

30 June 2020 Half-Year Report

Key Highlights 1H20 versus 1H19

- **Revenue** : \$19.5 million Up 173% from \$7.1 million in H12019
- **Profit (after tax)** : \$770k up from a loss of \$875k in H12019, inclusive of a tax expense of \$734k in the period
- **Normalised Profit (after tax)** : \$3.4 million for the half (excluding a one off write down of the NSX investment of \$1.6 million and \$1m legal costs), from a loss of \$875k in the prior corresponding period
- **EPS** : \$0.07 cents, up from a loss per share of \$0.08 cents
- **R&D Investment** : \$363k up 101% from \$181k

Melbourne, 14th October 2020: iSignthis Ltd ("the Company") is pleased to present to final half year accounts of the Company, post completion of the half year audit review.

John Karantzis, Managing Director of iSignthis Ltd, said "I'm pleased to present a half year profit, demonstrating the solid foundations which we have built over the last few years.

Our recurring revenues continue to grow, despite some significant business and reputational impacts during the period as a consequence the ASX's suspension and "Statement of Reasons".

We continue to invest in research and development of further extensions to existing or new platforms and services, which we expect will position us for further growth in the EEA. Following a year of disruption due to the ASX matter and COVID-19, the Company is now also in a position to consider its options fully with regards to further territorial expansion outside the EEA."

The Company advises that through completion of the audit review process there have been a number of minor changes to the accounts of the Company, since the preliminary accounts were released on 28 August 2020.

The reported profit after tax for the half year has decreased by \$58,152, to \$770,028 and net assets reduced by a total of \$107,897 to \$24,961,226. These changes are largely due as the result of finalisation of acquisition accounting for the UAB Baltic Banking Services business, acquired in 2019. The reported cash at bank has reduced from \$16.1m to \$15.5m, due to an offsetting reduction in contract liabilities.

The Company in the same period invested \$5.7m cash to acquire 19.22% of the NSX Limited and received \$3.2m for the NSX investment in ClearPay Pty Ltd, such that normalised cash at bank without this investment would have increased to \$18m.

Legal costs of \$1m have also been incurred in our claim against the ASX for misleading and deceptive conduct with the damages claimed currently quantified at \$462m.

Authorised by the Company Secretary and Managing Director

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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 2020
Previous period: For the half-year ended 30 June 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	173% to	19,517,280
Profit from ordinary activities after tax attributable to the owners of iSignthis Ltd	up	Favourable to	1,234,366
Profit for the half-year attributable to the owners of iSignthis Ltd	up	Favourable to	1,234,366

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$770,028 (with \$1,234,366 attributable to owners of the Company and a loss of \$464,338 attributable to non-controlling interests), compared to a loss of \$875,904 for the same prior in the prior year.

The total revenue increased by approximately \$12.37 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.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.75</u>	<u>0.70</u>

4. Control gained over entities

Not applicable.

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of Company	Principal activity	Ownership interest			Investment in Associate		
		30 Jun 20 %	31 Dec 19 %	30 June 19 %	30 Jun 20 \$	31 Dec 19 \$	30 June 19 \$
NSX Limited	Tier 1 Securities Exchange	17.5%	0.0%	0.0%	\$4,090,413	\$0	\$0

During the first half ended 30 June 2020 the Company purchased a 17.5% stake in NSX Limited for \$5.7m. During the period the Company took a \$1.6m write down to the investment in NSX Limited, reflecting the Group's share of net loss of associates for NSX Limited of \$0.2m and an impairment at 30 June 2020 of \$1.4m, to reflect the NSX Limited share price. This investment is accounted for using the equity method.

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.

10. Audit qualification or review

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

The Company recently appointed BDO as its new auditors. The financial statements were subject to a review by the new auditors and the review report is attached as part of the Interim Report. The new auditors have qualified their conclusion on the 30 June 2020 half year report, with regards to the opening balance, previously audited by Grant Thornton. The financial report of iSignthis Limited, for the year ended 31 December 2019 was audited by Grant Thornton, who expressed an unmodified opinion on that report on 28 February 2020.

11. Attachments

Details of attachments (if any):

The Interim Report of iSignthis Ltd for the half-year ended 30 June 2020 is attached.

12. Signed

Signed  ..

Nickolas John Karantzis
Managing Director

Date: 14 October 2020

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iSignthis Ltd

ABN 93 075 419 715

Interim Report - 30 June 2020

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iSignthis Ltd
Corporate directory
30 June 2020

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)

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
8th 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 2020

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 2020.

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)

Principal activities

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

By converging payments and identity, iSignthis delivers regulatory compliance to an enhanced customer due diligence standard, offering global reach to any of the world's 4.2Bn 'bank verified' card or account holders, that can be remotely on-boarded to meet the Customer Due Diligence requirements of AML regulated merchants.

iSignthis Paydentity™ service is a 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 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, PRZ24 and others.

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.

Probanx 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 Eurosystem's Central Bank of Lithuania's CENTROLINK service.

Financial performance

In early 2019 the business finalised the build of its own Tier 1 card scheme and central banking connections and infrastructure. This enabled the business to start to build scale and grow revenue and deliver its maiden profit after tax in the second half 2019. In the first half of 2020, we have seen the business continue to build and grow scale, with a first half profit after tax of \$770,028.

In the period revenue from customers grew over 170% to \$19.5m, from just \$7.1m in 1H19. This growth was predominately driven by regulated services in Europe, with ISXPay Card Platform and eMoney revenues representing circa 87% of the Group's revenues, due to strong customer acquisition during the year and increased volumes from existing customers during the period.

Revenues from our Australian card processing business were up approximately 37% versus the same period in 2019, representing circa 6% of the Group's revenues.

The Group also saw continued strong revenue growth from its RegTech solutions division, with revenue up 49% year on year. Revenue from this division now represents approximately 7% of the Group's revenue, as the business focuses on customer growth.

In the first half 2020 the Group's expenses and other charges (inclusive of foreign exchange gains) increased by 112% or \$9.8m to \$18.5m, largely to support the Group's revenue growth. Operating costs, which represent card scheme interchange charges and other variable costs increased \$5.8m due to the increase in processing volumes through ISXPay during the year. The Group also saw a \$1.4m charge during the period for the impairment in the NSX Limited investment and a \$0.2m share of losses for the Group's investment in NSX Limited. The Group also saw a \$1.9m increase in corporate costs driven by legal and advisory costs related to the ASX suspension (\$1million in the half) and increased regulatory costs.

Financial Position

The financial position of the group remained strong during the period, with cash and cash equivalents of \$15.5 million at the end of the period. Cash and cash equivalents during the period was impacted by the \$5.7 million investment in NSX Limited during the period, offset by a \$3.2 million cash contribution for the ClearPay Joint venture and positive operating cash flows of \$2.8 million during the period.

The Group also saw its total assets decrease by \$11.2 million since 31 December 2019, largely due to lower funds held on behalf of merchants, partially offset by the investment in NSX Limited. Funds held on behalf of merchants decreased by \$15 million since 31 December 2019 which the company attributes to a combination of a slight reduction in customer confidence as a result of the ASX suspension and COVID-19. 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 have decreased by \$16.4 million due to a corresponding \$15 million decrease in merchant liabilities driven by the reasons outlined above.

The Group's working capital, being current assets less current liabilities was \$15.5 million at 30 June 2020, consistent with 31 December 2019. 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

During the 6 months ending 30 June 2020, the consolidated entity issued 227,116 fully paid ordinary shares upon the vesting of performance rights, 787,478 fully paid ordinary shares for the final earn out on the UAB Baltic Banking Services acquisition (now UAB Probanx Solutions) and 1,164,913 fully paid ordinary shares upon the exercise of options.

On 20 February 2020 the consolidated entity announced a \$4.2 million investment in NSX Limited, which operates NSXA, Australia's second-largest Tier 1 securities market operator. The consolidated entity also announced the ClearPay Joint Venture with NSX Limited. It is intended that, once development is completed, that ClearPay will be Australia's open DLT based, multilateral, multicurrency Delivery versus Payment (DvP) platform, launching progressively in 2021.

On 28 May 2020 the consolidated entity announced a further \$1.5 million investment in NSX Limited, taking its total stake in NSX Limited to 17.5%.

On the 5 December 2019 the Company commenced Federal Court proceedings against the Australian Securities Exchange ("ASX" or "the exchange"), due to the ASX decision to suspend, and not reinstate, the Company's shares from quotation on the exchange. The latest revision of the statement of claim alleges misleading and deceptive conduct by the ASX, and includes damages against the ASX totalling more than \$464 million.

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

14 October 2020

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 2020, 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, 14 October 2020

iSignthis Ltd
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30 June 2020

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iSignthis Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020

		Consolidated	
	Note	30 June 20	Restated 30 June 19
		\$	\$
Revenue	5	19,517,280	7,146,377
Other income	6	457,645	677,093
Expenses			
Corporate expenses		(3,274,361)	(1,353,243)
Advertising & marketing expense		(189,296)	(183,326)
Employee benefits expense		(3,372,263)	(3,221,470)
Research & development expenses		(362,844)	(180,809)
Depreciation & amortisation expense	7	(485,764)	(263,786)
Impairment of investment in associate	10	(1,433,239)	-
Share of losses from investment in associate	10	(176,348)	-
IT expenses		(1,045,055)	(348,679)
Other expenses		(102,042)	(287,451)
Operating costs		(8,202,597)	(2,420,076)
Share based payments		(152,384)	(483,224)
Net realised foreign exchange gain/(loss)		364,977	46,335
Finance costs		(39,452)	(3,645)
Profit/(loss) before income tax expense		1,504,257	(875,904)
Income tax expense		(734,229)	-
Profit/(loss) after income tax expense for the half-year		770,028	(875,904)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(117,811)	172,352
Other comprehensive (loss)/income for the half-year, net of tax		(117,811)	172,352
Total comprehensive income/(loss) for the half-year		652,217	(703,552)
Profit/(loss) after income tax expense for the half-year attributable to:			
Owners of the parent		1,234,366	(875,904)
Non-controlling interests	17	(464,338)	-
		770,028	(875,904)
Total comprehensive income/(loss) for the half-year attributable to:			
Owners of the parent		1,116,555	(703,552)
Non-controlling interests	17	(464,338)	-
		652,217	(703,552)
		Cents	Cents
Basic profit/(loss) per share		0.07	(0.08)
Diluted profit/(loss) per share		0.07	(0.08)

* 30 June 2019 numbers have been restated - see note 18 for details

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 2020

		Consolidated	
	Note	30 June 20	Restated
		\$	31 December 19
			\$
Assets			
Current assets			
Cash and cash equivalents		15,513,432	17,703,578
Trade and other receivables		1,762,944	1,389,979
Funds held on behalf of merchants	13	81,179,849	96,178,224
Other assets	14	4,843,472	4,212,551
Total current assets		<u>103,299,697</u>	<u>119,484,332</u>
Non-current assets			
Plant and equipment		1,109,610	824,109
Right-of-use assets		1,999,650	2,243,766
Intangibles	16	3,785,356	2,912,080
Deferred tax assets		109,436	106,935
Investment in associate	10	4,090,413	-
Total non-current assets		<u>11,094,465</u>	<u>6,086,890</u>
Total assets		<u>114,394,162</u>	<u>125,571,222</u>
Liabilities			
Current liabilities			
Trade and other payables	15	5,341,990	4,756,351
Lease liability		543,035	516,943
Employee benefits		371,937	291,533
Funds held on behalf of merchants	13	81,179,849	96,178,224
Contract liabilities		361,992	1,385,630
Other liabilities		-	818,762
Total current liabilities		<u>87,798,803</u>	<u>103,947,443</u>
Non-current liabilities			
Lease liability		1,509,376	1,742,328
Deferred tax liabilities		90,947	90,947
Employee benefits		33,810	36,537
Total non-current liabilities		<u>1,634,133</u>	<u>1,869,812</u>
Total liabilities		<u>89,432,936</u>	<u>105,817,255</u>
Net assets		<u>24,961,226</u>	<u>19,753,967</u>
Equity			
Issued capital	8	49,306,901	47,970,023
Reserves		2,093,954	311,248
Accumulated losses		(27,292,938)	(28,527,304)
Equity attributable to owners of the parent		<u>24,107,917</u>	<u>19,753,967</u>
Non-controlling interest	17	853,309	-
Total equity		<u>24,961,226</u>	<u>19,753,967</u>

* 31 December 2019 numbers have been restated - see note 18 for details

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 2020

Consolidated	Issued capital \$	Share based payments reserve \$	Accumulated losses \$	Non-controlling interest \$	Other reserves \$	Total equity \$
Balance at 1 January 2019 previously reported	40,677,673	1,141,585	(30,257,796)	-	(117,498)	11,443,964
Adjustment upon initial adoption of AASB 16	-	-	(25,246)	-	-	(25,246)
Balance at 1 January 2019 - restated	40,677,673	1,141,585	(30,283,042)	-	(117,498)	11,418,718
Profit/(loss) after income tax expense for the half-year	-	-	(875,904)	-	-	(875,904)
Other comprehensive income for the half-year, net of tax	-	-	-	-	172,352	172,352
Total comprehensive income/(loss) for the half-year	-	-	(875,904)	-	172,352	(703,552)
<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>(31,022,285)</u>	<u>-</u>	<u>54,854</u>	<u>12,718,741</u>

Consolidated	Issued capital \$	Share based payments reserve \$	Accumulated losses \$	Non-controlling interest \$	Other reserves \$	Total equity \$
Balance at 1 January 2020 previously reported	47,970,023	413,447	(28,564,473)	-	(102,199)	19,716,798
Impact of correction of error on opening balance (note 16)	-	-	37,169	-	-	37,169
Balance at 1 January 2020 - restated	47,970,023	413,447	(28,527,304)	-	(102,199)	19,753,967
Profit/(loss) after income tax expense for the half-year	-	-	1,234,366	(464,338)	-	770,028
Other comprehensive income for the half-year, net of tax	-	-	-	-	(117,811)	(117,811)
Total comprehensive income/(loss) for the half-year	-	-	1,234,366	(464,338)	(117,811)	652,217
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 8)	1,336,878	(134,268)	-	-	-	1,202,610
Non Controlling Interest Contributions to equity	-	-	-	1,317,647	1,882,353	3,200,000
Share-based payments (note 12)	-	152,432	-	-	-	152,432
Balance at 30 June 2020	<u>49,306,901</u>	<u>431,611</u>	<u>(27,292,938)</u>	<u>853,309</u>	<u>1,662,343</u>	<u>24,961,226</u>

* 30 June 2019 and 31 December 2019 numbers have been restated – see note 18 for details

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 2020

	Note	Consolidated	
		30 June 20 \$	30 June 19 \$
Cash flows from operating activities			
Receipts from customers		18,313,541	7,486,582
Payments to suppliers and employees		(15,978,381)	(8,441,072)
Interest received		29,990	78,566
Government grants & tax incentives received		427,655	593,181
Net cash generated from/(used in) operating activities		<u>2,792,805</u>	<u>(282,743)</u>
Cash from investing activities			
Payment for purchase of business, net of cash acquired		-	(176,788)
Payment for shares in Associate	10	(5,700,000)	-
Payments for plant and equipment		(491,618)	(85,911)
Payments for intangibles		(1,239,661)	(8,435)
Payments for deposits		-	(134,799)
Loans repaid from third parties		-	320,000
Cash contribution from Joint Venture partner		3,200,000	-
Net cash (used in) investing activities		<u>(4,231,279)</u>	<u>(85,933)</u>
Cash flows from financing activities			
Proceeds from exercise of options	8	361,123	1,400,943
Card scheme membership security		(1,454,033)	346,820
Net cash (used in)/generated from investing activities		<u>(1,092,910)</u>	<u>1,747,763</u>
Net (decreased)/increase in cash and cash equivalents		(2,531,384)	1,379,087
Cash and cash equivalents at the beginning of the financial half-year		17,703,578	8,433,874
Effects of exchange rate changes on cash and cash equivalents		341,238	175,514
Cash and cash equivalents at the end of the financial half-year		<u><u>15,513,432</u></u>	<u><u>9,988,475</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 2020

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. It should be noted that majority of revenue is earned in Euros, 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 14 October 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 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 2019 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

In the half year ended 30 June 2020 management have changed the recognition of revenue for payment processing and settlement contracts. Revenue from payment processing and settlement contracts is now recognised when the entity has completed all performance obligations under the contract, by transferring the payment settlement to the customers account. This change 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 performance obligations are satisfied at a point in time.

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.

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 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 two main divisions, Regulated Services, split by Australia and Europe & BVI, and Reg-Tech Solutions. Regulated Services includes Payments, eMoney and account issuance businesses. Reg-Tech Solutions includes Probanx®, BBS, Paydentity™ and other software services.

Major Customers

Revenues from no single customer amount to great than 10% of the Group's revenues.

Operating segment information

	Regulated Services		Reg- Tech Solutions	Total
	Australia	Europe		
Consolidated - 30 June 2020	\$	\$	\$	\$
Revenue and other income				
Sales to external customers	1,105,433	17,019,123	1,392,724	19,517,280
Government grants and R&D incentives	427,655	-	-	427,655
Interest	24,064	5,926	-	29,990
Total revenue and other income	1,557,152	17,025,049	1,392,724	19,974,925
Expenses				
Corporate expenses	(1,966,148)	(1,162,356)	(145,857)	(3,274,361)
Advertising & marketing	(64,630)	(121,961)	(2,705)	(189,296)
Employee benefits expense	(1,724,533)	(1,329,304)	(318,426)	(3,372,263)
Research & development expenses	(362,844)	-	-	(362,844)
Depreciation & amortisation expense	(25,649)	(68,891)	(391,224)	(485,764)
Impairment of investment in associate	(1,433,239)	-	-	(1,433,239)
Share of losses from investment in associate	(176,348)	-	-	(176,348)
IT expenses	(417,175)	(522,220)	(105,660)	(1,045,055)
Other expenses	3,592	(81,820)	(23,814)	(102,042)
Operating costs	(518,491)	(7,611,687)	(72,419)	(8,202,597)
Share based payments	(152,384)	-	-	(152,384)
Finance costs	(7)	-	(39,445)	(39,452)
Intercompany management fee recharge	-	134,807	(134,807)	-
Net realised foreign exchange gain/(loss)	429,366	43,949	(108,338)	364,977
Profit/(loss) before income tax expense	(4,851,338)	6,305,566	50,029	1,504,257
Income tax expense				(734,229)
Profit after income tax expense				770,028

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Note 4. Operating segments (continued)

Consolidated - 30 June 2019	Regulated Services		Reg- Tech Solutions	Total
	Australia	Europe		
Restated	\$	\$	\$	\$
Revenue and other income				
Sales to external customers	805,632	5,403,580	937,165	7,146,377
Research & development tax concession	621,579	-	-	621,579
Interest	54,796	718	-	55,514
Total revenue and other income	1,482,007	5,404,298	937,165	7,823,470
Expenses				
Corporate expenses	(608,557)	(468,376)	(276,310)	(1,353,243)
Advertising & marketing	(12,932)	(11,652)	(158,742)	(183,326)
Employee benefits expense	(921,045)	(1,721,876)	(578,549)	(3,221,470)
Research & development expenses	(180,809)	-	-	(180,809)
Depreciation & amortisation expense	(14,549)	(172,194)	(77,043)	(263,786)
IT expenses	(302,627)	(42,056)	(3,996)	(348,679)
Other expenses	(24,660)	(223,575)	(39,216)	(287,451)
Operating costs	(616,848)	(1,843,246)	40,018	(2,420,076)
Share based payments	(387,382)	(95,842)	-	(483,224)
Finance costs	(3,645)	-	-	(3,645)
Intercompany management fee recharge	-	-	-	-
Net realised foreign exchange gain/(loss)	-	46,610	(275)	46,335
Profit/(loss) before income tax expense	(1,591,047)	872,091	(156,948)	(875,904)
Income tax expense				-
Loss after income tax expense				(875,904)

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	Cash and cash equivalents	Funds held on behalf of merchants	Funds held on behalf of merchants	Intangibles	Intangibles
	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19
	\$	\$	\$	\$	\$	\$
Regulated Services						
Australia	5,138,163	9,097,205	6,063,170	7,046,428	1,013,080	1,013,080
Europe & BVI	6,837,477	7,766,397	75,116,679	89,131,796	962,342	1,009,846
Reg-Tech Solutions	3,537,792	839,976	-	-	1,809,934	889,154
	<u>15,513,432</u>	<u>17,703,578</u>	<u>81,179,849</u>	<u>96,178,224</u>	<u>3,785,356</u>	<u>2,912,080</u>

Note 5. Revenue

	Consolidated	Restated
	30 June 2020	30 June 2019
	\$	\$
<i>Contracted service fees</i>		
- Recognised at a point in time	19,060,203	6,567,255
- Recognised over time	<u>457,077</u>	<u>579,122</u>
Revenue	<u><u>19,517,280</u></u>	<u><u>7,146,377</u></u>

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.

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; where possible 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.

In the half year ended 30 June 2020 management have changed the recognition of revenue for payment processing functions. Revenue from payment processing contracts is now recognised when the entity has completed all performance obligations under the contract, by transferring the payment settlement to the customers account. This change 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

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 RegTech Solutions division.

Note 5. Revenue (continued)

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 RegTech Solutions division.

Other revenue

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

Note 6. Other income

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Interest income	29,990	55,514
R&D tax incentive	-	621,579
Other government grants	<u>427,655</u>	<u>-</u>
Other income	<u><u>457,645</u></u>	<u><u>677,093</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 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*).

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Note 7. Expenses

	Consolidated	Restated
	30 June	30 June
	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings right-of-use assets	139,302	123,918
Computers and office equipment	<u>140,227</u>	<u>20,856</u>
Total depreciation	<u>279,529</u>	<u>144,774</u>
<i>Amortisation</i>		
Intangible assets	<u>206,235</u>	<u>119,012</u>
Total depreciation and amortisation	<u>485,764</u>	<u>263,786</u>

Note 8. Equity - issued capital

	Consolidated			
	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19
	Shares	Shares	\$	\$
Ordinary Shares – fully paid	<u>1,095,562,698</u>	<u>1,093,383,191</u>	<u>49,306,901</u>	<u>47,970,023</u>

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Note 8. Equity - issued capital (continued)

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		47,970,023
Issue of shares upon the vesting of performance rights	1 January 20	50,000	\$0.335	16,750
Issue of shares upon the vesting of performance rights	1 March 20	62,500	\$0.18	11,250
Issue of shares upon the vesting of performance rights	30 April 20	74,000	\$0.335	24,790
Issue of shares upon the vesting of performance rights	1 May 20	30,616	\$0.15	4,592
Issue of shares to employee	2 March 20	10,000	\$0.15	1,500
Issue of shares in relation to a business combination	2 March 20	787,478	\$1.07	842,601
Exercise of options during the year		1,164,913	\$0.31	361,123
Transfer from share based payments reserve		-		74,272
Balance	30 June 20	<u>1,095,562,698</u>		<u>49,306,901</u>

Movements in ordinary share capital from 1 January 2019 to 30 June 2019

Details	Date	Shares	Issue price	\$
Balance	1 January 19	1,075,714,618		40,677,673
Issue of shares upon the vesting of performance rights	3 January 19	1,208,936	\$0.08	126,087
Issue of shares upon the vesting of performance rights	28 February 19	1,250,000	\$0.11	133,875
Issue of shares upon the vesting of performance rights	6 March 19	62,500	\$0.10	7,088
Issue of shares upon the vesting of performance rights	12 March 19	85,000	\$0.11	9,639
Issue of shares upon the vesting of performance rights	26 April 19	100,000	\$0.11	11,582
Issue of shares upon the vesting of performance rights	26 April 19	50,000	\$0.10	5,355
Issue of shares in relation to a business combination	6 March 19	607,055	\$0.19	119,408
Exercise of options during the year		4,910,219	\$0.30	1,400,943
Transfer from share based payments reserve upon exercise of options		-		258,048
Balance	30 June 19	<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

Off Balance Sheet Funds Held on Behalf of Merchants

As 30 June 2020 the Group held \$3.6m (31 December 2019: \$4.2m) in off balance sheet funds held on behalf of merchants, involving matching off balance sheet assets and liabilities. These funds are subject to a Court Order instigated by ASIC to freeze those funds, arising from actions taken by ASIC against previous clients.

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

ASIC Queries

As at 30th June 2020, the Company continues to provide information to ASIC in relation to matters connected to the suspension of the Company's securities. Potential consequences of this matter could include legal action and fees, charges, fines and/or penalties, and/or further reputational damage to the Company. The Company holds no provision for this matter, as the outcome of these queries is uncertain and such that no reliable estimate can be made.

Note 10. Investment in Associate

	Consolidated	
	30 Jun 20	31 Dec 19
	\$	\$
Balance as at 1 January 2020	-	-
Additions	5,700,000	-
Less:		
Share of loss from investment in associate	(176,348)	-
Impairment of investment in associate	(1,433,239)	-
Total Investment in associate	<u>4,090,413</u>	<u>-</u>

During the first half ended 30 June 2020 the Company purchased a 17.5% stake in NSX Limited for \$5.7m. During the period the Company took a \$1.6m write down to the investment in NSX Limited, reflecting the Group's share of net loss of associates for NSX Limited of \$0.2m and an impairment at 30 June 2020 of \$1.4m, to reflect the NSX Limited share price. This investment is accounted for using the equity method.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

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Note 12. Share-based payments

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

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
			<u>4,164,913</u>	<u>-</u>	<u>(1,164,913)</u>	<u>-</u>	<u>3,000,000</u>

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	-	(1,609,342)	-	1,176,011
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>(4,910,219)</u>	<u>(3,050,877)</u>	<u>9,626,011</u>

All options issued during the 2019 half-year were issued to advisers for services provided to the consolidated entity.

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

Grant date	Expiry date	30 June 2020 Number	30 June 2019 Number
01/08/2016	01/07/2019	-	5,000,000
13/05/2019	01/12/2019	-	450,000
09/11/2017	08/02/2020	-	1,176,011
13/03/2019	10/07/2020	3,000,000	3,000,000
		<u>3,000,000</u>	<u>9,626,011</u>

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Note 12. Share-based payments (Continued)

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

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>

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>

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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 2020 Number	30 June 2019 Number
30/06/2017	01/07/2019	-	17,500
05/12/2017	01/09/2019	-	41,667
05/12/2017	01/09/2019	-	72,500
05/12/2017	01/12/2019	-	10,000
23/05/2018	01/03/2020	-	62,500
03/09/2018	01/09/2020	1,857,000	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	69,000
17/05/2019	30/06/2021	-	1,625,000
17/05/2019	30/06/2022	-	1,625,000
01/08/2019	01/08/2020	96,625	-
01/08/2019	01/08/2021	96,625	-
06/12/2019	08/08/2020	1,000	-
06/12/2019	08/08/2021	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	-
06/12/2019	31/08/2021	8,906	-
06/12/2019	30/09/2021	2,381	-
12/03/2020	31/08/2020	23,364	-
12/03/2020	28/02/2022	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	-
		<u>3,074,590</u>	<u>5,862,167</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
12/03/2020	31/08/2020	\$0.15
12/03/2020	28/02/2022	\$0.15
01/04/2020	01/05/2020	\$0.15
01/04/2020	28/02/2021	\$0.15
01/04/2020	31/03/2021	\$0.15
01/04/2020	28/02/2022	\$0.15
30/04/2020	31/03/2021	\$0.15

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.

Note 13. Current assets – funds held on behalf of merchants

	Consolidated	
	30 Jun 2020	Restated 31 Dec 2019
	\$	\$
Funds held on behalf of merchants		
Funds received - current asset	81,179,849	96,178,224
Funds payable - current liability	<u>(81,179,849)</u>	<u>(96,178,224)</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 2020 and 31 December 2019.

Note 14. Current assets – other assets

	Consolidated	
	30 Jun 2020	Restated 31 Dec 2019
	\$	\$
Prepayments	201,096	388,805
Security deposits	165,753	163,350
Card scheme collateral	4,314,880	2,890,462
Deferred expense	<u>161,743</u>	<u>769,934</u>
	<u>4,843,472</u>	<u>4,212,551</u>

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

Note 15. Current liabilities - trade and other payables

	Consolidated	
	30 Jun 2020	Restated 31 Dec 2019
	\$	\$
Trade payable	686,575	478,016
Income tax provision	1,507,771	768,233
Other payables (includes Merchant Security Payable)	<u>3,147,644</u>	<u>3,510,102</u>
	<u>5,341,990</u>	<u>4,756,351</u>

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within one year of recognition.

Note 16. Non-current assets – intangibles

	Consolidated	Restated
	30 Jun 2020	31 Dec 2019
	\$	\$
Goodwill - at cost	1,013,080	1,013,080
Intellectual property - at cost	1,440,337	1,439,027
Less: Accumulated amortisation	(477,994)	(429,181)
	<u>962,343</u>	<u>1,009,846</u>
Software - at cost	2,160,871	1,087,785
Less: Accumulated amortisation	(350,938)	(198,631)
	<u>1,809,933</u>	<u>889,154</u>
	<u><u>3,785,356</u></u>	<u><u>2,912,080</u></u>

The value of the goodwill and Intellectual property - at cost and its accumulated amortisation as at 31 December 2019 have been restated (see note 18).

In the period management have finalised the acquisition accounting for BBS. The finalisation has resulted in a reduction in Goodwill of \$757,067 from \$1,678,712 to \$921,645 and an increase in intangible assets of the same amount (less amortisation) when compared to the balances reported at 31 December 2019.

Note 17. Contributions to equity from non-controlling interest

	Consolidated	
	30 Jun 20	31 Dec 19
	\$	\$
Balance at the beginning of the period	-	-
Non-controlling interest from capital contribution	1,317,647	-
Non-controlling interest – share of profit	(464,338)	-
Balance at the end of the period	<u><u>853,309</u></u>	<u><u>-</u></u>

Non-controlling interest relates to the \$3.2m capital contribution from NSX Limited in the half for 41% of ClearPay Pty Ltd. The remaining balance of the capital contribution of \$1,882,353 has been taken to an acquisition reserve.

Note 18. Restatement of comparatives

For the periods ended 30 June 2019 and 31 December 2019 there have been three prior period restatements. The net impact on these restatements is a \$37,169 increase in net profit after tax for the 12 months ended 31 December and a \$146,714 decrease for the 6 months ended 30 June 2020. The restatement of Revenue and the restatement of costs, items 1 and 2 below are disclosed under *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The restated for the finalisation of UAB Baltic Banking Services Acquisition Accounting, item 3 below is accounted for under *AASB 3 Business Combinations*.

1. Restatement of Revenue

Previously the Company was recognising card acquiring revenue on transaction date. The prior period has been restated to recognise revenue as at settlement date, generally on a transaction date plus seven days basis. This change recognises that under *AASB 15 Revenue from Contracts with Customers*, that the performance obligations under the contract, should be recognised as one performance obligation, with revenue recognised when the asset or settlement is transferred to the customer. This resulted in a \$325,759 decrease in revenue in the 30 June 2019 half year and an \$1,385,630 decrease in revenue in the 31 December 2019 full year comparatives. No restatement was required to the opening retained earnings as at 1 January 2019 due to this change.

2. Restatement of operating costs

Operating costs have been restated to recognise that under *AASB 15* costs to fulfill a contract should be recognised as an asset and then amortised on a systematic basis that is consistent with the transfer of goods or services to which the asset relates. This change has resulted in the prior periods being restated to recognise operating costs, which largely consist of cash scheme charges, in line with revenue as at settlement date, generally on a transaction date plus seven days basis.

Further, post 31 December 2019, management became aware of an error which resulted in overpayment in 2019 of card scheme charges. These two changes have resulted in a \$235,825 decrease in operating costs in the 30 June 2019 half year and an \$1,587,305 decrease in operating costs in the 31 December 2019 full year comparatives. No restatement was required to the opening retained earnings as at 1 January 2019 due to this change.

3. Finalisation of UAB Baltic Banking Services Acquisition Accounting

In the period management have finalised the acquisition accounting for UAB Baltic Banking Services. The finalisation has resulted in a reduction in Goodwill of \$757,067 and an increase in intangible assets of the same amount. Amortisation of this intangible asset has started on the date of acquisition, on a straight line basis over 5 years. This has results in an increase in depreciation & amortisation expense of \$56,780 for the period ended 30 June 2019 and of \$132,487 for the 12 months ended 31 December 2019. Refer to Note 16 Non-current assets – intangibles for further details.

iSignthis Ltd
Notes to the consolidated financial statements
30 June 2020

Note 18. Restatement of comparatives (Continued)

Excerpt of restated consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2019	Previously Reported 31 Dec 19 \$	1. Restatement of Revenue \$	2. Restatement of Operating Costs \$	3. Finalisation of Acquisition Accounting \$	Restated 31 Dec 19 \$
Revenue	31,238,675	(1,385,630)			29,853,045
Expenses					
Depreciation & amortisation expense	(532,657)			(132,487)	(665,144)
Operating costs	(14,389,813)		1,587,305		(12,802,508)
Profit/(loss) before income tax expense	2,185,693	(1,385,630)	1,587,305	(132,487)	2,254,881
Income tax expense	<u>(629,280)</u>	<u>219,990</u>	<u>(252,009)</u>		<u>(661,299)</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of iSignthis Ltd	1,556,413	(1,165,640)	1,335,296	(132,487)	1,593,582
Total comprehensive income/(loss) for the half-year attributable to the owners of iSignthis Ltd	<u>1,571,712</u>	<u>(1,165,640)</u>	<u>1,335,296</u>	<u>(132,487)</u>	<u>1,608,881</u>

Excerpt of restated consolidated statement of financial position As at 31 December 2019	Previously Reported 31 Dec 19 \$	1. Restatement of Revenue \$	2. Restatement of Operating Costs \$	3. Finalisation of Acquisition Accounting \$	Restated 31 Dec 19 \$
Assets					
Current assets					
Trade and other receivables	572,608		817,371		1,389,979
Other assets	<u>3,442,617</u>		<u>769,934</u>		<u>4,212,551</u>
Total current assets	<u>117,897,027</u>	<u>-</u>	<u>1,587,305</u>	<u>-</u>	<u>119,484,332</u>
Non-current assets					
Intangibles	<u>3,044,567</u>			<u>(132,487)</u>	<u>2,912,080</u>
Total non-current assets	<u>6,219,377</u>	<u>-</u>	<u>-</u>	<u>(132,487)</u>	<u>6,086,890</u>
Total assets	<u>124,116,404</u>	<u>-</u>	<u>1,587,305</u>	<u>(132,487)</u>	<u>125,571,222</u>
Liabilities					
Current liabilities					
Trade and other payables	4,724,332	(219,990)	252,009		4,756,351
Contract liabilities	<u>-</u>	<u>1,385,630</u>			<u>1,385,630</u>
Total current liabilities	<u>102,529,794</u>	<u>1,165,640</u>	<u>252,009</u>	<u>-</u>	<u>103,947,443</u>
Total liabilities	<u>104,399,606</u>	<u>1,165,640</u>	<u>252,009</u>	<u>-</u>	<u>105,817,255</u>
Net assets	<u>19,716,798</u>	<u>(1,165,640)</u>	<u>1,335,296</u>	<u>(132,487)</u>	<u>19,753,967</u>
Equity					
Accumulated losses	<u>(28,564,473)</u>	<u>(1,165,640)</u>	<u>1,335,296</u>	<u>(132,487)</u>	<u>(28,527,304)</u>
Total equity	<u>19,716,798</u>	<u>(1,165,640)</u>	<u>1,335,296</u>	<u>(132,487)</u>	<u>19,753,967</u>

iSignthis Ltd
Notes to the consolidated financial statements
30 June 2020

Note 18. Restatement of comparatives (Continued)

Excerpt of restated consolidated statement of profit or loss and other comprehensive income For the half-year ended 30 June 2019	Previously Reported 30 June 19 \$	1. Restatement of Revenue \$	2. Restatement of Operating Costs \$	3. Finalisation of Acquisition Accounting \$	Restated 30 June 19 \$
Revenue	7,472,136	(325,759)			7,146,377
Expenses					
Depreciation & amortisation expense	(207,006)			(56,780)	(263,786)
Operating costs	(2,655,901)		235,825		(2,420,076)
Profit/(loss) before income tax expense	(729,190)	(325,759)	235,825	(56,780)	(875,904)
Profit/(loss) after income tax expense for the half-year attributable to the owners of iSignthis Ltd	(729,190)	(325,759)	235,825	(56,780)	(875,904)
Total comprehensive income/(loss) for the half-year attributable to the owners of iSignthis Ltd	<u>(556,838)</u>	<u>(325,759)</u>	<u>235,825</u>	<u>(56,780)</u>	<u>(703,552)</u>

Excerpt of restated consolidated statement of financial position As at 30 June 2019	Previously Reported 30 June 19 \$	1. Restatement of Revenue \$	2. Restatement of Operating Costs \$	3. Finalisation of Acquisition Accounting \$	Restated 30 June 19 \$
Assets					
Current assets					
Trade and other receivables	985,233		86,837		1,072,070
Other assets	1,404,595		148,988		1,553,583
Total current assets	<u>46,428,073</u>	<u>-</u>	<u>235,825</u>	<u>-</u>	<u>46,663,898</u>
Non-current assets					
Intangibles	4,500,981			(56,780)	4,444,201
Total non-current assets	<u>5,383,984</u>	<u>-</u>	<u>-</u>	<u>(56,780)</u>	<u>5,327,204</u>
Total assets	<u>51,812,057</u>	<u>-</u>	<u>235,825</u>	<u>(56,780)</u>	<u>51,991,102</u>
Liabilities					
Current liabilities					
Contract liabilities	556,975	325,759	-	-	882,734
Total current liabilities	<u>38,391,967</u>	<u>325,759</u>	<u>-</u>	<u>-</u>	<u>38,717,726</u>
Total liabilities	<u>38,946,602</u>	<u>325,759</u>	<u>-</u>	<u>-</u>	<u>39,272,361</u>
Net assets	<u>12,865,455</u>	<u>(325,759)</u>	<u>235,825</u>	<u>(56,780)</u>	<u>12,718,741</u>
Equity					
Accumulated losses	(30,875,571)	(325,759)	235,825	(56,780)	(31,022,285)
Total equity	<u>12,865,455</u>	<u>(325,759)</u>	<u>235,825</u>	<u>(56,780)</u>	<u>12,718,741</u>

Note 19. Business Combinations

UAB Baltic Banking Services Acquisition

On 14 February 2019, the consolidated entity acquired 100% of the ordinary shares of UAB Baltic Banking Services ("BBS"). The acquired business contributed revenues of \$1,427,603 and a loss after tax of \$67,345 to the consolidated entity for the year ended 31 December 2019 and contributed revenues of \$419,885 and a loss after tax of \$241,728 to the consolidated entity for the six months ended 30 June 2020.

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

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

In the period management have finalised the acquisition accounting for BBS. The finalisation has resulted in a reduction in Goodwill of \$757,067 from \$1,678,712 to \$921,645 and an increase in intangible assets of the same amount (less amortisation) when compared to the balances reported at 31 December 2019. Refer to Note 16. Non-current assets – intangibles for further details.

Final details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	14,520
Software Intangibles	757,067
Trade receivables	121,543
Other current assets	3,004
Computers and equipment	17,904
Trade payables	(159,005)
Contract liabilities	(509,487)
Other payables	(51,732)
Employee benefits	(60,652)
Net assets acquired	<u>133,162</u>
Goodwill	<u>921,645</u>
Acquisition-date fair value of the total consideration transferred	1,054,807
Representing:	
Cash paid or payable to vendor*	118,840
iSignthis Ltd shares issued to vendor**	118,840
Contingent consideration***	<u>817,127</u>
	<u><u>1,054,807</u></u>

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

** Consists of €75,000 in ordinary shares, issued at the February 2019 monthly VWAP.

*** Contingent consideration is in ordinary shares, issued at the January 2020 VWAP.

Accounting policy for business combinations

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

Note 19. Business Combinations (Continued)

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

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

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

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

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

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

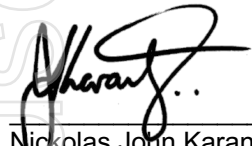
iSignthis Ltd
Directors' declaration
30 June 2020

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 2020 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

14 October 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of iSignthis Ltd

Report on the Half-Year Financial Report

Qualified 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 2020, 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, except for the effects of the matter described in the *Basis for qualified conclusion* section, 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 2020 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 qualified conclusion

We were appointed as auditors of iSignthis Ltd on 25 August 2020 and have not been provided access to the audit files of the previous auditor for review. We were unable to satisfy ourselves by alternative means concerning the opening accumulated losses position and thus we were unable to determine whether adjustments might have been necessary in respect of this amount.

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.

Other matter

The financial report of iSignthis Ltd, for the year ended 31 December 2019 was audited by another auditor who expressed an unmodified opinion on that report on 28 February 2020.

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 2020 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', is written over a horizontal line.

Tim Aman
Director

Sydney, 14 October 2020