August 2019 | 31 August 2021 | 8,906 |
| 30 September 2019 | 30 September 2021 | 2,381 |
| | | 2,299,606 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options

The following ordinary shares of iSignthis Ltd were issued during the year ended 31 December 2019 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|---|---|---|
| 02 July 2019 | $0.62 | 5,000,000 |
| 08 August 2019 | $0.30 | 40,000 |
| 02 September 2019 | $0.31 | 43,860 |
| 02 September 2019 | $0.30 | 110,000 |
| 16 December 2019 | $0.30 | 250,000 |
| 13 February 2020 | $0.31 | 1,164,913 |
| | | 6,608,773 |

## Shares issued on the vesting of performance rights

The following ordinary shares in consolidated entity were issued during the year ended 31 December 2019 and up to the date of this report on the exercise of performance rights granted:

| Date performance rights vested | Number of shares issued |
|---|---|
| 2 January 2019 | 990,686 |
| 2 January 2019 | 218,250 |
| 1 March 2019 | 1,250,000 |
| 6 March 2019 | 62,500 |
| 12 March 2019 | 85,000 |
| 26 April 2019 | 50,000 |
| 26 April 2019 | 100,000 |
| 2 July 2019 | 17,500 |
| 2 September 2019 | 41,667 |
| 2 September 2019 | 1,625,000 |
| 2 September 2019 | 1,625,000 |
| 6 December 2019 | 10,000 |
| 6 December 2019 | 155,000 |
| 6 January 2020 | 50,000 |
| | 6,280,603 |

## Principal Activities

iSignthis Ltd is an Australian headquartered global RegTech leader in remote identity verification, payment authentication with deposit taking, transactional banking and payment processing capability. iSignthis provides an end-to-end on-boarding service for merchants, with a unified payment and identity service via its Paydentity™ and ISXPay® solutions.

By converging payments and identity, iSignthis delivers regulatory compliance to an enhanced customer due diligence standard, offering global reach to any of the world's 4.2Bn 'bank verified' card or account holders, that can be remotely on-boarded to meet the Customer Due Diligence requirements of AML regulated merchants in as little as 3 to 5 minutes. Paydentity™ has now onboarded and verified more than 1.5m persons to an AML KYC standard.

iSignthis Paydentity™ service is the trusted back office solution for regulated entities, allowing merchants to stay ahead of the regulatory curve, and focus on growing their core business. iSignthis' subsidiary, iSignthis eMoney Ltd, trades as ISXPay®, and is an EEA authorised eMoney Monetary Financial Institution, offering card acquiring in the EEA, and Australia.

ISXPay® is a principal member of Visa Inc, Mastercard Inc, Diners, Discover, (China) Union Pay International and JCB International, an American Express aggregator, and provides merchants with access to payments via alternative methods including SEPA, Poli Payments, Sofort, Trustly, WeChat, AliPay and others.

UAB Baltic Banking Service, a wholly owned subsidiary of iSignthis Ltd, provides API based access to SEPA Core, SEPA Instant and SEPA business scheme, for neobanks, banks, credit unions and eMoney institutions, and provides a bridge to the Central Bank of Lithuania's CENTROLink service.

Probanx Information Systems Ltd (Probanx®), a wholly owned subsidiary of iSignthis Ltd, is an international CORE banking software company which has been serving the banking industry since the year 2000 by developing comprehensive banking software solutions to financial institutions around the globe. Probanx offers web-based banking solutions using the latest technology and international standard business rules.

## Significant changes in the state of affairs

On 2 October 2019, the consolidated entity was suspended from official quotation on the ASX, and as a consequence, on its cross listing on the Frankfurt Stock Exchange.

On 5 December 2019, the consolidated entity announced the commencement of a federal court action against ASX.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year

On the 20 February 2020 the Company announced its $4.2m strategic investment for 12.96% of NSX Limited which operates NSXA, Australia's second-largest Tier 1 market operator and the Company's joint venture with NSX Limited in ClearPay Pty Ltd (ClearPay JV). ClearPay JV will develop a multicurrency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPay® and Paydentity™.

## Likely developments and results of operations

The past financial year has seen significant revenue growth as business scales its operations. In 2020 the business is expected to continue to build scale as the business further executes on its pipeline of new business opportunities and integration of existing customers to enable processing of transactions and generating revenues.

The business will also continue to execute on its strategy, looking to grow and scale existing operations, build out the banking business in Europe and Australia, including getting a banking licence in the UK and Australia, and finally look to continue to innovate and seek adjacent market opportunities, such as the joint venture with the NSX to build a DvP trading platform.

The business continues to strive to deliver an outstanding product to existing customers, expand our customer list and deliver increased revenues in the 2020 financial year.

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company 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 company paid a premium in respect of a contract to insure 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.

## Indemnity and insurance of auditor

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

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of or against the company

The Company has commenced legal proceedings against the Australia Securities Exchange (ASX) in the Federal Court of Australia, per file number VID1315/2019.

No party has commenced litigation against the Company or any of its subsidiaries as of the date of this report.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

## Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

## Rounding of amounts

iSignthis Ltd is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors,

______________________________
Nickolas John Karantzis
Managing Director

28th February 2020

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# Auditor's Independence Declaration

## To the Directors of iSignthis Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of iSignthis Ltd for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance
Melbourne, 28 February 2020

**Consolidated statement of profit or loss and other comprehensive income**

| | Note | Consolidated 31 December 2019 $ | 31 December 2018 $ |
|---|---|---|---|
| **Revenue** | 5 | 31,238,675 | 6,091,994 |
| Other income | 6 | 988,252 | 531,419 |
| **Expenses** | | | |
| Corporate expenses | | (4,362,446) | (1,559,022) |
| Advertising & marketing expense | | (383,864) | (178,208) |
| Employee benefits expense | | (6,606,094) | (4,225,408) |
| Research & development expenses | | (1,087,220) | (333,964) |
| Depreciation & amortisation expense | 7 | (532,657) | (178,997) |
| IT expenses | | (1,652,956) | (479,242) |
| Other expenses | | (105,684) | (1,967,349) |
| Operating costs | | (14,389,813) | (5,197,403) |
| Share based payments | 36 | (1,810,092) | (486,204) |
| Net realised foreign exchange gain/(loss) | | 901,436 | (43,104) |
| Finance costs | | (11,844) | (4,564) |
| **Profit/(loss) before income tax expense** | | 2,185,693 | (8,030,052) |
| Income tax expense | 8 | (629,280) | (8,598) |
| **Profit/(loss) after income tax expense for the year attributable to the owners of iSignthis Ltd** | | 1,556,413 | (8,038,650) |
| **Other comprehensive income / (loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | 15,299 | (50,484) |
| Other comprehensive income / (loss) for the year, net of tax | | 15,299 | (50,484) |
| **Total comprehensive income / (loss) for the year attributable to the owners of iSignthis Ltd** | | 1,571,712 | (8,089,134) |
| | | **Cents** | **Cents** |
| Basic earnings / (loss) per share | 35 | 0.14 | (1.01) |
| Diluted earnings / (loss) per share | 35 | 0.14 | (1.01) |

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

**Consolidated statement of financial position**

| | Note | Consolidated 31 December 2019 $ | Consolidated 31 December 2018 Restated ($) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 17,703,578 | 8,433,874 |
| Trade and other receivables | 10 | 572,608 | 894,501 |
| Funds held on behalf of merchants | 11 | 96,178,224 | 4,352,048 |
| Other assets | 12 | 3,442,617 | 1,718,955 |
| Total current assets | | 117,897,027 | 15,399,378 |
| **Non-current assets** | | | |
| Plant and equipment | 13 | 824,109 | 182,039 |
| Right-of-use assets | 14 | 2,243,766 | - |
| Intangibles | 15 | 3,044,567 | 1,531,113 |
| Deferred tax | 8 | 106,935 | - |
| Total non-current assets | | 6,219,377 | 1,713,152 |
| **Total assets** | | 124,116,404 | 17,112,530 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 4,724,332 | 904,934 |
| Lease liability | 17 | 516,943 | - |
| Employee benefits | 18 | 291,533 | 128,348 |
| Funds held on behalf of merchants | 11 | 96,178,224 | 4,352,048 |
| Other liabilities | 19 | 818,762 | 163,159 |
| Total current liabilities | | 102,529,794 | 5,548,489 |
| **Non-current liabilities** | | | |
| Lease liability | 20 | 1,742,328 | - |
| Deferred tax | 8 | 90,947 | 90,947 |
| Employee benefits | 21 | 36,537 | 29,130 |
| Total non-current liabilities | | 1,869,812 | 120,077 |
| **Total liabilities** | | 104,399,606 | 5,668,566 |
| **Net assets** | | 19,716,798 | 11,443,964 |
| **Equity** | | | |
| Issued capital | 22 | 47,970,023 | 40,677,673 |
| Reserves | 23 | 311,248 | 1,024,087 |
| Accumulated losses | | (28,564,473) | (30,257,796) |
| **Total equity** | | 19,716,798 | 11,443,964 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Consolidated statement of changes in equity**

| Consolidated | Issued capital<br>$ | Share based payments reserve<br>$ | Accumulated losses<br>$ | Foreign currency reserve<br>$ | Total equity<br>$ |
|---|---|---|---|---|---|
| Balance at 1 January 2018 | 30,677,294 | 4,585,905 | (25,841,910) | (67,014) | 9,354,275 |
| Loss after income tax expense for the year | - | - | (8,038,650) | - | (8,038,650) |
| Other comprehensive loss for the year, net of tax | - | - | - | (50,484) | (50,484) |
| Total comprehensive loss for the year | - | - | (8,038,650) | (50,484) | (8,089,134) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 22) | 10,000,379 | (307,760) | - | - | 9,692,619 |
| Share-based payments (note 36) | - | 486,204 | - | - | 486,204 |
| Lapse of options and rights | - | (3,622,764) | 3,622,764 | - | - |
| Balance at 31 December 2018 | 40,677,673 | 1,141,585 | (30,257,796) | (117,498) | 11,443,964 |

| Consolidated | Issued capital<br>$ | Share based payments reserve<br>$ | Accumulated losses<br>$ | Foreign currency reserve<br>$ | Total equity<br>$ |
|---|---|---|---|---|---|
| Balance at 1 January 2019 | 40,677,673 | 1,141,585 | (30,257,796) | (117,498) | 11,443,964 |
| Adjustment upon initial adoption of AASB 16 | - | - | (25,246) | - | (25,246) |
| Balance at 1 January 2019 - restated | 40,677,673 | 1,141,585 | (30,283,042) | (117,498) | 11,418,718 |
| Profit after income tax expense for the year | - | - | 1,556,413 | - | 1,556,413 |
| Other comprehensive income for the year, net of tax | - | - | - | 15,299 | 15,299 |
| Total comprehensive income for the year | - | - | 1,556,413 | 15,299 | 1,571,712 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 22) | 7,292,350 | (2,376,074) | - | - | 4,916,276 |
| Share-based payments (note 36) | - | 1,810,092 | - | - | 1,810,092 |
| Lapse of options and rights | - | (162,156) | 162,156 | - | - |
| Balance at 31 December 2019 | 47,970,023 | 413,447 | (28,564,473) | (102,199) | 19,716,798 |

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

| | Note | Consolidated 31 December 2019 $ | 31 December 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 31,258,395 | 6,325,612 |
| Payments to suppliers and employees | | (27,860,483) | (13,570,524) |
| Interest received | | 112,105 | 36,722 |
| Research and development incentive received | | 858,800 | 471,769 |
| Net cash from/(used in) operating activities | 34 | 4,368,817 | (6,736,421) |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | 13 | (757,780) | (110,000) |
| Payments for deposits | | - | (115,201) |
| Payments for acquisition of business | 31 | (118,840) | (490,973) |
| Loans advanced to third parties | | - | (1,013,000) |
| Loans repaid from third parties | | 332,000 | 693,000 |
| Cash acquired on acquisition | | 14,520 | 94,840 |
| Net cash (used in) investing activities | | (530,100) | (941,334) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 22 | - | 10,000,000 |
| Capital raising costs | | - | (307,693) |
| Repayment of lease liabilities | 20 | (229,328) | - |
| Card scheme membership security | | (1,432,791) | (1,190,888) |
| Proceeds from exercise of options | 22 | 4,634,540 | - |
| Other (Merchant security received and card scheme membership security) | | 2,408,971 | - |
| Net cash from financing activities | | 5,381,392 | 8,501,419 |
| Net increase in cash and cash equivalents | | 9,220,109 | 823,664 |
| Cash and cash equivalents at the beginning of the financial year | | 8,433,874 | 7,653,681 |
| Effects of exchange rate changes on cash and cash equivalents | | 49,595 | (43,471) |
| Cash and cash equivalents at the end of the financial year | 9 | 17,703,578 | 8,433,874 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover iSignthis Ltd as a consolidated entity consisting of iSignthis Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is iSignthis Ltd's functional and presentation currency.

iSignthis Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

456 Victoria Parade
East Melbourne
Victoria, 3002

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### Prior period error

During the period, the Company and ASIC have agreed an adjustment to derecognise certain assets and liabilities previously recognised in the financial reports for the half-year ended 30 June 2018 and year ended 31 December 2018. This change is reflected in the Statement of Financial Position at 31 December 2019 and the comparative numbers at 31 December 2018.

The Company had previously recognised on the Statement of Financial Position client funds held by the Company which were subject to a Court Order instigated by ASIC arising from an investigation into two merchants that were customers of the Company. The Court Order required the funds to be frozen with all future movements subject to the court’s permission.

Due to the existence of the Court Order, it has been determined these funds do not satisfy the definition of an asset under the definition of the 'Framework for the Preparation and Presentation of Financial Statements' as the Company does not have control over these funds. The Company had also recognised a corresponding liability representing its obligations to the merchants which are no longer obligations of the Company under the same principles.

These funds have been removed from the 'funds held on behalf of merchants' assets and 'funds held on behalf of merchants' liability accounts on the Statement of Financial Position. There is no net impact on net assets or on net loss for either period and these funds do not have any impact on the Company’s cash at bank or on prior or future profit and loss.
The table below details the impacts on total assets and total liabilities as a result of this error.

| | | 31 December 2018 | |
|---|---|---|---|
| Impact on total assets as a result of error | As previously reported $ | Adjustment $ | As restated $ |
| Cash and cash equivalents | 8,433,874 | - | 8,433,874 |
| Trade and other receivables | 894,501 | - | 894,501 |
| Funds held on behalf of merchant (client funds) | 9,107,677 | (4,755,629) | 4,352,048 |
| Other current assets | 1,718,955 | - | 1,718,955 |
| Total non-current assets | 1,713,152 | - | 1,713,152 |
| Total assets | 21,868,159 | (4,755,629) | 17,112,530 |

**Note 2. Significant accounting policies (continued)**

| Impact on total liabilities as a result of error | As previously reported $ | 31 December 2018 Adjustment $ | As restated $ |
|---|---|---|---|
| Trade and other payables | 890,728 | - | 890,728 |
| Lease liability | 14,206 | - | 14,206 |
| Employee benefits | 128,348 | - | 128,348 |
| Funds held on behalf of merchants (client funds) | 9,107,677 | (4,755,629) | 4,352,048 |
| Other liabilities | 163,159 | - | 163,159 |
| Non-current liabilities | 120,077 | - | 120,077 |
| Total liabilities | 10,424,195 | (4,755,629) | 5,668,566 |

**New or amended Accounting Standards and Interpretations adopted**
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending 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 consolidated entity:

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of items that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In calculating the present value of lease payments, the Company uses its incremental borrowing rate of 5.24% at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

*Impact of adoption*
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

**Note 2. Significant accounting policies (continued)**

| | $ |
|---|---|
| Right-of-use assets as at 1 January 2019 | 581,555 |
| Lease liabilities - current - as at 1 January 2019 | (200,964) |
| Lease liabilities - non-current - as at 1 January 2019 | (405,837) |
| Reduction in opening retained profits as at 1 January 2019 | (25,246) |

| | $ |
|---|---|
| Reconciliation to net lease commitments upon adoption of AASB 16: | |
| Gross lease commitments as at 31 December 2018 | 644,724 |
| Discount to present value | (37,923) |
| Net lease commitments on 1 January 2019 | 606,801 |

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of iSignthis Ltd ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. iSignthis Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is iSignthis Ltd's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Note 2. Significant accounting policies (continued)**

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Merchant security deposits**
Effective 31 December 2019 Merchant Security Deposit funds previously classified as “Current Assets - Funds Held on behalf of Merchants” and have been reclassified as “Current Assets - Cash at Bank”. Merchant Security Deposit liabilities previously classified as “Current Liabilities - Funds Held on behalf of Merchants” and have been reclassified as “Current Liabilities – Other Payables”. The reclassification results in no changes to Current Assets, Total Asset, Current Liabilities or Total Liabilities of the Company.

The change has occurred as a result of a review of the terms & conditions of our Merchant Acquiring Agreements which gave rise to an assessment that security deposits fitted the definition of cash.

**Impairment of non-financial assets**
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Finance costs**
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2019. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions 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 either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Estimation of useful lives of assets*
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets*
The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Employee benefits provision*
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Note 4. Operating segments**

*Identification of reportable operating segments*
The operating segments are analysed by the Executives of the consolidated entity who ultimately report to the board of Board of Directors (collectively identified as the Chief Operating Decision Makers ('CODM')), based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources.

The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

In 2019, to better reflect both the growth in the business and the BBS acquisition the CODM identified new operating segments. The business has created two main divisions, Regulated Services, split by Australia and Europe & BVI, and Reg-Tech Solutions. Regulated Services includes Payments, eMoney and account issuance businesses. Reg-Tech Solutions includes Probanx®, BBS, Paydentity™ and other software services.

*Operating segment information*

| | Regulated Services | | Reg-Tech | |
|---|---|---|---|---|
| | Australia | Europe & BVI | Solutions | Total |
| **Consolidated - 31 December 2019** | $ | $ | $ | $ |
| | | | | |
| **Revenue and other income** | | | | |
| Sales to external customers | 2,324,623 | 25,781,415 | 3,132,637 | 31,238,675 |
| Research & development tax concession | 887,910 | - | - | 887,910 |
| Interest | 88,999 | 11,337 | 6 | 100,342 |
| **Total revenue and other income** | 3,301,532 | 25,792,752 | 3,132,643 | 32,226,927 |
| | | | | |
| **Expenses** | | | | |
| Corporate expenses | (2,795,651) | (1,222,028) | (344,767) | (4,362,446) |
| Advertising & marketing | (131,665) | (69,195) | (183,004) | (383,864) |
| Employee benefits expense | (1,682,056) | (3,374,105) | (1,549,933) | (6,606,094) |
| Finance costs | (13,133) | - | 1,289 | (11,844) |
| Research & development expenses | (1,087,220) | - | - | (1,087,220) |
| Depreciation & amortisation expense | (125,313) | (239,023) | (168,321) | (532,657) |
| Other expenses | 5,017 | (50,172) | (60,529) | (105,684) |
| Operating costs | (808,989) | (13,594,061) | 13,237 | (14,389,813) |
| Share based payments | (1,810,092) | - | - | (1,810,092) |
| IT expenses | (1,175,678) | (348,269) | (129,009) | (1,652,956) |
| Intercompany management fee recharge | 1,874,968 | (41,157) | (1,833,811) | - |
| Net realised foreign exchange gain / (loss) | 25,342 | 876,796 | (702) | 901,436 |
| **Profit/(loss) before income tax benefit** | (4,422,938) | 7,731,538 | (1,122,907) | 2,185,693 |
| Income tax benefit | | | | (629,280) |
| **Profit after income tax benefit** | | | | 1,556,413 |

**Note 4. Operating segments (continued)**

| | Regulated Services | | Reg-Tech | |
|---|---|---|---|---|
| | Australia | Europe & BVI | Solutions | Total |
| **Consolidated - 31 December 2018** | $ | $ | $ | $ |
| **Revenue and other income** | | | | |
| Sales to external customers | 1,813,285 | 155,972 | 4,122,737 | 6,091,994 |
| Research & development tax concession | 471,769 | - | - | 471,769 |
| Interest | 59,650 | - | - | 59,650 |
| **Total revenue and other income** | 2,344,704 | 4,141,873 | 136,836 | 6,623,413 |
| **Expenses** | | | | |
| Corporate expenses | (854,643) | (588,861) | (115,518) | (1,559,022) |
| Advertising & marketing | (64,406) | (16,184) | (97,618) | (178,208) |
| Employee benefits expense | (1,521,583) | (2,415,978) | (287,847) | (4,225,408) |
| Research & development expenses | (333,964) | - | - | (333,964) |
| Depreciation & amortisation expense | (127,197) | (40,128) | (11,177) | (178,997) |
| IT expenses | (479,242) | - | - | (479,242) |
| Other expenses | (786,545) | (1,023,797) | (157,007) | (1,967,349) |
| Operating costs | (1,187,159) | (205,345) | (3,804,899) | (5,197,403) |
| Share based payments | (486,204) | - | - | (486,204) |
| Finance costs | - | (4,564) | - | (4,564) |
| Intercompany management fee recharge | - | 2,004,888 | (2,004,888) | - |
| Net realised foreign exchange gain / (loss) | (47,630) | 6,803 | (2,277) | (43,104) |
| **Loss before income tax expense** | (3,543,869) | (2,127,194) | (2,358,989) | (8,030,052) |
| Income tax expense | | | | (8,598) |
| **Loss after income tax expense** | | | | (8,038,650) |

The CODM reviews cash and cash equivalents and the funds held on behalf of merchants within the statement of financial position.

| | Cash and cash equivalents 31 December 2019 $ | Cash and cash equivalents 31 December 2018 $ | Funds held on behalf of merchants 31 December 2019 $ | Funds held on behalf of merchants 31 December 2018 $ | Intangibles 31 December 2019 $ | Intangibles 31 December 2018 $ |
|---|---|---|---|---|---|---|
| Australia | 9,097,205 | 7,919,352 | 7,046,428 | 3,444,771 | - | - |
| Europe & BVI | 7,766,397 | 248,827 | 89,131,796 | 907,277 | 1,009,846 | 1,531,113 |
| Reg-tech solutions | 839,976 | 265,695 | - | - | 2,034,721 | - |
| | 17,703,578 | 8,433,874 | 96,178,224 | 4,352,048 | 3,044,567 | 1,531,113 |

*Accounting policy for operating segments*
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Note 5. Revenue**

| | **Consolidated** | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| | **$** | **$** |
| *Contracted service fees* | | |
| - Recognised at a point in time | 29,030,103 | 2,547,408 |
| - Recognised over time | 2,208,572 | 3,544,586 |
| Revenue | 31,238,675 | 6,091,994 |

**Note 5. Revenue (continued)**

*Accounting policy for revenue recognition*
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised through the following major revenue streams as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Payment processing function*
Revenue generated from the payment processing function are billed on a per transaction basis and are recognised once the service has been performed. All revenue within this revenue stream has been included within ‘contracted service fees’ noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

*Settlement of payments*
Revenue generated from the settlement of payments are billed on a percentage of the transaction value and is recognised once the service has been performed. All revenue within this revenue stream has been included within ‘contracted service fees’ noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

*Know Your Customer (KYC) verification*
Revenue generated from KYC fees are billed on a flat rate per verification service and are recognised once the service is performed. All revenue within this revenue stream has been included within ‘contracted service fees’ noted above and is recognised point in time. This revenue stream forms part of the Reg-Tech Solutions division.

*Integration, Establishment, Project and Platform Fees*
Revenue generated from the initial integration and merchant operational set up are billed on contract signing and service go live date. Revenue is recognised once the service has been performed. All revenue within this revenue stream has been included within ‘contracted service fees’ noted above and is recognised over time. This revenue stream forms part of the Reg-Tech Solutions division.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**Note 6. Other income**

| | **Consolidated** | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Research & development tax concession | 887,910 | 471,769 |
| Interest income | 100,342 | 59,650 |
| Other income | 988,252 | 531,419 |

**Note 6. Other income (continued)**

*Interest income*
Interest income is recognised as interest accrued 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.

*Government grants*
Subsidies from the government including R&D tax incentive income, are recognised as income at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. Government subsidies are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance).

**Note 7. Expenses**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Profit/(loss) before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Leasehold improvements right-of-use assets | 239,814 | - |
| Computers and office equipment | 133,615 | 57,973 |
| Total depreciation | 373,429 | 57,973 |
| *Amortisation* | | |
| Patents and trademarks | 93,084 | 121,024 |
| Software | 66,144 | - |
| Total amortisation | 159,228 | 121,024 |
| Total depreciation and amortisation | 532,657 | 178,997 |

The consolidated entity also operates a defined contribution plan which provides the legal superannuation obligation contributions. The expense recognised during the year in relation to these contributions amounted to $196,617 (31 December 2018: $138,171).

## Note 8. Income tax

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| *Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate* | | |
| Profit/(loss) before income tax expense/(benefit) | 2,185,693 | (8,030,052) |
| Tax at the statutory tax rate of 27.5% | 601,065 | (2,208,264) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share-based payments | 540,896 | 133,706 |
| Difference attributable to foreign operations | (426,377) | 624,425 |
| Research and development refund | 244,175 | 129,737 |
| | 959,759 | (1,320,396) |
| Deductible blackhole expenditure | 98,149 | 120,177 |
| Other timing differences | 32,259 | 2,304 |
| Income tax losses (taken up)/not taken up as a tax benefit | (460,887) | 1,206,513 |
| Income tax expense | 629,280 | 8,598 |

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| *Deferred tax assets recognised* | | |
| Deferred tax assets/(liabilities) recognised comprises temporary differences attributable to: | | |
| Acquisition of Probanx Information Systems Ltd | (90,947) | (90,947) |
| Tax losses (foreign subsidiaries) | 106,935 | - |
| Net deferred tax assets/(liabilities) recognised | 15,988 | (90,947) |
| *Deferred tax assets not recognised* | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Tax losses (Australia) | 3,564,771 | 3,130,276 |
| Temporary differences (Australia) | 253,368 | 398,149 |
| Tax losses (foreign subsidiaries) | 863,618 | 641,244 |
| Total deferred tax assets not recognised | 4,681,757 | 4,169,669 |

The above potential tax benefit for deductible temporary differences, which excludes tax losses, has not been recognised in the financial statements as the recovery of the benefit is uncertain.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law;

iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses; and

iv) the losses are transferred to an eligible entity in the consolidated group.

*Accounting policy for income tax*
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

**Note 8. Income tax (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Note 9. Current assets - cash and cash equivalents**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Cash at bank | 17,703,578 | 8,433,874 |

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Note 10. Current assets - trade and other receivables**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Trade receivables | 491,332 | 353,800 |
| Other receivables | 23,072 | 430,160 |
| Interest receivable | - | 23,764 |
| GST/VAT receivable | 58,204 | 86,777 |
| | 572,608 | 894,501 |

Due to the short-term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit time frame.

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

**Note 10. Current assets - trade and other receivables (continued)**

The consolidated entity recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, including trade and other receivables. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly (i.e. more than 60 days overdue), the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

*Goods and Services Tax ('GST') and other similar taxes*
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 11. Current assets - funds held on behalf of merchants**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| **Funds held on behalf of merchants** | | |
| Funds received - current asset | 96,178,224 | 4,352,048 |
| Funds payable - current liability | (96,178,224) | (4,352,048) |
| | - | - |

The funds held on behalf of merchants current asset and current liability noted above represent Customer eMoney account balances, rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Merchant) and settlement funds which were yet to be settled back to the respective merchants as at 31 December 2019 and 31 December 2018.

**Note 12. Current assets - other assets**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Prepayments | 388,805 | 139,579 |
| Security deposits | 163,350 | 120,306 |
| Card scheme collateral | 2,890,462 | 1,459,070 |
| | 3,442,617 | 1,718,955 |

The card scheme and payment facilitation collateral requirements as noted above are largely held by Visa and Mastercard in relation to merchant clients whereby iSignthis offers card acquiring, processing and settlement services and are held to meet capital adequacy and security requirements by each party.

## Note 13. Non-current assets - plant and equipment

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| Computer and office equipment - at cost | 1,090,063 | 367,411 |
| Less: Accumulated depreciation | (265,954) | (185,372) |
| | 824,109 | 182,039 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Computer and office equipment $ |
|---|---|
| Balance at 1 January 2018 | 99,032 |
| Additions | 110,000 |
| Additions through business combination | 36,304 |
| Foreign exchange translation movements | (5,324) |
| Depreciation expense | (57,973) |
| Balance at 31 December 2018 | 182,039 |
| Additions | 757,781 |
| Additions through business combinations (note 31) | 17,904 |
| Depreciation expense | (133,615) |
| Balance at 31 December 2019 | 824,109 |

*Accounting policy for property, plant and equipment*
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Computer and office equipment | 2.5 - 7 years |

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

## Note 14. Non-current assets - right-of-use assets

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| Land and buildings - right-of-use | 2,740,479 | - |
| Less: Accumulated depreciation | (496,713) | - |
| | 2,243,766 | - |

**Note 14. Non-current assets - right-of-use assets (continued)**

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Land and building right-of-use assets $ | Total $ |
|---|---|---|
| Balance at 1 January 2018 | - | - |
| | | |
| Balance at 31 December 2018 | - | - |
| Opening balance upon adoption of AASB 16 | 581,556 | 581,556 |
| Additions | 2,230,123 | 2,230,123 |
| Leases not renewed | (328,099) | (328,099) |
| Depreciation expense | (239,814) | (239,814) |
| | | |
| Balance at 31 December 2019 | 2,243,766 | 2,243,766 |

*Accounting policy for right-of-use assets*
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of items that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In calculating the present value of lease payments, the Company uses its incremental borrowing rate of 5.24% at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

**Note 15. Non-current assets - intangibles**

| | **Consolidated** | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Goodwill - at cost | 1,770,147 | 90,947 |
| | | |
| Intellectual property - at cost | 1,439,027 | 1,439,716 |
| Less: Accumulated amortisation | (429,181) | (330,268) |
| | 1,009,846 | 1,109,448 |
| | | |
| Software - at cost | 330,718 | 330,718 |
| Less: Accumulated amortisation | (66,144) | - |
| | 264,574 | 330,718 |
| | | |
| | 3,044,567 | 1,531,113 |

**Note 15. Non-current assets - intangibles (continued)**

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Patents |
|---|---|
| **Consolidated** | $ |
| Balance at 1 January 2018 | 1,220,941 |
| Additions | 6,730 |
| Additions through business combinations (note 31) | 421,665 |
| Exchange differences | 2,801 |
| Amortisation expense | (121,024) |
| Balance at 31 December 2018 | 1,531,113 |
| Additions through business combinations (note 31) | 1,678,712 |
| Exchange differences | (6,030) |
| Amortisation expense | (159,228) |
| Balance at 31 December 2019 | 3,044,567 |

*Accounting policy for intangible assets*
Intangible assets, not acquired through a business combination, are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

Amortisation commences when the asset is available for use, in the location and condition necessary for it to be capable of operating in the intended manner by management. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Intellectual property*
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the shorter of the period of expected benefit or the period of the related patent as follows:

| | |
|---|---|
| Patents | 1- 15 years |

*Software*
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

## Note 16. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Trade payables | 478,016 | 155,675 |
| Income tax provision | 736,214 | - |
| Other payables (includes Merchant Security Payable) | 3,510,102 | 749,259 |
| | 4,724,332 | 904,934 |

Refer to note 24 for further information on financial instruments.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the consolidated entity 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.

## Note 17. Current liabilities - Lease liability

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Lease liability | 516,943 | - |

Refer to note 24 for further information on financial instruments.

## Note 18. Current liabilities - employee benefits

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Annual leave | 291,533 | 128,348 |

*Accounting policy for employee benefits*

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## Note 19. Current liabilities - other liabilities

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Deferred consideration | 817,127 | 163,159 |
| Contract liabilities | 1,635 | - |
| | 818,762 | 163,159 |

Refer to note 31 for details of the deferred consideration acquired as a part of the business combination of UAB Baltic Business Services.

**Note 20. Non-current liabilities - Lease liability**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Lease liability | 1,742,328 | - |

Refer to note 24 for further information on financial instruments.

*Accounting policy for borrowings*
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**Note 21. Non-current liabilities - employee benefits**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Long service leave | 36,537 | 29,130 |

*Accounting policy for other long-term employee benefits*
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Note 22. Equity - issued capital**

| | Consolidated | | | |
|---|---|---|---|---|
| | **31 December 2019 Shares** | **31 December 2018 Shares** | **31 December 2019 $** | **31 December 2018 $** |
| Ordinary shares - fully paid | 1,093,383,191 | 1,075,714,618 | 47,970,023 | 40,677,673 |

**Note 22. Equity - issued capital (continued)**

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 January 2018 | 667,080,241 | | 30,677,294 |
| Issue of shares upon the vesting of performance rights | 1 March 2018 | 216,667 | $0.000 | 46,583 |
| Issue of shares upon the vesting of performance rights | 2 July 2018 | 250,000 | $0.000 | 40,000 |
| Issue of shares upon the vesting of performance rights | 16 July 2018 | 618,584 | $0.000 | 132,996 |
| Issue of shares upon the vesting of performance shares | 29 August 2018 | 336,666,667 | $0.000 | - |
| Issue of shares upon the vesting of performance rights | 3 September 2018 | 143,333 | $0.000 | 22,217 |
| Issue of shares upon the vesting of performance rights | 19 September 2018 | 72,500 | $0.000 | 11,238 |
| Institutional placement | 8 October 2018 | 68,965,517 | $0.140 | 10,000,000 |
| Ordinary share issue | 8 October 2018 | 1,408,609 | $0.140 | 204,248 |
| Issue of shares upon the vesting of performance rights | 2 November 2018 | 292,500 | $0.000 | 49,725 |
| Capital raising costs | | - | $0.000 | (506,628) |
| Balance | 31 December 2018 | 1,075,714,618 | | 40,677,673 |
| Issue of shares upon the vesting of performance rights | 3 January 2019 | 1,208,936 | $0.000 | 126,087 |
| Issue of shares upon the vesting of performance rights | 28 February 2019 | 1,250,000 | $0.000 | 133,875 |
| Issue of shares upon the vesting of performance rights | 6 March 2019 | 62,500 | $0.000 | 7,088 |
| Issue of shares upon the vesting of performance rights | 12 March 2019 | 85,000 | $0.000 | 9,639 |
| Issue of shares upon the vesting of performance rights | 26 April 2019 | 150,000 | $0.000 | 16,937 |
| Issue of shares upon the vesting of performance rights | 1 July 2019 | 17,500 | $0.000 | 2,975 |
| Issue of shares upon the vesting of performance rights | 2 September 2019 | 3,291,667 | $0.000 | 1,387,095 |
| Issue of shares upon the vesting of performance rights | 1 December 2019 | 10,000 | $0.000 | 1,550 |
| Issue of shares upon the vesting of performance rights | 10 December 2019 | 155,000 | $0.000 | 24,800 |
| Exercise of options | 12 April 2019 | 242,526 | $0.270 | 71,923 |
| Exercise of options | 18 April 2019 | 77,193 | $0.270 | 24,547 |
| Exercise of options | 13 May 2019 | 2,748,396 | $0.300 | 875,490 |
| Exercise of options | 20 May 2019 | 328,947 | $0.310 | 118,084 |
| Exercise of options | 24 May 2019 | 46,667 | $0.310 | 17,547 |
| Exercise of options | 31 May 2019 | 150,701 | $0.310 | 56,664 |
| Exercise of options | 7 June 2019 | 219,298 | $0.310 | 82,456 |
| Exercise of options | 21 June 2019 | 1,096,491 | $0.310 | 412,281 |
| Exercise of options | 2 July 2019 | 5,000,000 | $0.620 | 3,485,843 |
| Exercise of options | 8 August 2019 | 40,000 | $0.300 | 13,920 |
| Exercise of options | 2 September 2019 | 153,860 | $0.300 | 53,982 |
| Exercise of options | 16 December 2019 | 250,000 | $0.300 | 87,000 |
| For the purchase of UAB Baltic Banking Service | 6 March 2019 | 607,055 | $0.190 | 119,408 |
| For the purchase of Probanx | 8 August 2019 | 476,836 | $0.340 | 163,159 |
| Balance | 31 December 2019 | 1,093,383,191 | | 47,970,023 |

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

**Note 22. Equity - issued capital (continued)**

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

**Note 23. Equity - reserves**

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| Foreign currency reserve | (102,199) | (117,498) |
| Share-based payments reserve | 413,447 | 1,141,585 |
| | 311,248 | 1,024,087 |

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Foreign currency reserve $ | Share based payments reserve $ | Total $ |
|---|---|---|---|
| Balance at 1 January 2018 | (67,014) | 4,585,905 | 4,518,891 |
| Foreign currency translation | (50,484) | - | (50,484) |
| Share-based payments issued | - | 486,204 | 486,204 |
| Transfer to issued capital upon the vesting of performance rights | - | (307,760) | (307,760) |
| Lapse of options and rights | - | (3,622,764) | (3,622,764) |
| | | | |
| Balance at 31 December 2018 | (117,498) | 1,141,585 | 1,024,087 |
| Foreign currency translation | 15,299 | - | 15,299 |
| Share-based payments issued | - | 1,810,092 | 1,810,092 |
| Transfer to issued capital upon the vesting of performance rights and exercise of options | - | (2,376,074) | (2,376,074) |
| Lapse of options and rights | - | (162,156) | (162,156) |
| | | | |
| Balance at 31 December 2019 | (102,199) | 413,447 | 311,248 |

## Note 24. Financial instruments

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

*Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognized financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

| Consolidated | 31 December 2019 Weighted average interest rate % | Balance $ | 31 December 2018 Weighted average interest rate % | Balance $ |
|---|---|---|---|---|
| Cash at bank | 0.93% | 17,703,578 | 1.50% | 8,433,874 |
| Net exposure to cash flow interest rate risk | | 17,703,578 | | 8,433,874 |

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2018 and 2019 financial years. The impact would not be material on bank balances held at 31 December 2019. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| **Consolidated - 31 December 2019** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** |
| Cash at bank | 50 | 54,153 | 54,153 | 50 | (54,153) | (54,153) |

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| **Consolidated - 31 December 2018** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** |
| Cash at bank | 50 | 42,169 | 42,169 | (50) | (42,169) | (42,169) |

**Note 24. Financial instruments (continued)**

***Credit risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity holds security in relation to its card scheme merchant settlements (initial and additional requirements (rolling reserve) under each agreement depending on the volume of transactions with each Merchant). This therefore mitigates the risk of default of the counterparty as the consolidated entity holds sufficient security to cover amounts receivable by each party.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

***Liquidity risk***
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| **Consolidated - 31 December 2019** | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 478,016 | - | - | - | 478,016 |
| Other payables | - | 3,510,102 | - | - | - | 3,510,102 |
| *Interest-bearing - variable* | | | | | | |
| Lease liability | 5.24% | 516,943 | 497,335 | 1,244,993 | - | 2,259,271 |
| Total non-derivatives | | 4,505,061 | 497,335 | 1,244,993 | - | 6,247,389 |

| **Consolidated - 31 December 2018** | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 155,675 | - | - | - | 155,675 |
| Other payables | - | 749,259 | - | - | - | 749,259 |
| Total non-derivatives | | 904,934 | - | - | - | 904,934 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 25. Key management personnel disclosures

*Directors*
The following persons were directors of iSignthis Ltd during the financial year:

| | |
|---|---|
| Mr Timothy Hart | (Non-Executive Chairman) |
| Mr Nickolas John Karantzis | (Managing Director and CEO) |
| Mr Scott Minehane | (Non-Executive Director) |
| Mr Barnaby Egerton-Warburton | (Non-Executive Director) |
| Mr Christakis Taoushanis | (Non-Executive Director) |

*Other key management personnel*
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

| | |
|---|---|
| Ms Elizabeth Warrell | CFO (appointed 2 September 2019) and Joint Company Secretary (appointed 1 November 2019) |

*Prior key management personnel*

Mr Richards was a key management personnel until 2 September 2019 when he resigned as CFO. He remains joint Company Secretary.

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | **Consolidated** | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Short-term employee benefits | 839,497 | 806,137 |
| Post-employment benefits | 53,156 | 48,790 |
| Share-based payments | 1,404,940 | 4,785 |
| | 2,297,593 | 859,712 |

## Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| *Audit services - Grant Thornton Audit Pty Ltd* | | |
| Audit or review of the financial statements | 117,000 | 102,805 |
| *Other services - Grant Thornton Audit Pty Ltd* | | |
| Review of ADI registration | - | 17,000 |
| | 117,000 | 119,805 |
| *Audit services - network firms* | | |
| Audit or review of the financial statements | 53,478 | 14,216 |
| *Other services - network firms* | | |
| Preparation of the tax return | - | 790 |
| | 53,478 | 15,006 |
| *Audit services - unrelated firms* | | |
| Audit or review of the financial statements | 5,638 | - |

The fees associated with Grant Thornton Audit Pty Ltd for the year ending 31 December 2018 includes fees for two audit's following the change in the financial reporting period.

## Note 27. Contingent assets and liabilities

**Off Balance Sheet Funds Held on Behalf of Merchants**
As detailed in Note 2, during the period ended 31 December 2019, the Group removed from the Statement of Financial Position certain assets and liabilities relating to client funds which had been recognised in prior periods. These funds are subject to a Court Order instigated by ASIC to freeze those funds, arising from actions taken by ASIC against those clients.

The ability for the Group to deal with these funds and therefore realise assets and extinguish the corresponding liabilities is contingent upon the directions of the Court.

As at 31 December 2019 the balance of the contingent assets and liabilities amounted to $4,163,737 (31 December 2018: $4,774,626).

**ISX versus ASX Legal proceedings**
On the 5 December 2019 the Company commenced Federal Court proceedings against the Australian Securities Exchange (“ASX” or “the exchange”), due to the ASX decision to suspend, and not reinstate, the Company’s shares for quotation on the exchange. As at 31 December 2019 the Company believes that there is a contingent asset related to these legal proceedings, as there is a material prospect that the ASX will be ultimately required to pay the Company's legal expenses, and possibly even damages, consistent with the statement of claim, which can be found at https://www.asx.com.au/asxpdf/20191205/pdf/44c9v8l5yp3yhn.pdf.

**ASIC Investigation**
As at 31 December 2019 the Company remains under investigation by ASIC in relation to suspected contraventions of section 674(2), continuous disclosure, and related provisions of the Corporations Act 2001 in relation to iSignthis Ltd, during the period 1 April 2018 to 2 October 2019 (inclusive). The Company continues to cooperate with ASIC in this matter. Potential consequences of this matter could include legal fees and charges, fines and penalties and reputational damage to the Company. The Company holds no provision for this matter, as the outcome is so uncertain, no reliable estimate can be made.

**Note 28. Commitments**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | - | 239,299 |
| One to five years | - | 405,425 |
| | - | 644,724 |

Due to the implementation of AASB 16 Leases, there are no operating lease commitments which have not already been recognised on the statement of financial position.

**Note 29. Related party transactions**

*Parent entity*
iSignthis Ltd is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 32.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Payment for goods and services: | | |
| Fees paid to Southern Ocean Pty Ltd for Marketing and advertising services (an entity associated with Mr Karantzis) | - | 1,065 |

*Receivable from and payable to related parties*
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Loss after income tax | (134,176) | (1,430,878) |
| Total comprehensive loss | (134,176) | (1,430,878) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Total current assets | 5,642,791 | 8,150,607 |
| Total assets | 19,738,464 | 11,351,646 |
| Total current liabilities | (15,450,502) | (17,085,206) |
| Total liabilities | (15,450,502) | (17,085,206) |
| Equity | | |
| Issued capital | 132,516,036 | 125,200,323 |
| Share-based payments reserve | 548,435 | 1,141,585 |
| Accumulated losses | (97,875,505) | (97,905,056) |
| Total equity | 35,188,966 | 28,436,852 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2018 and 31 December 2019.

*Contingent assets and liabilities*

**ISX versus ASX Legal proceedings**
On the 5 December 2019 the Company commenced Federal Court proceedings against the Australian Securities Exchange ("ASX" or "the exchange"), due to the ASX decision to suspend, and not reinstate, the Company's shares for quotation on the exchange. As at 31 December 2019 the Company believes that there is a contingent asset related to these legal proceedings, as there is a material prospect that the ASX will be ultimately required to pay the Company's legal expenses, and possibly even damages, consistent with the statement of claim, which can be found at https://www.asx.com.au/asxpdf/20191205/pdf/44c9v8l5yp3yhn.pdf.

**ASIC Investigation**
As at 31 December 2019 the Company remains under investigation by ASIC in relation to suspected contraventions of section 674(2), continuous disclosure, and related provisions of the Corporations Act 2001 in relation to iSignthis Ltd, during the period 1 April 2018 to 2 October 2019 (inclusive). The Company continues to cooperate with ASIC in this matter. Potential consequences of this matter could include legal fees and charges, fines and penalties and reputational damage to the Company. The Company holds no provision for this matter, as the outcome is so uncertain, no reliable estimate can be made.

*Capital commitments - Plant and equipment*
The parent entity had no capital commitments for plant and equipment as at 31 December 2018 and 31 December 2019.

**Note 30. Parent entity information (continued)**

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 31. Business combinations**

*UAB Baltic Banking Services Acquisition*
On 14 February 2019, the consolidated entity acquired 100% of the ordinary shares of UAB Baltic Banking Services ("BBS"). The acquired business contributed revenues of $1,427,603 and a profit after tax of $65,142 to the consolidated entity for the year ending 31 December 2019.

BBS is located in Lithuania, and has developed specialised banking software that allows rapid connectivity to the SEPA Core and SEPA Instant networks, together with the development of specialised core banking modules on a basis of document driven solution including client onboarding (KYC, AML), transaction core, product configuration, electronic document management (automated document relations and storage), reporting, etc, which will integrate with Paydentity™ and incorporate components of iSignthis' patented intellectual property.

The initial consideration for the purchase consisted of €75,000 in ordinary shares, issued at the February 2019 monthly VWAP, plus a €75,000 cash payment. An earn out applied, based upon multiplier of EBIT at 31 December 2019 less the initial cash payment and several other items, capped at €1.5m. The final earn out was €500,000 in addition to the initial consideration, to be paid in ordinary shares, issued at the January 2020 monthly VWAP.

Details of the acquisition are as follows:

| | **Fair value** |
|---|---|
| | **$** |
| Cash and cash equivalents | 14,520 |
| Trade receivables | 121,543 |
| Other current assets | 3,004 |
| Computers and equipment | 17,904 |
| Trade payables | (159,005) |
| Contract liabilities | (509,487) |
| Other payables | (51,732) |
| Employee benefits | (60,652) |
| Net liabilities acquired | (623,905) |
| Goodwill | 1,678,712 |
| Acquisition-date fair value of the total consideration transferred | 1,054,807 |
| Representing: | |
| Cash paid or payable to vendor* | 118,840 |
| iSignthis Ltd shares issued to vendor** | 118,840 |
| Contingent consideration*** | 817,127 |
| | 1,054,807 |

* Consists of €75,000 cash paid on acquisition date
** Consists of €75,000 in ordinary shares, issued at the February 2019 monthly VWAP.
*** Contingent consideration is in ordinary shares, issued at the January 2020 VWAP.

*Accounting policy for business combinations*
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

**Note 31. Business combinations (continued)**

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Note 32. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| | | Ownership interest | |
|---|---|---|---|
| **Name** | **Principal place of business / Country of incorporation** | **31 December 2019 %** | **31 December 2018 %** |
| Authenticate Pty Ltd | Australia | 100.00% | 100.00% |
| Authenticate BV | Netherlands | 100.00% | 100.00% |
| iSignthis BV | Netherlands | 100.00% | 100.00% |
| ISX IP Ltd | British Virgin Islands | 100.00% | 100.00% |
| iSignthis eMoney Ltd | Cyprus | 100.00% | 100.00% |
| iSignthis Inc. | USA | 100.00% | 100.00% |
| iSignthis (IOM) Ltd | Isle of Man | 100.00% | 100.00% |
| iSignthis (UK) Ltd | United Kingdom | 100.00% | 100.00% |
| iSignthis eMoney (Au) Pty Ltd | Australia | 100.00% | 100.00% |
| Probanx Information Systems Ltd | Cyprus | 100.00% | 100.00% |
| Probanx Holdings Ltd* | Cyprus | 100.00% | 100.00% |
| UAB Baltic Banking Services** | Lithuania | 100.00% | - |
| iSignthis Solutions Pty Ltd*** | Australia | 100.00% | - |

* Previously known as Verificates Ltd
** UAB Baltic Banking Services was acquired on 14 February 2019.
*** iSignthis Solutions Pty Ltd was registered 3 December 2019.

**Note 33. Events after the reporting period**

On 20 February 2020 the Company announced its $4.2m strategic investment for 12.96% of NSX Limited which operates NSXA, Australia's second-largest Tier 1 market operator and the Company's joint venture with NSX Limited in ClearPay Pty Ltd (ClearPay JV). ClearPay JV will develop a multicurrency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPay® and Paydentity™.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 34. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Profit/(loss) after income tax expense for the year | 1,556,413 | (8,038,650) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 532,656 | 178,997 |
| Share-based payments | 1,810,092 | 486,204 |
| Foreign exchange differences | (28,619) | 18,203 |
| Finance costs | (11,844) | - |
| Income tax expense | 629,280 | - |
| | | |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (65,853) | (605,633) |
| Increase in other current assets | (183,872) | (8,085,021) |
| Increase in trade and other payables | 452,534 | 649,137 |
| Increase in employee benefits | 109,940 | 567 |
| Decrease in deferred revenue | (507,851) | - |
| Increase in other liabilities | 75,941 | 8,659,775 |
| | | |
| Net cash from/(used in) operating activities | 4,368,817 | (6,736,421) |

**Note 35. Earnings per share**

| | Consolidated | |
|---|---|---|
| | **31 December 2019 $** | **31 December 2018 $** |
| Profit/(loss) after income tax attributable to the owners of iSignthis Ltd | 1,556,413 | (8,038,650) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share | 1,085,542,284 | 798,352,882 |
| Adjustments for calculation of diluted earnings per share: | | |
| Performance rights | 2,349,606 | - |
| Options over ordinary shares | 4,164,913 | - |
| | | |
| Weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share | 1,092,056,803 | 798,352,882 |
| | **Cents** | **Cents** |
| Basic earnings / (loss) per share | 0.14 | (1.01) |
| Diluted earnings / (loss) per share | 0.14 | (1.01) |

At the end of the 2018 financial year, the Group had 14,652,631 unissued shares under options and 5,813,770 unissued shares under performance rights which are anti-dilutive and not included in the calculations for diluted EPS.

**Note 36. Share-based payments**

Set out below are summaries of options granted under the plan:

31 December 2019

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 01/08/2016 | 01/07/2019 | $0.620 | 5,000,000 | - | (5,000,000) | - | - |
| 03/08/2017 | 01/12/2019 | $0.300 | 500,000 | - | (400,000) | (100,000) | - |
| 09/11/2017 | 08/02/2019 | $0.240 | 2,850,877 | - | - | (2,850,877) | - |
| 09/11/2017 | 08/05/2019 | $0.270 | 2,850,877 | - | (2,850,877) | - | - |
| 09/11/2017 | 08/02/2020 | $0.310 | 2,850,877 | - | (1,685,964) | - | 1,164,913 |
| 08/12/2017 | 08/02/2019 | $0.240 | 200,000 | - | - | (200,000) | - |
| 08/12/2017 | 08/05/2019 | $0.270 | 200,000 | - | (200,000) | - | - |
| 08/12/2017 | 08/02/2020 | $0.310 | 200,000 | - | (200,000) | - | - |
| 13/03/2019 | 10/07/2020 | $0.300 | - | 3,000,000 | - | - | 3,000,000 |
| | | | 14,652,631 | 3,000,000 | (10,336,841) | (3,150,877) | 4,164,913 |

* All options issued during the financial year were issued to advisers for services provided to the consolidated entity.

31 December 2018

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 02/11/2015 | 30/09/2018 | $0.380 | 6,000,000 | - | - | (6,000,000) | - |
| 02/11/2015 | 30/09/2018 | $0.500 | 6,000,000 | - | - | (6,000,000) | - |
| 01/08/2016 | 01/07/2018 | $0.500 | 5,000,000 | - | - | (5,000,000) | - |
| 01/08/2016 | 01/07/2019 | $0.620 | 5,000,000 | - | - | - | 5,000,000 |
| 03/08/2017 | 01/12/2019 | $0.300 | 500,000 | - | - | - | 500,000 |
| 09/11/2017 | 08/02/2019 | $0.240 | 2,850,877 | - | - | - | 2,850,877 |
| 09/11/2017 | 08/05/2019 | $0.270 | 2,850,877 | - | - | - | 2,850,877 |
| 09/11/2017 | 08/02/2020 | $0.310 | 2,850,877 | - | - | - | 2,850,877 |
| 08/12/2017 | 08/02/2019 | $0.240 | 200,000 | - | - | - | 200,000 |
| 08/12/2017 | 08/05/2019 | $0.270 | 200,000 | - | - | - | 200,000 |
| 08/12/2017 | 08/02/2020 | $0.310 | 200,000 | - | - | - | 200,000 |
| | | | 31,652,631 | - | - | (17,000,000) | 14,652,631 |

* All options issued during the financial year were issued to advisers for services provided to the consolidated entity.

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 31 December 2019 Number | 31 December 2018 Number |
|---|---|---|---|
| 01/08/2016 | 01/07/2019 | - | 5,000,000 |
| 03/08/2017 | 01/12/2019 | - | 500,000 |
| 09/11/2017 | 08/02/2019 | - | 2,850,877 |
| 09/11/2017 | 08/05/2019 | 1,164,913 | 2,850,877 |
| 09/11/2017 | 08/02/2020 | - | 2,850,877 |
| 08/12/2017 | 08/02/2019 | - | 200,000 |
| 08/12/2017 | 08/05/2019 | - | 200,000 |
| 08/12/2017 | 08/02/2020 | - | 200,000 |
| 13/03/2019 | 10/07/2020 | 3,000,000 | - |
| | | 4,164,913 | 14,652,631 |

**Note 36. Share-based payments (continued)**

Set out below are summaries of performance rights granted under the plan:

31 December 2019

| Grant date | Expiry date | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 27/01/2017 | 02/01/2019 | 218,250 | - | (218,250) | - | - |
| 30/06/2017 | 25/04/2019 | 50,000 | - | (50,000) | - | - |
| 30/06/2017 | 01/07/2019 | 17,500 | - | (17,500) | - | - |
| 05/12/2017 | 24/04/2019 | 107,500 | - | (100,000) | (7,500) | - |
| 05/12/2017 | 01/09/2019 | 83,334 | - | (41,667) | (41,667) | - |
| 05/12/2017 | 19/09/2019 | 72,500 | - | - | (72,500) | - |
| 05/12/2017 | 01/12/2019 | 10,000 | - | (10,000) | - | - |
| 23/05/2018 | 01/03/2019 | 100,000 | - | (62,500) | (37,500) | - |
| 23/05/2018 | 01/03/2020 | 100,000 | - | - | (37,500) | 62,500 |
| 23/05/2018 | 11/03/2019 | 110,000 | - | (85,000) | (25,000) | - |
| 02/07/2018 | 31/12/2018 | 116,686 | - | - | (116,686) | - |
| 03/09/2018 | 31/12/2018 | 874,000 | - | - | (874,000) | - |
| 03/09/2018 | 01/09/2020 | 3,464,000 | - | (1,250,000) | (357,000) | 1,857,000 |
| 08/10/2018 | 30/09/2020 | 250,000 | - | - | (250,000) | - |
| 10/12/2018 | 10/12/2019 | 220,000 | - | (155,000) | (65,000) | - |
| 21/12/2018 | 10/12/2019 | 20,000 | - | - | (20,000) | - |
| 09/05/2019 | 01/01/2020 | - | 50,000 | - | - | 50,000 |
| 09/05/2019 | 30/04/2020 | - | 74,000 | - | - | 74,000 |
| 09/05/2019 | 30/04/2021 | - | 69,000 | - | - | 69,000 |
| 17/05/2019 | 30/06/2021 | - | 1,625,000 | (1,625,000) | - | - |
| 17/05/2019 | 30/06/2022 | - | 1,625,000 | (1,625,000) | - | - |
| 01/08/2019 | 01/08/2020 | - | 101,625 | - | (5,000) | 96,625 |
| 01/08/2019 | 01/08/2021 | - | 101,625 | - | (5,000) | 96,625 |
| 06/12/2019 | 08/08/2020 | - | 1,000 | - | - | 1,000 |
| 06/12/2019 | 08/08/2021 | - | 1,000 | - | - | 1,000 |
| 06/12/2019 | 31/12/2020 | - | 2,500 | - | - | 2,500 |
| 06/12/2019 | 30/06/2020 | - | 4,545 | - | - | 4,545 |
| 06/12/2019 | 31/07/2020 | - | 3,846 | - | - | 3,846 |
| 06/12/2019 | 31/08/2020 | - | 8,906 | - | - | 8,906 |
| 06/12/2019 | 30/09/2020 | - | 2,381 | - | - | 2,381 |
| 06/12/2019 | 30/06/2021 | - | 4,545 | - | - | 4,545 |
| 06/12/2019 | 31/07/2021 | - | 3,846 | - | - | 3,846 |
| 06/12/2019 | 31/08/2021 | - | 8,906 | - | - | 8,906 |
| 06/12/2019 | 30/09/2021 | - | 2,381 | - | - | 2,381 |
| | | 5,813,770 | 3,690,106 | (5,239,917) | (1,914,353) | 2,349,606 |

**Note 36. Share-based payments (continued)**

31 December 2018

| Grant date | Expiry date | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 01/08/2016 | 01/03/2018 | 216,667 | - | (216,667) | - | - |
| 01/08/2016 | 15/07/2018 | 718,584 | - | (618,584) | (100,000) | - |
| 11/11/2016 | 01/11/2018 | 322,500 | - | (292,500) | (30,000) | - |
| 27/01/2017 | 02/01/2019 | 353,250 | - | - | (135,000) | 218,250 |
| 30/06/2017 | 25/04/2019 | 50,000 | - | - | - | 50,000 |
| 30/06/2017 | 01/07/2019 | 17,500 | - | - | - | 17,500 |
| 05/12/2017 | 24/04/2019 | 127,500 | - | - | (20,000) | 107,500 |
| 05/12/2017 | 01/09/2018 | 143,333 | - | (143,333) | - | - |
| 05/12/2017 | 01/09/2019 | 83,334 | - | - | - | 83,334 |
| 05/12/2017 | 19/09/2018 | 72,500 | - | (72,500) | - | - |
| 05/12/2017 | 19/09/2019 | 72,500 | - | - | - | 72,500 |
| 05/12/2017 | 01/12/2019 | 10,000 | - | - | - | 10,000 |
| 23/05/2018 | 01/03/2019 | - | 100,000 | - | - | 100,000 |
| 23/05/2018 | 01/03/2020 | - | 100,000 | - | - | 100,000 |
| 23/05/2018 | 11/03/2019 | - | 110,000 | - | - | 110,000 |
| 23/05/2018 | 30/06/2018 | - | 250,000 | (250,000) | - | - |
| 02/07/2018 | 31/12/2018 | - | 116,686 | - | - | 116,686 |
| 03/09/2018 | 31/12/2018 | - | 1,036,000 | - | (162,000) | 874,000 |
| 03/09/2018 | 01/09/2020 | - | 3,464,000 | - | - | 3,464,000 |
| 08/10/2018 | 30/09/2020 | - | 250,000 | - | - | 250,000 |
| 10/12/2018 | 10/12/2019 | - | 220,000 | - | - | 220,000 |
| 21/12/2018 | 10/12/2019 | - | 20,000 | - | - | 20,000 |
| | | 2,187,668 | 5,666,686 | (1,593,584) | (447,000) | 5,813,770 |

**Note 36. Share-based payments (continued)**

Set out below are the performance rights exercisable at the end of the financial year:

| Grant date | Expiry date | 31 December 2019 Number | 31 December 2018 Number |
|---|---|---|---|
| 27/01/2017 | 02/01/2019 | - | 218,250 |
| 30/06/2017 | 25/04/2019 | - | 50,000 |
| 30/06/2017 | 01/07/2019 | - | 17,500 |
| 05/12/2017 | 24/04/2019 | - | 107,500 |
| 05/12/2017 | 01/09/2019 | - | 83,334 |
| 05/12/2017 | 01/09/2019 | - | 72,500 |
| 05/12/2017 | 01/12/2019 | - | 10,000 |
| 23/05/2018 | 01/03/2019 | - | 100,000 |
| 23/05/2018 | 01/03/2020 | 62,500 | 100,000 |
| 23/05/2018 | 11/03/2019 | - | 110,000 |
| 02/07/2018 | 31/12/2018 | - | 116,686 |
| 03/09/2018 | 31/12/2018 | - | 874,000 |
| 03/09/2018 | 01/09/2020 | 1,857,000 | 3,464,000 |
| 08/10/2018 | 30/09/2020 | - | 250,000 |
| 10/12/2018 | 10/12/2019 | - | 220,000 |
| 21/12/2018 | 10/12/2019 | - | 20,000 |
| 09/05/2019 | 01/01/2020 | 50,000 | - |
| 09/05/2019 | 30/04/2020 | 74,000 | - |
| 09/05/2019 | 30/04/2021 | 69,000 | - |
| 01/08/2019 | 01/08/2020 | 96,625 | - |
| 01/08/2019 | 01/08/2021 | 96,625 | - |
| 06/12/2019 | 01/08/2020 | 1,000 | - |
| 06/12/2019 | 01/08/2021 | 1,000 | - |
| 06/12/2019 | 08/08/2020 | 2,500 | - |
| 06/12/2019 | 08/02/2021 | 4,545 | - |
| 06/12/2019 | 31/12/2020 | 3,846 | - |
| 06/12/2019 | 30/06/2020 | 8,906 | - |
| 06/12/2019 | 31/07/2020 | 2,381 | - |
| 06/12/2019 | 31/08/2020 | 4,545 | - |
| 06/12/2019 | 30/09/2020 | 3,846 | - |
| 06/12/2019 | 30/06/2021 | 8,906 | - |
| 06/12/2019 | 31/07/2021 | 2,381 | - |
| | | 2,349,606 | 5,813,770 |

**Note 36. Share-based payments (continued)**

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|
| 09/05/2019 | 01/01/2020 | $0.335 | 77.00% | 1.31% | $0.335 |
| 09/05/2019 | 30/04/2020 | $0.335 | 77.00% | 1.31% | $0.335 |
| 09/05/2019 | 30/04/2021 | $0.335 | 77.00% | 1.31% | $0.335 |
| 17/05/2019 | 30/06/2021 | $0.445 | 77.00% | 1.31% | $0.445 |
| 17/05/2019 | 30/06/2022 | $0.445 | 77.00% | 1.31% | $0.419 |
| 06/12/2019 | 08/08/2020 | $0.000 | - | - | $0.180 |
| 06/12/2019 | 08/08/2021 | $0.000 | - | - | $0.180 |
| 06/12/2019 | 31/12/2020 | $0.000 | - | - | $0.180 |
| 06/12/2019 | 30/06/2020 | $0.000 | - | - | $0.180 |
| 06/12/2019 | 31/07/2020 | $0.000 | - | - | $0.180 |
| 06/12/2019 | 31/08/2020 | $0.000 | - | - | $0.170 |
| 06/12/2019 | 30/09/2020 | $0.000 | - | - | $0.170 |
| 06/12/2019 | 30/06/2021 | $0.000 | - | - | $0.145 |
| 06/12/2019 | 31/07/2021 | $0.000 | - | - | $0.160 |
| 06/12/2019 | 31/08/2021 | $0.000 | - | - | $0.155 |

The performance rights listed above will vest once the holder of the right has satisfied various performance conditions set out in the signed offer letter. The company has estimated that there is a 63% chance of all rights vesting and has therefore taken this into consideration when valuing the rights.

The performance conditions may include one or more of:
(i) service to the Company of a minimum period of time;
(ii) achievement of specific performance conditions by the participant and/or by the Company;
(iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or
(iv) such other performance conditions as the Board may determine and set out in the Offer.
The Board in its absolute discretion determines whether performance conditions have been met.

On 29 August 2018, the consolidated entity issued 336,666,667 fully paid ordinary shares upon the Class A, B and C performance milestones been met. The performance shares were issued as part of the consideration for the acquisition of 100% of issued capital of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") in March 2015.

*Accounting policy for share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, performance rights or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

**Note 36. Share-based payments (continued)**

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Nickolas John Karantzis
Managing Director

28 February 2020

GrantThornton

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# Independent Auditor's Report

## To the Members of iSignthis Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of iSignthis Ltd (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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

a giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

b 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – Regulatory matters

We draw your attention to Note 27 of the financial report which describes certain events of which the outcomes and impacts are uncertain in relation to regulatory matters. Our opinion is not modified in respect to these matters.

Grant Thornton

## 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 Emphasis of Matter section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue Recognition – Note 5** | |
| The Group derives revenue through the rendering of services which are performed under a combination of individual contractual agreements.<br><br>Although the major revenue streams do not require significant management judgement to calculate revenue, the recognition of revenue requires the processing of significant volumes of transactional data to calculate revenue in accordance with a number of contractual agreements across multiple geographical locations.<br><br>We have determined the occurrence of revenue to be a key audit matter due to the significance of the balance, volume of transactions and complexity of revenue streams. | Our procedures included, amongst others:<br><br>• Obtaining an understanding and assessing the reasonableness of each revenue stream to assess the appropriateness of policies and procedures in place regarding revenue recognition in accordance with accounting standard AASB 15 Revenue from Contracts with Customers;<br>• Involving our IT specialists to evaluate the work undertaken by IT experts and the internal controls being utilised within the Group's revenue recognition processes;<br>• Sampling revenue recorded to the underlying contract with customers to assess whether revenue is being recognised in accordance with the Group's revenue recognition policies;<br>• Assessing sales selected in our sample for the accuracy of revenue to be deferred at year-end;<br>• Analytically reviewing revenue and associated balances held at year end for exceptions and deviations from expectations;<br>• Substantiating sales transactions around reporting date and agreeing transactions to supporting documents to assess whether revenue is recognised in the correct period; and<br>• Assessing the adequacy of the Group's disclosures within the financial statements. |
| **Business Combinations – acquisition of Baltic Banking Services Ltd – Note 31** | |
| During the year the Group acquired UAB Baltic Banking Services (BBS) for €75,000 in shares and €75,000 in cash as consideration upfront, and a deferred mount limited to €1.50m in cash as consideration.<br><br>Accounting for business combinations requires significant judgement and estimates to be made in relation to:<br>• The fair value of the purchase consideration, including any contingent consideration;<br>• The fair value of assets and liabilities acquired, including separately and identifiable intangible assets; and<br>• Evaluating the fair value of assets acquired during the provision accounting period<br><br>This constitutes a key audit matter due to the significant judgement required as a part of the determination of estimates when accounting for a business combination. | Our procedures included, amongst others:<br><br>• Reading the underlying sale and purchase agreement to understand key terms and conditions of the transaction;<br>• Obtaining and reviewing management's position paper summarising the business combination for consistency with the sale agreement and alignment with the accounting standard AASB 3 *Business Combinations;*<br>• Reviewing the work contained in the purchase price allocation valuation calculation to determine whether:<br>o The intangible assets identified appear appropriate; and<br>o The valuation methodologies used appear reasonable;<br>• Testing the mathematical accuracy of the underlying calculations;<br>• Reviewing documentation in respect to the finalisation of the deferred consideration;<br>• Evaluating the reasonableness of any adjustments made to the provisional amounts implied in the purchase price allocation of assets acquired as defined in AASB 3 Business Combinations; and<br>• Assessing the adequacy of the Group's disclosures with respect to the business acquisitions against the requirements of AASB 3. |

Grant Thornton

### Share-based payments – Note 36

| | |
|---|---|
| During the year, the Group issued:<br>• Options to advisors for services performed; and<br>• Performance rights to directors and employees.<br>The awards vest subject to the achievement of certain vesting conditions.<br>The valuation of share-based payments is a risk due to the complex basis upon which the value at the grant date is determined. The Group used assumptions in respect of future market and economic conditions to reach a valuation utilising the Hoadley pricing model in valuing the share-based payment awards.<br>We have determined that this is a key audit matter due to the inherent complexity that is involved in determining the valuation of share based payments at grant date. | Our procedures included, amongst others:<br>• Agreeing the issue of share based payments to relevant agreements;<br>• Agreeing certain key inputs to the relevant terms within the share based payment agreements;<br>• Reviewing the assumptions applied by management and a valuation specialist for reasonableness and historical accuracy;<br>• Verifying the mathematical accuracy of the valuation produced by a valuation specialist using the Black-Scholes pricing model;<br>• Assessing the qualifications of the valuation specialist;<br>• Reviewing of share based payment expenses and the timing of recognition in line with vesting conditions;<br>• Engaging our valuation expert to assess the reasonableness of the models used to determine the fair value of instruments issued during the year; and<br>• Assessing the adequacy of the Group's disclosures within the financial statements. |

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

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

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

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

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

### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Grant Thornton

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 32 to 38 of the Directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of iSignthis Ltd, 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 28 February 2020

## Shareholders Information

The shareholder information set out below was applicable as at 18 February 2019.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of rights over ordinary shares | Number of holders of options over ordinary shares | Number of holders of ordinary quoted shares |
|---|---|---|---|
| 1 to 1,000 | 2 | - | 2,038 |
| 1,001 to 5,000 | 25 | - | 3,377 |
| 5,001 to 10,000 | 4 | - | 1,815 |
| 10,001 to 100,000 | 11 | - | 3,045 |
| 100,001 and over | 3 | 2 | 516 |
| | 45 | 2 | 10,791 |
| Holding less than a marketable parcel | - | - | 760 |

**Equity security holders**

*Twenty largest equity security holders*
The names of the twenty largest security holders are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SELECT ALL ENTERPRISE LIMITED | 447,797,754 | 40.96 |
| RED 5 SOLUTIONS LIMITED | 112,500,000 | 10.29 |
| UBS NOMINEES PTY LTD | 67,186,833 | 6.14 |
| ICEBREAK FLOW GLOBAL LIMITED | 23,615,783 | 2.16 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 22,568,463 | 2.06 |
| VASTIUM HOLDINGS LIMITED | 15,291,597 | 1.40 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 14,963,144 | 1.37 |
| CITICORP NOMINEES PTY LIMITED | 13,409,280 | 1.23 |
| CILI PADI LIMITED | 10,104,633 | 0.92 |
| IFM PTY LIMITED | 10,000,000 | 0.91 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 8,629,942 | 0.79 |
| BANNABY INVESTMENTS PTY LIMITED | 6,200,000 | 0.57 |
| CS THIRD NOMINEES PTY LIMITED | 5,449,454 | 0.50 |
| BOND STREET CUSTODIANS LIMITED | 5,331,394 | 0.49 |
| BNP PARIBAS NOMINEES PTY LTD | 4,918,841 | 0.45 |
| VICTORIA KIRIN PTY LTD | 4,400,000 | 0.40 |
| BNP PARIBAS NOMINEES PTY LTD | 4,202,932 | 0.38 |
| CHAMPIO PTY LTD | 4,138,574 | 0.38 |
| ITHAKI NOMINEES PTY LTD | 3,500,000 | 0.32 |
| QUOTIDIAN NO 2 PTY LIMITED | 3,483,606 | 0.32 |
| | 787,692,230 | 72.04 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 3,000,000 | 2 |
| Performance rights over ordinary shares issued | 2,299,606 | 45 |

The following persons hold 20% or more of unquoted equity securities:

| Name | Class | Number held |
|---|---|---|
| Options over ordinary shares issued | | - |
| CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD | Ordinary Shares | 1,500,000 |
| OVERSEAS TRUST AND PENSION LTD | Ordinary Shares | 1,500,000 |

**Substantial holders**
Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SELECT ALL ENTERPRISE LTD | 447,797,754 | 40.96 |
| RED 5 SOLUTIONS LIMITED | 112,500,000 | 10.29 |
| UBS NOMINEES PTY LTD | 67,186,833 | 6.14 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate ESG Performance

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