

iSignthis Ltd

ABN 93 075 419 715

Interim Report - 30 June 2021

iSignthis Ltd
Corporate directory
30 June 2021

Directors	Timothy Hart (Independent, Non-Executive Chairman) Nickolas John Karantzis (Managing Director) Barnaby Egerton-Warburton (Independent, Non-Executive Director) Scott Minehane (Independent, Non-Executive Director) Christakis Taoushanis (Independent, Non-Executive Director – resigned as director on 31 August 2021)
Chief Financial Officer	Elizabeth Warrell
Joint Company Secretary	Elizabeth Warrell and Todd Richards
Registered office	456 Victoria Parade East Melbourne, VIC, 3002, Australia Telephone: +61 3 8640 0990 Facsimile: +61 3 8640 0953
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnson Street, Abbotsford, VIC, 3067, Australia Telephone: 1300 850 505
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street, Sydney, NSW, 2000, Australia
Stock exchange listing	iSignthis Ltd shares are listed on the Australian Securities Exchange and cross listed on Frankfurt Stock Exchange (ASX: ISX FRA: TA8)
Website	www.isignthis.com.au
Internal Auditor (Cyprus)	Nexia Poyiadjis Chartered Accountants 8 th floor, 2 Sophouli str, Nicosia, 1096, Cyprus
ISO27001 Certifier	British Standards Institute Suite 5.02 Level 5, 484 St Kilda Road, Melbourne, VIC, 3004, Australia
PCI DSS Certifier	Security Centric Pty Ltd Level 9 580 George Street Sydney, NSW, 2000, Australia

iSignthis Ltd
Directors' report
30 June 2021

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 2021.

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 (Independent, Non-Executive Chairman)
Mr Nickolas John Karantzis (Managing Director)
Mr Scott Minehane (Independent, Non-Executive Director)
Mr Barnaby Egerton-Warburton (Independent, Non-Executive Director)
Mr Christakis Taoushanis (Independent, Non-Executive Director – resigned as Director on 31 August 2021)

Principal activities

The Company is an Australian incorporated regulated financial services company and developer of RegTech software solutions, headquartered in Melbourne, Australia, with operations centres in Nicosia, Cyprus, Vilnius, Lithuania and London, UK, with sales offices in Sydney, Australia, Amsterdam, the Netherlands, Tel-Aviv, Israel and Valetta, Malta.

The Company has developed and extended its own monetary financial services technology stack including payment gateway, core banking, interbank networking and KYC platforms. The Company uses this technology stack to deliver payment and eMoney services to business and retail customers under EU and UK monetary financial services authorizations. The Company also provides the platforms as a technology provider to other regulated financial institutions under either SaaS or a licensing plus service fees model.

The Company also possesses the capability to license its know-how, including extensive software systems and intellectual property rights (in the form of patents granted across a number of jurisdictions) to prospective customers. The Company is in the deployment and commercialisation stage of its business life as an emerging neo-banking, payments, identity/KYC and technology provider to both the retail and AML regulated business sectors.

The Company's Cyprus subsidiary, ISX Financial EU Plc (ISXFEU) is the holder of the European Economic Area (EEA) regulatory authorisation as an eMoney Institution authorised by the Central Bank of Cyprus. ISXFEU was granted a transitional authority to operate in the UK by the FCA as an interim measure following Brexit and until a license is granted in the UK.

In September 2020, The Company's UK subsidiary, ISX Financial UK Ltd (ISXUK) was granted an Authorised Electronic Money Institution license by the Financial Conduct Authority under the Electronic Money Regulations 2011 (United Kingdom). The license allows ISXUK to issue, distribute and redeem eMoney in the UK, and, subject to approval of its application, to hold a Bank of England settlement account. The full range of services permissible under the Payment Services Regulations 2017 (United Kingdom) have also been authorised, including account information and payment initiation services.

The Company's subsidiaries hold payment services licenses in both the EEA and Australia for major card schemes, including Mastercard Inc., Diners Club, Discover, JCB, China UnionPay and other Alternative Payment Methods (APM's).

Financial performance

In the six months ended 30 June 2021 (1H21), the Group incurred a first half loss of €0.4 million, compared to a profit of €0.5 million in the six months ended 30 June 2020 (1H20). The loss in the half is primarily due to legal and advisory costs related to the ASIC and ASX legal cases of €1.2 million incurred in 1H21. Excluding these non operational costs the Group made a profit of €0.8 million in the six months ended 30 June 2021.

In the period revenue from customers reduced by 8% (or €0.9 million) to €10.7 million, from €11.6 million in 1H20. The reduction in revenue was largely as a result of the Group diversifying its revenue away from card acquiring, towards lower cost instant and batched interbank payments, and creating a multi-rail ecosystem centred on its flykk[®] service.

In the 1H21 the Group's expenses and other charges of €10.7 million were down 3% or €0.3 million. The decrease was due to reduced operating costs, down €1.5 million or 31% in the half, to €3.3 million as a result of the Group diversifying its revenue away from card acquiring, as detailed above. Corporate expenses increased €0.8 million in the half largely due to increased legal and advisory costs related to the ASIC and ASX legal cases, up €0.6 million to €1.2 million in 1H21 (1H20 €0.6 million). Employee cost also increased in the half by €0.6 million as the Group continued to hire additional employees to manage current and future customer growth.

Income tax expenses in the half increased €81k due to the finalization of the Group's 2020 Cypriot tax return, combined with increased profits being incurred in the Group's main operating entity in Cyprus.

Financial Position

The financial position of the Group remained strong during the period, with cash and cash equivalents of €9.8 million at the end of the period. Cash and cash equivalents during the period reduced by €0.7 million due to €1.3 million in payments for software intangibles in the half, combined with a €0.5 million outflow from financing activities. These items were partially offset by €1.1 million in cash generated in operating activities.

The Group also saw its total assets remain stable at €83 million, with decreases in cash and cash equivalents and trade receivables, offset by increases in funds held on behalf of merchants and intangible assets. Funds held on behalf of our merchants are held in cash, mainly with the Eurosystem's Central Bank of Lithuania.

Similarly, the Group's total liabilities were broadly stable at €67.4 million (up 0.8% or €0.5m), with increase merchant liabilities, partially offset by a reduction in trade and other payables.

The Group's working capital, being current assets less current liabilities was €7.3 million at 30 June 2021, down from €8.4 million at 30 June 2020, mainly due to the investment in software intangibles in the half. The Directors believe the consolidated entity is in a strong and stable position to continue to expand and grow its current operations.

Significant changes in the state of affairs

On 27 July 2021, iSignthis Ltd announced the change of its presentation currency from Australian dollars (\$) to Euros (€) commencing with the 2021 half-year report as the majority of entities' revenues are earned in Euros. Reporting in Euros will remove the volatility that occurs when European earnings and assets are translated into Australian dollars, which will enable easier comparison of financial performance between periods. The change has been applied retrospectively.

During the 6 months ending 30 June 2021, the consolidated entity issued 752,096 (30 June 2020: 227,116) fully paid ordinary shares upon the vesting of performance rights.

On 13 August 2021 the consolidated entity purchased another 7,050,000 shares in NSX Limited for A\$987,000, taking its total stake in NSX to 19.99%.

On 31 August 2021 the Company lodged a prospectus with ASIC, announcing its intention to demerge ISX Financial EU Plc and its subsidiaries from the Company, via a return of capital. Details of the proposed demerger can be found at www.isignthis.com/demerger.

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

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



Nickolas John Karantzis
Managing Director

10 September 2021

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF ISIGNTHIS LTD

As lead auditor for the review of iSignthis Ltd for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of iSignthis Ltd and the entities it controlled during the period.



Tim Aman
Director

BDO Audit Pty Ltd

Sydney, 10 September 2021

iSignthis Ltd
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30 June 2021

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iSignthis Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

		Consolidated	
	Note	30 June 21	30 June 20
		€	€
Revenue	5	10,716,733	11,595,216
Other income	6	105,021	271,887
Expenses			
Corporate expenses		(2,770,636)	(1,945,298)
Advertising & marketing expense		(35,146)	(112,461)
Employee benefits expense		(2,603,930)	(2,003,462)
Research & development expenses		(400,609)	(215,565)
Depreciation & amortisation expense	7	(648,235)	(288,593)
Impairment of investment in associate	10	-	(851,487)
Share of losses from investment in associate	10	(169,268)	(104,768)
IT expenses		(496,282)	(620,867)
Other expenses		(14,813)	(60,624)
Operating costs		(3,376,548)	(4,873,163)
Share based payments		(61,568)	(90,531)
Net realised/unrealised foreign exchange gain/(loss)		(50,465)	216,833
Finance costs		<u>(57,151)</u>	<u>(23,438)</u>
Profit/(loss) before income tax expense		137,103	893,679
Income tax expense		<u>(517,426)</u>	<u>(436,205)</u>
Profit/(loss) after income tax expense for the half-year		(380,323)	457,474
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>93,390</u>	<u>(261,778)</u>
Other comprehensive income/(loss) for the half-year, net of tax		<u>93,390</u>	<u>(261,778)</u>
Total comprehensive (loss)/income for the half-year		<u><u>(286,933)</u></u>	<u><u>195,696</u></u>
Profit/(loss) after income tax expense for the half-year attributable to:			
Owners of the parent		(376,652)	733,337
Non-controlling interests	17	<u>(3,671)</u>	<u>(275,863)</u>
		<u><u>(380,323)</u></u>	<u><u>457,474</u></u>
Total comprehensive income/(loss) for the half-year attributable to:			
Owners of the parent		(283,262)	471,559
Non-controlling interests	17	<u>(3,671)</u>	<u>(275,863)</u>
		<u><u>(286,933)</u></u>	<u><u>195,696</u></u>
		Cents	Cents
Basic profit/(loss) per share		(0.03)	0.04
Diluted profit/(loss) per share		(0.03)	0.04

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 2021

Consolidated			
	Note	30 June 21	31 December 20
		€	€
Assets			
Current assets			
Cash and cash equivalents		9,792,261	10,475,190
Trade and other receivables		463,756	1,005,580
Funds held on behalf of merchants	13	62,534,280	61,816,104
Other assets	14	1,135,014	1,059,908
Total current assets		<u>73,925,311</u>	<u>74,356,782</u>
Non-current assets			
Plant and equipment		710,229	714,184
Right-of-use assets		1,091,690	1,080,419
Intangibles	16	4,145,758	3,246,799
Deferred tax assets		66,877	66,879
Investment in associate	10	3,317,752	3,475,913
Total non-current assets		<u>9,332,306</u>	<u>8,584,194</u>
Total assets		<u>83,257,617</u>	<u>82,940,976</u>
Liabilities			
Current liabilities			
Trade and other payables	15	3,307,168	3,461,236
Lease liability		379,170	323,470
Employee benefits		276,282	296,424
Funds held on behalf of merchants	13	62,534,280	61,816,104
Contract liabilities		109,057	104,451
Total current liabilities		<u>66,605,957</u>	<u>66,001,685</u>
Non-current liabilities			
Lease liability		769,813	801,294
Deferred tax liabilities		57,520	57,351
Employee benefits		14,393	44,315
Total non-current liabilities		<u>841,726</u>	<u>902,960</u>
Total liabilities		<u>67,447,683</u>	<u>66,904,645</u>
Net assets		<u>15,809,934</u>	<u>16,036,331</u>
Equity			
Issued capital	8	32,492,457	32,408,837
Reserves		1,162,519	1,092,213
Accumulated losses		(18,282,207)	(17,905,555)
Equity attributable to owners of the parent		<u>15,372,769</u>	<u>15,595,495</u>
Non-controlling interest	17	437,165	440,836
Total equity		<u>15,809,934</u>	<u>16,036,331</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 2021

Consolidated	Issued capital €	Share based payments reserve €	Accumulated losses €	Non-controlling interest €	Other reserve €	Total equity €
Balance at 1 January 2020 previously reported	31,388,259	258,570	(19,230,003)	-	(63,915)	12,352,911
Impact of correction of error on opening balance	-	-	25,023	-	-	25,023
Balance at 1 January 2020 - restated	31,388,259	258,570	(19,204,980)	-	(63,915)	12,377,934
Profit/(loss) after income tax expense for the half-year	-	-	733,337	(275,863)	-	457,474
Other comprehensive income for the half-year, net of tax	-	-	-	-	(261,778)	(261,778)
Total comprehensive income/(loss) for the half-year	-	-	733,337	(275,863)	(261,778)	195,696
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 8)	793,841	(82,051)	-	-	-	711,790
Non Controlling Interest Contributions to equity	-	-	-	773,234	1,104,620	1,877,854
Share-based payments (note 12)	-	90,531	-	-	-	90,531
Balance at 30 June 2020	<u>32,182,100</u>	<u>267,050</u>	<u>(18,471,643)</u>	<u>497,371</u>	<u>778,927</u>	<u>15,253,805</u>

Consolidated	Issued capital €	Share based payments reserve €	Accumulated losses €	Non-controlling interest €	Other reserves €	Total equity €
Balance at 1 January 2021	32,408,837	16,013	(17,905,555)	440,836	1,076,200	16,036,331
Profit/(loss) after income tax expense for the half-year	-	-	(376,652)	(3,671)	-	(380,323)
Other comprehensive income for the half-year, net of tax	-	-	-	-	93,390	93,390
Total comprehensive income/(loss) for the half-year	-	-	(376,652)	(3,671)	93,390	(286,933)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 8)	83,620	(84,652)	-	-	-	(1,032)
Non Controlling Interest Contributions to equity	-	-	-	-	-	-
Share-based payments (note 12)	-	61,568	-	-	-	61,568
Balance at 30 June 2021	<u>32,492,457</u>	<u>(7,071)</u>	<u>(18,282,207)</u>	<u>437,165</u>	<u>1,169,590</u>	<u>15,809,934</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 2021

	Note	Consolidated	
		30 June 21	30 June 20
		€	€
Cash flows from operating activities			
Receipts from customers		10,565,676	10,880,075
Payments to suppliers and employees		(9,446,214)	(9,430,395)
Interest received		4,519	17,817
Government grants & tax incentives received		117,094	254,070
Income tax paid		(344,022)	-
Other (net of Mastercard fee refund and charge)		289,485	-
Net cash generated from operating activities		<u>1,186,538</u>	<u>1,721,567</u>
Cash from investing activities			
Payment for shares in Associate	10	-	(3,380,441)
Payments for plant and equipment		(65,667)	(300,428)
Payments for intangibles		(1,272,587)	(757,557)
Cash contribution from Joint Venture partner		-	1,877,854
Net cash (used in) investing activities		<u>(1,338,254)</u>	<u>(2,560,572)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(128,621)	(62,361)
Proceeds from exercise of options	8	-	221,637
Card scheme membership security		<u>(461,811)</u>	<u>(888,560)</u>
Net cash (used in) investing activities		<u>(590,432)</u>	<u>(729,284)</u>
Net (decreased)/increase in cash and cash equivalents		(742,148)	(1,568,289)
Cash and cash equivalents at the beginning of the financial half-year		10,475,190	11,080,935
Effects of exchange rate changes on cash and cash equivalents		<u>59,219</u>	<u>(32,388)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>9,792,261</u></u>	<u><u>9,480,258</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
30 June 2021

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 Euros (€) which is different to the functional currency of iSignthis Ltd. The group has changed their presentation currency from Australian dollars in the previous period to Euros as the majority of entities' revenues are earned in Euros. iSignthis Ltd's functional currency is Australian dollars(\$), which is subject to foreign exchange rate fluctuations.

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 10 September 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 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 2020 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.

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.

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.

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

Revenue Recognition

Revenue is recognised when (or as) the consolidated entity satisfies a performance obligation by transferring a promised good or service to a customer.

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.

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. Where market prices are not available, the fair value of equity-settled transactions are determined using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. 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

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 2021

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 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 profit/(loss) before income tax expense. 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 four main divisions, with various product/services brands within each of those divisions, they include:

- *Regulated eMoney & Payment Services*: Payments, eMoney and transactional banking services;
- *RegTech Solutions*: Core banking, core networking platforms, identity and other banking software services;
- *Regulated Securities Exchange*: including holdings in the public quoted National Stock Exchange of Australia Ltd, and in ClearPay, our digital ledger technology delivery versus payment company; and
- *Intellectual Property*: A number of granted and pending patents applicable to anti-money laundering, payment verification and payments, across multiple jurisdictions. Future revenue is expected to be generated from this segment.

Consolidated - 30 June 2021	Regulated Services		Reg- Tech Solutions	Regulated Securities	Intellectual Property	Corporate Items	Total
	Australia	Europe					
	€	€	€	€	€	€	€
Revenue							
Sales to external customers	41,741	10,097,766	577,226	-	-	-	10,716,733
Research & development tax concession	109,719	-	-	-	-	(9,217)	100,502
Interest	296	3,519	-	638	-	66	4,519
Total revenue	151,756	10,101,285	577,226	638	-	(9,151)	10,821,754
Expenses							
Corporate expenses	(204,465)	(789,387)	(129,072)	(4,442)	(112,546)	(1,530,724)	(2,770,636)
Advertising & marketing	-	(15,906)	(11,400)	-	-	(7,840)	(35,146)
Employee benefits expense	(376,622)	(1,756,612)	(353,667)	(5,149)	-	(111,880)	(2,603,930)
Research & development expenses	(270,904)	(129,705)	-	-	-	-	(400,609)
Depreciation & amortisation expense	(149,921)	(89,341)	(373,148)	(5,136)	(30,689)	-	(648,235)
Impairment charge	-	-	-	-	-	(169,268)	(169,268)
IT expenses	(209,153)	(270,974)	(36,086)	18,342	-	1,589	(496,282)
Other expenses	(8,568)	5,586	(8,733)	-	-	(3,098)	(14,813)
Operating costs	1,978	(3,256,380)	(122,146)	-	-	-	(3,376,548)
Share based payments	-	-	-	-	-	(61,568)	(61,568)
Finance costs	-	-	(57,151)	-	-	-	(57,151)
Net realised foreign exchange gain/(loss)	(28,050)	(51,989)	92,357	-	-	(62,783)	(50,465)
Profit/(loss) before income tax expense	(1,093,949)	3,746,577	(421,820)	4,253	(143,235)	(1,954,723)	137,103
Income tax expense							(517,426)
Loss after income tax expense							(380,323)

iSignthis Ltd
Notes to the consolidated financial statements
30 June 2021

Note 4. Operating segments (continued)

	Regulated Services		Reg- Tech Solutions	Regulated Securities Exchanges	Intellectual Property	Corporate Items	Total
	Australia	Europe					
Consolidated - 30 June 2020	€	€	€	€	€	€	€
Revenue and Other Income							
Sales to external customers	656,738	10,111,061	827,417	-	-	-	11,595,216
Research & development tax concession	254,070	-	-	-	-	-	254,070
Interest	14,296	3,521	-	-	-	-	17,817
Total revenue and other income	925,104	10,114,582	827,417	-	-	-	11,867,103
Expenses							
Corporate expenses	(215,456)	(690,556)	(85,063)	(1,591)	(81,415)	(871,217)	(1,945,298)
Advertising & marketing	(8,978)	(72,457)	(1,607)	-	-	(29,419)	(112,461)
Employee benefits expense	(732,206)	(789,740)	(189,177)	-	-	(292,339)	(2,003,462)
Research & development expenses	(215,565)	-	-	-	-	-	(215,565)
Depreciation & amortisation expense	13,443	(40,928)	(232,426)	-	(28,682)	-	(288,594)
Impairment of investment in associate	(851,487)	-	-	-	-	-	(851,487)
Share of losses from investment in associate	-	-	-	-	-	(104,768)	(104,768)
IT expenses	(228,219)	(310,251)	(62,772)	-	-	(19,625)	(620,868)
Other expenses	2,154	(48,609)	(14,149)	-	-	(20)	(60,624)
Operating costs	(308,036)	(4,522,103)	(43,024)	-	-	-	(4,873,163)
Share based payments	-	-	-	-	-	(90,531)	(90,531)
Finance costs	(4)	-	(23,434)	-	-	0	(23,438)
Intercompany management fee recharge	-	80,089	(80,089)	-	-	-	-
Net realised foreign exchange gain/(loss)	244,106	26,110	(64,364)	-	-	10,981	216,833
Profit/(loss) before income tax expense	(1,375,144)	3,746,137	31,312	(1,591)	(110,097)	(1,396,938)	893,679
Income tax expense	-	-	-	-	-	-	(436,205)
Profit after income tax expense	-	-	-	-	-	-	457,474

Accounting policy for operating segments

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

Note 5. Revenue

	Consolidated	
	30 June 2021 €	30 June 2020 €
<i>Contracted service fees</i>		
- Recognised at a point in time	10,156,677	11,323,667
- Recognised over time	560,056	271,549
Revenue	10,716,733	11,595,216

Revenue is disaggregated as indicated in note 4 to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data and geographical dispersion.

Note 5. Revenue (continued)

Accounting policy for revenue recognition

Revenue is recognised when (or as) the consolidated entity satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is recognised at the transaction price that is allocated to the performance obligation.

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

Revenue from contracts with customers

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

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

Transactional banking services

Revenue generated from transactional banking services are billed on a per transaction basis and are recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

Payment processing and settlement

Revenue generated from the payment processing and settlement are billed on a per transaction basis and are recognised once all performance obligations are completed, when settlement is made to the customer.

Revenue from payment processing contracts is recognised when the entity has completed all performance obligations under the contract, by transferring the payment settlement to the customers account. This recognises that the Company's performance obligations are not separately identifiable and should be bundled as one performance obligation, completed when settlement is made to the customer.

All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

Know Your Customer (KYC) verification (Identity Services)

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

Integration, Establishment, Project and Platform Fees

Revenue generated from the initial integration and merchant operational set up are billed on contract signing and service go live date, or line with the performance obligations in the contract. Revenue is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised over time. This revenue stream forms part of the Reg-Tech Solutions division.

Other revenue

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

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Note 6. Other income

	Consolidated	
	30 June 2021	30 June 2020
	€	€
Interest income	4,519	17,817
Other government grants	<u>100,502</u>	<u>254,070</u>
Other income	<u>105,021</u>	<u>271,887</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 and tax incentives

Other government grants include jobkeeper payments and cash flow boost support from the Government due to the impact of Covid-19. Grants from the government are recognised as income at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the grants are readily measurable. Government subsidies are recognised under the AASB 120 (*Accounting for Government Grants and Disclosure of Government Assistance*).

Note 7. Expenses

	Consolidated	
	30 June 2021	30 June 2020
	€	€
Profit/Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings right-of-use assets	165,330	82,759
Computers and office equipment	<u>271,402</u>	<u>83,310</u>
Total depreciation	<u>436,732</u>	<u>166,069</u>
<i>Amortisation</i>		
Intangible assets	<u>211,503</u>	<u>122,524</u>
Total depreciation and amortisation	<u>648,235</u>	<u>288,593</u>

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Note 8. Equity - issued capital

	Consolidated			
	30 Jun 21	31 Dec 20	30 Jun 21	31 Dec 20
	Shares	Shares	€	€
Ordinary Shares – fully paid	<u>1,098,349,261</u>	<u>1,097,597,165</u>	<u>32,492,457</u>	<u>32,408,837</u>

Movements in ordinary share capital from 1 January 2021 to 30 June 2021

Details	Date	Shares	Issue price	€
Balance	1 January 21	1,097,597,165		32,408,837
Issue of shares upon the vesting of performance rights	26 February 21	18,750	€0.097	1,795
Issue of shares upon the vesting of performance rights	26 February 21	5,000	€0.041	207
Issue of shares upon the vesting of performance rights	31 March 21	610,950	€0.097	59,344
Issue of shares upon the vesting of performance rights	31 March 21	43,851	€0.097	4,259
Issue of shares upon the vesting of performance rights	30 April 21	69,000	€0.215	14,842
Issue of shares upon the vesting of performance rights	30 June 21	<u>4,545</u>	€0.698	<u>3,173</u>
Balance	30 June 21	<u><u>1,098,349,261</u></u>		<u><u>32,492,457</u></u>

Movements in ordinary share capital from 1 January 2020 to 30 June 2020

Details	Date	Shares	Issue price	€
Balance	1 January 20	1,093,383,191		31,388,259
Issue of shares upon the vesting of performance rights	1 January 20	50,000	€0.210	10,484
Issue of shares upon the vesting of performance rights	1 March 20	62,500	€0.107	6,658
Issue of shares upon the vesting of performance rights	30 April 20	74,000	€0.200	14,759
Issue of shares upon the vesting of performance rights	1 May 20	30,616	€0.088	2,684
Issue of shares to employee	2 March 20	10,000	€0.088	878
Issue of shares in relation to a business combination	2 March 20	787,478	€0.626	493,154
Exercise of options during the year		1,164,913	€0.190	221,638
Transfer from share based payments reserve		<u>-</u>		<u>43,586</u>
Balance	30 June 20	<u><u>1,095,562,698</u></u>		<u><u>32,182,100</u></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.

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Note 9. Contingent assets and liabilities

ASIC

On 7 December 2020, ASIC served iSignthis with a statement of claim in civil proceedings to be conducted in the Federal Court of Australia. The proceedings seek civil penalties against iSignthis arising from some alleged continuous disclosure breaches and alleged misleading information in 2018 and mid-2020 (the latter being while the Company's shares were not trading on the ASX). iSignthis will vigorously contest the claims. The Company holds no provision for this matter, as the outcome is so uncertain, no reliable estimate can be made.

Note 10. Investment in Associate

	Consolidated	
	30 June 21	31 Dec 20
	€	€
Balance at the beginning of the period	3,475,913	-
Additions	-	3,574,473
Less:		
Share of loss from investment in associate	(169,268)	(344,933)
Impairment of investment in associate	-	(851,487)
Reversal of impairment of investment in associate	-	851,487
Foreign currency translation difference	11,107	246,373
Balance at the end of the period	<u>3,317,752</u>	<u>3,475,913</u>

An impairment of investment in associate was recorded in the prior half-year. However it was subsequently reversed prior to 31 December 2020.

Investment in associate

In determining how to account for an investment in an associate, management first review whether the iSignthis group controls the investee. Where its determined that the iSignthis group controls the investee, the results of the investee are consolidated within iSignthis Limited's consolidated financial statements.

Where management determine an investee is not controlled by the iSignthis Group, management further review the investee to determine if the iSignthis Group have significant influence over the investee. Where its determined significant influence exists, the investee is accounted for under the equity method. Where significant influence doesn't exist, the investment is accounted for as a financial asset.

Investment in NSX Limited

During the financial year ended 31 December 2020, the Company purchased €3.57m (\$6.02m) in shares in NSX Limited ('NSX'). NSX operates NSXA, Australia's second-largest Tier 1 securities market operator.

Management reviewed the investment in NSX, first to determine if control existed and secondly to determine if significant influence existed. After considering several factors including the ability to control a shareholders vote, the ability to control a board vote, the material transaction between NSX and iSignthis and the Managing Director of the iSignthis Group holding the interim CEO role at NSX, Management concluded that the iSignthis Group does not control NSX, but despite owning only 17.97% of NSX does have significant influence over NSX. The investment in NSX is therefore accounted for under the equity method.

During the first half ended 30 June 2021 the Company took a €0.17m share of loss to the investment in NSX Limited, reflecting the Group's share of net loss of associates for NSX Limited.

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Note 11. Events after the reporting period

On 13 August 2021, the consolidated entity purchased another 7,050,000 shares in NSX Ltd for A\$987,000 taking its total stake in NSX to 19.99%.

On 31 August 2021 the Company lodged a prospectus with ASIC, announcing its intention to demerge ISX Financial EU Plc and its subsidiaries from the Company, via a return of capital. Details of the proposed demerger can be found at www.isignthis.com/demerger.

Also on 31 August 2021, ISX announced the amendment of Statement of Claim in its Federal Court proceedings against ASX Limited. The amendments follow a review of documents made available by ASX through the litigation discovery process. The details of the announcement can be found in the below link.

https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02415902-3A574719?access_token=83ff96335c2d45a094df02a206a39ff4

No other matter or circumstance has arisen since 30 June 2021 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 2021

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
		-	-	-	-	-	-
			-	-	-	-	-

30 June 2020

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
09/11/2017	08/02/2020	\$0.31	1,164,913	-	(1,164,913)	-	-
13/03/2019	10/07/2020	\$0.30	3,000,000	-	-	-	3,000,000
			4,164,913	-	(1,164,913)	-	3,000,000

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

Grant date	Expiry date	30 June 2021 Number	30 June 2020 Number
13/03/2019	10/07/2020	-	3,000,000
		-	3,000,000

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Note 12. Share-based payments (Continued)

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

30 June 2021

Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
09/05/2019	30/04/2021	69,000	-	(69,000)	-	-
01/08/2019	01/08/2021	57,000	-	-	(1,250)	55,750
06/12/2019	08/08/2021	1,000	-	-	-	1,000
06/12/2019	30/06/2021	4,545	-	(4,545)	-	-
06/12/2019	31/07/2021	3,846	-	-	-	3,846
06/12/2019	30/09/2021	2,381	-	-	-	2,381
12/03/2020	28/02/2022	23,364	-	-	-	23,364
01/04/2020	28/02/2021	18,750	-	(18,750)	-	-
01/04/2020	31/03/2021	768,450	-	(610,950)	(157,500)	-
30/04/2020	31/03/2021	43,851	-	(43,851)	-	-
11/08/2020	28/02/2021	5,000	-	(5,000)	-	-
28/10/2020	31/10/2021	1,812,000	-	-	(141,000)	1,671,000
28/10/2020	31/10/2022	85,000	-	-	-	85,000
28/10/2020	31/10/2023	85,000	-	-	-	85,000
09/12/2020	31/08/2021	100,027	-	-	(91,121)	8,906
09/12/2020	30/09/2021	15,000	-	-	-	15,000
09/12/2020	13/11/2021	25,000	-	-	(25,000)	-
09/12/2020	13/11/2022	25,000	-	-	(25,000)	-
31/03/2021	31/03/2023	-	491,610	-	-	491,610
		<u>3,144,214</u>	<u>491,610</u>	<u>(752,096)</u>	<u>(440,871)</u>	<u>2,442,857</u>

30 June 2020

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
23/05/2018	01/03/2020	62,500	-	(62,500)	-	-
03/09/2018	01/09/2020	1,857,000	-	-	-	1,857,000
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
01/08/2019	01/08/2020	96,625	-	-	-	96,625
01/08/2019	01/08/2021	96,625	-	-	-	96,625
06/12/2019	08/08/2020	1,000	-	-	-	1,000
06/12/2019	08/08/2021	1,000	-	-	-	1,000
06/12/2019	31/12/2020	2,500	-	-	-	2,500
06/12/2019	30/06/2020	4,545	-	-	(4,545)	-
06/12/2019	31/07/2020	3,846	-	-	-	3,846
06/12/2019	31/08/2020	8,906	-	-	-	8,906
06/12/2019	30/09/2020	2,381	-	-	-	2,381
06/12/2019	30/06/2021	4,545	-	-	-	4,545
06/12/2019	31/07/2021	3,846	-	-	-	3,846
06/12/2019	31/08/2021	8,906	-	-	-	8,906
06/12/2019	30/09/2021	2,381	-	-	-	2,381
12/03/2020	31/08/2020	-	23,364	-	-	23,364
12/03/2020	28/02/2022	-	23,364	-	-	23,364
01/04/2020	01/05/2020	-	30,616	(30,616)	-	-
01/04/2020	28/02/2021	-	18,750	-	-	18,750
01/04/2020	31/03/2021	-	787,950	-	-	787,950
01/04/2020	28/02/2022	-	18,750	-	-	18,750
30/04/2020	31/03/2021	-	43,851	-	-	43,851
		<u>2,349,606</u>	<u>946,645</u>	<u>(217,116)</u>	<u>(4,545)</u>	<u>3,074,590</u>

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Note 12. Share-based payments (Continued)

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

Grant date	Expiry date	30 June 2021 Number	30 June 2020 Number
03/09/2018	01/09/2020		1,857,000
09/05/2019	30/04/2021		69,000
01/08/2019	01/08/2020		96,625
01/08/2019	01/08/2021	55,750	96,625
06/12/2019	08/08/2020		1,000
06/12/2019	08/08/2021	1,000	1,000
06/12/2019	31/12/2020		2,500
06/12/2019	31/07/2020		3,846
06/12/2019	31/08/2020		8,906
06/12/2019	30/09/2020		2,381
06/12/2019	30/06/2021		4,545
06/12/2019	31/07/2021	3,846	3,846
06/12/2019	31/08/2021	8,906	8,906
06/12/2019	30/09/2021	2,381	2,381
12/03/2020	31/08/2020		23,364
12/03/2020	28/02/2022	23,364	23,364
01/04/2020	28/02/2021		18,750
01/04/2020	31/03/2021		787,950
01/04/2020	28/02/2022		18,750
30/04/2020	31/03/2021		43,851
28/10/2020	31/10/2021	1,671,000	-
28/10/2020	31/10/2022	85,000	-
28/10/2020	31/10/2023	85,000	-
09/12/2020	30/09/2021	15,000	-
31/03/2021	31/03/2023	491,610	-
		<u>2,442,857</u>	<u>3,074,590</u>

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	Fair value at grant date
31/03/2021	31/03/2023	€0.041

Note 12. Share-based payments (Continued)

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 performance conditions may include one or more of:

- (i) service to the Company of a minimum period of time;
- (ii) achievement of specific performance conditions by the participant and/or by the Company;
- (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or
- (iv) such other performance conditions as the Board may determine and set out in the Offer.

The Board in its absolute discretion determines whether performance conditions have been met.

Accounting policy for share-based payments

Equity-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.

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. Where market prices are not available, the fair value of equity-settled transactions are determined using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. This valuation technique considers value of tangible and intangible assets of the Company, the present value of anticipated future cash flows, multiple of earnings and other factors to be reasonable valuation technique for the purposes of AASB 2 Share-based Payment.

Market conditions are taken into consideration in determining fair value, including any off market trades by shareholders. 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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Note 13. Current assets – funds held on behalf of merchants

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
Funds held on behalf of merchants		
Funds received - current asset	62,534,280	61,816,104
Funds payable - current liability	<u>(62,534,280)</u>	<u>(61,816,104)</u>
	<u>-</u>	<u>-</u>

The funds held on behalf of merchants current asset and current liability noted above represent Customer eMoney account balances, rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Merchant) and settlement funds which were yet to be settled back to the respective merchants as at 30 June 2021 and 31 December 2020.

Note 14. Current assets – other assets

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
Prepayments	303,280	90,521
Security deposits	86,840	160,796
Card scheme collateral	744,894	733,621
Deferred expense	-	74,970
	<u>1,135,014</u>	<u>1,059,908</u>

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

Note 15. Current liabilities - trade and other payables

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
Trade payable	731,775	588,779
Income tax provision	809,034	591,487
GST/VAT payable	156,956	74,750
Other payables (includes Merchant Security Payable)	<u>1,609,403</u>	<u>2,206,220</u>
	<u>3,307,168</u>	<u>3,461,236</u>

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 period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Non-current assets – intangibles

	Consolidated	
	30 Jun 2021	31 Dec 2020
	€	€
Goodwill - at cost	<u>640,731</u>	<u>638,848</u>
Intellectual property - at cost	909,730	907,450
Less: Accumulated amortisation	<u>(364,484)</u>	<u>(331,408)</u>
	<u>545,246</u>	<u>576,042</u>
Software - at cost	3,783,596	2,463,301
Less: Accumulated amortisation	<u>(823,815)</u>	<u>(431,392)</u>
	<u>2,959,781</u>	<u>2,031,909</u>
	<u><u>4,145,758</u></u>	<u><u>3,246,799</u></u>

Note 17. Contributions to equity from non-controlling interest

	Consolidated	
	30 Jun 21	31 Dec 20
	€	€
Balance at the beginning of the period	440,836	-
Non-controlling interest from capital contribution	-	773,235
Non-controlling interest – share of loss	<u>(3,671)</u>	<u>(332,399)</u>
Balance at the end of the period	<u><u>437,165</u></u>	<u><u>440,836</u></u>

Non-controlling interest relates to the €1.9m (\$3.2m) capital contribution from NSX Limited in the financial year ended 31 December 2020 for 41% of ClearPay Pty Ltd. The remaining balance of the capital contribution of €1.1m (\$1.9m) has been taken to an acquisition reserve.

Note 18. Planned Demerger

On the 31 August 2021 the Company lodged a prospectus with ASIC to demerge ISX Financial EU Plc (ISXFEU) and its subsidiaries from the Company.

The Company is proposing a demerger which would result in the Company's Shareholders holding shares in both the Company and in ISXFEU (Demerger). The Company currently holds all of the shares in ISXFEU but would effect the Demerger by transferring shares in ISXFEU to the Company's Shareholders, so that ISXFEU becomes directly owned by the Company's Shareholders in the same proportions as they hold shares in the Company. In effect, Shareholders would continue to own the same assets as they presently directly or indirectly own, but they would own them through two 'parallel' shareholdings.

The mechanism for the Demerger would be a 'reduction of capital' in the Company, returning capital (represented by shares in ISXFEU) to the Company's Shareholders (Capital Reduction). The Company would distribute shares in ISXFEU to the Shareholders on a pro-rata basis (Distribution).

At demerger the ISXFEU disposal group will consist of ISX Financial EU Plc, and the majority of the subsidiaries of the Group, with only ISX Financial Pty Ltd, remaining as a subsidiary of the Company post the demerger, if approved by shareholders. Within the Group's operating segments, the disposal group represents the the Regulated Services, Reg-tech Solutions, Regulated Securities Exchanges and Intellectual Property divisions of the Group.

iSignthis Ltd
Directors' declaration
30 June 2021

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 2021 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



Nickolas John Karantzis
Managing Director

10 September 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of iSignthis Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

Sydney, 10 September 2021