

## 30<sup>th</sup> June 2019 Half Year Report

**Melbourne, 28<sup>th</sup> August 2019:** Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX / DE: TA8) is pleased to provide the following update for the half year ended 30<sup>th</sup> June 2019.

### First Half Highlights to 30<sup>th</sup> June 2019:

- Total audited operating revenue for the 1HFY19 of A\$7.5m, up +49% YoY from A\$5.0m
- Total revenue including other income was A\$8.2m, up +48% YoY from A\$5.5m
- 1HFY19 statutory loss after tax was 75% lower YoY at (A\$0.7m) versus 1HFY18 (A\$2.9m)
- EBIT for the 1HFY19, adjusted for non-cash share-based payments, was (A\$0.3m) versus 1HFY18 (A\$2.85m)
- The Company reported it achieved a **cash flow positive position** in mid-May and is pleased to report it achieved both an EBIT and cashflow positive result for the 2QFY19
- Cash balance as at 30<sup>th</sup> June 2019 was \$9.9m (not including \$3.1m of options exercised early in July, taking the cash balance to ~\$13.0m post the end of the half)
- Client Funds held at the end of the 1HFY19 were approximately A\$34.0m
- In the period ending 30 June 2019, the Company continued to elect to expense its software development costs, in lieu of capitalising them

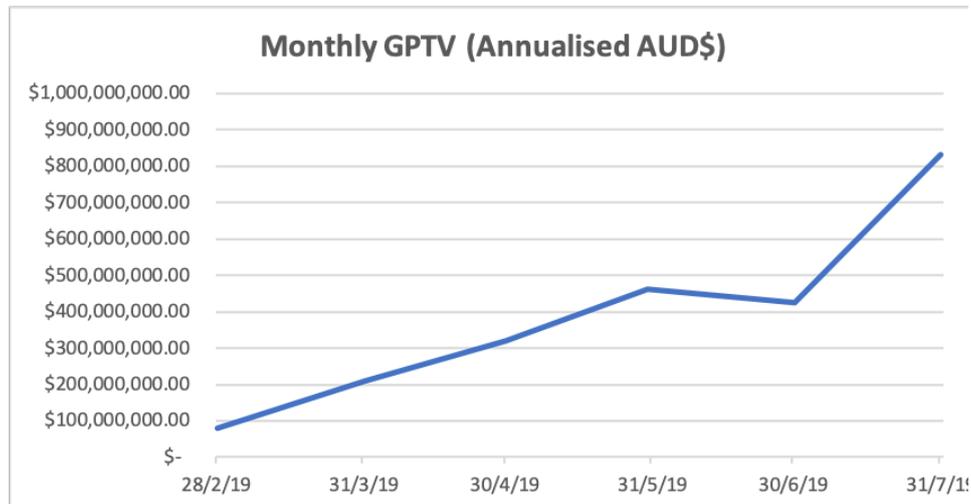
### Operational Trading Update:

**The Company maintains the current EBIT guidance for FY2019 of \$10.7m** supported by the following operational updates for activities post 30 June 2019:

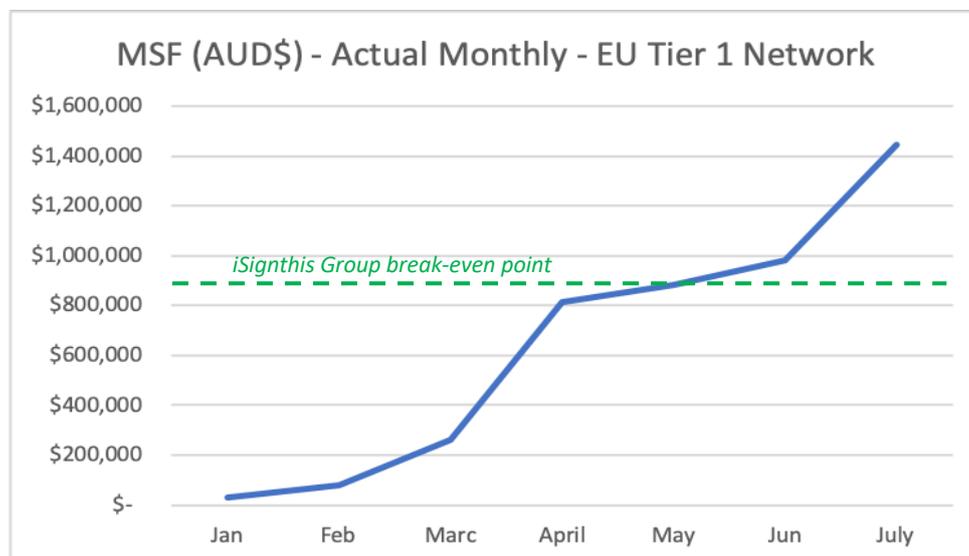
- Actual annualised monthly GPTV at 31<sup>st</sup> July circa A\$830m (Up↑ 96% from 30<sup>th</sup> June)
- Merchant Services Fee (MSF) from the EU Tier 1 Network continues to grow as expected in line with new merchant onboarding and rising processing volumes (see chart below)
- Group approvals at end of July were up 14% to 240 overall (vs 210 in 2Q report), which is made up of 95 Acquiring approvals (vs 80 in 2Q) and 145 EMA approvals (vs 130 in 2Q).
  - In addition, the sales team have built up a significant pipeline of merchant applications which are being processed by the approval/underwriting team.
  - The pipeline will see further growth in eMoney and card services.
- On 31<sup>st</sup> July, iSignthis appointed Elizabeth Warrell as its Group Chief Financial Officer (CFO). Elizabeth has 20 years banking and financial services experience in Australia and internationally, including her previous role with the NAB (ASX: NAB) as the General Manager Finance, Consumer Banking.
- On 8<sup>th</sup> August, iSignthis announced Australian Principal Member licensing agreement with the Asia Pacific (Singapore) based regional subsidiary of Visa Inc (NYSE: V)
- The operating cost base was revised in August to circa \$11.0m pa annualised (from \$8.75m), taking effect August 2019 onwards, to include additional new product initiatives and allow the Company to capture further revenue generating opportunities.

## 1.0 OPERATIONAL TRADING UPDATE FOR ACTIVITIES POST 30 JUNE 2019

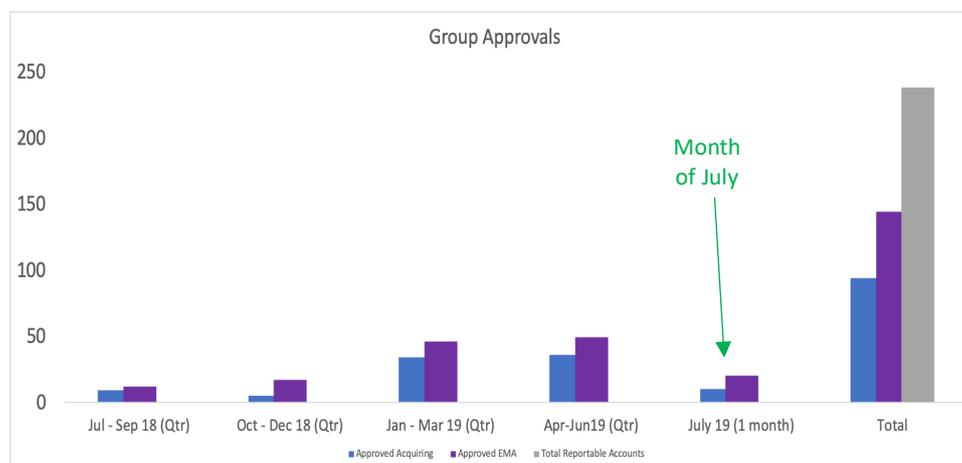
Actual annualised monthly GPTV ending 31<sup>st</sup> July to A\$830m, up 96% from 30<sup>th</sup> June



### MSF – Actual Monthly – EU Tier 1 Network



## Group Approvals Continue to Grow In-Line with Expectations



### New CFO Appointed / Commences Early September 2019

On 31<sup>st</sup> July, iSignthis appointed Elizabeth Warrell as its Group Chief Financial Officer (CFO). Elizabeth has 20 years banking and financial services experience in Australia and internationally, including her previous role with the NAB (ASX: NAB) as the General Manager Finance, Consumer Banking.

Elizabeth spent over 11 years at NAB, with roles covering the Consumer Banking business, including the Retail, Broker, UBank and Direct channels of NAB, as well as leading the NAB's financial control and external reporting team. Prior to joining the NAB, Elizabeth worked at GE Money's Australian operations, before spending several years in their head office in the United States and rolling out a joint venture in India. Elizabeth started her career in Audit at PriceWaterhouse Coopers and holds a Bachelor of Accounting qualification from Monash University. She has been a member of the Institute of Chartered Accountants since 1998.

### VISA - Australian Principal Member licensing agreement

On 8th August, iSignthis announced that it had entered into an Australian Principal Member licensing agreement with the Asia Pacific (Singapore) based regional subsidiary of Visa Inc (NYSE: V)

The agreement allows the Company to act as a merchant's card acquiring institution, and process card not present (online/remote) payments and make settlements on behalf of the merchant from cards issued anywhere globally by other Visa Principal or Associate member institutions. The Company generates revenue from its contracted merchants by charging a percentage fee known as the Merchant Discount Rate (MDR) on the sale amount processed on behalf of the merchant.

## About Us

**Australian Securities and Frankfurt Stock Exchange listed iSignthis Ltd (ASX: ISX | FRA: TA8)** delivers remote identity verification and payment authentication coupled with e-money 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 our 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 1.65m 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, ("BBS")** a wholly owned subsidiary of iSignthis Ltd, provides API based access to SEPA Core, SEPA Instant and SEPA business schemes ("CoreConnect"), for neobanks, banks, credit unions and e-money institutions, and provides a bridge to the Central Bank of Lithuania's CENTROLINK service. suite, with BBS contracted to deliver these services to a number of regulated entities.
- **Probanx Information Systems Ltd (Probanx®)**, a wholly owned subsidiary of iSignthis Ltd, is an international 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, e-money and payment institutions, offering capabilities that up until now were affordable only by large commercial banks.

Read more about the company at our website [www.isignthis.com](http://www.isignthis.com), <https://www.bbsservice.lt/en/> and [www.probanx.com](http://www.probanx.com)

EU Investor Relations: Dr. Eva Reuter, email: [e.reuter@dr-reuter.eu](mailto:e.reuter@dr-reuter.eu), +49 (0) 69 1532 5857

AU Investor Relations: Chris Northwood, email [chris.northwood@isignthis.com](mailto:chris.northwood@isignthis.com), +61 458 809 177

## Glossary

**AML** = Anti Money Laundering, usually refers to a regulatory regime that banks, brokers, exchanges, credit providers etc. need to comply with. AML requires KYC.

**Acquirer**= (also called acquirers, processing banks or merchant banks) are financial institutions, that are Principal members or associate members of the Major Card Schemes, and that are authorised by regulators and licensed by the Major Card Schemes to contract with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and mostly do, contract with third parties to provide some of these services.

**Cardholder** = authorised user of credit, prepaid or debit card

**Card issuer** =(Monetary) financial institutions that are Principal or Associate Members of a Credit Card Association, which issue payment cards on behalf of the Major Card Schemes, and contract with their cardholders for the terms of the repayment of transactions. iSignthis is a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International

**CTF or CFT** = Counter Terrorism Funding, or Counter Funding of Terrorism, is often paired with AML as AML/CTF or AML/CFT

**Clients** = legal or natural persons that either accept iSignthis eMoney, or contract with the Company for either identity related services or payment facilitation services. Used interchangeably with 'merchants'.

**Client Funds** = Funds held by the Company on behalf of its Clients and are not Company funds. Client Funds held are reported monthly to regulators.

**Dynamic Data** =one-time data related to an e-Payment transaction, that is current and used as an input at the time of **KYC** check. Unlike **Historic Data**, Dynamic data is only applicable and accessible via the person to whom it relates and can only be compiled with the KYC target person's active involvement. Refer to '**Secret**'

**Electronic money** = 'emoney', which means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a natural or legal person other than the electronic money issuer.

**e-KYC** = electronic or digital KYC. The process of customer identification remotely via the internet, rather than face-to-face / manual processes.

**Enhanced Due Diligence (EDD)** = for Higher-Risk Customers. Customers that pose higher money laundering or terrorist financing risks present increased exposure to merchants; **due diligence** policies, procedures, and processes should be **enhanced** as a result.

**EOI** = Evidence of Identity, which forms the basis of **KYC**, and usually includes Proof of Identity (PoI) and Proof of Address (PoA)

**Gross Turnover Processing Volume (GTPV)** = the volume of funds processed by the Company on behalf of any of its Merchants. That is, the GTPV is the merchant's revenue, from which the Company calculates and deducts fees.

**KYC** = **Know Your Customer**, a mandatory customer identification process that banks and AML regulated entities must perform prior to offering a consumer service in order to comply with AML law or regulation.

**Identification** = the means whereby a person is identified by name and other unique attributes, prior to those details being verified by a customer due diligence process.

**Merchant** = is a business that has contracted with an Acquirer to accept card payments

**Payidentity** = the convergence of payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a person's identity, usually for the purpose of satisfying Anti Money Laundering (AML) or Anti-Fraud, or both requirements.

**Major Card Schemes** = Visa, Mastercard, JCB, Diners, Discover, ChinaUnionPay and AmericanExpress. iSignthis is a principal acquirer of all the major card schemes except American Express, where it is an aggregation partner.

**Monetary Financial Institution (MFI)** = EU Regulation 2013/33/13 defines MFIs as resident undertakings that belong to any of the following sectors Credit Institution (Bank), Central Bank or eMoney Institution, such as iSignthis eMoney Ltd

**Payment Service Provider (PSP)** = an entity licensed or authorised to provide transactional banking services, including card issue, card acquire, credit facilities and bank transfers. The Company's subsidiary iSignthis eMoney Ltd is a European Economic Area Authorised eMoney Monetary Financial Institution (MFI) and can offer PSP services.

**Principal Acquirer** = an entity (including iSignthis eMoney Ltd and iSignthis eMoney (AU) Pty Ltd) that has necessary authorisations from the national payment's regulator (Reserve Bank or Central Bank) to be licensed directly to acquire, process and settle card transactions from Major Card Schemes. A principal is contracted and technically connected directly with one or more Major Card Schemes,

**PCI** = Payment Card Industry, comprising Visa, Mastercard, American Express, Diners, Discover, China Union Pay. PCI sets the global standards required for security and interconnectivity of banks & processors to merchants via its data security standard (DSS). Level / Tier 1 is the highest standard possible.

**PSC = A Person of Significant Control** is anyone that exerts a significant influence or control over a company. They are identified as a PSC if they meet any of the following criteria: Hold more than 25% of a share in a company or have the right to participate in more than 25% of the surplus assets of a company.

**Rolling Reserve** = a risk management strategy to protect the merchant and the Company from potential loss due to chargebacks. A portion (calculated on an agreed percentage) of the weekly credit card GTPV volume processed will be secured to cover for the potential business risk relating to chargebacks and released back to the merchant after a predetermined period of time (typically 26 weeks). The Rolling Reserve is considered as merchant funds held by the Company typically as a security against performance by the merchant of the card scheme rules. The Company may set off against the Rolling Reserve.

**Secret** = Information which can only be known by or in the possession of (e.g. one-time passcode or cryptographic key) the authorised users. This information is transmitted by iSignthis securely within standard payment messages and used as the basis of challenge / response knowledge-based authentication **EOI**. The Secret is comprised of **Dynamic Data**. By way of example, the United Kingdom's Joint Money Laundering Steering Group (JMLSG) 2017 Revision at s5.3.89 refers.

**Security** = funds placed by the merchant with the Company against performance by the merchant of its obligations under its agreement with the Company. The Company may set off against the Security.

**Service provider** = any third party that provides a service used in the card payment transaction process: point-of-sale terminals, payment gateways, web hosting, SSL certificates, shopping carts etc.

**SCA** = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a person's KYC identity and a specific payment instrument (e.g. card or eWallet), and the 2FA is used to authenticate remote payment transactions executed on the payment instrument.

**UBO** = Ultimate Beneficial Owner, companies are increasingly expected to understand who they are doing business with. This serves to prevent doing business with mala fide parties. Any institutions that fall within the scope of the Anti-Money Laundering and Anti-Terrorist Financing Act must retrieve the identity of the UBO (the ultimate beneficial owner) of their business relations on a mandatory basis.

**Verification** = the means whereby a person's details, including name, date of birth, address and other unique attributes having been previously identified, are verified via a customer due diligence process.

**iSignthis Ltd**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	iSignthis Ltd
ABN:	93 075 419 715
Reporting period:	For the half-year ended 30 June 2019
Previous period:	For the half-year ended 30 June 2018

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	49.4% to	7,472,136
Loss from ordinary activities after tax attributable to the owners of iSignthis Ltd	down	75.1% to	(729,190)
Loss for the half-year attributable to the owners of iSignthis Ltd	down	75.1% to	(729,190)

*Dividends*

There were no dividends paid, recommended or declared during the current financial period.

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$729,190 (30 June 2018: \$2,925,943).

The total revenue increased by approximately \$2.64 million when compared to last year. This is in line with the overall growth of the business operations, an increased customer base and additional revenue streams built by the consolidated entity.

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.77</u>	<u>0.92</u>

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**4. Control gained over entities**

Name of entities (or group of entities)	UAB Baltic Banking Services
Date control gained	15 February 2019

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(115,411)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

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**5. Loss of control over entities**

Not applicable.

## **6. Dividends**

### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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## **7. Dividend reinvestment plans**

Not applicable.

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## **8. Details of associates and joint venture entities**

Not applicable.

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## **9. Foreign entities**

### *Details of origin of accounting standards used in compiling the report:*

Not applicable as all foreign entities of iSignthis Limited report under IFRS.

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## **10. Audit qualification or review**

### *Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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## **11. Attachments**

### *Details of attachments (if any):*

The Interim Report of iSignthis Ltd for the half-year ended 30 June 2019 is attached.

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## **12. Signed**

Signed



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Nickolas John Karantzis  
Managing Director

Date: 28 August 2019

**iSignthis Ltd**

**ABN 93 075 419 715**

**Interim Report - 30 June 2019**

**iSignthis Ltd**  
**Corporate directory**  
**30 June 2019**

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
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
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>
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

**iSignthis Ltd**  
**Directors' report**  
**30 June 2019**

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 half-year ended 30 June 2019.

**Directors**

The following persons were directors of iSignthis Ltd during the whole of the financial half-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)

**Principal activities**

iSignthis Ltd is an Australian headquartered, global, leading eMoney, payments and identity technology company.

Our product offerings revolve around optimising the online payment user experience. We provide specialist banking services to cross-border, regulated and high value businesses. Our services include a complete end customer onboarding solution, remote identity verification, payment processing, card acquiring, settlement, IBAN accounts, SEPA transfers and deposit-taking eMoney services.

By converging payments and identity, iSignthis delivers regulatory compliance to an enhanced customer due diligence standard to our business customers, via our patented Paydentity™ Know Your Customer's Customer (KYCC) platform. We offer our business customers global reach and KYCC for any of the world's 4.3Bn 'bank verified' end users, who in turn can be remotely on-boarded to our regulated merchants or business customers in as little as 3 to 5 minutes via the Paydentity™ KYCC platform.

iSignthis operates a payments ecosystem whereby consumers purchase electronic money ("eMoney"), which emoney issued under our European Economic Area\* Electronic Money Institution ("EMI") license. The eMoney is then redeemed at our merchant network by the consumer. The consumer has the benefit of wide payment sources to purchase eMoney, using a large number of source currencies, and that their Paydentity™ verified identity is then linked to iSignthis eMoney in turn reducing the onboarding time for consumers at participating merchant's point of sale or service provision point.

The process is advantageous to merchants as the customer due diligence process (or Know Your Customer / KYC) is streamlined significantly. iSignthis markets its services to merchants directly, with retail consumers acquired indirectly by iSignthis following introduction of the consumer by the merchant to iSignthis eMoney service.

\* Includes a United Kingdom post BREXIT transitional license issued by the Financial Conduct Authority.

**iSignthis Ltd**  
**Directors' report**  
**30 June 2019**

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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.

Our in-house developed and patented Payidentity™ identity verification, Probanx® CORE Banking and ISXPay® payment platforms make delivery of these services possible.

iSignthis' mission is to keep enhancing our neobanking capabilities in order to strength our compliance and banking proposition to business customers.

### **Financial performance**

The loss for the consolidated entity after providing for income tax amounted to \$729,190 (30 June 2018: \$2,925,943).

Revenue including other income during the period amounted to \$8,149,229 (June 2018: \$5,510,925), which included interest of \$55,514, sales from operating activities of \$7,472,136 and R&D tax concession of \$621,579.

Operating costs for the financial year were \$3,004,580 (June 2018: \$4,736,933).

Employment benefit costs amounted to \$3,221,470 (June 2018: \$2,013,110), due to an increase in the number of employees throughout the financial year.

Corporate expenses amounted to \$1,356,888 (June 2018: \$633,080) resulting from continuing operations. These fees are made up of consultancy, accounting, and other professional services.

Share based payments during the period amounted to \$483,224 (June 2018: \$107,333) which includes a total of 3,443,000 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 \$1,421,491 to \$12,865,455 as at 30 June 2019 (December 2018: \$11,443,964). The consolidated entity's working capital, being current assets less current liabilities was \$8,036,106 at 30 June 2019 (December 2018: \$9,850,889). During the period the consolidated entity had negative cash flow from operating activities of \$282,743 (June 2018: cash outflow of \$1,304,531).

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

**iSignthis Ltd**  
**Directors' report**  
**30 June 2019**

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

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

There is also 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.

On 26 April 2019, the consolidated entity issued 150,000 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 half-year.

**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.

**Rounding of amounts**

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Nickolas John Karantzis  
Managing Director

28 August 2019

## 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 review of iSignthis Ltd for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B L Taylor  
Partner – Audit & Assurance

Melbourne, 28 August 2019

**iSignthis Ltd**  
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**30 June 2019**

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**iSignthis Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2019**

	Note	Consolidated 30 June 2019 \$	30 June 2018 \$
<b>Revenue</b>	5	7,472,136	5,002,479
Other income	6	677,093	509,578
<b>Expenses</b>			
Corporate expenses		(1,356,888)	(633,080)
Advertising & marketing expense		(183,326)	(193,242)
Employee benefits expense		(3,221,470)	(2,013,110)
Research & development expenses		(180,809)	(148,539)
Depreciation & amortisation expense	7	(207,006)	(85,814)
Other expenses		(287,451)	(513,264)
Operating costs	7	(3,004,580)	(4,736,933)
Share based payments	12	(483,224)	(107,333)
Net realised foreign exchange gain / (loss)		46,335	(6,685)
<b>Loss before income tax expense</b>		(729,190)	(2,925,943)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of iSignthis Ltd</b>		(729,190)	(2,925,943)
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		172,352	(5,032)
Other comprehensive income / (loss) for the half-year, net of tax		172,352	(5,032)
<b>Total comprehensive loss for the half-year attributable to the owners of iSignthis Ltd</b>		(556,838)	(2,930,975)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share		(0.07)	(0.37)
Diluted loss per share		(0.07)	(0.37)

*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 30 June 2019**

		<b>Consolidated</b>	<b>Restated</b>
	<b>Note</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,988,475	8,433,874
Trade and other receivables		985,233	894,501
Funds held on behalf of merchants		34,049,770	4,352,048
Other assets		1,404,595	1,718,955
<b>Total current assets</b>		<u>46,428,073</u>	<u>15,399,378</u>
<b>Non-current assets</b>			
Plant and equipment		235,847	182,039
Right-of-use assets	13	647,156	-
Intangibles		4,500,981	1,531,113
<b>Total non-current assets</b>		<u>5,383,984</u>	<u>1,713,152</u>
<b>Total assets</b>		<u>51,812,057</u>	<u>17,112,530</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,075,972	890,728
Lease liability		246,597	14,206
Employee benefits		160,369	128,348
Funds held on behalf of merchants		34,049,770	4,352,048
Other liabilities		2,859,259	163,159
<b>Total current liabilities</b>		<u>38,391,967</u>	<u>5,548,489</u>
<b>Non-current liabilities</b>			
Lease liability		436,586	-
Deferred tax		90,947	90,947
Employee benefits		27,102	29,130
<b>Total non-current liabilities</b>		<u>554,635</u>	<u>120,077</u>
<b>Total liabilities</b>		<u>38,946,602</u>	<u>5,668,566</u>
<b>Net assets</b>		<u>12,865,455</u>	<u>11,443,964</u>
<b>Equity</b>			
Issued capital	8	42,749,698	40,677,673
Reserves		991,328	1,024,087
Accumulated losses		(30,875,571)	(30,257,796)
<b>Total equity</b>		<u>12,865,455</u>	<u>11,443,964</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 half-year ended 30 June 2019**

<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 half-year	-	-	(2,925,943)	-	(2,925,943)
Other comprehensive loss for the half-year, net of tax	-	-	-	(5,032)	(5,032)
Total comprehensive loss for the half-year	-	-	(2,925,943)	(5,032)	(2,930,975)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 12)	46,584	60,749	-	-	107,333
Lapse of options and rights	-	(24,929)	24,929	-	-
Balance at 30 June 2018	<u>30,723,878</u>	<u>4,621,725</u>	<u>(28,742,924)</u>	<u>(72,046)</u>	<u>6,530,633</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 2019	40,677,673	1,141,585	(30,257,796)	(117,498)	11,443,964
Adjustment upon initial adoption of AASB 16	-	-	(25,246)	-	(25,246)
Balance at 1 January 2019 - restated	40,677,673	1,141,585	(30,283,042)	(117,498)	11,418,718
Loss after income tax expense for the half-year	-	-	(729,190)	-	(729,190)
Other comprehensive income for the half-year, net of tax	-	-	-	172,352	172,352
Total comprehensive income / (loss) for the half-year	-	-	(729,190)	172,352	(556,838)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 8)	2,072,025	(551,674)	-	-	1,520,351
Share-based payments (note 12)	-	483,224	-	-	483,224
Lapse of options and rights	-	(136,661)	136,661	-	-
Balance at 30 June 2019	<u>42,749,698</u>	<u>936,474</u>	<u>(30,875,571)</u>	<u>54,854</u>	<u>12,865,455</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 half-year ended 30 June 2019**

	Note	Consolidated 30 June 2019 \$	30 June 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		7,486,582	4,204,057
Payments to suppliers and employees		(8,441,072)	(6,007,018)
Interest received		78,566	29,911
Net research and development incentive received		593,181	468,519
		<u>                    </u>	<u>                    </u>
Net cash (used in) operating activities		(282,743)	(1,304,531)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	10	(176,788)	-
Payments for plant and equipment		(85,911)	(45,449)
Payments for intangibles		(8,435)	3,770
Payments for deposits		(134,799)	(54,089)
Loans repaid from third parties		320,000	-
		<u>                    </u>	<u>                    </u>
Net cash (used in) investing activities		(85,933)	(95,768)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	8	1,400,943	-
Card scheme membership security		346,820	(737,533)
		<u>                    </u>	<u>                    </u>
Net cash from/(used in) financing activities		1,747,763	(737,533)
		<u>                    </u>	<u>                    </u>
Net increase/(decrease) in cash and cash equivalents		1,379,087	(2,137,832)
Cash and cash equivalents at the beginning of the financial half-year		8,433,874	7,653,681
Effects of exchange rate changes on cash and cash equivalents		175,514	7,348
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial half-year		<u>9,988,475</u>	<u>5,523,197</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**  
**30 June 2019**

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

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

456 Victoria Parade  
East Melbourne  
Victoria, 3002

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2019.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**Prior period error**

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

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

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

These funds have been removed from the 'funds held on behalf of merchants' assets and 'funds held on behalf of merchants' liability accounts on the Statement of Financial Position. There is no net impact on net assets or on net loss for either period and these funds do not have any impact on the Company's cash at bank or on prior or future profit and loss.

The table below details the impacts on total assets and total liabilities as a result of this error.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

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

	31 December 2018		
	As previously reported \$	Adjustment \$	As restated \$
Impact on total assets as a result of error			
Cash and cash equivalents	8,433,874	-	8,433,874
Trade and other receivables	894,501	-	894,501
Funds held on behalf of merchant (client funds)	9,107,677	(4,755,629)	4,352,048
Other current assets	1,718,955	-	1,718,955
Total non-current assets	1,713,152	-	1,713,152
<b>Total assets</b>	<b>21,868,159</b>	<b>(4,755,629)</b>	<b>17,112,530</b>
	31 December 2018		
	As previously reported \$	Adjustment \$	As restated \$
Impact on total liabilities as a result of error			
Trade and other payables	890,728	-	890,728
Lease liability	14,206	-	14,206
Employee benefits	128,348	-	128,348
Funds held on behalf of merchants (client funds)	9,107,677	(4,755,629)	4,352,048
Other liabilities	163,159	-	163,159
Non-current liabilities	120,077	-	120,077
<b>Total liabilities</b>	<b>10,424,195</b>	<b>(4,755,629)</b>	<b>5,668,566</b>
	30 June 2018		
	As previously reported \$	Adjustment \$	As restated
Impact on total assets as a result of error			
Cash and cash equivalents	5,523,197	-	5,523,197
Trade and other receivables	1,231,953	-	1,231,953
Funds held on behalf of merchants (client funds)	8,660,700	(6,335,079)	2,325,621
Other assets	1,328,226	-	1,328,226
Other non-current assets	1,273,719	-	1,273,719
<b>Total assets</b>	<b>18,017,795</b>	<b>(6,335,079)</b>	<b>11,682,716</b>
	30 June 2018		
	As previously restated \$	Adjustments \$	As restated
Impact on total liabilities as a result of error			
Trade and other payables	2,578,576	-	2,578,576
Employee benefits	204,610	-	204,610
Funds held on behalf of merchants (client funds)	8,660,700	(6,335,079)	2,325,621
Non-current liabilities	43,276	-	43,276
<b>Total liabilities</b>	<b>11,487,162</b>	<b>(6,335,079)</b>	<b>5,152,083</b>

**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.

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

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

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

*AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*Impact of adoption*

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

	\$
Right-of-use assets as at 1 January 2019	1,077,071
Right-of-use accumulated depreciation as at 1 January 2019	(495,516)
Lease liabilities - current - as at 1 January 2019	(200,964)
Lease liabilities - non-current - as at 1 January 2019	<u>(405,837)</u>
Reduction in opening retained profits as at 1 January 2019	<u><u>(25,246)</u></u>
	\$
Reconciliation to net lease commitments upon adoption of AASB 16:	
Gross lease commitments as at 31 December 2018	644,724
Discount to present value	<u>(37,923)</u>
Net lease commitments on 1 January 2019	<u><u>606,801</u></u>

*Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated or amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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

*Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**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.

*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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

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

*Business combinations*

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

**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 - 30 June 2019</b>	Australia \$	Europe & BVI \$	Total \$
<b>Revenue</b>			
Sales to external customers	837,750	6,634,386	7,472,136
Research & development tax concession	621,579	-	621,579
Interest	54,796	718	55,514
<b>Total revenue</b>	<u>1,514,125</u>	<u>6,635,104</u>	<u>8,149,229</u>
<b>Expenses</b>			
Corporate expenses	(612,202)	(744,686)	(1,356,888)
Advertising & marketing	(12,932)	(170,394)	(183,326)
Employee benefits expense	(921,045)	(2,300,425)	(3,221,470)
Research & development expenses	(180,809)	-	(180,809)
Depreciation & amortisation expense	(138,467)	(68,539)	(207,006)
Other expenses	(24,660)	(262,791)	(287,451)
Operating costs	(930,085)	(2,074,495)	(3,004,580)
Share based payments	(483,224)	-	(483,224)
Net realised foreign exchange gain / (loss)	-	46,335	46,335
<b>Profit/(loss) before income tax expense</b>	<u>(1,789,299)</u>	<u>1,060,109</u>	<u>(729,190)</u>
Income tax expense			-
<b>Loss after income tax expense</b>			<u>(729,190)</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

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

<b>Consolidated - 30 June 2018</b>	Australia \$	Europe & BVI \$	Total \$
<b>Revenue</b>			
Sales to external customers	1,285,339	3,717,140	5,002,479
Research & development tax concession	478,519	-	478,519
Interest	29,927	1,132	31,059
<b>Total revenue</b>	<u>1,793,785</u>	<u>3,718,272</u>	<u>5,512,057</u>
<b>Expenses</b>			
Corporate expenses	(299,761)	(333,319)	(633,080)
Advertising & marketing	(100,231)	(93,011)	(193,242)
Employee benefits expense	(853,887)	(1,159,223)	(2,013,110)
Research & development expenses	(148,539)	-	(148,539)
Depreciation & amortisation expense	(14,517)	(71,297)	(85,814)
Other expenses	(199,776)	(313,488)	(513,264)
Operating costs	(1,281,942)	(3,454,991)	(4,736,933)
Share based payments	(107,333)	-	(107,333)
Net realised foreign exchange gain / (loss)	(5,434)	(1,251)	(6,685)
<b>Loss before income tax expense</b>	<u>(1,217,635)</u>	<u>(1,708,308)</u>	<u>(2,925,943)</u>
Income tax expense			-
<b>Loss after income tax expense</b>			<u>(2,925,943)</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 30 June 2019 \$	Cash and cash equivalents 31 December 2018 \$	Funds held on behalf of merchants 30 June 2019 \$	Funds held on behalf of merchants 31 December 2018 \$	Intangibles 30 June 2019 \$	Intangibles 31 December 2018 \$
Australia	9,573,670	7,919,352	2,643,840	3,444,771	-	-
Europe & BVI	414,805	514,522	31,405,930	907,277	4,500,981	1,531,113
	<u>9,988,475</u>	<u>8,433,874</u>	<u>34,049,770</u>	<u>4,352,048</u>	<u>4,500,981</u>	<u>1,531,113</u>

**Note 5. Revenue**

	<b>Consolidated</b> <b>30 June 2019</b> \$	<b>30 June 2018</b> \$
Contracted service fees	<u>7,472,136</u>	<u>5,002,479</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Interest income	55,514	31,059
Research & development tax concession	<u>621,579</u>	<u>478,519</u>
Other income	<u><u>677,093</u></u>	<u><u>509,578</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>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings right-of-use assets	123,918	-
Computers and office equipment	<u>32,463</u>	<u>26,206</u>
Total depreciation	<u>156,381</u>	<u>26,206</u>
<i>Amortisation</i>		
Patents and trademarks	<u>50,625</u>	<u>59,608</u>
Total depreciation and amortisation	<u>207,006</u>	<u>85,814</u>
<i>Operating costs</i>		
Cost of sales	2,604,173	4,236,596
IT support	348,679	347,953
Other general operating expenses	<u>51,728</u>	<u>152,384</u>
Total operating costs	<u>3,004,580</u>	<u>4,736,933</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 8. Equity - issued capital**

	30 June 2019	31 December 2018	Consolidated 30 June 2019	31 December 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,083,988,328</u>	<u>1,075,714,618</u>	<u>42,749,698</u>	<u>40,677,673</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2019	1,075,714,618		40,677,673
Issue of shares upon the vesting of performance rights	3 January 2019	1,208,936	\$0.08	126,087
Issue of shares upon the vesting of performance rights	28 February 2019	1,250,000	\$0.11	133,875
Issue of shares upon the vesting of performance rights	6 March 2019	62,500	\$0.10	7,088
Issue of shares upon the vesting of performance shares	12 March 2019	85,000	\$0.11	9,639
Issue of shares upon the vesting of performance rights	26 April 2019	100,000	\$0.11	11,582
Issue of shares upon the vesting of performance rights	26 April 2019	50,000	\$0.10	5,355
Issue of shares in relation to a business combination	6 March 2019	607,055	\$0.19	119,408
Exercise of options during the year		4,910,219		1,400,943
Transfer from share based payments reserve upon exercise of options		-		<u>258,048</u>
Balance	30 June 2019	<u>1,083,988,328</u>		<u>42,749,698</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.

**Note 9. Contingent assets and liabilities**

As detailed in Note 2, during the interim period ended 30 June 2019, the Group removed from the Statement of Financial Position certain assets and liabilities relating to client funds which had been recognised in prior periods. These funds are subject to a Court Order instigated by ASIC to freeze those funds.

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

As at 30 June 2019 the balance of the contingent assets and liabilities amounted to \$2,963,737.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 10. 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 \$466,660 and a profit after tax of \$160,837 to the consolidated entity for the half year ending 30 June 2019.

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 30 June 2019.

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 were 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.

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 10. Business combinations (continued)**

*UAB Baltic Banking Services Acquisition*

On 15 February 2019, the consolidated entity acquired 100% of the ordinary shares of UAB Baltic Banking Services ("BBS").

The acquired business contributed revenues of \$828,168 and a loss after tax of \$115,411 to the consolidated entity for the half year ending 30 June 2019.

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

The 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 statement of financial position calculation as at signing date.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Trade receivables	96,999
Other current assets	74,653
Bank overdraft	(58,516)
Trade payables	(237,023)
Deferred revenue	(511,728)
	<u>                    </u>
Net liabilities acquired	(635,615)
Goodwill	3,012,417
	<u>                    </u>
Acquisition-date fair value of the total consideration transferred	<u><u>2,376,802</u></u>
Representing:	
Cash paid or payable to vendor*	118,840
iSignthis Ltd shares issued to vendor**	118,840
Contingent consideration***	2,139,122
	<u>                    </u>
	<u><u>2,376,802</u></u>

\* Consists of €75,000 cash paid on acquisition date

\*\* Consists of €75,000 in ordinary shares, issued at the February monthly VWAP, plus a €75,000 cash payment.

\*\*\* Contingent consideration is made up of cash and share based earnouts limited at €1.5m, based upon a multiplier of EBIT at 31 December 2019 less the initial cash payment

- Cash portion of this earnout is limited to 15%

- Share portion is limited to 85%, payable as ordinary shares with a majority escrow provision

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 11. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 12. Share-based payments**

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

30 June 2019

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
01/08/2016	01/07/2019	\$0.62	5,000,000	-	-	-	5,000,000
03/08/2017	01/12/2019	\$0.30	500,000	-	(50,000)	-	450,000
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	-	(1,642,104)	-	1,208,773
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)	-	-
13/03/2019	10/07/2020	\$0.30	-	3,000,000	-	-	3,000,000
			<u>14,652,631</u>	<u>3,000,000</u>	<u>(4,942,981)</u>	<u>(3,050,877)</u>	<u>9,658,773</u>

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

30 June 2018

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
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	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>42,652,631</u>	<u>-</u>	<u>-</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**  
**30 June 2019**

**Note 12. Share-based payments (continued)**

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

Grant date	Expiry date	30 June 2019 Number	30 June 2018 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
13/05/2019	01/12/2019	450,000	500,000
09/11/2017	08/02/2019	-	2,850,877
09/11/2017	08/05/2019	-	2,850,877
09/11/2017	08/02/2020	1,208,773	2,850,877
08/12/2017	08/02/2019	-	200,000
08/12/2017	08/05/2019	-	200,000
08/12/2017	08/02/2020	-	200,000
13/03/2019	10/07/2020	3,000,000	-
		<u>9,658,773</u>	<u>31,652,631</u>

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

30 June 2019

Grant date	Expiry date	Balance at the start of the half-year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the half-year
27/01/2017	02/01/2019	218,250	-	(218,250)	-	-
30/06/2017	25/04/2019	50,000	-	(50,000)	-	-
30/06/2017	01/07/2019	17,500	-	-	-	17,500
05/12/2017	24/04/2019	107,500	-	(100,000)	(7,500)	-
05/12/2017	01/09/2019	83,334	-	-	(41,667)	41,667
05/12/2017	19/09/2019	72,500	-	-	-	72,500
05/12/2017	01/12/2019	10,000	-	-	-	10,000
23/05/2018	01/03/2019	100,000	-	(62,500)	(37,500)	-
23/05/2018	01/03/2020	100,000	-	-	(37,500)	62,500
23/05/2018	11/03/2019	110,000	-	(85,000)	(25,000)	-
03/09/2018	01/09/2020	3,464,000	-	(1,250,000)	(219,000)	1,995,000
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)	-
09/05/2019	01/01/2020	-	50,000	-	-	50,000
09/05/2019	30/04/2020	-	74,000	-	-	74,000
09/05/2019	30/04/2021	-	69,000	-	-	69,000
17/05/2019	30/06/2021	-	1,625,000	-	-	1,625,000
17/05/2019	30/06/2022	-	1,625,000	-	-	1,625,000
		<u>4,823,084</u>	<u>3,443,000</u>	<u>(1,765,750)</u>	<u>(638,167)</u>	<u>5,862,167</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 12. Share-based payments (continued)**

30 June 2018

Grant date	Expiry date	Balance at the start of the half-year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the half-year
01/08/2016	01/03/2018	216,667	-	(216,667)	-	-
01/08/2016	15/07/2018	718,584	-	-	(100,000)	618,584
11/11/2016	01/11/2018	335,000	-	-	(42,500)	292,500
27/01/2017	02/01/2019	371,500	-	-	(153,250)	218,250
30/06/2017	25/04/2019	50,000	-	-	-	50,000
30/06/2017	01/07/2019	17,500	-	-	-	17,500
05/12/2017	24/04/2019	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
		<u>2,218,418</u>	<u>560,000</u>	<u>(216,667)</u>	<u>(315,750)</u>	<u>2,246,001</u>

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

Grant date	Expiry date	30 June 2019 Number	30 June 2018 Number
01/08/2016	15/07/2018	-	618,584
11/11/2016	01/11/2018	-	292,500
27/01/2017	02/01/2019	-	218,250
30/06/2017	25/04/2019	-	50,000
30/06/2017	01/07/2019	17,500	17,500
05/12/2017	24/04/2019	-	107,500
05/12/2017	01/09/2018	-	143,333
05/12/2017	01/09/2019	41,667	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	62,500	100,000
23/05/2018	11/03/2019	-	110,000
23/05/2018	30/06/2018	-	250,000
03/09/2018	01/09/2020	1,995,000	-
10/12/2018	10/12/2019	220,000	-
09/05/2019	01/01/2020	50,000	-
09/05/2019	30/04/2020	74,000	-
09/05/2019	30/04/2021	69,000	-
17/05/2019	30/06/2021	1,625,000	-
17/05/2019	30/06/2022	1,625,000	-
		<u>5,862,167</u>	<u>2,246,001</u>

**iSignthis Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2019**

**Note 12. Share-based payments (continued)**

For the options granted during the current financial half-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	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
13/03/2019	10/07/2020	\$0.27	\$0.30	77.00%	1.60%	\$0.0825

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

Grant date	Expiry date	Share price at grant date	Expected volatility	Risk-free interest rate	Fair value at grant date
09/05/2019	01/01/2020	\$0.33	77.00%	1.31%	\$0.3350
09/05/2019	30/04/2020	\$0.33	77.00%	1.31%	\$0.3350
09/05/2019	30/04/2021	\$0.33	77.00%	1.31%	\$0.3350
17/05/2019	30/06/2021	\$0.45	77.00%	1.21%	\$0.4450
17/05/2019	30/06/2022	\$0.45	77.00%	1.18%	\$0.4190

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.

**Note 13. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	1,266,589	-
Less: Accumulated depreciation	(619,433)	-
	<u>647,156</u>	<u>-</u>

Additions to the right-of-use assets during the half-year were \$189,518.

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between to 2-5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**iSignthis Ltd**  
**Directors' declaration**  
**30 June 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Nickolas John Karantzis  
Managing Director

28 August 2019

# Independent Auditor's Report

## To the Members of iSignthis Ltd

### Report on the audit of the financial report

#### Conclusion

We have reviewed the accompanying half year financial report of iSignthis Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of iSignthis Ltd does not give a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of iSignthis Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B L Taylor  
Partner – Audit & Assurance

Melbourne, 28 August 2019