2020

iSignthis®

ANNUAL REPORT

ABN 93075 419 715
iSignthis Ltd

Contents

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
Date of Annual General Meeting	14 May 2021
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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
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Letter from the Chairman

Dear Shareholders,

It is with great pleasure that I present the iSignthis Annual Report for the calendar year ended 31 December 2020.

2020 was an extremely challenging year around the globe, as the world faced into the new challenges created by of the COVID-19 pandemic. This was further compounded by the challenges the Company faced in light of the ongoing ASX suspension and ASIC investigation.

Through 2020 and into 2021, the Directors and myself remain committed finding a new exchange for the Company. We continue to work through the options to find the best solution for the Company and its Shareholders.

Disappointingly, after starting Federal Court action against ASX Limited in December 2019 and further updating our claim to over $464.7 million, due to COVID-19 we have seen our case against ASX Limited delayed into 2021.

In December 2020 ASIC took action against the Company for disclosure related issues. We will vigorously defend these claims and lookforward to resolving this matter in 2021.

Pleasingly though, through 2020 we continued to see management stay focused on growing the business, innovating for our customers and finding further opportunities to deliver on our strategy, including the investment in NSX Limited and ClearPay Pty Ltd.

During 2020 the Group made a $6.02 million investment in NSX Limited, which operates NSXA, Australia’s second-largest Tier 1 securities market operator. The Group also announced the ClearPay investment with NSX Limited. We continue to see a real opportunity for NSXA to grow and gain scale, with significant progress in 2020 and further opportunities on track, with ClearPay scheduled to deliver Australia’s first open DLT based, multilateral, multicurrency Delivery versus Payment (DvP) platform.

In 2020, the Group was also able to focus on continuing to grow revenue, which was up 21.6% versus 2019, due to growth from transaction banking and payment services. Pleasingly, this growth has been driven from both new and existing customers. With the granting of our UK EMI licence in September 2020, we continue to see further opportunity for Growth into 2021. The approval by the FCA of the UK licence continues to orient the growth of the Company towards the UK and Europe, where we see a significant market opportunity.

Through the year we have also seen solid growth from our Reg-Tech solutions division, as we continued to focus on growing new customers.

Lastly, as we look into 2021, we are excited about the launch of our new retail product flykk. Flykk is a pass-through wallet, enabling customers to send money to any of our flykk merchants, receive funds and send funds to any SEPA linked account in the European Union or the UK.

On behalf of the iSignthis Board of Directors, Management Team and dedicated employees, we would like to express our sincere appreciation to our shareholders who have maintained their support for the company through this unprecedented suspension. We look forward to making 2021 an even more successful year for the company.

Yours Sincerely,

Timothy J. Hart
Non-Executive Chairman

Letter from the Managing Director

Dear Shareholders,

I'm delighted that after 5 years of hard work, we have delivered our second year of profits for shareholders, despite the ongoing ASX suspension and the diversion of management attention to the court case against ASX Limited.

In 2020, myself and my management team have stayed focused on delivering new products and services for our customers, despite the significant distraction due to the global COVID-19 pandemic, ASX litigation and ASIC matter.

Introduction

In 2020, with the build out of the Group's our own Tier 1 card scheme and central banking connections and infrastructure complete, the business has focused on the development of new products and services for our customers, as well as continuing to grow our Customer Base in our Re-Tech Solutions division. We also made a significant investment in NSX Limited ('NSX'), and are starting to see NSX make significant progress as it builds out its own technology stack.

Business Update

In 2020 the growth of the business was impacted by the ASX suspension, which caused the Company to lose several suppliers and customers, especially in Australia. Despite this, the Company has continued to grow revenue in 2020, up 21.6%. Pleasingly the Company saw strong revenue growth from transactional banking services as we continue to diversify our revenue streams.

During the year, we were disappointed to lose our Visa membership, after a long negotiation with Visa. The Company remains a principal member of Mastercard, JCB, Diners, Discover, China UnionPay and AMEX licensed as payment capabilities and with Eurosystem central banking facilities, continues to provide deposit taking and IBAN account issuing capabilities, with SEPA transfers live since 2018. Further we continue to build out other Alternative Payment Methods, including SOFORT and POLI in Australia.

2020 also saw the company finalise the development of our flykk e-Money ecosystem. This ecosystem, brings together the Paydentity platform to perform identity verification, with ISXPay performing the payment processing and settlement, and Probanx.com performing the journaling of the settlement deposits from ISXPay, with ISXPay executing outbound SEPA transactions. This is a complex e-Money ecosystem bringing together bank account issuance, payments, and AML/CFT compliance obligations, including remote customer due diligence.

Regulatory Licensing

Pleasingly, in September 2020 we were approved as an Authorised Electronic Money Institution (AEMI) by the Financial Conduct Authority (FCA) in the UK, under the Electronic Money Regulations 2011.

Importantly, the AEMI provides the Company with full access and continuity to the key British market post BREXIT, and significantly extends the Group's regulatory authorisations.

The FCA's UK authorisation allows the Company's UK subsidiary to issue, distribute and redeem electronic money, as well as to offer the complete range of payment services available under the Payment Services Regulations 2017.

Unfortunately, with the onset of COVID-19, most regulatory licencing in Australia has been put on hold or delayed.

NSX Investment update

During 2020 the Company made a $6.02million investment in NSX for 19.22% of the company, which operates NSXA, Australia's second-largest Tier 1 securities market operator. The Group also announced the ClearPay joint investment with NSX. During 2020 I was also appointed as interim Managing Director of NSX Limited, enabling NSX to focus on its technology stack build out. We saw significant progress in 2020, with the NSXA completing its Trade Acceptance Service ("TAS") integration to the ASX Clear system. TAS brings the ability to enter orders into NSXA's trading system via IRESS, resulting in NSXA securities trading now being fully automated from order routing through to clearing and settlement.

NSX also launched its Digital Exchange Sub-register System (DESS), with transactional data being written directly to both CHESS and the NSX's DESS system, managed by ClearPay Pty Ltd ("ClearPay"), our joint investment with the NSX and developed by our subsidiary Probanx Solutions Ltd.

ClearPay intends to apply for a clearing and settlement license ("CS&F") during the course of 2021, including for DESS operations. In the meantime, DESS allows the NSXA to retain control of its trading and transactional data via its own platform and is the first step towards bringing meaningful competition to clearing and settlement services in Australia.

Our Focus for the Upcoming year

In 2020 the Company's growth will be focused in the European Union and the UK, setting up operations in the UK and continuing to focus on growing our European customer base. With several customers already signed up to our new flykk e-Money product, we look forward to a full rollout in 2021 of this exciting new product and revenue stream.

I'm also looking forward to ClearPay delivering Australia's first open DLT based, multilateral, multicurrency Delivery versus Payment (DvP) platform for the NSXA in 2022.

We are hopeful in 2021, that we can quickly resolve the ASIC court action against the Company. We see this as a necessary precursor to the Companies securities being quoted on a premium exchange.

With the delivery of our second year of profit and positive operating cashflows in 2020, we remain optimistic about the Company's 2021 outlook and we look forward to sharing further news and updates as the company develops and builds scale.

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

Yours Sincerely,

N J Karantzis
Managing Director and Chief Executive Officer

Directors' Report – Operating and Financial Review

Company Overview

The Company is a regulated financial services company and developer of regulatory technology ("RegTech") 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 built its own monetary financial services technology stack including payment gateway, core banking, interbank networking and "know your customer" ("KYC") platforms. The Company uses this technology stack to deliver payment and electronic money ("eMoney") services to business and retail customers under European Union ("EU") and UK monetary financial services authorisations. The Company also provides these platforms as a technology provider to other regulated financial institutions under either software as a service ("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 anti-money laundering ("AML") regulated business sectors.

The Company's Cyprus subsidiary, ISX Financial EU Ltd. ("ISXEU") is the holder of European Economic Area ("EEA") regulatory authorisation as an eMoney Institution authorised by the Central Bank of Cyprus. ISXEU was granted a transitional authority to operate in the UK by the Financial Conduct Authority ("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 EMoney License ("AEMI"), by the FCA under the Electronic Money Regulations 2011 (United Kingdom). This 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 ("BoE") 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, (China) Union Pay International ("China UnionPay") and JCB Co., Ltd. ("JCB"), an American Express aggregator, and other alternative payment methods ("APM's").

iSignthis Service and Solutions

The Company operates across four main divisions, with various product/services brands within each of those divisions.

- **Regulated eMoney & Payment Services**: Identity, Payments, eMoney and Banking, with services provided by ISXEU, ISXUK and post APRA authorisation, ISX Financial AU Pty Ltd ("**ISXAU**").

- **RegTech Solutions**: Core banking and core networking platforms and other banking services, with products and services provided by Probanx Solutions Ltd. (Cyprus) and UAB Probanx Solutions. (Lithuania) (collectively, "**Probanx**").

- **Regulated Securities Exchange**: 19.22% holdings in the public quoted NSX Ltd. (ASX: NSX) ("**NSX**") which owns and operates the National Stock Exchange of Australia Ltd. ("**NSXA**"), Australia's second largest Tier 1 licensed securities market, and 59% holdings in digital ledger technology delivery versus payment company, ClearPay.

- **Intellectual Property**: A number of granted and pending patents applicable to anti-money laundering, payment verification and payments, across multiple jurisdictions, including European Patent Area, United States, Canada, Australia, New Zealand, Singapore, China, India, and Brazil.

Strategy

The Company's strategy is to:

- offer its RegTech and Financial Technology ("**FinTech**") services globally to other financial institutions and securities exchanges;
- to provide regulated payment and eMoney services to businesses and merchants within the EEA, including the UK, with expansion plans into North America and other regions where suitable commercial and regulatory opportunities exist; and
- to continue to expand our nascent role as a technology provider and operator of clearing, settlement and securities exchanges

The Company's strategy includes the continuation of research and development of innovative technological solutions (registering patents where possible) for the delivery of equities, exchange traded products, payment processing, transactional banking and identity services. This includes systems for identity verification, transaction monitoring, core banking, payment processing, card acquiring, card issuing, eMoney, securities trading, clearing and settlement.

The Company's four operating divisions complement and reinforce each other, with the intellectual property created providing a basis for development of core RegTech and FinTech platforms, which in turn are used to underpin our regulated services divisions in payments and securities. Broadly, regulated services are delivered under the "ISX.money" domain, "ISX Financial®" and "ISXPay®" trademarks. Regulated consumer services are delivered under the "flykk®" trademark from the www.flykk.it website. The FinTech services are delivered under the "Probanx®" trademark, RegTech under "Paydentity™" trademark.

Each business division is treated as a separate profit and loss centre, with the ability to generate revenues either through licensing, or the provision of technical services, or regulated services, to business and/or retail customers.

Presently, the Company is focused on the UK and the EEA, with plans to expand geographically into Canada, United States and Australia, as well as extend its verticals into further AML regulated sectors where the Company enjoys advantages related to its RegTech and FinTech capabilities. The EU represents approximately one-third of the global payments market and is still in an expansionary phase for the Company.

The Company is focused on continuing to scale and grow in Europe, with short term objectives being to expand into other jurisdictions including Canada, United States and Australia over the next two to three years. Over the longer term, management expects to continue its geographic expansion into other regions where suitable commercial opportunities exist.

The strong business driver in Europe is due to the European Commission and European Central Bank's ("**ECB**") legislative requirements around the EU's 5th Anti Money Laundering Directive ("**5AMLD**") and the Payment Services Directive 2 Directive (EU) 2015/2366 ("**PSD2**") which were introduced in 2018 and 2019 respectively and are being used as a blueprint for regulators around the world. The legislation requires all online payment transactions to be fully authenticated, which process is known as Strong Customer Authentication ("**SCA**") and extends the requirements of AML customer due diligence ("**CDD**"). SCA is now mandatorily applied across the EEA since 1st January 2021, with the Company utilising its patented processes as part of its flykk onboarding process. The 6th Anti Money Laundering Directive ("**6AMLD**") expands on the 5AMLD and came into effect for member states on December 3, 2020 and must be implemented by financial institutions by June 3, 2021. The 6AMLD extends the applications for the Company's Paydentity™ platform.

The Company's services assist FinTech's, brokers, banks, credit unions, exchanges, ecommerce merchants and point of sale businesses to meet their payment, transactional banking, and AML regulatory requirements whilst providing commercial advantage for the Company in the distribution of eMoney to those entities.

Furthermore, the business will look to continue to scale and grow its Probanx FinTech business globally, including into interbank and central bank networking, clearing and settlement, securities trading and core banking.

Financial Review

In FY20 the Group has delivered its second full year profit of $1.36m (NPAT) driven by strong revenue growth in Europe.

Group Financial Performance

In early 2019 the business finalised the build of its own Tier 1 card scheme and central banking connections and infrastructure, building upon the ecosystem and product builds of 2017 and 2018. This enabled the business to start to build scale and grow revenue and deliver its maiden profit after tax in 2019. During the year ended 31 December 2020, we have seen the business continue to build and grow scale, with a profit after tax of $1,360,728 down 15% on the prior year (31 December 2019: a profit after tax of $1,593,582).

In the period revenue from customers grew 21% to $36m, from $30m in the same period in 2019. This growth was driven by regulated services in Europe, with ISXPay Card Platform and eMoney revenues representing circa 90% of the Group's revenues, due to strong customer acquisition during the year and increased volumes from existing customers during the period.

In the year ended 31 December 2020 the Group's expenses and other charges (inclusive of foreign exchange gains) increased by 20% or $5.9m to $34.4m, largely due to increased corporate costs and costs to support the Group's revenue growth. Corporate costs increased $2.5m driven by legal and advisory costs related to the ASX dispute $1.37m and costs related to exploring alternative listing opportunities. Operating costs, which represent card scheme charges and other variable costs increased $2.0m due to the increase in processing volumes through ISXPay during the year and a $637,000 compliance charge from Mastercard. Foreign exchange gains during the year reduced by $0.9m. Information technology expenses, including cloud costs increased by $0.3m for the year. Employee benefits expenses increased by $0.9m, due to additional employees hired to manage current and future customer growth. The Group also saw a $0.5m (2019: nil) share of losses for the Group's investment in NSX Limited. These costs were partially offset by a $1.5m reduction in share based payments costs during the year.

Financial Position

The financial position of the group remained strong during the period, with cash and cash equivalents of $16.6m at the end of the period (31 December 2019: $17.7m). Cash and cash equivalents during the period was impacted by the $6.02m investment in NSX Limited, offset by a $3.2m cash contribution from NSX Limited for the investment in ClearPay and positive operating cash flows of $4.6m.

The Group also saw its total assets increase $6.0m since 31 December 2019, largely due the $5.5m investment in NSX Limited, combined with a $2.2m increase in Intangible assets and a $1.8m increase in funds held on behalf of merchants, partially offset by a $1m reduction in cash and cash equivalents and a $2.5m reductions in other assets, as a result of the return of funds held by Visa as security. Funds held on behalf of merchants increased by $1.8m versus 31 December 2019, largely due to foreign exchange gains during the period, with underlying funds under management reducing during the period, 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.

The Group's total liabilities have increased by $0.3m due to a corresponding $1.8m increase in merchant liabilities driven by the reasons outlined above, largely offset by a reduction in contract liabilities of $1.2m due to the timing of merchant settlements.

The Group's working capital, being current assets less current liabilities was $13.2m at 31 December 2020 (31 December 2019: $15.5m). 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.

Key Risks and Challenges

Risks Related to Company's Operations

The Company is subject to macroeconomic conditions that affect consumer, business and government spending and growth in its markets.
The digital payments industry in which the Company operates depends heavily upon the overall level of consumer, business, and government spending, which in turn depend significantly on global and regional economic conditions in the EEA region. In particular, although the Company's strategy is to further expand its business in the Asian and Pacific regions, it currently generates a substantial portion of its revenues from a limited number of markets (with the EEA accounting for circa 95 per cent of its revenues in 2020). Adverse changes or uncertainty about any number of macroeconomic factors, including political and social conditions, economic growth rates, interest rates, unemployment, asset values and financial market conditions, government spending, oil prices and consumer and business sentiment in the Company's markets may adversely affect overall spending levels, retail spending and trade. In addition to general economic conditions, additional factors such as the actual or perceived risk of health and safety hazards, including terrorist attacks or natural catastrophes, could adversely affect tourism and general spending. These and other adverse conditions may result in reduced digital payments volumes and card transactions. In addition, adverse changes in the economic environment could result in a higher rate of bankruptcy filings by the Company's merchants, resulting in lower revenue, credit risk losses and consequential reduction in earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further fraudulent behaviours could include merchants undertaking identity theft, providing fraudulent information, misrepresenting their transactionhistory, or misrepresenting their ability to meet their contractual obligations. Fraudulent behaviour can also take the form of employees or partners, individually or in collusion with others, obtaining a financial or other benefit (for example, tampering with our systems, processes or financial instructions). Fraudulent behaviour is most likely to occur in situation where we rely on manual processes. For example, in situations where the Company relies on the manual input of data to complete its operations.

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

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

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

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

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

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

A significant number of the Company's merchants are small-and-medium sized businesses (SMBs), which can be more difficult and costly to retain than larger enterprises and may increase the impact of economic fluctuations on it.
SMBs comprise a significant percentage of the Company's number of merchants. To continue to grow its revenue, the Company must add merchants, sell additional services to existing merchants and encourage existing merchants to continue doing business with it. However, retaining SMBs can be more difficult than retaining large enterprise merchants. This is because SMB merchants:

- often have higher rates of business failure and more limited resources;
- are typically less sophisticated in their ability to make technology-related decisions based on factors other than price;
- may have decisions related to the choice of payment processor dictated by their affiliated parent entity; and
- are more able to change their payment processors than larger enterprise merchants dependent on the Company's services.

SMBs are typically more susceptible to the adverse effects of economic fluctuations. If the Company does not continue to diversify its merchant base and adverse changes in the economic environment or business failures of the Company's SMB merchants increase, the Company may need to attract and retain new merchants at an accelerated rate or decrease its expenses to reduce negative impacts on its business, financial condition and results of operations.

SMBs have been disproportionately affected by the COVID-19 pandemic and the related measures taken by governments and private industry to protect the public health such as stay-at-home orders. Many SMBs are experiencing reduced sales and are processing fewer payments with the Company, which has had a negative impact on its results of operations. If they cease to operate, they will stop using the Company's products and services altogether. SMBs frequently have limited budgets and limited access to capital, and they may choose to allocate their spending to items other than the Company's financial or marketing services, especially in times of economic uncertainty or in recessions. In addition, if more of the Company's merchants cease to operate, this may have an adverse impact not only on the growth of the Company's payments services but also on its transaction and advance loss rates, and the success of its other services. For example, if merchants processing payments with it receive chargebacks after they cease to operate, the Company may incur additional losses. See also "*The Company is subject to the credit risk that its merchant solutions customers will be unable to satisfy obligations for which it may also be liable"*.

The Company may not have adequate insurance.
The Company and its subsidiaries have insurance in place that includes Directors and Officers, Travel, Public Liability, Public Indemnity and Cyber insurance.

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

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

If the Company cannot pass along increases in interchange and other fees from payment schemes to its merchants, its operating margins would be reduced.
The Company pays payment scheme membership, franchise and processing fees for payments services as well as scheme and card issuer fees (known as interchange fees) for each transaction that it processes through the payment schemes. From time to time, the payment schemes increase the interchange fees and other fees that they charge payments processors and, in cases in which the Company is a licensed member of a payment scheme, its financial institution sponsors. The Company has the right to pass any increases in interchange and other fees on to its merchant solutions customers and it has consistently done so in the past. While the Company has historically passed along the majority of these fee increases to its merchant solutions customers through corresponding increases in its processing fees, there is a risk that it may be unable to pass through these and other fee increases in the future, for example, as a result of increased competitive pressure or the introduction of applicable regulation, which could have a material adverse effect on its direct acquiring margins, financial condition and its results of operations.

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

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

The Company's expansion into new jurisdictions could cause delays in licensing and the integration of new technologies.
The Company's expansion into new jurisdictions may entail seeking prudential or financial services authorisations, jurisdiction specific licensing of payment schemes, and the development of new technologies to interface with existing payment, banking and/or card services in that jurisdiction. Each of the authorisations or licensing process, or technology development or integration, can take between 12-24 months, with local variances.

The Company is exposed to risks associated with acquisitions, partnerships and joint ventures.
Acquisitions, partnerships and joint ventures are part of the Company's growth strategy. The Company evaluates, and expects in the future to evaluate, potential strategic acquisitions of companies, partnerships and joint ventures with complementary businesses, services or technologies. However, the Company may not be able to successfully identify suitable acquisition, partnership or joint venture candidates that are sufficient to meet its growth strategy, or it may not be able to successfully execute its growth strategy and hence, may not be able to derive the anticipated benefits. Also, certain acquisitions, partnerships and joint ventures it has and may have in the future, may prevent the Company from competing for certain clients or in certain lines of business. This may lead to the loss of clients if the Company acquires businesses with non-compete clauses or exclusivity provisions in their agreements.

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

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

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

Investments in which the Company does not have a controlling interest are subject to the risk that the non-controlled business may make business, financial or management decisions that the Company does not agree with. Furthermore, the controlling shareholders or the management of the non- controlled business may take risks or otherwise act in a manner that does not serve the Company's best interests. The Company's equity investments in such non-controlled businesses may also be diluted if it does not participate in future equity or equity-linked fundraising opportunities. Certain acquisitions may also include the Company in outstanding or unforeseen legal, regulatory, contractual, employee or other issues.

Joint venture and partnership risks are similar to those of acquiring a business, and in many cases represent some increased risk, as core capabilities may be under the control of a third party. The Company cannot ensure that any acquisition, partnership or joint venture it make will not have a material adverse effect on the Company's business, financial condition and results of operations.

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

The Company's risk management policies and procedures may not be fully effective to identify, monitor and manage its risks, particularly given the heightened risks of operating in a number of new intended markets in Asia and the Pacific (see also *"Investments in new markets are subject to greaterrisks than those in more developed markets"* below).

Some of its risk evaluation methods depend upon information provided by others and public information regarding markets, clients or other matters that are otherwise inaccessible by it. In some cases, that information may not be accurate, complete or up to date. If the Company's policies and procedures are not fully effective or it is not always successful in capturing all risks to which it is or may be exposed, it may suffer harm to its reputation or be subject to litigation or regulatory actions that could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Key person risk is applicable to Mr. Karantzis, who remains central to the operations, regulatory and strategy aspects of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company from time to time may in the future be involved in governmental or regulatory investigations or similar matters arising out of its currentor future business. The Company's insurance or indemnities may not cover all claims that may be asserted against it, and any claims asserted against it, regardless of merit or eventual outcome, may harm its reputation. Furthermore, there is no guarantee that the Company will be successful in defending itself in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed the Company's insurance coverage, they could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

Customer service and reputational risk.

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

Operational risk events.

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

The Company may fail to hold, safeguard or account accurately for merchant or customer funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company may be subject to claims that it has wrongfully hired an employee from a competitor, or that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that its employees have wrongfully used or disclosed alleged trade secrets of their former employers.
Many of the Company's employees, consultants and advisors, or individuals that may in the future serve as its employees, consultants and advisors, are currently or were previously employed at companies that are its competitors or are potential competitors. The Company may be subject to claims that it, its employees, consultants or independent contractors or advisors have, inadvertently or otherwise, used or disclosed confidential or proprietary information, trade secrets or know-how of these third parties. Litigation may be necessary to defend against these claims. Even if the Company is successful in defending against these claims, litigation could result in substantial cost and be a distraction to its management and employees. If it fails in defending any such claims, in addition to paying monetary damages, the Company may lose valuable intellectual property rights or personnel. Any of the foregoing could have a material adverse effect on its business.

The ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, could materially impact the Company, its future results of operations and financial condition.
The COVID-19 pandemic has disrupted the economy and put unprecedented strains on governments, health care systems, businesses and individuals around the world. The impact and duration of the COVID-19 pandemic are difficult to assess or predict. It is even more difficult to predict the impact on the global economic market, which will depend upon the actions taken by governments, businesses and other enterprises in response to the pandemic. The pandemic has already caused, and is likely to result in further, significant disruption of global financial markets and economic uncertainty.

The pandemic has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place or total lock-down orders, and business limitations and shutdowns. Such measures have significantly contributed to rising unemployment and negatively impacted consumer and business spending. The extent to which COVID-19 impacts the Company's financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to curtail or treat its impact, including shelter in place directives, business limitations and shutdowns, travel bans and restrictions, loan payment deferrals (whether government-mandated or voluntary), moratoriums on debt collection activities and other actions, which, if imposed or extended, may impact the economies in which the Company now, or may in the future, operate. Adverse market conditions resulting from the spread of COVID-19 could materially adversely affect its business.

The COVID-19 pandemic could cause its third-party service providers to shut down their business, experience security incidents that impact its business, delay or disrupt performance or delivery of services or experience interference with the supply chain of hardware required by the Company's systems and services, any of which could materially adversely affect its business. Further, the COVID-19 pandemic has resulted in its employees and those of many of its customers working from home and conducting work via the Internet, and if the network and infrastructure of Internet providers becomes overburdened by increased usage or is otherwise unreliable or unavailable, its employees' and its customers' employees' access to the Internet to conduct business could be negatively impacted. Limitations on access or disruptions to services or goods provided by or to some of its suppliers upon which its platform and business operations relies could interrupt its ability to provide its platform, decrease the productivity of its workforce and significantly harm its business operations, financial condition and results of operations. In addition, the Company's technology platforms and the other systems or networks used in its business may experience an increase in attempted cyber-attacks, targeted intrusion, ransomware and phishing campaigns seeking to take advantage of shifts to employees working remotely using their household or personal Internet networks as a result of the COVID-19 pandemic. The success of any of these unauthorized attempts could substantially impact its technology platforms, the proprietary and other confidential data contained therein or otherwise stored or processed in its operations, and ultimately its business. Any actual or perceived security incident also may cause the Company to incur increased expenses to improve its security controls and to remediate security vulnerabilities.

Additionally, diversion of management focus to address the impacts of the COVID-19 pandemic could potentially disrupt its operating plans. There is a risk that there will be major continued limitations on travel due to the pandemic, which in turn may limit the ability of the Company to properly control its activities through senior management, impact its ability to access new markets, and may limit its ability to communicate effectively with regulators, suppliers and customers. The extent and continued impact of the COVID-19 pandemic on its business will depend on certain developments,including: the duration and spread of the outbreak; government responses to the pandemic; the impact on customer, industry or employee events; and the effect on its partners, merchants and their customers, third-party service providers, customers and supply chains, all of which are uncertain and cannot be predicted.

To mitigate the impact of any pandemic, the Company has a pandemic response plan that has been approved by the major card schemes and the Company's key regulators. The Company requires as part of its policy that key suppliers also have a similar pandemic response plans. There is no guarantee that the Company's key suppliers will develop a sufficient pandemic response plan, or any plan at all. This may affect the approval the Company has obtained for its plan.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect the Company's financial condition and results of operations.

The Company's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. Future changes in accounting standards, pronouncements or interpretations could require it to change its policies and procedures. The materiality of such changes is difficult to predict, and such changes could materially impact how the Company records and reports its financial condition and results of operations.

Additionally, the Company's assumptions, estimates and judgments related to complex accounting matters could significantly affect its financial results. IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to its business, including, but not limited to, revenue recognition, impairment of long-lived assets, leases and related economic transactions, intangibles, self-insurance, income taxes, property and equipment, litigation and equity-based compensation are highly complex and involve many subjective assumptions, estimates and judgments by it. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by the Company (i) could require it to make changes to its accounting systems to implement these changes that could increase its operating costs and (ii) could significantly change its reported or expected financial performance.

The Company is exposed to risks relating to its ability to manage ongoing changes to and expansion of its technology systems.

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

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

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

The Company's products are based on sophisticated software and computing systems that may encounter delays relating to development or upgrades and the underlying software may contain undetected errors, viruses or defects. The Company's products may have errors or defects that are only identified after customers start using them. This may harm the Company's reputation and business. Defects in the Company's software products and errors or delays in its processing of electronic transactions could result in additional development costs, diversion of technical and other resources from its other development efforts, loss of credibility with current or potential customers, harm to its reputation and exposure to liability claims. In addition, the Company relies on technologies and software supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on its business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. Such an occurrence could result in loss of revenue and customers.

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

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

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

The Company's services must integrate with a variety of operating systems, software, hardware and web browsers.
If the Company is unable to ensure that its services interoperate with various operating systems, software, hardware and web browsers, its business may be materially and adversely affected.

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

The Company's systems and its third-party providers' systems may fail, including due to factors beyond its control, which could interrupt its services, cause it to lose business and increase its costs.
The Company depends on the efficient and uninterrupted operation of numerous systems, including the Company's computer systems, its software and that of third parties and telecommunications networks, as well as data centres and other systems of third parties. The Company's systems and operations or those of its associated participants could be exposed to interruptions, delays or outages from, among other things, fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses. The Company's systems or those of third parties may also contain undetected errors or other performance problems or may fail due to human error. Although the Company maintains insurance policies specifically for property and business interruptions, these policies may not be adequate to cover losses arising as a result of any such interruptions. Defects in its systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures or other difficulties could result in:

- loss of revenue;
- loss of clients;
- loss or breach of merchant or consumer data;
- loss of membership with Mastercard, China UnionPay, JCB, Diners, Discover, American Express, or other payment networks, leading to loss of the Company's ability to access its networks;
- fines imposed by payment networks and other issues relating to non-compliance with applicable payment network requirements;
- fines imposed by regulators, including the FCA, the Central Bank of Cyprus, the Central Bank of Lithuania, and others;
- harm to its business or reputation resulting from negative publicity;
- exposure to fraud losses or other liabilities;
- additional operating and development costs;
- diversion of technical and other resources; and
- breach of contractual obligations, such as guarantees to maintain performance levels at certain levels given to many of its clients, which could harm client relationships and cause it to issue credits to clients or incur other additional liability.

The Company's business is also dependent on the continued growth and maintenance of the Internet's infrastructure. There can be no assurance that the Internet's infrastructure will continue to be able to support the demands placed on it by sustained growth in the number of users and amount of traffic. Furthermore, the internet and cloud based services could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. To the extent that the Internet's infrastructure is unable to support the demands placed on it, the business of merchants, and thus the Company's business, may be impacted. The Company may also be disadvantaged by the adverse effect of any delays or cancellations of private sector or government initiatives designed to expand broadband access. The Company, and its merchants, may be impacted by a reduction in the growth of, or a decline in, access to broadband and Internet.

As the Company continues to expand into new jurisdictions, market sectors, and opportunities the Company is likely to require extension of its technology platforms, systems and ecosystems, including new functions, features, interfaces and designs. The Company deploys extensive in-house and external testing, and is usually required to obtain third party certification or assessment. Despite this, its technology platforms, systems and ecosystem may fail, leading to outages, errors, loss of revenue and possibly damages.

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

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

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

- legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect the Company's ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent may be significantly less than the scope of protection sought by the Company. As a result, the Company's patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to the Company, or may not afford the Company adequate protection from competing products; and
- since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

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

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

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

The Company has business systems that do not have full redundancy.
While much of the Company's processing infrastructure is located in multiple redundant data centres, it has some core business systems, such as its customer relationship management systems, that are located in only one facility and do not have redundancy. An adverse event, such as damage or interruption from natural disasters, power or telecommunications failures, cybersecurity breaches, criminal acts and similar events, with respect to such systems or the facilities in which they are located could impact its ability to conduct business and perform critical functions, which could negatively impact its business, financial condition and results of operations.

Risks Related to the Company's Industries and their Regulations

If the Company cannot keep pace with rapid developments and change in its industry and provide new services to its clients, the use of its services could decline, reducing its revenue and profitability.
The Company has designed, built, tested and received third party certification for its payment processing, core banking and interbank networking solutions. The Company has also been granted a number of patents for its in-house developed Paydentity platform and continues to lodge patent applications based upon its research and development.

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

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

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

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

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

The digital payments industry is highly competitive, and the Company competes with certain firms that are larger and that have greater financial resources than it does.
The Company has a number of competitive advantages, including being one of the very few hybrid eMoney issuers and card PSPs in the EEA, with further advantages due to its RegTech stack, including Paydentity.

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

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

The Company's eMoney competitors include Paysafe Group's Neteller and Skrill, and Paypal. See also *"General Development and Business of the Company"*.

Paypal poses a particular risk to the Company because they offer card processing and eMoney facilities that are similar to the Company's. Furthermore, Paypal has an in-house only service comparable to Paydentity that may cause the Company to lose market share if the Company is unable to provide a better service. Both Paypal and the Company hold patents for their payment instrument verification methods, however, the Company cannot guarantee that this will ensure that it will be able to continue to acquire new customers or prevent competitors from decreasing its existing customer base.

The Company may face new competitive pressure from both non-traditional payments processors and other parties entering the payments industry. See also *"Risks related to the Company's business, corporate structure and industry - If the Company cannot keep pace with rapid developments and change in its industry and provide new services to its clients, the use of its services could decline, reducing its revenue and profitability*".

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

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

The Company is influenced by regulation, and any new laws and regulations or industry standards, or revisions made to existing laws, regulations or industry standards, affecting the digital payments industry and other industries in which it operates may have an unfavourable impact on its business, financial condition and results of operations.
The Company's business is impacted by laws, regulations and standards that affect it and its industry in the countries in which it operates. In addition, the number of new and proposed regulations affecting the payments business has increased significantly in recent years.

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

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

The Company is subject to certain economic and trade sanction laws and regulations as well as anti-money laundering laws and regulations, and if it fails to comply, it could be exposed to fines, sanctions and other penalties or governmental investigations, which may impact its business.
The Company is subject to a wide range of anti-money laundering laws and regulations and trade and economic sanctions programmes. If the Company is found to have failed to comply with any of these laws, it may be exposed to material fines, sanctions and other penalties or governmental investigations. Although the Company seeks to fully comply with trade and economic sanctions programmes and anti-money laundering laws and regulations that may be applicable to it, there is a possibility that it may indirectly and/or inadvertently conduct business with

financial institutions and/or payment schemes that may have customers in or operate in countries (such as Iran and Syria, where the Company has no operations or customers) or whose nationals may engage in transactions in countries that are the targets of sanctions by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, the US Department of State, the EU's Common Security and Defence Program, Her Majesty's Treasury (UK), Australia's Department of Foreign Affairs and Trade and similar regulators in other countries.

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

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

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

The Company may be subject to scrutiny under antitrust and competition laws.

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

The Company may also be subject to anticompetitive practices by dominant market actors, including schemes such as Visa Inc. The Company has lodged formal complaints with the European Union's Directorate General of Competition and the Australian Consumer and Competition Commission with regards to Visa Inc.'s practices as they related to digital wallet operations. The Company's position is that regulated eMoney is not a digital wallet activity, and is not subject to Visa Inc.'s scheme rules, with the EU's Electronic Money Directive 2009 and Australia's PPF APS610 being the overarching regulation for stored value facilities. There is a risk that the competition regulators may side with Visa Inc., in which case some future activities of the Company may be restrained.

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

The Company continues to engage with relevant tax authorities across its jurisdictions of operation. As the Company operates in a number of markets (through its legal presence or customer relations), the application of tax laws can be subject to a degree of uncertainty and interpretive discretion by tax authorities. Accordingly, the Company may be subject to additional material tax assessments in the future and which may also be subject to lengthy audit and review processes.

Changes in tax laws or in their interpretation or increases in the Company's effective tax rates due to shifts in the Company's geographic mix could decrease the profitability of the Company and have a material adverse impact on its business, financial condition and results of operations.

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

The Company is headquartered in Melbourne, Australia, with operations centres in Nicosia, Cyprus, Vilnius, Lithuania and London, UK, and sales offices in Sydney, Australia, Amsterdam, the Netherlands, Tel-Aviv, Israel and Valetta, Malta and its growth strategy is focused on these regions. While Australia is seen as a relatively stable political environment, certain other jurisdictions the Company operates in are not.

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

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

Regulatory and legislative change.
The Company assists their customers with complying with their AML and CTF obligations in relation to future legislative changes concerning AML and CTF legislation. This includes the ECB's requirements for payment transactions to be subject to SCA, which may result in the product offering of the Company not being as effective in assisting its customers with their AML and CTF obligations which may have a significant effect on the business operations of the Company.

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

The Company is subject to financial services regulatory risks.
eMoney regulations are subject to frequent amendments and are likely to changes across the multiple jurisdictions where the Company operates. The risks associated with changing eMoney regulations may require the Company to retain advice from local legal counsel which may increases the cost of doing business in those areas. Furthermore, the Company may decide that to mitigate risks, it is best to limit the extent of its operations in a particular jurisdiction which may reduce the Company's ability to expand its operations. Local eMoney regulations may also require the Company to apply for licenses. It is possible that obtaining licenses may increase the cost of doing business, delay the Company's growth, or prevent the Company from operating in a jurisdiction entirely, if a license is not granted.

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

The Company may be affected by sections 1471-74 of the United States Internal Revenue Code of 1986, as amended ("FATCA") and other cross border automatic exchange of information provisions.
In light of FATCA, certain non-US financial institutions ("**FFIs**") are required to register with the IRS to obtain a Global Intermediary Identification Number ("**GIIN**") and comply with the terms of FATCA, including any applicable intergovernmental agreement (IGA) and any local laws implementing such agreement or FATCA. Based on the current operations and business activities of the Company, including the flykk business, the Company has identified certain entities within the Company, and may be required to register certain entities within the Company, as FFIs and will therefore be required to register with the Internal Revenue Service ("**IRS**") to obtain a GIIN, and required to comply with the terms of any applicable IGA. Failure to comply with FATCA (including as the same may be implemented under the terms of any applicable IGA) could subject certain payments of US source fixed, determinable, annual, or periodical income made to the Company to a 30 percent FATCA withholding tax. Further, as FFIs, the Company (and/orcertain specific entities within the Company) would need to perform diligence on their existing and new customers, provided that their account balances reached certain thresholds, including obtaining self-certifications regarding the account holder's citizenship or tax residence in the United States. They would then be required to report certain information about their US accountholders to either the IRS or their local tax authorities (which will in turn provide such information to the IRS). This reporting requirement could potentially dissuade customers from doing business with the Company.

The Company is subject to economic and political risk, the business cycles and credit risk of its clients and volatility in the overall level of consumer, business and government spending.
The electronic payments industry depends heavily on the overall level of consumer, business and government spending. This spending depends on worldwide economic and geopolitical conditions. Key international economies have experienced cyclical downturns from time to time in which economic activity was impacted by falling supply or demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, pandemics such as COVID-19 and overall economic uncertainty. The Company is exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. The current deterioration in general economic conditions, including the rise in unemployment rates and any increases in interest rates, particularly in Europe, the UK, Australia, and Canada, may adversely affect the Company's financial performance by reducing consumer confidence and, as a result, the number or average purchase amount of transactions made using electronic payments. If the Company's merchants make fewer sales of their products and services using electronic payments or people spend less money per transaction, the Company will have fewer transactions to process and lower overall volume, resulting in lower revenue.

In addition, a recessionary economic environment could affect the Company's merchants through a higher rate of bankruptcy filings, in particular for its SMB clients, which could result in higher merchant attrition and decrease its revenue. Any of the foregoing risks would negatively impact its business, financial condition and results of operations.

The uncertainty caused by the COVID-19 outbreak continues with the duration and severity of the pandemic and the overall impact on supply and consumer demand still unknown. Even after the COVID-19 pandemic has subsided, the Company may experience material and adverse impacts to its business as a result of the virus's global economic impact. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and the Company is unable to forecast the full impact on its business; however, this represents a known area of uncertainty and it now expects that impacts from the COVID-19 pandemic and the related economic disruption will have a material and adverse impact on its business, results of operations, financial condition and cash flows.

Directors' Report – Directors Information

Information on Directors

Name
Mr Timothy J. Hart
Title
Non-Executive Chairman
Qualifications
BSc, MM(T), MMkting, MEd (Melb), PGDSI, PGDOL (Oxon), FAICD, FIML
Experience and expertise
Tim has Chaired ISignthis Limited (ASX:ISX, DE:TA8) since 2015, is the Chair of NSX Limited (ASX:NSX) and sits on the Board of the NSXA.

From April 2013 to July 2019 he was the Managing Director & Chief Executive Officer of Ridley Corporation Limited (ASX:RIC) from which he joined after an extensive career in agribusiness and manufacturing. His varied experience covers general management, strategic marketing, sales and supply chain. Before joining Ridley, Tim was the CEO of Sugar Australia for eight years, prior to this he has had a long career in fast moving consumer goods (FMCG) industry with SCA and in packaging with Carter Holt Harvey, ACI and Amcor, where he dealt with retailers and large food and beverage customers.

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

Tim was the Deputy Chairman and a Director (2007 to 2012) of the Australian Food & Grocery Council, and Chair of the AFGCs Corporate Affairs Committee. He also Chaired the AFGC Agribusiness Forum. Tim is currently the Chairman of Enactus Australia (Director since 2009), and a member of the Global Council of Country Board Chairs. Additionally he was a Director of the World Sugar Research Organisation (2010-13). He is a guest Mentor and Lecturer at the Faculty of Veterinary and Agriculture, University of Melbourne, an Ambassador (former Director) of the National Association of Women in Operations and has been a member of the Monash University Food and Agriculture Initiative, Advisory Board.

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

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

Mr. Karantzis has over 28 years' experience in a number of sectors, including payments, online media, secure communications, and e-commerce.In 2020 he was also appointed as interim CEO and Managing Director of NSX Limited.

His previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).
Other current directorships
NSX Limited (ASX:NSX)
Former directorships (last 3 years)
Nil
Special responsibilities
Member of the Risk Committee.

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

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

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

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

Since 2011, Mr. Taoushanis has been working with the private firm TTEG & Associates, providing services as an advisor to several companies (outside Australia), also acting as a Non-Executive director in some of them.
Other current directorships
Nil
Former directorships (last 3 years)
Nil
Special responsibilities
Chairman of the Risk Committee.

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

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Risk Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr T Hart	13	13	7	7	4	4	7	7
Mr S Minehane	13	13	7	7	-	-	7	7
Mr B Egerton-Warburton	13	13	7	7	4	4	7	7
Mr NJ Karantzis	12	13	-	-	4	4	-	-
Mr T Taoushanis	11	13	-	-	4	4	-	-

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

Chief Financial Officer and Joint Company Secretary

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

Joint Company Secretary

Mr Todd Richards is a Certified Practicing Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies.

Directors' Report - Remuneration report (audited)

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

Independent non-executive directors' remuneration

Independent non-executive director fees remain flat to the 2014 prospectus, set when the Company was in the pre-positive operational cash phase of the Group. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

In 2020 the Board engaged KMPG to review non-executive director and CEO remuneration, to ensure they reflect the growing size and complexity of the business and remain in line with the market. The Board elected not to increase director fees in 2020, despite the KPMG recommendations, due to the ASX suspension.

Executive remuneration

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

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

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

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

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

In 2020 the board engaged KPMG to do a formal review of CEO remuneration. The Board will continue to monitor and review performance and in 2021, and will look to formalise the remuneration plan for the CEO. In 2020 the CEO received no STI or LTI.

In 2020 the CFO received performance rights, aligned to her contract and performance. The CFO's KPI's were :

- Leadership : Weight of 1/6th of the Maximum KPI Bonus – 100% achieved
    - Providing leadership, direction and management of the iSignthis Group's securities listings, treasury, finance, tax, monetary, financial statutory and management accounting function.
- Accountability : Weight of 1/3rd of the Maximum KPI Bonus – 100% achieved
    - End to end accountability of Treasury, Finance and Human Resources.
- Strategic : Weight of 1/3rd of the Maximum KPI Bonus – 100% achieved
    - Leading short and long-term business and financial planning, including consolidated budgets, plans, forecast, cost control & optimisation, and human resource strategy.
- General and Administrative : Weight of 1/6th of the Maximum KPI Bonus – 100% achieved
    - Hiring and training staff, attending and presenting at Board meetings and perform other functions related to the office of the CFO or as may be reasonably requested by the CEO or Board.

These KPI's were selected by the CEO and Board as appropriate to the role of the CFO. The CFO's performance is not directly linked to performance of the consolidated entity, but instead any KPI based bonus is paid in performance rights and deferred over several years, to facilitate goal congruence between the CFO and with that of the business and shareholders. The CEO and Board, discussed and reviewed the CFO's performance and agree the CFO's performance outcomes.

Consolidated entity performance and link to remuneration

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

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

Use of remuneration consultants

In 2020 the board engaged KPMG to do complete a fee review for non-executive directors at a cost of $3,750 (plus GST). KPMG provided a remuneration recommendation for non-executive directors remuneration as defined under the Corporations Act 2001 (Cth). KMPG further provided benchmarking data for non-executive director and CEO remuneration, as well as a reward framework for the CEO, at a cost of $48,000 (plus GST). No remuneration recommendation, as defined under the Corporations Act 2001 (Cth), was received for this work.

The Chairman of the Board Remuneration Committee oversaw the engagement and associated costs. The services were provided directly to the Board Remuneration Committee independent of management. KPMG were not retained for any other service in Australia. KPMG Cyprus, were retained for tax work in Cyprus. The Board is satisfied that the remuneration recommendation was made free from undue influence. The KMPG report confirms that the report was prepared free from any undue influence from any of the key management personnel of iSignthis.

While the Company remains suspended on the ASX, the Board determined not to formalise the remuneration recommendations for non-executive directors and instead keep non-executive director fees flat to the 2014 prospectus, set when the Company was in the pre-positive operational cash phase of the Group.

Voting and comments made at the Company's 17 July 2020 Annual General Meeting ('AGM')

At the 17 July 2020 AGM, 88.12% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

Amounts of remuneration

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

	Short-term benefits	Post-employment benefits	Share-based payments	
31-Dec-20	**Cash salary and fees $**	**Super-annuation $**	**Performance rights $**	**Total $**
Independent Non-Executive Directors:				
Mr Timothy Hart	72,329	6,871	-	79,200
Mr Scott Minehane	48,219	4,581	-	52,800
Mr Barnaby Egerton-Warburton	48,219	4,581	-	52,800
Mr Christakis Taoushanis	57,455	-	1,983	59,438
Executive Directors:				
Mr Nickolas John Karantzis	434,048	4,164	-	438,212
Other Key Management Personnel:				
Ms Elizabeth Warrell	328,997	21,348	23,978	374,323
	989,267	41,545	25,961	1,056,773

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

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

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

	Fixed remuneration		**At risk - STI**		**At risk - LTI**	
Name	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Non-Executive Directors:						
Mr Timothy Hart	100%	23%	-	-	-	77%
Mr Scott Minehane	100%	17%	-	-	-	83%
Mr Barnaby Egerton-Warburton	100%	17%	-	-	-	83%
Mr Christakis Taoushanis	97%	17%	-	-	3%	83%
Executive Directors:						
Mr Nickolas John Karantzis	100%	50%	-	-	-	50%
Other Key Management Personnel:						
Ms Elizabeth Warrell (1)	94%	100%	-	-	6%	-
Former Key Management Personnel:						
Mr Todd Richards (2)	-	58%	-	-	-	42%

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

Service agreements

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

Name:	Mr. Nickolas John Karantzis
Title:	Executive Director and Group Chief Executive Officer
Agreement commenced:	1st March 2018
Term of agreement:	Ongoing
Details:	The terms of Mr. Karantzis Executive Services Agreement for the position of Executive Director and Group Chief Executive Officer include a termination period of three (3) months by either party, the base salary for the Executive role totalling €212,000 (plus director's fees as noted below) per annum which was approved by the Remuneration Committee during the financial year. The agreement shall recognise21 days of paid annual leave per annum and other statutory employment requirements. Mr Karantzis' directors fees equating to $56,050 per annum inclusive of superannuation.
Name:	Ms. Elizabeth Warrell
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	Ongoing
Details:	The terms of Ms. Warrell's Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company includes a termination period of six (6) months by either party, a salary of $350,000 including statutory superannuation entitlements. The agreement includes a KPI Based Bonus, capped at 25% of the employees Base Salary Package paid in performance rights, with one third vesting one year from grant date, one third vesting two years from grant date and the remaining one third vesting three years from grant date. Ms. Warrell's KPI Based Bonus is determined based on her delivery of KPIs related to Leadership, Accountability, Strategy and General and Administrative KPI's. Ms. Warrell's remuneration is not directly linked to performance of the consolidated entity, but instead any KPI based bonus will be paid in performance rights and deferred over several years, to facilitate goal congruence between Ms. Warrell and with that of the business and shareholders.

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

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2020 as set out below:

Name	Date	Shares	Issue price	$
Christakis Taoushanis	1 September 2020	35,000	$0.17	5,950
Elizabeth Warrell	31 August 2020	23,364	$0.15	3,505

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2020.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 December 2020.

Performance rights

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

Grant date	Vesting date	Expiry date	Fair value per right at grant date
3 September 2018	1 September 2020	1 September 2020	$0.17
12 March 2020	31 August 2020	31 August 2020	$0.15
12 March 2020	28 February 2022	28 February 2022	$0.15
1 April 2020	31 March 2021	31 March 2021	$0.15
28 October 2020	31 October 2021	31 October 2021	$0.065
28 October 2020	31 October 2022	31 October 2022	$0.065
28 October 2020	31 October 2023	31 October 2023	$0.065

Name	Number of rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date
Ms Elizabeth Warrell	23,364	12 March 2020	31 August 2020	31 August 2020	$0.15
Ms Elizabeth Warrell	23,364	12 March 2020	28 February 2022	28 February 2022	$0.15
Ms Elizabeth Warrell	150,000	1 April 2020	31 March 2021	31 March 2021	$0.15
Ms Elizabeth Warrell	80,000	28 October 2020	31 October 2021	31 October 2021	$0.065
Ms Elizabeth Warrell	85,000	28 October 2020	31 October 2022	31 October 2022	$0.065
Ms Elizabeth Warrell	85,000	28 October 2020	31 October 2023	31 October 2023	$0.065

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

Name	Number of rights granted during the year 31 December 2020	Number of rights granted during the year 31 December 2019	Number of rights vested during the year 31 December 2020	Number of rights vested during the year 31 December 2019
Timothy Hart	-	500,000	-	500,000
Scott Minehane	-	500,000	-	500,000
Barnaby Egerton-Warburton	-	500,000	-	500,000
Nickolas John Karantzis	-	1,000,000	-	1,000,000
Christakis Taoushanis	-	500,000	35,000	550,000
Elizabeth Warrell	446,728	-	23,364	-
Former key management personnel:				
Todd Richards	-	250,000	154,000	260,000

Additional information

The earnings and performance of the consolidated entity for the four years to 31 December 2020 and two years to 30 June 2017 are summarised below:

Year Ended:	**31 December 2020 $**	**Restated 31 December 2019 $**	**31 December 2018 $**	**31 December 2017 $**	**30 June 2017 $**	**30 June 2016 $**
Revenue and other income	37,309,795	30,841,297	6,623,413	1,889,915	1,371,192	443,881
Profit / (Loss) before income tax expense	2,877,765	2,254,881	(8,030,052)	(4,950,486)	(5,700,062)	(9,235,217)
Share Price as at date of year end	$1.07*	$1.07*	$0.15	$0.15	$0.17	$0.17
Dividend paid	Nil	Nil	Nil	Nil	Nil	Nil

* Since October 2019 the Company's shares have remained suspended on the ASX, the share were last traded at $1.07.

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Barnaby Egerton-Warburton	5,453,667	-	-	-	5,453,667
Timothy Hart	16,141,220	-	-	-	16,141,220
Nickolas John Karantzis	451,297,754	-	-	-	451,297,754
Scott Minehane	10,604,633	-	-	-	10,604,633
Christakis Taoushanis	2,550,000	35,000	-	-	2,585,000
Elizabeth Warrell	-	23,364			23,364
Former key management personnel:					
Todd Richards	23,875,783	154,000	-	-	24,029,783
	509,923,057	212,364	-	-	510,135,421

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Barnaby Egerton-Warburton	-	-	-	-	-
Timothy Hart	-	-	-	-	-
Nickolas John Karantzis	-	-	-	-	-
Scott Minehane	-	-	-	-	-
Christakis Taoushanis	35,000	-	35,000	-	-
Elizabeth Warrell	-	446,728	23,364	-	423,364
Former key management personnel:					
Todd Richards (1)	154,000	-	154,000	-	-
	189,000	446,728	212,364	-	423,364

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

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

This concludes the remuneration report, which has been audited.

Directors' Report – Other Matters

Shares issued on the exercise of options

The following ordinary shares of iSignthis Ltd were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
13 February 2020	$0.31	1,164,913
		1,164,913

Shares under option

At the date of this report there are no unissued ordinary shares of iSignthis Ltd under option.

Shares under performance rights

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

Grant date	Expiry date	Number under rights
1 April 2020	31 March 2021	768,450
30 April 2020	31 March 2021	43,851
9 May 2019	30 April 2021	69,000
6 December 2019	30 June 2021	4,545
6 December 2019	31 July 2021	3,846
1 August 2019	1 August 2021	57,000
6 December 2019	8 August 2021	1,000
6 December 2019	31 August 2021	8,906
9 December 2020	31 August 2021	91,121
6 December 2019	30 September 2021	2,381
9 December 2020	30 September 2021	15,000
28 October 2020	31 October 2021	1,812,000
9 December 2022	13 November 2021	25,000
12 March 2020	28 February 2022	23,364
28 October 2020	31 October 2022	85,000
9 December 2022	13 November 2022	25,000
28 October 2020	31 October 2023	85,000
		3,120,464

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

Shares issued on the vesting of performance rights

The following ordinary shares in consolidated entity were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights vested	Number of shares issued
6 January 2020	50,000
2 March 2020	62,500
2 April 2020	10,000
20 April 2020	74,000
1 May 2020	30,616
8 August 2020	76,375
11 August 2020	6,000
2 September 2020	1,588,364
10 December 2020	363,728
28 February 2021	18,750
28 February 2021	5,000
	2,285,333

Principal Activities

The Company is an Australian incorporated hybrid regulated financial services company and developer of RegTech 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 built 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, ISXEU is the holder of EEA regulatory authorisation as an EMoney Institution authorised by the Central Bank of Cyprus ISXEU 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, ISXUK was granted an AEMI by the FCA 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 BoE 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 APM's.

Significant changes in the state of affairs

During the year ended 31 December 2020 and to the date of this report, the consolidated entity issued 2,285,333 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 $4.2m investment in NSX Limited, which operates NSXA, Australia's second-largest Tier 1 securities market operator. The consolidated entity also announced the ClearPay joint investment 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 late 2021.

The consolidated entity announced a further $1.5m investment in NSX Limited on 28 May 2020 and $0.32m on 5 August 2020, taking its total stake in NSX Limited to 19.22%.

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 $464.7m.

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. iSignthis will vigorously contest the claims.

There were no other significant changes in the state of affairs of the consolidated entity during the year ended 31 December 2020.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 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.

Likely developments and results of operations

In 2020 the business continued to build scale as the business further executed on its pipeline of new business opportunities and integration of existing customers to enable processing of transactions and generating revenues.

In 2021 the business will continue to execute on its strategy, looking to grow and scale existing operations, build out the banking business in Europe and the UK, and finally look to continue to innovate and seek adjacent market opportunities.

The business continues to strive to deliver an outstanding product to existing customers, expand our customer list and deliver increased revenues in the 2021 financial year.

Corporate governance statement

Our corporate governance statement is available on our website at: www.isignthis.com/investors.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of or against the company

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

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. iSignthis will vigorously contest the claims.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former audit partners of BDO Audit Pty Ltd

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

Auditor's independence declaration

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

Auditor

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

Rounding of amounts

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

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

On behalf of the directors,

Nickolas John Karantzis
Managing Director

9th March 2021

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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of iSignthis Ltd for the year ended 31 December 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

9 March 2021

Consolidated statement of profit or loss and other comprehensive income

	Note	Consolidated 31 December 2020 $	Restated 31 December 2019* $
Revenue	5	36,290,517	29,853,045
Other income	6	1,019,278	988,252
Expenses			
Corporate expenses		(6,860,651)	(4,362,446)
Advertising & marketing expense		(331,990)	(383,864)
Employee benefits expense		(7,463,980)	(6,606,094)
Research & development expenses		(713,865)	(1,087,220)
Depreciation & amortisation expense	7	(1,229,305)	(665,144)
Share of losses from investment in associate	16	(507,927)	-
IT expenses		(1,996,344)	(1,652,956)
Other expenses		(160,331)	(105,684)
Operating costs		(14,813,505)	(12,802,508)
Share based payments		(353,157)	(1,810,092)
Net realised/unrealised foreign exchange gain		69,354	901,436
Finance costs		(70,329)	(11,844)
Profit before income tax expense		2,877,765	2,254,881
Income tax expense	8	(1,517,037)	(661,299)
Profit after income tax expense for the year		1,360,728	1,593,582
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(440,243)	15,299
Other comprehensive income / (loss) for the year, net of tax		(440,243)	15,299
Total comprehensive income for the year		920,485	1,608,881
Profit/(loss) for the year is attributable to:			
Non-controlling interest	25	(552,800)	-
Owners of iSignthis Ltd		1,913,528	1,593,582
		1,360,728	1,593,582
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interest	25	(552,800)	-
Owners of iSignthis Ltd		1,474,385	1,608,881
		920,485	1,608,881
		Cents	Cents
Basic earnings per share	36	0.17	0.15
Diluted earnings per share	36	0.17	0.15

* 31 December 2019 numbers have been restated - see note 2 for details

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

Consolidated statement of financial position

	Note	Consolidated 31 December 2020 $	Consolidated Restated 31 December 2019* $
Assets			
Current assets			
Cash and cash equivalents	9	16,611,465	17,703,578
Trade and other receivables	10	1,594,640	1,389,979
Funds held on behalf of merchants	11	98,027,440	96,178,224
Other assets	12	1,680,792	4,212,551
Total current assets		117,914,337	119,484,332
Non-current assets			
Plant and equipment	13	1,132,547	824,109
Right-of-use assets	14	1,713,318	2,243,766
Intangibles	15	5,148,746	2,912,080
Deferred tax	8	96,493	106,935
Investment in Associate	16	5,512,073	-
Total non-current assets		13,603,177	6,086,890
Total assets		131,517,514	125,571,222
Liabilities			
Current liabilities			
Trade and other payables	17	5,488,797	4,756,351
Contract liabilities	38	165,638	1,385,630
Lease liability	18	512,956	516,943
Employee benefits	19	470,067	291,533
Funds held on behalf of merchants	11	98,027,440	96,178,224
Other liabilities	20	-	818,762
Total current liabilities		104,664,898	103,947,443
Non-current liabilities			
Lease liability	21	1,270,685	1,742,328
Deferred tax	8	81,385	90,947
Employee benefits	22	70,274	36,537
Total non-current liabilities		1,422,344	1,869,812
Total liabilities		106,087,242	105,817,255
Net assets		25,430,272	19,753,967
Equity			
Issued capital	23	49,674,485	47,970,023
Reserves	24	1,357,216	311,248
Accumulated losses		(26,366,276)	(28,527,304)
Equity attributable to owners of the parent		24,665,425	19,753,967
Contribution to equity from non-controlling interest	25	764,847	-
Total equity		25,430,272	19,753,967

* 31 December 2019 numbers have been restated - see note 2 for details

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

Consolidated statement of changes in equity

Consolidated	Issued capital $	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 year - restated	-	-	1,593,582	-	-	1,593,582
Other comprehensive income for the year, net of tax	-	-	-	-	15,299	15,299
Total comprehensive income/(loss) for the year -restated	-	-	1,593,582	-	15,299	1,608,881
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	7,292,350	(2,376,074)	-	-	-	4,916,276
Share-based payments	-	1,810,092	-	-	-	1,810,092
Lapse of options and rights	-	(162,156)	162,156	-	-	-
Balance at 31 December 2019 *	47,970,023	413,447	(28,527,304)	-	(102,199)	19,753,967

* 31 December 2019 numbers have been restated - see note 2 for details

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 *	-	-	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 year	-	-	1,913,528	(552,800)	-	1,360,728
Other comprehensive income for the year, net of tax	-	-	-	-	(440,243)	(440,243)
Total comprehensive income/(loss) for the year	-	-	1,913,528	(552,800)	(440,243)	920,485
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	1,704,462	(501,799)	-	-	-	1,202,663
Non Controlling Interest Contributions to equity (note 25)	-	-	-	1,317,647	1,882,353	3,200,000
Share-based payments	-	353,157	-	-	-	353,157
Lapse of options and rights	-	(247,500)	247,500	-	-	-
Balance at 31 December 2020	49,674,485	17,305	(26,366,276)	764,847	1,339,911	25,430,272

* 31 December 2019 numbers have been restated - see note 2 for details

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

Consolidated statement of cash flows

	Note	Consolidated 31 December 2020 $	31 December 2019 $
Cash flows from operating activities			
Receipts from customers		35,153,036	31,258,395
Payments to suppliers and employees		(30,237,437)	(27,860,483)
Interest received		46,823	112,105
Government grants & tax incentives received		972,455	858,800
Income taxes paid		(1,347,296)	-
Net cash from operating activities	35	4,587,581	4,368,817
Cash flows from investing activities			
Payments for acquisition of business	32	-	(118,840)
Payment for shares in Associate	16	(6,020,000)	-
Payments for plant and equipment	13	(533,784)	(757,780)
Payments for intangibles	15	(2,821,181)	-
Cash contribution from investment partner	25	3,200,000	-
Loans repaid from third parties		-	332,000
Cash acquired on acquisition of business	32	-	14,520
Net cash (used in) investing activities		(6,174,965)	(530,100)
Cash flows from financing activities			
Repayment of lease liabilities		(370,817)	(229,328)
Proceeds from exercise of options	23	361,122	4,634,540
Other (Merchant security and card scheme security received)		610,264	976,181
Net cash from financing activities		600,569	5,381,393
Net increase/(decrease) in cash and cash equivalents		(986,815)	9,220,109
Cash and cash equivalents at the beginning of the financial year		17,703,578	8,433,874
Effects of exchange rate changes on cash and cash equivalents		(105,298)	49,595
Cash and cash equivalents at the end of the financial year	9	16,611,465	17,703,578

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

Note 1. General information

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

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

456 Victoria Parade
East Melbourne
Victoria, 3002

The Company is an Australian incorporated hybrid regulated financial services company and developer of RegTech 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 built 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 Ltd ('ISXEU') is the holder of EEA regulatory authorisation as an eMoney Institution authorised by the Central Bank of Cyprus. ISXEU 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 AEMI by the FCA 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 BoE 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 APM's.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 March 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of iSignthis Ltd ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the year then ended. iSignthis Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Current and non-current classification

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Restatement of Comparatives
For the period ended 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. 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 Probanx Solutions Accounting, item 3 below is accounted for under *AASB 3 Business Combinations*.

1. Restatement of Revenue

Previously the Group 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 $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 as card acquiring revenue was immaterial at this point in time.

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.

Note 2. Significant accounting policies (continued)

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 $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 Probanx Solutions Accounting

In the period management have finalised the acquisition accounting for UAB Probanx Solutions. 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 resulted in an increase in depreciation & amortisation expense of $132,487 for the 12 months ended 31 December 2019. Refer to note 15 Non-current assets – intangibles for further details.

Excerpt of restated consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2019	**Previously Reported 31 Dec 2019 $**	**1. Restatement of Revenue $**	**2. Restatement of Operating Costs $**	**3. Finalisation of Acquisition Accounting $**	**Restated 31 Dec 2019 $**
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	(629,280)	219,990	(252,009)	-	(661,299)
Profit/(loss) after income tax expense for the 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 year attributable to the owners of iSignthis Ltd	1,571,712	(1,165,640)	1,335,296	(132,487)	1,608,881

	Previously Reported 31 Dec 2019 Cents	**Restated 31 Dec 2019 Cents**
Basic earnings per share	0.14	0.15
Diluted earnings per share	0.14	0.15

Note 2. Significant accounting policies (continued)

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

Note 3. Critical accounting judgments, 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.

Revenue Recognition
Revenue from payment processing and settlement 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 performance obligations from payment processing and settlement 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 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

In 2020, to better reflect how the Group is being managed the CODM identified new operating segments. The Group operates across four main operating 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.

	Regulated eMoney & Payment Services						
Consolidated - 31 December 2020	**Australia $**	**Europe $**	**Reg- Tech Solutions $**	**Regulated Securities Exchanges $**	**Intellectual Property $**	**Corporate Items $**	**Total $**
Revenue and Other Income							
Sales to external customers (note 5)	1,476,466	32,655,914	2,158,137	-	-	-	36,290,517
Government grants (includes R&D tax concessions)	816,855	-	-	-	-	155,600	972,455
Interest	16,178	11,678	-	6,386	-	12,581	46,823
Total revenue and other income	2,309,499	32,667,592	2,158,137	6,386	-	168,181	37,309,795
Expenses							
Corporate expenses	(782,195)	(1,920,116)	(433,966)	(4,678)	(213,501)	(3,506,195)	(6,860,651)
Advertising & marketing	(15,240)	(241,027)	(3,802)	-	-	(71,921)	(331,990)
Employee benefits expense	(2,094,437)	(2,839,818)	(1,537,895)	-	-	(991,830)	(7,463,980)
Research & development expenses	(713,865)	-	-	-	-	-	(713,865)
Depreciation & amortisation expense	(166,912)	(43,704)	(922,137)	-	(96,552)	-	(1,229,305)
Share of losses from investment in associate	-	-	-	(507,927)	-	-	(507,927)
IT expenses	(791,046)	(961,572)	(176,308)	-	-	(67,418)	(1,996,344)
Other expenses	(18,605)	(98,238)	(43,351)	-	-	(137)	(160,331)
Operating costs	(647,715)	(14,008,798)	(156,992)	-	-	-	(14,813,505)
Share based payments	-	-	-	-	-	(353,157)	(353,157)
Finance costs	(7)	-	(72,131)	-	-	1,809	(70,329)
Intercompany management fee recharge	-	(1,565,720)	1,565,720	-	-	-	-
Net realised foreign exchange gain/(loss)	174,324	227,999	(253,349)	154,310	-	(233,930)	69,354
	(5,055,698)	(21,450,994)	(2,034,211)	(358,295)	(310,053)	(5,222,779)	(34,432,030)
Profit/(loss) before income tax expense	(2,746,199)	11,216,598	123,926	(351,909)	(310,053)	(5,054,598)	2,877,765
Income tax expense							(1,517,037)
Profit after income tax expense	(2,746,199)	11,216,598	123,926	(351,909)	(310,053)	(5,054,598)	1,360,728

Note 4. Operating segments (continued)

Consolidated – Restated 31 December 2019	Regulated eMoney & Payment Services Australia $	Regulated eMoney & Payment Services Europe $	Reg- Tech Solutions $	Regulated Securities Exchanges $	Intellectual Property $	Corporate Items $	Total $
Revenue and Other Income							
Sales to external customers - restated (note 5)	2,324,623	24,395,785	3,132,637	-	-	-	29,853,045
Government grants (includes R&D tax concessions)	887,910	-	-	-	-	-	887,910
Interest	46,688	11,337	6	-	-	42,311	100,342
Total revenue and other income	3,259,221	24,407,122	3,132,643	-	-	42,311	30,841,297
Expenses							
Corporate expenses	(1,484,825)	(941,783)	(344,767)	-	(280,245)	(1,310,826)	(4,362,446)
Advertising & marketing	(15,992)	(69,196)	(183,003)	-	-	(115,673)	(383,864)
Employee benefits expense	(1,120,263)	(3,374,107)	(1,549,933)	-	-	(561,791)	(6,606,094)
Research & development expenses	(1,087,220)	-	-	-	-	-	(1,087,220)
Depreciation & amortisation expense-restated	(125,313)	(142,471)	(300,808)	-	(96,552)	-	(665,144)
Impairment of investment in associate	-	-	-	-	-	-	-
Share of losses from investment in associate	-	-	-	-	-	-	-
IT expenses	(1,175,678)	(348,269)	(129,009)	-	-	-	(1,652,956)
Other expenses	89,482	(50,171)	(60,530)	-	-	(84,465)	(105,684)
Operating costs-restated	(808,989)	(12,006,756)	13,237	-	-	-	(12,802,508)
Share based payments	-	-	-	-	-	(1,810,092)	(1,810,092)
Finance costs	(13,133)	-	1,289	-	-	-	(11,844)
Intercompany management fee recharge	7,443,008	(5,609,197)	(1,833,811)	-	-	-	-
Net realised foreign exchange gain/(loss)	21,032	876,796	(702)	-	-	4,310	901,436
	1,722,109	(21,665,154)	(4,388,037)	-	(376,797)	(3,878,537)	(28,586,416)
Profit/(loss) before income tax expense	4,981,330	2,741,968	(1,255,394)	-	(376,797)	(3,836,226)	2,254,881
Income tax expense -restated							(661,299)
Profit after income tax expense	4,981,330	2,741,968	(1,255,394)	-	(376,797)	(3,836,226)	1,593,582

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

Note 5. Revenue

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Contracted service fees		
- Recognised at a point in time	34,567,725	27,644,473
- Recognised over time	1,722,792	2,208,572
Revenue	36,290,517	29,853,045

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.

Previously the Group 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 $1,385,630 decrease in revenue in the 31 December 2019 full year comparatives.

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.

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.

Note 5. Revenue (continued)

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.

Note 6. Other income

	Consolidated	
	31 December 2020 $	31 December 2019 $
Research & development tax concession	-	887,910
Other government grants	972,455	-
Interest income	46,823	100,342
Other income	1,019,278	988,252

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	
	31 December 2020 $	Restated 31 December 2019 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Land and buildings right-of-use assets	425,634	239,814
Computers and office equipment	211,333	133,615
Total depreciation	636,967	373,429
Amortisation		
Intangible assets	592,338	291,715
Total depreciation and amortisation	1,229,305	665,144

Note 8. Income tax

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	2,877,765	2,254,881
Tax at the statutory tax rate of 27.5%	791,385	620,092
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	97,118	540,896
Difference attributable to foreign operations	683,297	(426,377)
Research and development refund	-	244,175
Job keeper payment/government incentives	267,425	-
	1,839,225	978,786
Deductible blackhole expenditure	67,174	98,149
Other timing differences	102,459	32,259
Income tax losses not taken up as a tax benefit	(491,821)	(447,895)
Income tax expense	1,517,037	661,299

	31 December 2020 $	31 December 2019 $
Deferred tax assets/(liabilities) recognised in each of the tax jurisdictions are as follows:		
Australia		
Tax losses	386,824	-
Employee cost capitalisation	(386,824)	-
Net deferred tax assets/(liabilities)	-	-
Lithuania		
Tax losses	148,516	106,935
Employee cost capitalisation	(52,023)	-
Net deferred tax assets	96,493	106,935
Cyprus		
Acquisition of Probanx Information Systems Ltd	(90,947)	(90,947)
Tax losses	93,553	-
Employee cost capitalisation	(83,991)	-
Net deferred tax liabilities	(81,385)	(90,947)

	Consolidated	
	31 December 2020 $	31 December 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (Australia)	4,577,902	3,564,771
Temporary differences (Australia)	288,206	253,368
Tax losses (foreign subsidiaries)	886,636	863,618
Total deferred tax assets not recognised	5,752,744	4,681,757

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

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

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

Note 8. Income tax (continued)

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	31 December 2020 $	31 December 2019 $
Cash at bank	16,611,465	17,703,578

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

Note 10. Current assets - trade and other receivables

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Trade receivables	1,592,350	1,308,702
Other receivables	2,290	23,073
GST/VAT receivable	-	58,204
	1,594,640	1,389,979

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

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

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

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

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

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

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

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

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

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

	Consolidated	
	31 December 2020	31 December 2019
	$	$
Funds held on behalf of merchants		
Funds received - current asset	98,027,440	96,178,224
Funds payable - current liability	(98,027,440)	(96,178,224)
	-	-

The funds held on behalf of merchants current asset and current liability noted above represent rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Merchant), e-money deposits and settlement funds which were yet to be settled back to the respective merchants as at 31 December 2020 and 31 December 2019.

Note 12. Current assets - other assets

	Consolidated	
		Restated
	31 December 2020	31 December 2019
	$	$
Prepayments	143,548	388,805
Deferred expenses	118,885	769,934
Security deposits	254,989	163,350
Card scheme collateral	1,163,370	2,890,462
	1,680,792	4,212,551

The card scheme collateral requirements as noted above are largely held by Mastercard (2019: Visa and Mastercard) in relation to merchant clients whereby iSignthis offers card acquiring, processing and settlement services and are held to meet capital adequacy and security requirements by each party.

Note 13. Non-current assets - plant and equipment

	Consolidated	
	31 December 2020 $	31 December 2019 $
Computer and office equipment - at cost	1,623,848	1,090,063
Less: Accumulated depreciation	(491,301)	(265,954)
	1,132,547	824,109

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

Consolidated	Computer and office equipment $
Balance at 1 January 2019	182,039
Additions	757,781
Additions through business combinations (note 32)	17,904
Depreciation expense (note 7)	(133,615)
Balance at 31 December 2019	824,109
Additions	533,784
Exchange differences	(14,013)
Depreciation expense (note 7)	(211,333)
Balance at 31 December 2020	1,132,547

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

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

Computer and office equipment	2.5 - 7 years

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

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

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

	Consolidated	
	31 December 2020 $	**31 December 2019 $**
Land and buildings - right-of-use	2,334,937	2,740,479
Less: Accumulated depreciation	(621,619)	(496,713)
	1,713,318	2,243,766

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

Consolidated	**Land and building right-of-use assets $**	**Total $**
Balance at 1 January 2019	-	-
Opening balance upon adoption of AASB 16	581,556	581,556
Additions	2,230,123	2,230,123
Leases not renewed	(328,099)	(328,099)
Depreciation expense (note 18)	(239,814)	(239,814)
Balance at 31 December 2019	2,243,766	2,243,766
Leases not renewed	(97,843)	(97,843)
Exchange differences	(6,971)	(6,971)
Depreciation expense (note 18)	(425,634)	(425,634)
Balance at 31 December 2020	1,713,318	1,713,318

Accounting policy for right-of-use assets
The consolidated entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets less than $7,000. The consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of items that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

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

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

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

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

Note 15. Non-current assets – intangibles

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Goodwill - at cost	1,013,080	1,013,080
Intellectual property - at cost	1,439,027	1,439,027
Less: Accumulated amortisation	(525,544)	(429,181)
	913,483	1,009,846
Internally developed software - at cost	3,906,282	1,087,785
Less: Accumulated amortisation	(684,099)	(198,631)
	3,222,183	889,154
	5,148,746	2,912,080

The value of the goodwill and Intellectual property - at cost and its accumulated amortisation as at 31 December 2019 have been restated. During the year, the management have finalised the acquisition accounting for UAB Probanx Solutions. 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 15. Non-current assets – intangibles (continued)

Reconciliations

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

	Consolidated $
Balance at 1 January 2019	1,531,113
Additions - Software acquired (through business combinations - see note 32)	757,067
Additions - Goodwill acquired (through business combinations - see note 32)	921,645
Exchange differences	(6,030)
Amortisation expense (note7)	(291,715)
Balance at 31 December 2019	2,912,080
Additions - Internally developed software	2,821,181
Exchange differences	7,823
Amortisation expense (note7)	(592,338)
Balance at 31 December 2020	5,148,746

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

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

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

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

Goodwill impairment
The Group performed its annual impairment test in November 2020.

For the purpose of impairment testing, the goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The technology which was acquired through the Probanx and BBS acquisitions, includes the core banking system and payment gateway technology used in the Regulated eMoney & Payment Services cash generating unit (REPS CGU), as such the goodwill has been allocated to this cash generating unit. This represents the total goodwill of the Group.

The recoverable amount of the REPS CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period. The projected cash flows have been updated to reflect the expected demand for the REPS CGU's products and services. The pre-tax discount rate applied to the cash flow projections is 15%. The terminal value has been calculated using an 8.5x multiple of the year 3 free cash flows. Management believes this is a conservative multiple based on current trading multiples in the market. As a result of the analysis, there is headroom of approximately $70 million and management did not identify an impairment for the REPS CGU.

The key assumptions used in value in use calculations and sensitivity to changes in assumptions are:
- E-Money issuance Growth rates over the 3 year period
- Operating costs as a % of revenues
- Discount rate

E-Money issuance Growth rates – Growth rates in eMoney issuance are based on the historical and current performance of the Group in both payment and transactional banking services. The growth rates used of between 0-9% are below the long term industry average of circa 25% due to the uncertainty in achieving these growth rates, as a result of the timing and customer take up of future product releases. For the REPS CGU unit, a reduction by 16% in the growth rates would result in impairment.

Operating costs as a % of revenues – operating costs as a % of revenues are based on average values achieved in the year preceding the beginning of the budget period. Operating costs as a % of revenues is expected to remain broadly stable over the three year budget period, at between 32-35%. A decrease in demand can lead to an increase in operating costs as a % of revenues. An increase in operating costs as a % of revenues of 23% would result in impairment in the REPS CGU.

Discount rate − Discount rate represent the current market assessment of the risks specific to the Group CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate of 15% was calculated based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the anticipated cost of interest bearing borrowings, if the Group had debt, which is does not. A rise in the pre-tax discount rate to over 600% (i.e. +585%) in the REPS CGU would result in impairment.

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

Patents	1- 15 years

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

Internally developed software
An intangible asset arising from development (or from the development phase of an internal project) is recognised as internally generated software if, and only if, all of the following have been demonstrated:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for these internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Internally generated software is amortised on a straight line basis over the period of their expected benefit, usually between 3 to 5 years.

The Group reviews internally developed software for impairment annually.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Amortisation is on a straight line basis over the period of their expected benefit, usually between 3 to 5 years.

The Group reviews intangible assets acquired in a business combination for impairment annually.

Note 16. Non-current assets - Investment in Associate

	Consolidated	
	31 December 2020	**31 December 2019**
	$	**$**
Balance as at 1 January 2020	-	-
Additions	6,020,000	-
Share of losses from investment in associate	(507,927)	-
Total Investment in associate	5,512,073	-

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.

Note 16. Non-current assets - Investment in Associate (continued)

Investment in NSX Limited
During the financial year ended 31 December 2020, the Company purchased a 19.22% stake in NSX Limited ('NSX') for $6.02m. 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 serval 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 19.22% of NSX does have significant influence over NSX. The investment in NSX is therefore accounted for under the equity method.

During the year, the Company took a $0.5m share of loss to the investment in NSX Limited, reflecting the Group's share of net loss of associates for NSX Limited.

If the investment in NSX were to be valued at its fair value, it would be worth approximately $10.8 million on 31 December 2020, based on the share price on the day.

Set out below is the supplementary information about the associate, NSX Limited.

Statement of profit or loss and other comprehensive income

	NSX Limited Year Ended 31 December 2020 $
Total Revenue	1,549,555
Loss after income tax	(3,858,352)
Total comprehensive loss for the period	(3,858,352)

Statement of financial position

	NSX Limited As at 31 December 2020 $
Current assets	4,763,829
Non-current assets	5,150,215
Total assets	9,914,044
Current liabilities	3,225,879
Non-current liabilities	2,096,844
Total liabilities	5,322,723
Equity	
Issued capital	56,581,352
Option Reserves	1,385,159
Retained earnings	(53,375,190)
Total Equity	4,591,321

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.

Note 17. Current liabilities - trade and other payables

	Consolidated	
		Restated
	31 December 2020	31 December 2019
	$	$
Trade payables	933,681	478,016
Income tax provision	937,975	768,234
GST/VAT payable	118,538	-
Other payables (includes Merchant Security Payable)	3,498,603	3,510,101
	5,488,797	4,756,351

Refer to note 26 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 18. Current liabilities - lease liability

	Consolidated	
	31 December 2020	31 December 2019
	$	$
Lease liability	512,956	516,943

Refer to note 14 for accounting policy.

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - lease liability (continued)

The following are the amounts recognised in profit or loss:

	Consolidated	
	31 December 2020 $	31 December 2019 $
Depreciation expense of right-of-use assets	425,634	239,814
Interest expense on lease liabilities	70,322	11,844
Expense relating to short-term leases (included in corporate expenses)	475,283	262,537
Expense relating to leases of low-value assets (included in corporate expenses)	7,722	2,744
Total amount recognised in profit or loss	978,961	516,939

Note 19. Current liabilities - employee benefits

	Consolidated	
	31 December 2020 $	31 December 2019 $
Annual leave	470,067	291,533

Accounting policy for employee benefits

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

Note 20. Current liabilities - other liabilities

	Consolidated	
	31 December 2020 $	31 December 2019 $
Deferred consideration	-	818,762

Refer to note 32 for details of the deferred consideration acquired as a part of the business combination of UAB Probanx Solutions.

Note 21. Non-current liabilities - lease liability

	Consolidated	
	31 December 2020 $	31 December 2019 $
Lease liability (refer to note 14 for accounting policy)	1,270,685	1,742,328

Refer to note 26 for further information on financial instruments.

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

Note 22. Non-current liabilities - employee benefits

	Consolidated	
	31 December 2020 $	31 December 2019 $
Long service leave	70,274	36,537

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

Note 23. Equity - issued capital

	Consolidated			
	31 December 2020 Shares	31 December 2019 Shares	31 December 2020 $	31 December 2019 $
Ordinary shares - fully paid	1,097,597,165	1,093,383,191	49,674,485	47,970,023

Note 23. Equity - issued capital (continued)

Movements in ordinary share capital from 1 January 2020 to 31 December 2020

Details	Date	Shares	Issue price	$
Balance	1 January 2020	1,093,383,191	$0.000	47,970,023
Issue of shares upon the vesting of performance rights	1 January 2020	50,000	$0.000	16,750
Issue of shares upon the vesting of performance rights	1 March 2020	62,500	$0.000	11,250
Issue of shares to employee	2 March 2020	10,000	$0.000	1,500
Issue of shares in relation to a business combination	2 March 2020	787,478	$1.070	842,601
Issue of shares upon the vesting of performance rights	30 April 2020	74,000	$0.000	24,790
Issue of shares upon the vesting of performance rights	1 May 2020	30,616	$0.000	4,592
Issue of shares upon the vesting of performance rights	1 August 2020	76,375	$0.000	61,100
Issue of shares upon the vesting of performance rights	11 August 2020	1,000	$0.000	1,070
Issue of shares upon the vesting of performance rights	11 August 2020	5,000	$0.000	750
Issue of shares upon the vesting of performance rights	2 September 2020	1,565,000	$0.000	266,050
Issue of shares upon the vesting of performance rights	2 September 2020	23,364	$0.000	3,505
Issue of shares upon the vesting of performance rights	10 December 2020	2,500	$0.000	1,625
Issue of shares upon the vesting of performance rights	10 December 2020	46,728	$0.000	30,373
Issue of shares upon the vesting of performance rights	10 December 2020	314,500	$0.000	204,426
Exercise of options during the year		1,164,913	$0.310	361,122
Transfer from share based payments reserve		-	$0.000	(127,042)
Balance 31 December 2020		1,097,597,165		49,674,485

Note 23. Equity - issued capital (continued)

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

Details	Date	Shares	Issue price	$
Balance	1 January 2019	1,075,714,618	$0.000	40,677,673
Issue of shares upon the vesting of performance rights	3 January 2019	1,208,936	$0.000	126,087
Issue of shares upon the vesting of performance rights	28 February 2019	1,250,000	$0.000	133,875
Issue of shares upon the vesting of performance rights	6 March 2019	62,500	$0.000	7,088
For the purchase of UAB Probanx Solutions	6 March 2019	607,055	$0.190	119,408
Issue of shares upon the vesting of performance rights	12 March 2019	85,000	$0.000	9,639
Issue of shares upon the vesting of performance rights	26 April 2019	100,000	$0.000	11,582
Issue of shares upon the vesting of performance rights	26 April 2019	50,000	$0.000	5,355
Issue of shares upon the vesting of performance rights	1 July 2019	17,500	$0.000	2,975
Issue of shares upon the vesting of performance rights	2 September 2019	3,291,667	$0.000	1,387,095
Issue of shares upon the vesting of performance rights	1 December 2019	10,000	$0.000	1,550
Issue of shares upon the vesting of performance rights	10 December 2019	155,000	$0.000	24,800
Exercise of options during the year		10,354,079	$0.510	5,299,737
For the purchase of Probanx in Cyprus	8 August 2019	476,836	$0.340	163,159
Balance 31 December 2019		1,093,383,191		47,970,023

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

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

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

Note 24. Equity - reserves

	Consolidated 31 December 2020 $	Consolidated 31 December 2019 $
Foreign currency reserve	(542,442)	(102,199)
Share-based payments reserve	17,305	413,447
Other reserves	1,882,353	-
	1,357,216	311,248

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

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

Other reserves
This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

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

Consolidated	Foreign currency reserve $	Share based payments reserve $	Other reserve $	Total $
Balance at 1 January 2019	(117,498)	1,141,585	-	1,024,087
Foreign currency translation	15,299	-	-	15,299
Share-based payments issued	-	1,810,092	-	1,810,092
Transfer to issued capital upon the vesting of performance rights and exercise of options	-	(2,376,074)	-	(2,376,074)
Lapse of options and rights	-	(162,156)	-	(162,156)
Balance at 31 December 2019	(102,199)	413,447	-	311,248
Foreign currency translation	(440,243)	-	-	(440,243)
Non Controlling Interest Contributions to equity	-	-	1,882,353	1,882,353
Share-based payments issued	-	353,157	-	353,157
Transfer to issued capital upon the vesting of performance rights and exercise of options	-	(502,899)	-	(502,899)
Lapse of options and rights	-	(246,400)	-	(246,400)
Balance at 31 December 2020	(542,442)	17,305	1,882,353	1,357,216

Note 25. Equity - Contribution to equity from non-controlling interest

	Consolidated	
	31 December 2020	31 December 2019
	$	$
Balance at the beginning of the period	-	-
Non-controlling interest from capital contribution	1,317,647	-
Non-controlling interest -share of profit	(552,800)	-
Balance at the end of the period	764,847	-

Non-controlling interest relates to the $3.2m capital contribution from NSX Limited during the year for 41% of ClearPay Pty Ltd. The remaining balance of the capital contribution of $1.9m has been taken to other reserves.

Note 26. Financial instruments

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

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

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

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

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

Note 26. Financial instruments (continued)

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

	31 December 2020		31 December 2019	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$	%	$
Cash at bank	0.29%	16,611,465	0.93%	17,703,578
Net exposure to cash flow interest rate risk		16,611,465		17,703,578

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2019 and 2020 financial years. The impact would not be material on bank balances held at 31 December 2020. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 31 December 2020	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	50	81,614	81,614	50	(81,614)	(81,614)

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

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

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

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

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

Note 26. Financial instruments (continued)

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

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

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

Consolidated - 31 December 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	933,681	-	-	-	933,681
Other payables	-	4,436,579	-	-	-	4,436,579
Interest-bearing - variable						
Lease liability	5.24%	572,806	540,828	1,039,929	-	2,153,563
Total non-derivatives		5,943,066	540,828	1,039,929	-	7,523,823

Consolidated - 31 December 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	478,016	-	-	-	478,016
Other payables	-	3,510,101	-	-	-	3,510,101
Interest-bearing - variable						
Lease liability	5.24%	584,489	577,569	1,593,901	-	2,755,959
Total non-derivatives		4,572,606	577,569	1,593,901	-	6,744,076

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

Note 27. Key management personnel disclosures

Directors
The following persons were directors of iSignthis Ltd during the financial 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)

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

	Consolidated	
	31 December 2020 $	31 December 2019 $
Short-term employee benefits	989,267	839,497
Post-employment benefits	41,545	53,156
Share-based payments	25,961	1,404,940
	1,056,773	2,297,593

Note 28. Remuneration of auditors

During the financial year, the Group has changed the auditor from Grant Thornton Audit Pty Ltd to BDO Audit Pty Ltd. During the financial year 2020, the following fee was paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Group:

	Consolidated	
	31 December 2020 $	31 December 2019 $
Audit services (BDO Audit Pty Ltd for the financial year 2020 and Grant Thornton Audit Pty Ltd for the financial year 2019)		
Audit or review of the financial statements	180,000	117,000
Audit services - network firms		
Audit or review of the financial statements	68,500	53,478
Audit services - unrelated firms		
Audit or review of the financial statements	-	5,638

Note 29. 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 30. Related party transactions

Parent entity
iSignthis Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties
During the year, NSX Limited contributed capital $3.2m for 41% of ClearPay Pty Ltd (refer to note 25. Equity - Contribution to equity from non-controlling interest).

In December 2020 Authenticate Pty Ltd, a wholly owned subsidiary of iSignthis Limited, charged NSX Limited $30,250 (including GST) for once-off IT services provided in the month. The balance remained payable from NSX Limited to Authenticate Pty Ltd as at 31 December 2020.

There were no transactions with related parties in the previous financial year.

Receivable from and payable to related parties
As at 31 December 2020, NSX Limited owed $30,250 to Authenticate Pty Ltd as mentioned in the transactions with related parties note above. The amount is recorded in trade receivables in note 10.

There was no trade receivables from or trade payables to related parties in the previous financial year.

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

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	31 December 2020 $	Restated 31 December 2019 $
Profit/(loss) after income tax	8,756,821	(3,384,088)
Total comprehensive income / (loss)	8,756,821	(3,384,088)

Statement of financial position

	Parent	
	31 December 2020 $	Restated 31 December 2019 $
Total current assets	30,321,818	28,225,095
Total assets	41,939,825	42,320,767
Total current liabilities	532,250	10,387,852
Total liabilities	532,250	10,387,852
Equity		
Issued capital	133,354,529	132,490,060
Share-based payments reserve	17,305	413,447
Accumulated losses	(91,964,259)	(100,970,592)
Total equity	41,407,575	31,932,915

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2019 and 31 December 2020.

Contingent liabilities of the parent

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 31. Parent entity information (continued)

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 31 December 2019 and 31 December 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note , except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Business combinations

UAB Probanx Solutions (previously known as UAB Baltic Banking Services)
On 14 February 2019, the consolidated entity acquired 100% of the ordinary shares of UAB Probanx Solutions. 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 $831,628.85 and a profit after tax of $2,316 to the consolidated entity for the nine months ended 31 December 2020.

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

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

There were no material acquisition costs related to the acquisition.

In the period management have finalised the acquisition accounting for UAB Probanx Solutions . 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 2. Significant accounting policies (Restatement of Comparatives).

Note 32. Business combinations (continued)

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	133,162
Goodwill	921,645
Acquisition-date fair value of the total consideration transferred	1,054,807
Representing:	
Cash paid or payable to vendor*	118,840
iSignthis Ltd shares issued to vendor**	118,840
Contingent consideration***	817,127
	1,054,807

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

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

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.

Note 32. Business combinations (continued)

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

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

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

Note 33. Interests in subsidiaries

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

		Ownership interest	
		31 December 2020	31 December 2019
Name	**Principal place of business / Country of incorporation**	**%**	**%**
Authenticate Pty Ltd	Australia	100.00%	100.00%
Authenticate BV	Netherlands	100.00%	100.00%
ClearPay Pty Ltd	Australia	59.00%	-
ISX IP Ltd	British Virgin Islands	100.00%	100.00%
ISX Financial EU Ltd (1)	Cyprus	100.00%	100.00%
iSignthis Inc.	USA	100.00%	100.00%
iSignthis (IOM) Ltd	Isle of Man	100.00%	100.00%
ISX Financial UK Ltd (2)	United Kingdom	100.00%	-
ISX Financial Pty Ltd (3)	Australia	100.00%	100.00%
iSignthis BV	Netherlands	100.00%	100.00%
ISX Holdings Ltd (4)	United Kingdom	100.00%	-
iSignthis Solutions Pty Ltd	Australia	100.00%	100.00%
Probanx Information Systems Ltd	Cyprus	100.00%	100.00%
UAB Probanx Solutions (5)	Lithuania	100.00%	100.00%

(1) Previously known as iSignthis eMoney Ltd
(2) Previously known as iSignthis (UK) Ltd
(3) Previously known as iSignthis eMoney (AU) Pty Ltd
(4) Previously known as Probanx Holdings Ltd
(5) Previously known as UAB Baltic Banking Services

Subsidiaries
The results of all entities where the Group has 100% ownership interest, are included within iSignthis Limited's consolidated financial statements.

Entities with less than 100% ownership interest are reviewed by management and approved by the Board to determine whether the Group controls the entity. Where the Group has determined an entity is controlled by the iSignthis Group, it's results are included within iSignthis Limited's consolidated financial statements.

ClearPay Pty Ltd
ClearPay Pty Ltd ('ClearPay'), has a 59% ownership interest by the Group, with 41% owned by NSX Limited. The Group owns a further 19.22% of NSX Limited. ClearPay's principal place of residence is 456 Victoria Parade, East Melbourne, Victoria, Australia. Management and the Board have determined that the iSignthis Group controls ClearPay and have therefore consolidated the results of ClearPay within iSignthis Limited's consolidated financial statements.

Note 34. Events after the reporting period

No matter or circumstance has arisen since 31 December 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.

Note 35. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Profit after income tax expense for the year	1,360,728	1,593,582
Adjustments for:		
Depreciation and amortisation	1,229,305	665,144
Share of loss - associates	507,927	-
Share-based payments	353,157	1,810,092
Foreign exchange differences	(105,748)	(28,619)
Finance costs	-	11,844
Income tax expense	-	661,299
Change in operating assets and liabilities:		
Increase in trade and other receivables	(204,660)	(291,217)
Decrease/(Increase) in other current assets	896,306	(183,872)
Increase in trade and other payables	1,558,287	452,534
Increase in employee benefits	212,271	109,940
Decrease in deferred revenue	(1,219,992)	(507,851)
(Decrease)/Increase in other liabilities	-	75,941
Net cash from operating activities	4,587,581	4,368,817

Note 36. Earnings per share

	Consolidated	
	31 December 2020 $	Restated 31 December 2019 $
Profit after income tax	1,360,728	1,593,582
Non-controlling interest	552,800	-
Profit after income tax attributable to the owners of iSignthis Ltd	1,913,528	1,593,582

Note 36. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,094,452,951	1,086,871,672
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,144,214	2,349,606
Options over ordinary shares	-	4,161,913
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,097,597,165	1,093,383,191

	Cents	Cents
Basic earnings per share	0.17	0.15
Diluted earnings per share	0.17	0.15

Note 37. Share-based payments

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

31 December 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/11/2017	08/02/2020	$0.310	1,164,913	-	(1,164,913)	-	-
13/03/2019	10/07/2020	$0.300	3,000,000	-	-	(3,000,000)	-
			4,164,913	-	(1,164,913)	(3,000,000)	-

31 December 2019

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

* All options issued during the financial year 2019 were issued to advisers for services provided to the consolidated entity. There were no options issued during the financial year 2020.

Note 37. Share-based payments (continued)

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

Grant date	Expiry date	31 December 2020 Number	31 December 2019 Number
09/11/2017	08/02/2020	-	1,164,913
13/03/2019	10/07/2020	-	3,000,000
		-	4,164,913

Note 37. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan in 2020:

31 December 2020

Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
23/05/2018	01/03/2020	62,500	-	(62,500)	-	-
03/09/2018	01/09/2020	1,857,000	-	(1,565,000)	(292,000)	-
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	-	(76,375)	(20,250)	-
01/08/2019	01/08/2021	96,625	-	-	(39,625)	57,000
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	-	(19,500)	768,450
01/04/2020	28/02/2022	-	18,750	(5,000)	(13,750)	-
30/04/2020	31/03/2021	-	43,851	-	-	43,851
03/08/2020	01/07/2021	-	21,250	(20,000)	(1,250)	-
11/08/2020	28/02/2021	-	5,000	-	-	5,000
02/09/2020	01/07/2021	-	294,500	(294,500)	-	-
28/10/2020	31/10/2021	-	1,830,000	-	(18,000)	1,812,000
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	-	137,849	(37,822)	-	100,027
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
		2,349,606	3,470,244	(2,251,583)	(424,053)	3,144,214

Note 37. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan in 2019:

31 December 2019

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

Note 37. Share-based payments (continued)

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

Grand date	Expiry date	31 December 2020 Number	31 December 2019 Number
23/05/2018	01/03/2020	-	62,500
03/09/2018	01/09/2020	-	1,857,000
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
01/08/2019	01/08/2020	-	96,625
01/08/2019	01/08/2021	57,000	96,625
06/12/2019	01/08/2020	-	1,000
06/12/2019	01/08/2021	1,000	1,000
06/12/2019	08/08/2020	-	2,500
06/12/2019	30/06/2021	4,545	4,545
06/12/2019	31/12/2020	3,846	3,846
06/12/2019	30/06/2020	-	8,906
06/12/2019	31/07/2020	-	2,381
06/12/2019	31/08/2020	-	4,545
06/12/2019	30/09/2020	-	3,846
06/12/2019	30/06/2021	-	8,906
06/12/2019	30/09/2021	2,381	2,381
12/03/2020	28/02/2022	23,364	-
01/04/2020	28/02/2021	18,750	-
01/04/2020	31/03/2021	768,450	-
30/04/2020	31/03/2021	43,851	-
11/08/2020	28/02/2021	5,000	-
28/10/2020	31/10/2021	1,812,000	-
28/10/2020	31/10/2022	85,000	-
28/10/2020	31/10/2023	85,000	-
09/12/2020	31/08/2021	100,027	-
09/12/2020	30/09/2021	15,000	-
09/12/2020	13/11/2021	25,000	-
09/12/2020	13/11/2022	25,000	-
		3,144,214	2,349,606

Note 37. Share-based payments (continued)

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

Grant date	Expiry date	Fair value at grant date
12/03/2020	31/08/2020	$0.150
12/03/2020	28/02/2022	$0.150
01/04/2020	01/05/2020	$0.150
01/04/2020	28/02/2021	$0.150
01/04/2020	31/03/2020	$0.150
01/04/2020	28/02/2022	$0.150
30/04/2020	31/03/2021	$0.150
03/08/2020	01/07/2021	$0.060
11/08/2020	28/02/2021	$0.060
02/09/2020	01/07/2021	$0.060
28/10/2020	31/10/2021	$0.060
28/10/2020	31/10/2022	$0.060
28/10/2020	31/10/2023	$0.060
09/12/2020	31/08/2021	$0.060
09/12/2020	30/09/2021	$0.060
09/12/2020	13/11/2021	$0.060
09/12/2020	13/11/2022	$0.060

Note 37. 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 38. Current liabilities - contract liabilities

	Consolidated	
		Restated
	31 December 2020	31 December 2019
	$	$
Contract liabilities	165,638	1,385,630

Accounting policy for contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

In the directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and

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

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

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

On behalf of the directors

____
Nickolas John Karantzis
Managing Director

9th March 2021

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of iSignthis Limited

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of iSignthis Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for qualified opinion

We were appointed as auditors of iSignthis Ltd on 25 August 2020 and the 31 December 2019 financial report was audited by the previous auditor. We have been unable to obtain access to the audit files of the previous auditor for review and have been unable to satisfy ourselves by alternative means concerning the opening balances for the 31 December 2020 financial report.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition and measurement

Key audit matter	How the matter was addressed in our audit
Revenue is a key driver by which performance of the Group is measured. Further to this, a prior period error has been disclosed in Note 2 in relation to revenue recognition. Refer to Note 5 of the financial report for disclosures around revenue. For the year ended 31 December 2020 the Group recognised $36.3 million (2019: $29.9 million) Revenue is considered a key audit matter due to the volume of transactions, complexity of revenue streams, as well as the material nature to the financial statements.	Our procedures included but were not limited to: • Assessing the Group revenue recognition policy for compliance with AASB 15 Revenue from Contracts with Customers. • Understanding the internal control environment around the initial on-boarding of new merchants, calculation of revenue, and reconciliations of revenue • Testing the operating effectiveness of both manual and automated tests of control on material revenue streams. • Performing a test of detail on material revenue streams, agreeing revenue recorded to supporting documentation and reconciliations. • Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations. • Performing cut off procedures by testing a sample of items of revenue recognised during the year and subsequent to year-end • Evaluating the disclosures for revenue and revenue recognition accounting policies.

Merchant funds liabilities

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the group held $98.0 million in funds on behalf of merchants, which represents 92.4% of total Group liabilities. Refer to Note 11 of the financial report for disclosures on this amount. Completeness and valuation of these merchant funds liabilities is a key audit matter due to the material nature of these accounts, as well as the direct impact on available cash and cash equivalents for the Group.	Our procedures included but were not limited to: • Understanding the internal control environment around the reconciliation of merchant finds liabilities and the issuance of statements to merchants. • Obtaining reconciliations for all funds held on behalf of merchants as at 31 December 2020, agreeing these to the balances within the financial report. • Obtaining external confirmations from a sample of merchants to ensure they agree with total funds being held by the Group on their behalf as at 31 December 2020. • Reviewing transactions within bank statements for any evidence of potential unrecorded merchant funds liabilities. • Assessing the disclosure of these merchant liabilities (and related asset) based on the requirements of AASB 101 Presentation of Financial Statements and AASB 132 Financial Instruments: Presentation.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 36 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of iSignthis Limited, for the year ended 31 December 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney, 9 March 2021

The shareholder information set out below was applicable as at 17 February 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of rights over ordinary shares	Number of holders of ordinary quoted shares
1 to 1,000	-	2,040
1,001 to 5,000	21	3,384
5,001 to 10,000	32	1,813
10,001 to 100,000	43	3,404
100,001 and over	5	513
	101	10,790
Holding less than a marketable parcel	-	760

Equity security holders

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

	Ordinary Shares	
	Number held	% of total shares issued
SELECT ALL ENTERPRISE LIMITED	447,797,754	40.80
RED 5 SOLUTIONS LIMITED	112,500,000	10.25
UBS NOMINEES PTY LTD	67,668,718	6.17
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,842,441	2.17
ICEBREAK FLOW GLOBAL LIMITED	23,615,783	2.15
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,642,811	1.97
VASTIUM HOLDINGS LIMITED	15,291,597	1.39
CILI PADI LIMITED	10,104,633	0.92
IFM PTY LIMITED (IFM SUPER FUND A/C)	10,000,000	0.91
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,509,460	0.78
WARNEET SUPER PTY LIMITED	6,668,606	0.61
BANNABY INVESTMENTS PTY LIMITED (BANNABY SUPER FUND A/C)	6,200,000	0.56
BOND STREET CUSTODIANS LIMITED (LAMAN - D05019 A/C)	5,331,394	0.49
CITICORP NOMINEES PTY LIMITED	5,133,371	0.47
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	4,894,747	0.45
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	4,844,825	0.44
VICTORIA KIRIN PTY LTD (DROMANA COAST A/C)	4,400,000	0.40
BNP PARIBAS NOMINEES PTY LTD (B AU NOMS RETAILCLIENT DRP)	4,234,737	0.39
CHAMPIO PTY LTD (CHAMPIO FAMILY A/C)	4,138,574	0.38
ITHAKI NOMINEES PTY LTD (ITHAKI NOMINEES SUPER A/C)	3,500,000	0.32
Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	790,319,451	72.02

Unquoted equity securities

	Number of Issue	Number of Holders
Performance rights over ordinary shares issued	3,144,214*	101

No person holds 20% or more of unquoted equity securities.

** On 28th February 2021, performance rights totalling 23,750 vested reducing the total outstanding to 3,120,464.*

Substantial holders

Substantial holders in the company are set out below:

Ordinary shares

	Number held	% of total shares issued
SELECT ALL ENTERPRISE LTD	447,797,754	40.80
RED 5 SOLUTIONS LIMITED	112,500,000	10.25

Voting rights

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

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

There are no other classes of equity securities.


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