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2018

# ANNUAL REPORT

31<sup>st</sup> December 2018

ABN 93 075 419 715  
iSignthis Ltd

iSignthis®

**iSignthis Ltd**  
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**iSignthis Ltd**  
**Corporate directory**  
**31 December 2018**

Directors	Timothy Hart (Non-Executive Chairman) Nickolas John Karantzis (Managing Director) Barnaby Egerton-Warburton (Non-Executive Director) Scott Minehane (Non-Executive Director) Christakis Taoushanis (Non-Executive Director)
Company secretary & CFO	Todd Richards
Date of Annual General Meeting	17 May 2019
Registered office	456 Victoria Parade East Melbourne, VIC, 3002 Telephone: +61 0 8640 0990 Facsimile: +61 3 8640 0953
Share register	Link Market Services Level 12, 680 George Street Sydney, NSW, 2000 Telephone: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Level 22, Tower 5, Collins Square 727 Collins Street Melbourne, VIC, 3008
Internal Auditor (Cyprus)	Nexia Poyiadjis Chartered Accountants 2 Sophouli str, 8th floor Nicosia 1096 Cyprus
ISO27001 Certifier	British Standards Institute Suite 5.02, Level 5 484 St Kilda Road Melbourne, VIC, 3004
PCI DSS Certifier	Security Centric Pty Ltd Level 9 580 George Street Sydney, NSW, 2000
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	<a href="http://www.isignthis.com">www.isignthis.com</a>

**iSignthis Ltd**  
**Chairman's Letter**  
**31 December 2018**

Dear Shareholders,

It is with great pleasure that I present the iSignthis Annual Report for the calendar year ended 31 December 2018.

I should note that this current reporting period is a little unusual as we transition from a traditional Australian July-June financial year to reporting now on a calendar year basis. This will streamline our audit and reporting requirements as a licensed banking entity in Europe and eliminate any double up of audit work required. This report now includes the re-issue of accounts for the period from January to June 2018 and comments will focus on the period from July to December 2018.

The second half of 2018 has concentrated on the further establishment of the business and completion of Tier 1 banking connections and infrastructure so that we are able to scale operations in 2019 without the constraints experienced in the past by third party partnerships.

This has meant a step back in revenue growth during the past 6 months and an investment of time and money in to the exciting ISX future. I am pleased to report that this work has now been completed and we enter 2019 unencumbered to now operate and grow the business on our own terms.

We have provided guidance for the 2019 year and look forward with confidence to reaching significant milestones of profitability and cash generation in the coming months.

I am particularly pleased to look back on the major developments that we have been able to announce throughout the second half of 2018. These have included;

- The placement to institutional investors in October 2018 raising \$10m
- Extending the relationships and commencement of transacting with major card schemes including JCB, China UnionPay, Diners Club, Discover and MasterCard
- The acquisition of Probanx Ltd, which is a core banking platform provider
- Commencement of live transactions with an EU merchant on our neobanking and payments platform
- Establishing a live connection in the EU with Visa and Mastercard (Tier 1)
- Continuing progress with our APRA license application to become an ADI in early 2019

On behalf of the iSignthis Board of Directors, Management Team and dedicated employees, we would like to express our sincere appreciation to our shareholders. We look forward to sharing our success with you as we continue to grow.

Yours Sincerely,



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

**iSignthis Ltd**  
**Letter from the Managing Director**  
**31 December 2018**

Dear Shareholders,

I am pleased to present this first of our Annual reports that are based upon a calendar year as our financial year, bringing our reporting into line with European institutions.

### **Introduction**

The Financial Year and Calendar Year ended 31<sup>st</sup> of December 2018 was a period of progress and continued business development. The year also presented its share of challenges, as we moved from the reliance on third party partnerships to creating our own Tier 1 banking capabilities.

The second half of the year in particular was used as a period to conclude key elements of our European Tier 1 infrastructure build, finalising steps to launch our own services independent from other traditional banks and neobanks in the New Year. The efforts to complete Tier 1 opportunities created during 2015/16, are now set to deliver the rewards that we believe are possible as part of our neobanking strategy.

The neobanking strategy has been pursued with determination since March 2015, and we have achieved regulatory authorisation, scheme licensing, third party certification and operational capabilities since then, with \$10m Institutional Placement completed (issue price of \$0.145 per share).

### **Business Update**

The Company has been developing its merchant and business focussed neo-banking 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 during December quarter.

### **Strengthening Board Experience and Expertise**

In July 2018 the Company was pleased to announce the appointment of Mr. Christakis (Takis) Taoushanis as a non-executive director. 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. The board members have met with Australian Prudential Regulation Authority representatives as part of the below Authorised Deposit-Taking Institution (ADI) licensing process.

### **Regulatory Licensing**

- The Company has applied for an Australian Authorised Deposit-Taking Institution (ADI) license directly to the Australian Prudential Regulation Authority (APRA), with authorisation anticipated during Q2 2019.
- The Company has already been granted Australian licensing under the Reserve Bank of Australia (RBA) “Card Access Regime” by Mastercard, with Amex, Diners, Discover and China UnionPay also licensed.
  - Application for an RBA Exchange Settlement Account (ESA) is in progress.
  - Australian Securities and Investment Commission (ASIC) Australian Financial Services License (AFSL) application is in progress.
  - Banking Executive Accountability Regime (BEAR) submitted to APRA.
  - iSignthis eMoney (AU) Pty Ltd now a member of the Australian Financial Complaints Authority.

**Probanx.com**

- The Company acquired Probanx Information Systems (Cyprus) Ltd, which has developed the CorePlus internet-based core banking platform since 2000 and has been deployed to more than 20 banks globally, which met Swiss, UK, Hong Kong, EU, and now Australian regulatory requirements.
- Hong Kong's Wanfuteng Bank is the latest deployment, at their Vanuatu subsidiary.
- APRA requires ADI applicants to install and certify their CORE banking platforms. The Probanx.com system installation has been commenced at an Australian data centre for active/active service, with Azure cloud-based deployment as passive standby.
- Grant Thornton engaged to prepare a report on that the Probanx '*systems maintain fair and true records for financial obligations, systems calculate interest accurately etc*' to satisfy APRA. Report completed and submitted to APRA February 2019.
- Security Centric engaged to review IT security and policies for the draft APRA Prudential Standard CPS234, which takes effect July 2019. The Company seeks to be ahead of the regulatory requirements and meet CPS234 as part of its license submissions. Report completed and submitted to APRA February 2019.

**Operations**

The first EU merchant went live with funds processed via ISXPay's Principal member Tier 1 connections. In doing so, iSignthis became the first ASX listed fully authorised EU neobank with inhouse deposit taking and payment capabilities. Unlike almost every other neobank, ISX has built and operates its own Tier 1 network to Visa, Mastercard, JCB and SEPA networks, and does not 'piggy back' on other institutions infrastructure.

The Paydentity platform is:

- i) performing the identity verification,
- ii) ISXPay is performing the payment processing and settlement, and
- iii) Probanx.com is performing the journaling of the settlement deposits from ISXPay, with ISXPay executing outbound transactions.

The first Bank to Bank transfers via BIC: ISEMCY22XXX were completed in the quarter ending 31 December 2018. These facilities allow the Company to offer its customers;

- IBAN based Euro (€) denominated eMoney accounts (EMA), in the name of legal or natural persons
- electronic funds transfer from/to any of the ~4300 SEPA scheme connected banks and branches in the EU28 and EEA (as well as Monaco, San Marino, and Switzerland)
- zero credit risk facilities to ISXPay depositing customers, under the Eurosystem of central banking
- fast clearing of Euro (€) settlements from card and payment schemes
- International SWIFT inbound and outbound transactions by late January 2019
- Corporate EMA facilities are managed from our Cyprus office, via a private banking relationship management, specifically tailored for our customers in the Equities, CFD, and FX industries, and their affiliates
- the Company is focussed on providing corporate customers with EURO (€) denominated eMoney (EMA) services initially, with eMoney accounts in other currency denominations including USD\$, GBP£, HKD\$, SGD\$, CAD\$, AUD\$ and CHF, by Q2 2019.

**iSignthis Ltd**  
**Letter from the Managing Director**  
**31 December 2018**

### **Our Focus for the Upcoming year**

The Company will be focussed on revenue and growth, in addition to reducing its cost of goods through implementation of its own Tier 1 supply chain, releasing several new products to market for additional revenue streams, and completing the transformation to a commercially focussed transactional banking institution.

We have provided market guidance on expected revenues and profit to be achieved in 2019. The delivery of our first profit and the generation of positive cashflows are reasons to be excited about the immediate future of the business created. 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. LL.M M.Ent (Melb) FIEAust Adj CPEng*  
Managing Director and Chief Executive Officer

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of iSignthis Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

**Directors**

The following persons were directors of iSignthis Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr Timothy Hart (Non-Executive Chairman)
- Mr Nickolas John Karantzis (Managing Director)
- Mr Scott Minehane (Non-Executive Director)
- Mr Barnaby Egerton-Warburton (Non-Executive Director)
- Mr Christakis Taoushanis (Non-Executive Director) (appointed 3 July 2018)

**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. Our customers are located on five continents and supported from our technical centres in Europe and Australia.

iSignthis' 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.

**Financial performance**

The loss for the consolidated entity after providing for income tax amounted to \$8,038,650 (31 December 2017: \$4,950,486).



**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

Revenue including other income during the period amounted to \$6,623,413 (2017: \$1,889,915), which included interest of \$59,650, sales from operating activities of \$6,091,994 and R&D tax concession of \$471,769.

Operating expenses for the financial year were \$14,653,465 (2017: \$6,840,401). Employment benefit costs amounted to \$4,225,408 (2017: \$2,780,531), due to an increase in the number of employees throughout the financial year. Corporate expenses amounted to \$1,559,022 (2017: \$1,154,915) resulting from continuing operations. These fees are made up of consultancy, accounting, and other professional services. Share based payments during the period amounted to \$486,204 (2017: \$248,080) which represented a total of 5,666,686 performance rights issued to employees in accordance with the company's employee incentive scheme.

**Financial Position**

The net assets of the consolidated entity increased by \$2,089,689 to \$11,443,964 as at 31 December 2018 (2017: \$9,354,275). The consolidated entity's working capital, being current assets less current liabilities was \$9,850,889 at 31 December 2018 (2017: \$8,068,165). During the period the consolidated entity had a negative cash flow from operating activities of \$6,736,421 (2017: \$4,794,292).

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

**Significant changes in the state of affairs**

On 1 March 2018, the consolidated entity issued 216,667 fully paid ordinary shares upon the vesting of performance rights that met their respective performance criteria.

On 24 April 2018, the consolidated entity changed its financial year end to 31 December. This took effect after the end of the financial year 30 June 2018.

On 2 July 2018, the consolidated entity announced the expiry of 5,000,000 unlisted options. Also on this day the consolidated entity issued 250,000 fully paid ordinary shares upon the vesting of performance rights.

On 16 July 2018, the consolidated entity issued 618,584 fully paid ordinary shares upon the vesting of performance rights.

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.

On 3 September 2018, the consolidated entity issued 143,333 fully paid ordinary shares upon the vesting of performance rights.

On 5 September 2018, the consolidated entity announced that it had entered into terms to acquire 100% of the issued capital of Probanx Information Systems Limited ("Probanx"), an EU based core banking platform software business. On 19 September 2018 the consolidated entity announced that it had completed the acquisition of Probanx, having paid the purchase price which consisted of €300,000 cash at completion, and €100,000 in ISX ordinary shares in six months following acquisition date, with an earn out commission paid in cash for sales completed within the following three (3) months following acquisition date, based on receipted cash.

On 19 September 2018, the consolidated entity issued 72,500 fully paid ordinary shares upon the vesting of performance rights.

On 8 October 2018, the consolidated entity completed an Institutional Placement and issued 68,965,517 fully paid ordinary shares at an issue price of \$0.145 per share raising \$10 million before costs. Also on this day the consolidated entity issued 1,408,609 fully paid ordinary shares as consideration for advisory service provided.

On 2 November 2018, the consolidated entity issued 292,500 fully paid ordinary shares upon the vesting of performance rights.

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 2 January 2019, the consolidated entity issued 1,208,936 fully paid ordinary shares upon the vesting of performance rights.

On 15 February 2019, the consolidated entity completed the acquisition of 100% of share capital of UAB Baltic Banking Services.

The purchase price consists of an initial payment of €75,000, as well as €75,000 of fully paid ordinary shares in the consolidated entity, to be issued on 28 February 2019, converted to AUD at the RBA spot rate.

There will also be an earn out associated with the acquisition, based upon a multiplier of EBIT as at 31 December 2019 minus the Initial Payment, capped at €1.5m, with consideration payable as 85% fully paid ordinary shares with a majority escrow provision, and 15% cash component.

On 26 February 2019, the consolidated entity amended the conversion date of 1,250,000 performance rights from 1 September 2020 to 28 February 2019.

On 1 March 2019, the consolidated entity issued 1,250,000 fully paid ordinary shares upon the vesting of performance rights.

On 6 March 2019, the consolidated entity issued 62,500 fully paid ordinary shares upon the vesting of performance rights.

Also on 6 March 2019, the consolidated entity issued 607,055 fully paid ordinary shares as partial consideration for the purchase of UAB Baltic Banking Services. The shares are subject to a voluntary escrow period from date of issue until 31 December 2019.

On 12 March 2019, the consolidated entity issued 85,000 fully paid ordinary shares upon the vesting of performance rights.

On 13 March 2019, the consolidated entity issued 3,000,000 unlisted options to advisors with an exercise price of \$0.30 and expiry date of 10 July 2020.

No other matter or circumstance has arisen since 31 December 2018 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.

**Likely developments and expected results of operations**

The past financial year has seen continual growth in operations and advancement of the core services offered to merchant customers. Key operational staff and systems are located in Melbourne and Cyprus and continue to build brand awareness, a pipeline of new business opportunities and integration of existing customers to enable processing of transactions and generating revenues.

Additional revenue streams are now available via exploitation of our eMoney Institution license issued by the Central Bank of Cyprus. iSignthis is therefore now an EEA authorised institution allowing it to issue eMoney, accept customer deposits, offer bank to bank transfers including direct debits and credits, as well as processing and settlement services for card acquiring to its existing and new merchant customers. These services now provide a full range of revenue generating services which include customer verification (identify and verify the customer as required by AML law), the Processing of payments (payment gateway), deposit taking (eMoney accounts), Eurosystem Central Banking facilities for bank to bank transfers, and the settlement of payments to the merchant (Acquiring). The Company has progressed its application to become an Australian Deposit Taking Institution (ADI) and expects the license to be issued in Q2 2019. This will further increase revenue opportunities at higher margins and remove the reliance on third party providers.

Every effort is now focused on growth. We continue to hold a significant first mover advantage in regards to the delivery of a truly online customer identity service. We now strive to deliver an outstanding product to existing customers, expand our customer list and deliver increased revenues in the 2019 financial year.

**Information on directors**

**Name:** Mr Timothy Hart  
**Title:** Non-Executive Chairman  
**Qualifications:** BSc, MM(T), MMktng, MEd (Melb), PGDipSI and PGDipOL (Oxon), FAICD, FAIM  
**Experience and expertise:** Mr. Hart is the Managing Director and Chief Executive Officer of Ridley Corporation Limited (ASX:RIC). Mr. Hart was Chief Executive Officer of Sugar Australia and Sugar New Zealand (joint ventures between Wilmar/CSR and Mackay Sugar Limited). Eight years prior to this, Mr. Hart held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited. He has also been Deputy Chairman of the Australian Food & Grocery Council, Chaired the Corporate Affairs Committee and was a Director of the World Sugar Research organisation. Mr. Hart is the former Chair of the AFGC Agribusiness Forum and is an Ambassador of not for profits National Association of Women in Operations (NAWO) and Enactus (SIFE). Mr. Hart has an extensive background of senior management, in the agribusiness, food, resources, automotive and packaging industries across Australia, New Zealand, Europe and Asia.  
**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:** 15,641,220 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. LL.M. M.Enterp FIEAust Adj CPEng Eurlng  
**Experience and expertise:** Mr. Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne and University of Melbourne Business School). He is the founder of iSignthis, and has been leading the sales effort whilst developing the intellectual property to its commercialised state. Mr. Karantzis has over 20 years' experience in a number of sectors, including payments, neobanking, online media, defence and communications, with a background in secure communications. 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:** 153,154,654 fully paid ordinary shares.  
**Interests in options:** Nil  
**Interests in rights:** Nil

**Name:** Mr Scott Minehane  
**Title:** 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:** 10,104,633 fully paid ordinary shares.  
**Interests in options:** Nil  
**Interests in rights:** Nil

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

Name: Mr Barnaby Egerton-Warburton  
Title: 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) and Invictus Energy Limited (ASX: IVZ) (Formerly Interpose Holdings Limited)  
Former directorships (last 3 years): Fastbrick Robotics Ltd (ASX : FBR) resigned 18 November 2015, Global Geoscience Limited (ASX: GSC) resigned 23 May 2017  
Special responsibilities: Member of Remuneration Committee, Audit Committee and Risk Committee.  
Interests in shares: 4,953,667 fully paid ordinary shares.  
Interests in options: Nil  
Interests in rights: Nil

Name: Mr Christakis Taoushanis  
Title: Non-Executive Director  
Qualifications: B.Sc MBA  
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.

Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Chairman of the Risk Committee.  
Interests in shares: 2,000,000 fully paid ordinary shares.  
Interests in options: Nil  
Interests in rights: 85,000 performance rights due to convert subject to various vesting conditions.

'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.

**Company Secretary and Chief Financial Officer**

Todd Richards is a co-founder of iSignthis, and a Certified Practising Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies. His experience has been gained in a number of industries including manufacturing, logistics, professional sport, IT, online media and telecommunications. Todd's previous public company experience includes executive and Company Secretary roles with ASX listed Destra Corporation Limited (ASX:DES) and Reeltime Media Limited (ASX:RMA).

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2018, and the number of meetings attended by each director were:

	Full Board		Risk Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr T Hart	4	4	1	1	2	2
Mr S Minehane	4	4	-	-	2	2
Mr B Egerton-Warburton	4	4	1	1	1	2
Mr NJ Karantzis	4	4	1	1	-	-
Mr T Taoushanis	3	3	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

During the financial year the consolidated entity amended the structures of its committees. The committees effective 1 July 2018 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.

**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:

- having economic profit as a core component of plan design
- 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

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

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

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and 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.

Following the issue of shares and performance shares for the initial acquisition of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") 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 are not yet appropriate. The board will continue to review performance and make appropriate changes to remuneration and issue any incentives as deemed to be warranted. The board will continue to monitor and review its decision in regards to formal plans as the consolidated entity progresses and reaches further milestones.

*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*

No remuneration consultants were used by the consolidated entity in setting the remuneration and reward framework.

*Voting and comments made at the company's 28 November 2018 Annual General Meeting ('AGM')*

At the 28 November 2018 AGM, 88.42% of the votes received supported the adoption of the remuneration report for the year ended 30 June 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.

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

**31 December 2018**

*Non-Executive Directors:*

	Short-term benefits	Post-employment benefits	Share-based payments	Total
	Cash salary and fees \$	Super-annuation \$	Performance rights \$	\$
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
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*Other Key Management Personnel:*

Mr Todd Richards	198,000	18,810	3,216	220,026
	<u>806,137</u>	<u>48,790</u>	<u>4,785</u>	<u>859,712</u>

\* 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.

**31 December 2017**

*Non-Executive Directors:*

	Short-term benefits	Post-employment benefits	Share-based payments	Total
	Cash salary and fees \$	Super-annuation \$	Performance rights \$	\$
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*	27,836	-	-	27,836

*Executive Directors:*

Mr Nickolas John Karantzis	251,123	-	77,500	328,623
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*Other Key Management Personnel:*

Mr Todd Richards	189,000	17,955	77,919	284,874
	<u>607,959</u>	<u>31,255</u>	<u>155,419</u>	<u>794,633</u>

\* The cash salary and fees figure for Mr Taoushanis includes €18,750 (\$27,836 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.

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<i>Non-Executive Directors:</i>						
Mr Timothy Hart	100%	100%	-	-	-	-
Mr Scott Minehane	100%	100%	-	-	-	-
Mr Barnaby Egerton-Warburton	100%	100%	-	-	-	-
Mr Christakis Taoushanis	97%	100%	-	-	3%	-
<i>Executive Directors:</i>						
Mr Nickolas John Karantzis	100%	76%	-	-	-	24%
<i>Other Key Management Personnel:</i>						
Mr Todd Richards	99%	74%	-	-	1%	26%

**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: 1 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 (less 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.

Mr Karantzis' directors fees equating to \$48,000 per annum inclusive of superannuation.

Name: Mr. Todd Richards  
Title: Chief Financial Officer and Company Secretary  
Term of agreement: Ongoing  
Details: The terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company includes 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 provides for participation in the employee incentive plan.

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

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2018.



**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

*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 2018.

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 2018.

*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
11 November 2016	1 November 2018	1 November 2018	\$0.170
27 January 2016	2 January 2019	2 January 2019	\$0.140
3 September 2018	1 September 2020	1 September 2020	\$0.170

Name	Number of rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date
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
Christakis Taoushanis	35,000	3 September 2018	1 September 2020	1 September 2020	\$0.170

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 2018 are set out below:

Name	Number of rights granted during the year 31 December 2018	Number of rights granted during the year 31 December 2017	Number of rights vested during the year 31 December 2018	Number of rights vested during the year 31 December 2017
Todd Richards	154,000	510,000	-	500,000
Nicholas John Karantzis	-	500,000	-	500,000
Christakis Taoushanis*	35,000	50,000	-	-

\* These performance rights were issued to Mr Taoushanis prior to his appointment to the board of iSignthis Ltd, for his services as non-executive director of iSignthis eMoney Ltd, a subsidiary of iSignthis Ltd.

**Additional information**

The earnings of the consolidated entity for the two years to 31 December 2018 are summarised below:

	2018 \$	2017 \$
Revenue	6,623,413	1,889,915
Loss before income tax expense	(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
<i>Ordinary shares</i>					
Mr Barnaby Egerton-Warburton	2,953,667	-	2,000,000	-	4,953,667
Mr Timothy Hart	349,623	-	15,291,597	-	15,641,220
Mr Nickolas John Karantzis	3,500,000	-	149,654,654	-	153,154,654
Mr Scott Minehane	-	-	10,104,633	-	10,104,633
Mr Todd Richards	500,000	-	23,615,783	-	24,115,783
Mr Christakis Taoushanis	-	-	2,000,000	-	2,000,000
	<u>7,303,290</u>	<u>-</u>	<u>202,666,667</u>	<u>-</u>	<u>209,969,957</u>

***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
<i>Performance rights over ordinary shares</i>					
Todd Richards	10,000	154,000	-	-	164,000
Christakis Taoushanis	-	85,000	-	-	85,000
	<u>10,000</u>	<u>239,000</u>	<u>-</u>	<u>-</u>	<u>249,000</u>

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

During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$1,013,000 was advanced in various tranches to Etherstack Pty Limited of which \$320,000 remained outstanding at 31 December 2018 which was subsequently repaid on 29 January 2019. A total of \$21,735 interest was accrued as part of the agreements with \$12,160 outstanding at 31 December 2018 subsequently repaid on 29 January 2019. The transactions were completed at arm's length, with Mr Minehane not benefitting directly or indirectly from the transaction. The effective annual interest rate across the total amounts advanced of 6%.

***This concludes the remuneration report, which has been audited.***

**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
1 August 2016	1 July 2019	\$0.62	5,000,000
3 August 2017	1 December 2019	\$0.30	500,000
9 November 2017	8 May 2019	\$0.27	2,850,877
9 November 2017	8 February 2020	\$0.31	2,850,877
8 December 2017	8 May 2019	\$0.27	200,000
8 December 2017	8 February 2020	\$0.31	200,000
13 March 2019	10 July 2020	\$0.30	<u>3,000,000</u>
			<u><u>14,601,754</u></u>

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

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
30 June 2017	25 April 2019	50,000
30 June 2017	1 July 2019	17,500
5 December 2017	24 April 2019	100,000
5 December 2017	1 September 2019	41,667
5 December 2017	19 September 2019	72,500
5 December 2017	1 December 2019	10,000
23 May 2018	1 March 2020	62,500
3 September 2018	1 September 2020	1,995,000
10 December 2018	10 December 2019	220,000
		<u>2,569,167</u>

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**

There were no ordinary shares of iSignthis Ltd issued on the exercise of options during the year ended 31 December 2018 and up to the date of this report.

**Shares issued on the vesting of performance rights**

The following ordinary shares in consolidated entity were issued during the year ended 31 December 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights vested	Number of shares issued
1 March 2018	216,667
2 July 2018	250,000
16 July 2018	618,584
29 August 2018*	336,666,667
3 September 2018	143,333
19 September 2018	72,500
2 November 2018	292,500
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
	<u>340,866,687</u>

\* 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.

### **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 the company**

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

### **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 23 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 23 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.

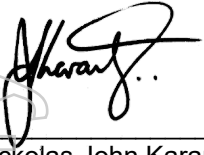
### **Rounding of amounts**

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.

**iSignthis Ltd**  
**Directors' report**  
**31 December 2018**

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

29 March 2019

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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 2018, 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, 29 March 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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**iSignthis Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	5	6,091,994	1,244,108
Other income	6	531,419	645,807
<b>Expenses</b>			
Corporate expenses		(1,559,022)	(1,154,915)
Advertising & marketing expense		(178,208)	(141,457)
Employee benefits expense		(4,225,408)	(2,780,531)
Research & development expenses		(333,964)	(324,608)
Depreciation & amortisation expense	7	(178,997)	(126,878)
Other expenses		(1,967,349)	(1,151,940)
Operating costs	7	(5,676,645)	(864,015)
Share based payments	33	(486,204)	(248,080)
Net realised foreign exchange loss		(43,104)	(43,403)
Finance costs		(4,564)	(4,574)
<b>Loss before income tax expense</b>		(8,030,052)	(4,950,486)
Income tax expense	8	(8,598)	-
<b>Loss after income tax expense for the year attributable to the owners of iSignthis Ltd</b>		(8,038,650)	(4,950,486)
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(50,484)	7,400
Other comprehensive income / (loss) for the year, net of tax		(50,484)	7,400
<b>Total comprehensive loss for the year attributable to the owners of iSignthis Ltd</b>		(8,089,134)	(4,943,086)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	32	(1.01)	(0.78)
Diluted loss per share	32	(1.01)	(0.78)

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

**iSignthis Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	8,433,874	7,653,681
Trade and other receivables	10	894,501	288,868
Funds held on behalf of merchants	11	9,107,677	611,061
Other assets	12	1,718,955	504,461
<b>Total current assets</b>		<u>20,155,007</u>	<u>9,058,071</u>
<b>Non-current assets</b>			
Plant and equipment	13	182,039	99,032
Intangibles	14	1,531,113	1,220,941
<b>Total non-current assets</b>		<u>1,713,152</u>	<u>1,319,973</u>
<b>Total assets</b>		<u>21,868,159</u>	<u>10,378,044</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	904,934	255,797
Employee benefits	16	128,348	123,048
Funds held on behalf of merchants	11	9,107,677	611,061
Other liabilities	17	163,159	-
<b>Total current liabilities</b>		<u>10,304,118</u>	<u>989,906</u>
<b>Non-current liabilities</b>			
Deferred tax	28	90,947	-
Employee benefits	18	29,130	33,863
<b>Total non-current liabilities</b>		<u>120,077</u>	<u>33,863</u>
<b>Total liabilities</b>		<u>10,424,195</u>	<u>1,023,769</u>
<b>Net assets</b>		<u>11,443,964</u>	<u>9,354,275</u>
<b>Equity</b>			
Issued capital	19	40,677,673	30,677,294
Reserves	20	1,024,087	4,518,891
Accumulated losses		<u>(30,257,796)</u>	<u>(25,841,910)</u>
<b>Total equity</b>		<u>11,443,964</u>	<u>9,354,275</u>

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



**iSignthis Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payments reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Foreign currency reserve</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 January 2017	22,734,789	7,304,960	(22,649,054)	(74,414)	7,316,281
Loss after income tax expense for the year	-	-	(4,950,486)	-	(4,950,486)
Other comprehensive income for the year, net of tax	-	-	-	7,400	7,400
Total comprehensive income / (loss) for the year	-	-	(4,950,486)	7,400	(4,943,086)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	6,253,977	479,234	-	-	6,733,211
Share-based payments (note 33)	155,000	92,869	-	-	247,869
Lapse of options and rights	-	(1,757,630)	1,757,630	-	-
Transfer from share based payments reserve upon the exercise of options	1,533,528	(1,533,528)	-	-	-
Balance at 31 December 2017	<u>30,677,294</u>	<u>4,585,905</u>	<u>(25,841,910)</u>	<u>(67,014)</u>	<u>9,354,275</u>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payments reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Foreign currency reserve</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
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)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	10,000,379	(307,760)	-	-	9,692,619
Share-based payments (note 33)	-	486,204	-	-	486,204
Lapse of options and rights	-	(3,622,764)	3,622,764	-	-
Balance at 31 December 2018	<u>40,677,673</u>	<u>1,141,585</u>	<u>(30,257,796)</u>	<u>(117,498)</u>	<u>11,443,964</u>

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

**iSignthis Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		6,325,612	1,102,656
Payments to suppliers and employees		(13,570,524)	(6,567,754)
Interest received		36,722	91,922
Research and development incentive received		471,769	578,884
		<u>                    </u>	<u>                    </u>
Net cash (used in) operating activities	31	<u>(6,736,421)</u>	<u>(4,794,292)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	13	(110,000)	(59,707)
Payments for intangibles	14	-	(173,987)
Payments for deposits		(115,201)	-
Payments for acquisition of business		(490,973)	-
Loans advanced to third parties		(1,013,000)	-
Loans repaid from third parties		693,000	-
Cash acquired on acquisition of Probanx		94,840	-
		<u>                    </u>	<u>                    </u>
Net cash (used in) investing activities		<u>(941,334)</u>	<u>(233,694)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	19	10,000,000	6,900,000
Capital raising costs		(307,693)	(167,000)
Card scheme membership security		(1,190,888)	(469,700)
		<u>                    </u>	<u>                    </u>
Net cash from financing activities		<u>8,501,419</u>	<u>6,263,300</u>
		<u>                    </u>	<u>                    </u>
Net increase in cash and cash equivalents		823,664	1,235,314
Cash and cash equivalents at the beginning of the financial year		7,653,681	6,410,831
Effects of exchange rate changes on cash and cash equivalents		(43,471)	7,536
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>8,433,874</u></u>	<u><u>7,653,681</u></u>

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

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**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 29 March 2019. 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.

**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 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

There was a nil impact on the carrying values of financial instruments from adoption of this standard.

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

*AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

There was a nil impact on the revenue recognition from adoption of this standard.

**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, the revaluation of available-for-sale financial assets, 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 27.

**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 2018 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.

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

*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.

**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.

**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.

**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 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

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

*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. Subject to exceptions, a 'right-of-use' asset will be 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. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. 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 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. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity has assessed the impact of the standard and the expected impact upon adoption are as follows:

1. Increase in assets and liabilities amounting to \$578,036 and \$605,790 respectively.
2. Increase in the loss position of on the statement of profit and loss and other comprehensive income in the amount of \$27,754.
3. It is not expected that there will be any net impact on the statement of cash flows.

**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.

*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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

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

*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.

The CODM identified its operating segments based on the geographies which the consolidated entity operates in, being Australia, Europe and British Virgin Islands (BVI).

*Operating segment information*

<b>Consolidated - 31 December 2018</b>	Australia \$	Europe & BVI \$	Total \$
<b>Revenue</b>			
Sales to external customers	1,813,285	4,278,709	6,091,994
<b>Total revenue</b>	<u>1,813,285</u>	<u>4,278,709</u>	<u>6,091,994</u>
<b>Expenses</b>			
Corporate expenses			
Advertising & marketing	(64,406)	(113,802)	(178,208)
Employee benefits expense	(1,521,583)	(2,703,825)	(4,225,408)
Research & development expenses	(333,964)	-	(333,964)
Depreciation & amortisation expense	(29,568)	(149,429)	(178,997)
Other expenses	(786,545)	(1,180,804)	(1,967,349)
Operating costs	(1,666,401)	(4,010,244)	(5,676,645)
Share based payments	(486,204)	-	(486,204)
Finance costs	-	(4,564)	(4,564)
Net realised foreign exchange gain / (loss)	(47,630)	4,526	(43,104)
<b>Loss before income tax expense</b>	<u>(3,255,085)</u>	<u>(4,774,967)</u>	<u>(8,030,052)</u>
Income tax expense			(8,598)
<b>Loss after income tax expense</b>			<u>(8,038,650)</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

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

<b>Consolidated - 31 December 2017</b>	Australia \$	Europe & BVI \$	Total \$
<b>Revenue</b>			
Sales to external customers	207,989	1,036,119	1,244,108
<b>Total revenue</b>	<u>207,989</u>	<u>1,036,119</u>	<u>1,244,108</u>
<b>Expenses</b>			
Corporate expenses			
Advertising & marketing	120,939	(262,396)	(141,457)
Employee benefits expense	(1,256,255)	(1,524,276)	(2,780,531)
Research & development expenses	(324,608)	-	(324,608)
Depreciation & amortisation expense	(31,507)	(95,371)	(126,878)
Other expenses	(458,616)	(693,324)	(1,151,940)
Operating costs	(583,262)	(280,753)	(864,015)
Share based payments	(248,080)	-	(248,080)
Net realised foreign exchange loss	(43,403)	-	(43,403)
Finance costs	(4,574)	-	(4,574)
<b>Loss before income tax expense</b>	<u>(2,391,005)</u>	<u>(2,559,481)</u>	<u>(4,950,486)</u>
Income tax expense			-
<b>Loss after income tax expense</b>			<u>(4,950,486)</u>

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 2018 \$	Cash and cash equivalents 31 December 2017 \$	Funds held on behalf of merchants 31 December 2018 \$	Funds held on behalf of merchants 31 December 2017 \$	Intangibles 31 December 2018 \$	Intangibles 31 December 2017 \$
Australia	7,919,352	6,859,357	8,200,400	611,061	-	-
Europe & BVI	514,522	794,324	907,277	-	1,531,113	1,220,941
	<u>8,433,874</u>	<u>7,653,681</u>	<u>9,107,677</u>	<u>611,061</u>	<u>1,531,113</u>	<u>1,220,941</u>

*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**

	<b>Consolidated</b> <b>31 December</b> <b>2018</b> \$	<b>31 December</b> <b>2017</b> \$
Contracted service fees	6,091,994	1,101,191
Licensing fees	-	142,917
Revenue	<u>6,091,994</u>	<u>1,244,108</u>



**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 initially recognised as deferred revenue in the form of a separate refund liability.

*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.

*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.

*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.

*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.

*Licensing fees*

The consolidated entity entered in to a licensing agreement with an Australian retailer at an agreed fee. This allowed the retailer to utilise the Patented service for a period of twelve months and as such this revenue was recognised over the period of the agreement.

*Other revenue*

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

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Research & development tax concession	471,769	578,884
Interest income	<u>59,650</u>	<u>66,923</u>
Other income	<u><u>531,419</u></u>	<u><u>645,807</u></u>

*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 revenue 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. As such the Company recognised the R&D tax incentive on a cash basis in prior periods however the consolidated entity amended its method during the year and now recognises on an accrual basis extent that related expenditure is recoverable. Government subsidies are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance).

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Computers and office equipment	<u>57,973</u>	<u>33,592</u>
<i>Amortisation</i>		
Patents and trademarks	<u>121,024</u>	<u>93,286</u>
Total depreciation and amortisation	<u>178,997</u>	<u>126,878</u>
<i>Operating expenses</i>		
Cost of sales	5,122,216	455,737
IT support	479,242	143,291
Other general operating expenses	<u>75,187</u>	<u>264,987</u>
Total operating expenses	<u>5,676,645</u>	<u>864,015</u>

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 \$138,171 (31 December 2017: \$112,128).

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 8. Income tax**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(8,030,052)	(4,950,486)
Tax at the statutory tax rate of 27.5%	(2,208,264)	(1,361,384)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	133,706	68,222
Difference attributable to foreign operations	624,425	369,512
Research and development refund	129,737	159,193
	(1,320,396)	(764,457)
Deductible blackhole expenditure	120,177	92,537
Other timing differences	2,304	24,949
Income tax losses not taken up as a tax benefit	1,206,513	646,971
Income tax expense	<u>8,598</u>	<u>-</u>

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (Australia)	5,251,059	2,120,783
Temporary differences (Australia)	398,149	379,121
Tax losses (foreign subsidiaries)	641,244	681,267
Total deferred tax assets not recognised	<u>6,290,452</u>	<u>3,181,171</u>

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**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	8,433,874	7,242,828
Cash on deposit	-	410,853
	<u>8,433,874</u>	<u>7,653,681</u>

*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**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	353,800	239,968
Other receivables	430,160	6,137
Interest receivable	23,764	723
GST/VAT receivable	86,777	42,040
	<u>894,501</u>	<u>288,868</u>

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.

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

*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.

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**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Funds held on behalf of merchants</b>		
Funds received - current asset	9,107,677	611,061
Funds payable - current liability	<u>(9,107,677)</u>	<u>(611,061)</u>
	<u>                    -</u>	<u>                    -</u>

The funds held on behalf of merchants current asset and current liability noted above represent security, 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 2018.

The amounts denoted within 31 December 2017 have been re-classified for presentation purposes from other assets, trade and other payables and other payables.

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

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Prepayments	139,579	157,755
Security deposits	120,306	-
Card scheme collateral	1,459,070	346,706
	<u>1,718,955</u>	<u>504,461</u>

The card scheme and payment facilitation collateral requirements as noted above are held by NAB, Visa, Mastercard and Worldline 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**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Computer and office equipment - at cost	367,411	188,589
Less: Accumulated depreciation	<u>(185,372)</u>	<u>(89,557)</u>
	<u>182,039</u>	<u>99,032</u>

*Reconciliations*

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

<b>Consolidated</b>	Computer and office equipment \$
Balance at 1 January 2017	74,062
Additions	59,707
Foreign exchange translation movements	(1,145)
Depreciation expense	<u>(33,592)</u>
Balance at 31 December 2017	99,032
Additions	110,000
Additions through business combinations (note 28)	36,304
Foreign exchange translation movements	(5,324)
Depreciation expense	<u>(57,973)</u>
Balance at 31 December 2018	<u>182,039</u>

*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.

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**Note 13. Non-current assets - Plant and equipment (continued)**

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 - intangibles**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	90,947	-
Intellectual property - at cost	1,439,716	1,432,986
Less: Accumulated amortisation	(330,268)	(212,045)
	<u>1,109,448</u>	<u>1,220,941</u>
Software - at cost	330,718	-
	<u>1,531,113</u>	<u>1,220,941</u>

*Reconciliations*

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

<b>Consolidated</b>	Patents
	\$
Balance at 1 January 2017	1,139,095
Additions	173,987
Amortisation expense	<u>(92,141)</u>
Balance at 31 December 2017	1,220,941
Additions	6,730
Additions through business combinations (note 28)	421,665
Exchange differences	2,801
Amortisation expense	<u>(121,024)</u>
Balance at 31 December 2018	<u>1,531,113</u>

**Note 14. Non-current assets - intangibles (continued)**

*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 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Trade payables	155,675	255,797
Other payables	749,259	-
	<u>904,934</u>	<u>255,797</u>

Refer to note 21 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.



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**Note 16. Current liabilities - employee benefits**

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2018</b>	<b>2017</b>
<b>\$</b>	<b>\$</b>
Annual leave	123,048
<u>128,348</u>	<u>123,048</u>

*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 17. Current liabilities - other liabilities**

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2018</b>	<b>2017</b>
<b>\$</b>	<b>\$</b>
Deferred consideration	-
<u>163,159</u>	<u>-</u>

Refer to note 27 for details of the deferred consideration acquired as a part of the business combination of Probanx Information Systems Limited.

**Note 18. Non-current liabilities - employee benefits**

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2018</b>	<b>2017</b>
<b>\$</b>	<b>\$</b>
Long service leave	33,863
<u>29,130</u>	<u>33,863</u>

*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 19. Equity - issued capital**

<b>Consolidated</b>			
<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	667,080,241	40,677,673	30,677,294
<u>1,075,714,618</u>	<u>667,080,241</u>	<u>40,677,673</u>	<u>30,677,294</u>

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**Note 19. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2017	621,869,714		22,734,789
Exercise of options	10 February 2017	10,000,000	\$0.04	400,000
Share placement	3 November 2017	34,210,527	\$0.19	6,500,000
Issue of shares upon the vesting of performance rights	5 December 2017	1,000,000		155,000
Transfer from share based payments reserve on conversion of options		-		1,533,528
Capital raising costs		-		(646,023)
Balance	31 December 2017	667,080,241		30,677,294
Issue of shares upon the vesting of performance rights	1 March 2018	216,667		46,583
Issue of shares upon the vesting of performance rights	2 July 2018	250,000		40,000
Issue of shares upon the vesting of performance rights	16 July 2018	618,584		132,996
Issue of shares upon the vesting of performance shares	29 August 2018	336,666,667		-
Issue of shares upon the vesting of performance rights	3 September 2018	143,333		22,217
Issue of shares upon the vesting of performance rights	19 September 2018	72,500		11,238
Institutional placement	8 October 2018	68,965,517	\$0.14	10,000,000
Ordinary share issue	8 October 2018	1,408,609	\$0.14	204,248
Issue of shares upon the vesting of performance rights	2 November 2018	292,500		49,725
Capital raising costs		-		(506,628)
Balance	31 December 2018	<u>1,075,714,618</u>		<u>40,677,673</u>

*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.

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.

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**Note 19. Equity - issued capital (continued)**

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 20. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(117,498)	(67,014)
Share-based payments reserve	1,141,585	4,585,905
	<u>1,024,087</u>	<u>4,518,891</u>

*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:

<b>Consolidated</b>	Foreign currency reserve \$	Share based payments reserve \$	Total \$
Balance at 1 January 2017	(74,414)	7,304,960	7,230,546
Foreign currency translation	7,400	-	7,400
Share-based payments issued	-	92,869	92,869
Transfer to issued capital upon the exercise of options	-	(1,533,528)	(1,533,528)
Lapse of options and rights	-	(1,757,630)	(1,757,630)
Options issued to advisers for capital raising	-	479,234	479,234
Balance at 31 December 2017	(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	<u>(117,498)</u>	<u>1,141,585</u>	<u>1,024,087</u>

**Note 21. 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.

	31 December 2018		31 December 2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Cash at bank	1.50%	8,433,874	1.50%	7,242,828
Cash on deposit	-	-	1.50%	410,853
Net exposure to cash flow interest rate risk		<u>8,433,874</u>		<u>7,653,681</u>

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the 2017 and 2018 financial years. The impact would not be material on bank balances held at 31 December 2018. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

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

Consolidated - 31 December 2017	Basis points change	Basis points increase Effect on		Basis points decrease Effect on	
		profit before tax	Effect on equity	profit before tax	Effect on equity
Cash at bank	50	<u>38,268</u>	<u>38,268</u>	(50)	<u>(38,268)</u>
					<u>(38,268)</u>

**Note 21. 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.

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>Consolidated - 31 December 2017</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	255,797	-	-	-	255,797
Total non-derivatives		255,797	-	-	-	255,797

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**Note 21. Financial instruments (continued)**

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

**Note 22. 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:

Mr Todd Richards	CFO and Company Secretary
------------------	---------------------------

*Compensation*

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

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	806,137	607,959
Post-employment benefits	48,790	31,255
Share-based payments	4,785	155,419
	<u>859,712</u>	<u>794,633</u>

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**Note 23. 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, and its network firms:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	102,805	54,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Review of ADI registration	17,000	-
	<u>119,805</u>	<u>54,000</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	14,216	7,358
<i>Other services - network firms</i>		
Preparation of the tax return	790	589
	<u>15,006</u>	<u>7,947</u>

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 24. Contingent liabilities**

There were no contingent liabilities at 31 December 2018 and 31 December 2017.

**Note 25. Commitments**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	239,299	268,860
One to five years	405,425	644,724
	<u>644,724</u>	<u>913,584</u>

Operating lease commitments includes the office lease until 25 May 2020 for the Australian office and 1 October 2022 for the Cyprus office.

**Note 26. Related party transactions**

*Parent entity*  
iSignthis Ltd is the parent entity.

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**Note 26. Related party transactions (continued)**

*Subsidiaries*

Interests in subsidiaries are set out in note 29.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
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	-
Purchase of Intellectual property from BXWIP Holding Co Pty Ltd	-	124,063
Incorporation and wind down costs for BXWIP Holding Co Pty Ltd	-	680

During the prior financial year the consolidated entity purchased Intellectual Property (Patents) from a third party in the amount of USD\$91,000 (AUD\$124,063). The purchase was completed whereby an entity (incorporated specifically for this transaction for commercial purposes) associated with Mr Barnaby Egerton-Warburton (BXWIP Holding Co Pty Ltd) purchased the Intellectual Property which was then immediately reassigned to the consolidated entity. It is noted that the purchase consideration above was paid directly to a solicitor and as such no cash transaction occurred between the consolidated entity and BXWIP Holding Co Pty Ltd and thus no benefit was provided to Mr Barnaby Egerton-Warburton.

*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*

During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$1,013,000 was advanced in various tranches to Etherstack Pty Limited of which \$320,000 remained outstanding at 31 December 2018 which was subsequently repaid on 29 January 2019. A total of \$21,735 interest was accrued as part of the agreements with \$12,160 outstanding at 31 December 2018 subsequently repaid on 29 January 2019. The transactions were completed at arm's length, with Mr Minehane not benefitting directly or indirectly from the transaction. The effective annual interest rate across the total amounts advanced of 6%.

*Terms and conditions*

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



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**Note 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	<u>(1,430,878)</u>	<u>(1,036,340)</u>
Total comprehensive loss	<u>(1,430,878)</u>	<u>(1,036,340)</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Total current assets	<u>8,150,607</u>	<u>6,055,618</u>
Total assets	<u>11,351,646</u>	<u>19,724,317</u>
Total current liabilities	<u>(17,085,206)</u>	<u>35,485</u>
Total liabilities	<u>(17,085,206)</u>	<u>35,485</u>
Equity		
Issued capital	125,200,323	115,199,944
Share-based payments reserve	1,141,585	4,585,905
Accumulated losses	<u>(97,905,056)</u>	<u>(100,097,017)</u>
Total equity	<u><u>28,436,852</u></u>	<u><u>19,688,832</u></u>

*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 2017 and 31 December 2018.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2018.

*Capital commitments - Plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 31 December 2017 and 31 December 2018.

*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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 28. Business combinations**

*Probanx Information Systems Limited Acquisition*

On 19 September 2018, the consolidated entity acquired 100% of the ordinary shares of Probanx Information Systems Limited ("Probanx") for the total consideration transferred of \$652,635. Probanx is a EU based core banking platform software business.

The acquired business contributed revenues of \$136,836 and a loss after tax of \$106,348 to the consolidated entity for the period ending 31 December 2018.

The purpose of the acquisition was a strategic acquisition for the Company as it provides proven and certified systems as follows;

- Core Banking Platform
- E-banking (Client Portal)
- Mobile Banking Application
- Loans & Mortgages Module
- Portfolio Management
- IBAN Validation API
- Integration between ATM and POS switches, and the CorePlus Banking System.
- Multi-Currency Accounting
- Supports English, French, German, Italian, Greek, Spanish and Hebrew
- Wire Payments – SWIFT, SEPA and Earthport Integration

In addition Probanx will provide future SaaS licensing opportunities around core banking and card processing SaaS.

The acquisition accounting for the acquired business remains on a provisional basis as at 31 December 2018.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	94,840
Trade and other receivables	325,136
Plant and equipment	36,304
Software	330,718
Trade and other payables	(9,745)
Deferred tax liability	(90,947)
Deferred revenue	(124,618)
	<hr/>
Net assets acquired	561,688
Goodwill	90,947
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u><u>652,635</u></u>
Representing:	
Cash paid or payable to vendor	489,476
Deferred consideration (shares to be issued to vendor)*	163,159
	<hr/>
	<u><u>652,635</u></u>

\* The deferred consideration consists of €100,000 in ISX shares to be issued to the vendors of Probanx. The shares are to be issued 7 months following the close of the acquisition. The spot rate of 0.6129 EUR/AUD on acquisition date results in the \$163,159 deferred consideration noted.

**Note 28. Business combinations (continued)**

*UAB Baltic Banking Services Acquisition*

Subsequent to year end, on 15 February 2019, the consolidated entity acquired 100% of the ordinary shares of UAB Baltic Banking Services ("BBS").

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 Payidentity™ and incorporate components of iSignthis' patented intellectual property.

The consideration for the purchase consists of €75,000 in ordinary shares, issued at the February monthly VWAP, plus a €75,000 cash payment.

An earn out applies, based upon multiplier of EBIT at 31 December 2019 less the initial cash payment, capped at €1.5m, with consideration payable as 85% ordinary shares with a majority escrow provision, and 15% cash component.

The acquisition accounting for the acquired business remains on a provisional basis and the consolidated entity is yet to finalise accounting treatment and balance sheet calculation as at signing date.

*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.

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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 29. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2018 %	31 December 2017 %
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%	-
Probanx Information Systems Ltd**	Cyprus	100.00%	-

\* iSignthis eMoney (Au) Pty Ltd was incorporated on 2 March 2018.

\*\* Probanx Information Systems Ltd was acquired on 19 September 2018.

**Note 30. Events after the reporting period**

On 2 January 2019, the consolidated entity issued 1,208,936 fully paid ordinary shares upon the vesting of performance rights.

On 15 February 2019, the consolidated entity completed the acquisition of 100% of share capital of UAB Baltic Banking Services.

The purchase price consists of an initial payment of €75,000, as well as €75,000 of fully paid ordinary shares in the consolidated entity, to be issued on 28 February 2019, converted to AUD at the RBA spot rate.

There will also be an earn out associated with the acquisition, based upon a multiplier of EBIT as at 31 December 2019 minus the Initial Payment, capped at €1.5m, with consideration payable as 85% fully paid ordinary shares with a majority escrow provision, and 15% cash component.

On 26 February 2019, the consolidated entity amended the conversion date of 1,250,000 performance rights from 1 September 2020 to 28 February 2019.

On 1 March 2019, the consolidated entity issued 1,250,000 fully paid ordinary shares upon the vesting of performance rights.

On 6 March 2019, the consolidated entity issued 62,500 fully paid ordinary shares upon the vesting of performance rights.

Also on 6 March 2019, the consolidated entity issued 607,055 fully paid ordinary shares as partial consideration for the purchase of UAB Baltic Banking Services. The shares are subject to a voluntary escrow period from date of issue until 31 December 2019.

On 12 March 2019, the consolidated entity issued 85,000 fully paid ordinary shares upon the vesting of performance rights.

On 13 March 2019, the consolidated entity issued 3,000,000 unlisted options to advisors with an exercise price of \$0.30 and expiry date of 10 July 2020.

No other matter or circumstance has arisen since 31 December 2018 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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 31. Reconciliation of loss after income tax to net cash (used in) operating activities**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(8,038,650)	(4,950,486)
Adjustments for:		
Depreciation and amortisation	178,997	126,878
Share-based payments	486,204	248,080
Foreign exchange differences	18,203	(135)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(605,633)	(126,670)
Increase in other current assets	(8,085,021)	(530,512)
Increase/(decrease) in trade and other payables	649,137	(81,875)
Increase in employee benefits	567	32,368
Increase in other liabilities	8,659,775	488,060
Net cash (used in) operating activities	<u>(6,736,421)</u>	<u>(4,794,292)</u>

**Note 32. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of iSignthis Ltd	<u>(8,038,650)</u>	<u>(4,950,486)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic loss per share	<u>798,352,882</u>	<u>636,253,853</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>798,352,882</u>	<u>636,253,853</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(1.01)	(0.78)
Diluted loss per share	(1.01)	(0.78)

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

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 33. Share-based payments**

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

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	\$0.38	6,000,000	-	-	(6,000,000)	-
02/11/2015	30/09/2018	\$0.50	6,000,000	-	-	(6,000,000)	-
01/08/2016	01/07/2018	\$0.50	5,000,000	-	-	(5,000,000)	-
01/08/2016	01/07/2019	\$0.62	5,000,000	-	-	-	5,000,000
03/08/2017	01/12/2019	\$0.30	500,000	-	-	-	500,000
09/11/2017	08/02/2019	\$0.24	2,850,877	-	-	-	2,850,877
09/11/2017	08/05/2019	\$0.27	2,850,877	-	-	-	2,850,877
09/11/2017	08/02/2020	\$0.31	2,850,877	-	-	-	2,850,877
08/12/2017	08/02/2019	\$0.24	200,000	-	-	-	200,000
08/12/2017	08/05/2019	\$0.27	200,000	-	-	-	200,000
08/12/2017	08/02/2020	\$0.31	200,000	-	-	-	200,000
			<u>31,652,631</u>	<u>-</u>	<u>-</u>	<u>(17,000,000)</u>	<u>14,652,631</u>

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

31 December  
2017

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
15/05/2015	13/05/2017	\$0.04	10,000,000	-	(10,000,000)	-	-
02/11/2015	31/07/2017	\$0.38	6,000,000	-	-	(6,000,000)	-
02/11/2015	30/09/2018	\$0.50	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.62	6,000,000	-	-	-	6,000,000
01/08/2016	01/07/2017	\$0.38	5,000,000	-	-	(5,000,000)	-
01/08/2016	01/07/2018	\$0.50	5,000,000	-	-	-	5,000,000
01/08/2016	01/07/2019	\$0.62	5,000,000	-	-	-	5,000,000
03/08/2017	31/12/2018	\$0.30	-	500,000	-	-	500,000
09/11/2017	08/02/2019	\$0.24	-	2,850,877	-	-	2,850,877
09/11/2017	08/05/2019	\$0.27	-	2,850,877	-	-	2,850,877
09/11/2017	08/02/2020	\$0.31	-	2,850,877	-	-	2,850,877
08/12/2017	08/02/2019	\$0.24	-	200,000	-	-	200,000
08/12/2017	08/05/2019	\$0.27	-	200,000	-	-	200,000
08/12/2017	08/02/2020	\$0.31	-	200,000	-	-	200,000
			<u>43,000,000</u>	<u>9,652,631</u>	<u>(10,000,000)</u>	<u>(11,000,000)</u>	<u>31,652,631</u>

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

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 33. Share-based payments (continued)**

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

Grant date	Expiry date	31 December 2018 Number	31 December 2017 Number
02/11/2015	30/09/2018	-	6,000,000
02/11/2015	30/09/2018	-	6,000,000
01/08/2016	01/07/2018	-	5,000,000
01/08/2016	01/07/2019	5,000,000	5,000,000
03/08/2018	31/12/2018	-	500,000
09/11/2017	08/02/2019	2,850,877	2,850,877
09/11/2017	08/05/2019	2,850,877	2,850,877
09/11/2017	08/02/2020	2,850,877	2,850,877
08/12/2017	08/02/2019	200,000	200,000
08/12/2017	08/05/2019	200,000	200,000
08/12/2017	08/02/2020	200,000	200,000
		<u>14,152,631</u>	<u>31,652,631</u>

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

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
		<u>2,187,668</u>	<u>5,666,686</u>	<u>(1,593,584)</u>	<u>(447,000)</u>	<u>5,813,770</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**Note 33. Share-based payments (continued)**

31 December 2017

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	231,250	-	-	(14,583)	216,667
01/08/2016	15/07/2018	791,500	-	-	(72,916)	718,584
11/11/2016	01/11/2018	335,000	-	-	(12,500)	322,500
27/01/2017	02/01/2019	-	371,500	-	(18,250)	353,250
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	-	-	127,500
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
		<u>1,357,750</u>	<u>948,167</u>	-	<u>(118,249)</u>	<u>2,187,668</u>

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

Grant date	Expiry date	31 December 2018 Number	31 December 2017 Number
01/08/2016	01/03/2018	-	216,667
01/08/2016	15/07/2018	-	718,584
11/11/2016	01/11/2018	-	322,500
27/01/2017	02/01/2019	218,250	353,250
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	127,500
05/12/2017	01/09/2018	-	143,333
05/12/2017	01/09/2019	83,334	83,334
05/12/2017	19/09/2018	-	72,500
05/12/2017	01/09/2019	72,500	72,500
05/12/2017	01/12/2019	10,000	10,000
23/05/2018	01/03/2019	100,000	-
23/05/2018	01/03/2020	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	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	-
		<u>5,813,770</u>	<u>2,187,668</u>



**Note 33. 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
23/05/2018	01/03/2019	\$0.18	-	-	\$0.180
23/05/2018	01/03/2020	\$0.18	-	-	\$0.180
23/05/2018	11/03/2019	\$0.18	-	-	\$0.180
23/05/2018	30/06/2018	\$0.18	-	-	\$0.180
02/07/2018	31/12/2018	\$0.18	-	-	\$0.180
03/09/2018	31/12/2018	\$0.17	-	-	\$0.170
03/09/2018	01/09/2020	\$0.17	-	-	\$0.170
08/10/2018	30/09/2020	\$0.15	-	-	\$0.145
10/12/2018	10/12/2019	\$0.16	-	-	\$0.160
21/12/2018	10/12/2019	\$0.16	-	-	\$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.

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.

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.

**Note 33. Share-based payments (continued)**

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.

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**iSignthis Ltd**  
**Directors' declaration**  
**31 December 2018**

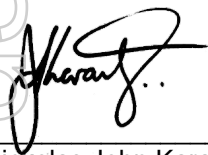
In the directors' opinion:

- 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 2018 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



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Nickolas John Karantzis  
Managing Director

29 March 2019

# 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 2018, 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 2018 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.

## 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.

**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.

Determining the appropriate revenue recognition methods for multiple contractual agreements can be complex and involves management judgment, which include determination of each performance obligation within contracts and identifying when performance obligations are satisfied so revenue can be recognised.

We have determined the occurrence of revenue to be a key audit matter due to the application of judgment due to the complexity and customised nature of the arrangements entered into with customers.

Our procedures included, but were not limited to:

- 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 standards AASB 15 *Revenue from Contracts with Customers*;
- Testing a sample of revenue transactions to supporting documentation in order to:
  - Verify the occurrence of services performed;
  - Assess whether revenue is being recognised in accordance with the Group's revenue recognition policies and the related accounting standards;
  - Assess management's estimate of the stage of completion of each project at 31 December 2018 through corroboration to underlying supporting documentation; and
  - Perform a recalculation of the percentage of completion for each significant contract; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

**Business Combinations - acquisition of Probanx - Note 28**

During the year the Group acquired Probanx Information Systems (Cyprus) Limited (Probanx) for €300k and €100k in shares as consideration.

The accounting for business combinations requires significant judgement and estimates to be made in relation to:

- The fair value of the purchase consideration, including any contingent consideration;
- The fair value of assets and liabilities acquired, including separately and identifiable intangible assets; and
- Evaluating the fair value of assets acquired during the provision accounting period

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, but were not limited to:

- Reading the underlying sale and purchase agreement to understand key terms and conditions of the transaction;
- Reviewing the work contained in the purchase price allocation valuation calculation to determine whether:
  - The intangible assets identified appear appropriate;
  - The valuation methodologies used appear reasonable; and
  - Assumptions used are reasonable compared with external benchmarks and our knowledge of the Group and its industry;
- Testing the mathematical accuracy of the underlying calculations;
- Assessing the adequacy of the Group's disclosures with respect to the business acquisitions against the requirements of AASB 3 *Business Combinations*.

### 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 2018, 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/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 17 of the Directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of iSignthis Ltd, for the year ended 31 December 2018 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, 29 March 2019

**iSignthis Ltd**  
**Shareholder information**  
**31 December 2018**

The shareholder information set out below was applicable as at 12 March 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	-	-	620
1,001 to 5,000	11	-	859
5,001 to 10,000	9	-	681
10,001 to 100,000	12	14	1,486
100,001 and over	4	13	429
	<u>36</u>	<u>27</u>	<u>4,075</u>
Holding less than a marketable parcel	-	-	<u>737</u>

**Equity security holders**

*Twenty largest equity security holders*

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

	Number held	Ordinary shares % of total shares issued
ISIGNTHIS LTD (BVI)	446,797,754	41.44
RED 5 SOLUTIONS LIMITED	112,500,000	10.43
UBS NOMINEES PTY LTD	66,121,856	6.13
CITICORP NOMINEES PTY LIMITED	33,204,287	3.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	32,804,784	3.04
ICEBREAK FLOW GLOBAL LIMITED	23,615,783	2.19
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,820,590	2.12
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	20,368,983	1.89
VASTIUM HOLDINGS LIMITED	15,291,597	1.42
MS MERLE SMITH & MS KATHRYN SMITH	12,000,000	1.11
CILI PADI LIMITED	10,104,633	0.94
IFM PTY LIMITED	10,000,000	0.93
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,469,545	0.88
BRISPOT NOMINEES PTY LTD	7,926,328	0.74
BANNABY INVESTMENTS PTY LIMITED	6,600,000	0.61
CHAMPPIO PTY LTD	5,138,574	0.48
MR IAN TETRO	4,666,667	0.43
MR CRAIG GRAEME CHAPMAN	4,118,147	0.38
ITHAKI NOMINEES PTY LTD	3,500,000	0.32
ONE MANAGED INVESTMENT FUNDS LIMITED	3,448,275	0.32
	<u>850,497,803</u>	<u>78.88</u>



**iSignthis Ltd**  
**Shareholder information**  
**31 December 2018**

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	14,601,754	27
Performance rights over ordinary shares issued	2,569,167	36

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares % of total shares issued</b>
	<b>Number held</b>
ISIGNTHIS LTD (BVI)	446,797,754
RED 5 SOLUTIONS BVI LIMITED	112,500,000
UBS NOMINEES PTY LTD	66,121,856

**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.

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