

**iSignthis Ltd**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	iSignthis Ltd
ABN:	93 075 419 715
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

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

			\$
Revenues from ordinary activities	up	362.3% to	6,338,969
Loss from ordinary activities after tax attributable to the owners of iSignthis Ltd	down	2.9% to	(5,532,177)
Loss for the year attributable to the owners of iSignthis Ltd	down	2.9% to	(5,532,177)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$5,532,177 (30 June 2017: \$5,700,062).

The total revenue increased by approximately \$4.97 million when compared to last year. This is in line with the overall growth of the business operations, an increased customer base and additional revenue streams built by the consolidated entity. Please refer to previous quarterly announcements for further detail and the report provided by the Managing Director within the attached Annual Report.

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.80</u>	<u>0.78</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

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**7. Dividend reinvestment plans**

Not applicable.

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

Not applicable.

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**9. Foreign entities**

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

Not applicable.

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**10. Audit qualification or review**

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

The financial statements have been audited and an unqualified opinion has been issued.

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**11. Attachments**

*Details of attachments (if any):*

The Annual Report of iSignthis Ltd for the year ended 30 June 2018 is attached.

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**12. Signed**

Signed  \_\_\_\_\_

Nickolas John Karantzis  
Managing Director

Date: 28 August 2018

**iSignthis Ltd**

**ABN 93 075 419 715**

**Annual Report - 30 June 2018**

**iSignthis Ltd**  
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**30 June 2018**

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**iSignthis Ltd**  
**Corporate directory**  
**30 June 2018**

Directors	Timothy Hart (Non-Executive Chairman) Nickolas John Karantzis (Managing Director) Barnaby Egerton-Warburton (Non-Executive Director) Scott Minehane (Non-Executive Director) Christakis Taoushanis (Non-Executive Director)
Company secretary & CFO	Todd Richards
Registered office	456 Victoria Parade East Melbourne, VIC, 3002 Telephone: +61 0 8640 0990 Facsimile: +61 3 8640 0953
Share register	Link Market Services Level 12, 680 George Street Sydney, NSW, 2000 Telephone: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 727 Collins Street Docklands, VIC, 3008
Stock exchange listing	iSignthis Ltd shares are listed on the Australian Securities Exchange and cross listed on Frankfurt Stock Exchange (ASX: ISX ; FRA_DE: TA8)
Website	<a href="http://www.isignthis.com">www.isignthis.com</a>

**Dear Shareholders,**

It is with great pleasure that I present the iSignthis Annual Report for 2018.

The past financial year has seen the Company continue to deliver on its core strategies and objectives in becoming the world leading hybrid Regtech and financial institution, for identity verification and payment services. It has evolved and strengthened its existing merchant relationships by offering a range of transactional banking services to the regulated market and leveraged the unique selling proposition of its patented services to enhance its reputation in the market place and deliver a unique suite of services and new revenue streams.

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

- Significant revenue growth for the financial year (FY18\$6.3m versus FY17\$1.4m)
- Principal Membership in the major card schemes
- Additional partnership agreements with Worldline and Payvision
- Processing and settling funds as a licensed Electronic Money Institution in the European Economic Area
- Building our acquiring book (GPTV) to a contracted value in excess of AUD\$600m

As the Company has grown and expanded into new territory in regard to the transactional banking services and products on offer to our merchants, the Board are constantly looking at evaluating the skills and experience required in order to meet regulatory requirements and strengthen the knowledge and strategic insight required as we move in to FY2019 and beyond. I am therefore delighted to welcome Christakis (Takis) Taoushanis to the Board of Directors. Takis brings a wealth of banking and payment industry experience to the Board and I am sure that he will make a valuable contribution in the coming years as we continue to develop in both Australia and Europe.

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

Yours Sincerely,



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

## Introduction

It is with great pleasure to report that the Financial Year ended 30<sup>th</sup> of June 2018, was a period of significant progress and development for the Company.

We managed to meet and exceed many of the goals we have set out to achieve this past year, with strong numbers in terms of revenue generation and continual transaction volume growth quarter on quarter.

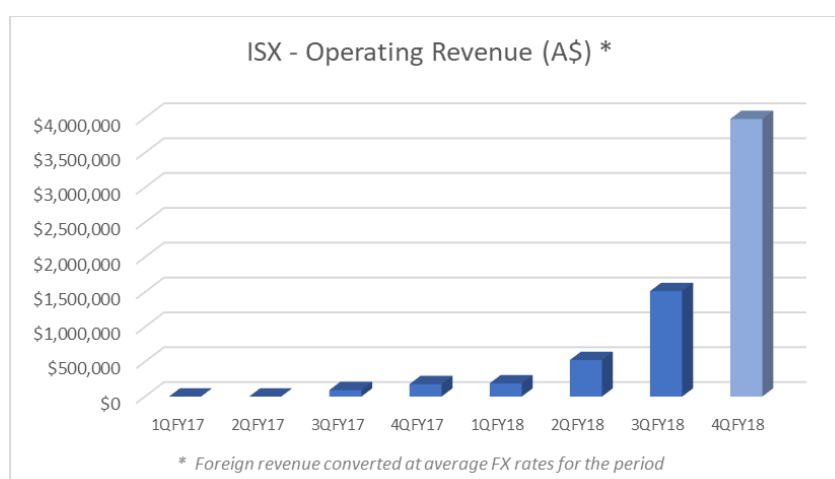
Through our successful expansion strategy, our product line has strengthened and has allowed us to stay on the right track as the only company to offer a full end-to-end global, compliant payment and identity verification solution.

It is important to note that our operational success, going live with our existing partnerships and signing new agreements, was extended across all our product offerings, from identity verification and payment processing, to our newly introduced transactional banking services, proving that our full suite of services is well received by our target market both in the EEA as well as in Australia.

Through continued investment in our technology, iSignthis aims to maximise its value proposition to customers, improve the receipt of our products as well as the retention and loyalty towards them.

We have reached new milestones in all aspects of our business. **Selected highlights from the year include:**

### Total Operating Revenue (A\$) \*



## Highlights:

- The annual audited accounts reflect the following revenue performance for the period ending 30 June 2018;
  - Revenue in FY18 compared to FY17 is 362% greater.
  - Revenue for the 6 months from 1<sup>st</sup> January 2018 to 30<sup>th</sup> June 2018 was in excess of A\$5.5m.
- The Company continues to increase the value of its contracted GPTV, which is now in excess of AU\$600m
- The uptake of the Company's expanded suite of emoney services and products based around the unique patented Paydentity® KYC technology solution, continue to build momentum.
- The Company continues to strategically invest in establishing the infrastructure and network connections to process and settle funds at the highest possible margins and reducing the reliance on third party providers. The initial increase in costs and operating at lower margins is seen as a necessary short-term issue with expected margin growth to occur in the coming quarters. Implementation of Tier 1 infrastructure will be by the inhouse iSignthis software development team, with marginal increase in staff costs.
- Tier 1 or direct connect capabilities to Credit Card Associations such as Visa, Mastercard and JCB, Central Banks, and Payment Schemes (e.g. SEPA, RITs, BECS, SWIFT) will be the Company's focus for the coming three quarters, in order to eliminate third parties in our supply chain, and reduce our dependency on third party networks, and the associated costs and dependencies. These facilities will progressively be going live in our EU and Australian operations, with each Credit Card Association, payment scheme and central bank connection being a discrete milestone.

- The Company has requested a certification slot with Mastercard for Australia, which is likely to be in circa 10-11 months based upon current information received from Mastercard. AMEX is likely to be sooner, as preparations have already commenced.
- The Company commenced execution of its Australian strategy to reduce reliance on incumbent banks and legacy network
- Our Australian subsidiary iSignthis eMoney (AU) Pty Ltd, has executed a Principal Membership agreement with Mastercard International Inc, and an Aggregation Partnership with American Express for the Australian region
- ISXPay® is in the process of completing its Tier 1 connection with JCB, with mere weeks remaining before service is commercially live to merchants
- ISXPay successfully launched the new transactional banking service with the introduction of business-to-business operating accounts
- iSignthis has become a SWIFT usership member, meaning that once we are fully integrated, we will be able to dynamically issue IBAN based accounts and also benefit from SWIFT message interconnectivity with over 11,000 other financial institutions globally.
- iSignthis has entered into certification agreements with a Eurosystem Central Bank, meaning we will soon be able to allocate client funds under our own BIC of ISEMCY22 and have them held directly with the central bank.

## **What we do**

**We are a leading payments, eMoney and identity technology company**, publicly listed on the Australian Securities and Frankfurt Stock Exchange (ASX: ISX | DE\_FRA: TA8).

We provide online businesses from around the globe, with transactional banking and a complete customer onboarding solution from **remote identity verification** to **payment processing and deposit taking** services.

This is achieved via our patented platforms, Payidentity™ and ISXPay®.

We are an EEA authorised, deposit taking, Monetary Financial Institution and have licenses to operate transactional banking services across Europe and Australia.

We are Principal members (Tier 1) of Visa, Mastercard, JCB, and an aggregation partner of AMEX, with SWIFT membership under our Bank Identifier Codes (BIC): ISEMCY22, ISEPAU31 & ISIGAU31, which will be connected to our Eurosystem Central Banking Facilities.

We are prudentially regulated in the EU, supervised by the major card schemes, registered with AUSTRAC, financially and procedurally audited by two independent audit firms, with our technical processes and facilities certified by the British Standards Institute and the Payment Cards Industry, and subject to ASX continuous disclosure requirements.

## **Business Update**

The Company is pleased with the continual transaction volume growth quarter on quarter and the generation of revenue in excess of 167% when compared with the previous quarter. Whilst we are seeing revenues from a relatively low number of integrated customers, it is pleasing to see that strong numbers are now being delivered across each of our industry verticals (Identity verification, processing and card acquiring settlement services).

The ongoing focus is to continue to build on these numbers in order to reach a break-even position as quickly as possible. The business development division is looking at completing contracts to new customers whilst at the same time the merchant support team is finalising integration of services to contracted clients. New business, new integrations and growth of existing customers are all factors in the quarter on quarter transaction and revenue growth.

The Company is pleased to advise that it has created market opportunities to explore and generate new revenue streams in the quarter ending 30 June 2018. These new revenue streams involving eMoney accounts and direct service integration on behalf of existing and new merchants and other forms of settlement and payment services to merchants operating in high risk industries will provide the following benefits:

- eMoney accounts now servicing several customers, with remittance services to within and outside the EEA.
- Additional one off revenues to new merchants enabling direct connection to our core services. These revenues are at low margin and have a direct correlation with an increase in cost of goods sold but they will enable long term, consistent revenues via our core services and creates a stickier relationship with the merchant.
- A shorter integration cycle. By directly enabling platform software provided by third parties with the ISX services, the Company is able to reduce the time involved that would normally be the case if the merchant purchased the platform licence directly from the provider, integrated to their own systems and then integrated with ISX.



ISX will benefit from future delivery of core services to the merchant and has identified further market opportunities by way of providing banking services to high risk merchants under the EMI licence/EEA Authorisation issued by the Central Bank of Cyprus.

### **European Merchant Update**

The ISXPay contracted book value continues to grow, with contracted value now in excess of AUD\$600m GPTV per annum. The GPTV processed by the Company did not experience the growth expected by the Company, due to a number of unforeseeable events, including a technical issue with our suppliers, which meant that growth was intentionally subdued until such time as the Company was satisfied that it had resolved the issue.

These events included litigation between two of our merchants and ASIC, which has resulted in processing for those two merchants declining. The GPTV attributable to these merchants has been discounted from the above 'contracted' GPTV, and the Agreements have since been terminated by the Company as a result of non-use by the respective Merchants.

The Company has previously advised that it is also resolving an upstream technical issue with one of our key suppliers. This short-term supply side technical issue affects the processing of payments to some of our merchants in the EEA area. This technical issue prevents the Company from processing the volumes of some of its contracted merchants at maximum capacity, as well as crystallising the full potential gross profit from each contracted merchant. The Company is thus diverting its traffic in the short term from these merchants to higher cost suppliers until it resolves the issue, which are expected to take a further 8-10 weeks. Delays to resolving the EU supply issues have arisen as a result of the Australian landscape also changing in the interim, diverting the Company's focus and resources in order to develop and execute responsive strategies.

Until such time as our Tier 1 connections are concluded across the entire network, gross profit margins will be impacted by our temporary supply chain solutions. Our anticipated margin reported as part of the Merchant update on the 26 February 2018, was accurate based upon the supply arrangements the Company had in place at that time. These initial supplier solutions subsequently presented technical issues which required alternate suppliers at higher cost. Actual Margins are difficult to estimate at this stage, as the Company will be seeking to reduce its supply chain costs on a connection by connection basis, in a drive to continuously lower costs where possible, in the lead up to Tier 1 connections. The alternative supply cost is less than our MSF as contracted with our merchants, but substantially higher than our original supply agreements, resulting in temporarily lower gross profit margins.

### **Australian Processing Landscape Update – Opportunity and Risks**

The Company has also received notification from its Australian supply partner, the NAB, that the NAB's risk appetite has changed. The NAB advises that it intends to exit processing of all High Brand Risk (HBR), eWallets, securities, and CFD, FX trading merchants, except those HBR merchants associated with gambling/wagering, within the next few months.

CFD, FX and Securities merchants are classified under Merchant Category Code (MCC) 6211 by the Credit Card Associations, and are AML regulated merchants, but not technically HBR as defined by the *Credit Card Associations*.

High Brand Risk processing is not a focus by the Company at present, however, transactional banking associated with CFD, FX and securities is a focus for the Company. The NAB exiting this area represents a massive opportunity for the Company, as the NAB has the majority share of processing of these merchants in Australia.

The Company has commenced on strategy to ensure that it can attract and retain merchants in the lucrative MCC6211 category, as well as support eWallets into the future.

The Credit Card Associations however, have contemporaneously issued new rules effective October 2018, that require processing of MCC6211 merchants to be accompanied by geofencing, age verification, and compliance checks by the payment processor, a function which Payidentity™ is well suited to perform.

The new rules for MCC6211 are effective in both the EU and Australia, in turn giving the Company a strong advantage in the market via its Payidentity™ services.

The incoming Credit Card Association rules, however, further highlight the need for the Company to operate its own fully independent network, as legacy networks operated by the Company's supply partners will no longer be able to support the incoming *Credit Card Association* requirements, even with Payidentity™ acting as the interface to the merchant, unless the legacy supplier networks are significantly modified to accept the new data transmission requirements.

The Company's strategy to address the MCC6211 opportunity includes Principal Membership to the major Credit Card Associations, of which the Company's Principal Australian Membership to Mastercard, complementing our EEA Principal membership, was announced recently. This will allow us to achieve Tier 1 connectivity, thus bypassing legacy Australian

banks and networks, and ensuring we can meet the incoming rules and data exchange requirements directly to each of the Credit Card Associations global networks.

Success is predicated on ensuring that the Company achieves Principal Membership to all relevant major Card Associations, and Tier 1 connectivity in a timely manner, and/or develops alternate strategies to execute, before any other competitor achieves capability to service the market. The risk of new entrants is moderate, given the size of the potential market versus the barriers to entry into the Australian MCC6211 market for a new participant, the complexity in servicing the market with its forthcoming specialist requirements as a result of Card Association rules, and the lengthy integration times to achieve Tier 1 connectivity.

The Company is reasonably confident that it understands the landscape sufficiently to advance the opportunity via parallel and independent strategies already under way. Whilst authoritative estimates of market size are difficult to source, the Company estimates that the local market is in the vicinity of \$30Bn in transactional banking volumes per annum (GPTV), via cards and EFT payments to regulated CFD merchants.

### Merchant Contracting Cycle



The stages of delivering processing services to a Merchant are;

- identify prospects & marketing activity (ongoing), by ISX
- sales activity (1-6months), by ISX
- Reach formal agreement (2-4 weeks), joint ISX and Merchant
- Finalise due diligence (2-3 weeks), by ISX
- Provisioning (1 week), by ISX
- Onboarding and Integration (2-8 weeks), by Merchant
- Comfort Testing & Loading (2-8 weeks), by Merchant
- Processing (ongoing), by ISX

The Company is continuously reviewing and improving the contracting and delivery cycle.

### iSignthis Services Continue to Expand

- i) **eMoney Accounts** for merchants and corporate customers, including treasury of regulated entities, which provide a means to facilitate deposits and make payments to their suppliers, staff, utilities and government agencies.
- ii) **Transactional banking services** (aka payments) by enabling supply side payment solutions to our contracted **merchants** in order to give their customers greater choices of payment methods, whilst contemporaneously verifying the customer's identity to increase the merchant's global reach and simultaneously meet compliance requirements.
- iii) **Remittance and FX**, providing a means for our eMoney Account holders to send non-Euro (€) payments outside of the EEA.

Supply Partners	Services/Solutions	Charge Basis	Merchant Sectors (Contracted)
	<ol style="list-style-type: none"> <li>1. Card Acquiring EEA/EU/AUS</li> <li>2. eMoney Services</li> <li>3. Intercompany remittance</li> <li>4. Custodial Account Services</li> <li>5. Identity as a Service (KYC)</li> <li>6. Payment Gateway</li> <li>7. Integration / Set Up</li> </ol>	<ol style="list-style-type: none"> <li>1. MSF% of GPTV</li> <li>2. MSF% of GPTV</li> <li>3. MSF% of GPTV</li> <li>4. MSF% of GPTV</li> <li>5. Flat Fee x Units</li> <li>6. Flat Fee x Units</li> <li>7. One off Fee</li> </ol>	<ul style="list-style-type: none"> <li>• Financial Services</li> <li>• CFD / FX / Binary Brokers</li> <li>• Gaming/Gambling</li> <li>• Credit Providers</li> <li>• Crypto / Digital Currency</li> <li>• High Value Retail</li> <li>• Money Service Business</li> <li>• Utilities</li> </ul>
			

**iSignthis Ltd**  
**Letter from Managing Director**  
**30 June 2018**

**Our Focus for the Upcoming year**

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

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

Yours Sincerely

A handwritten signature in black ink, appearing to read 'N J Karantzis', with a stylized flourish at the end.

N J Karantzis *B.E. LL.M M.Ent (Melb) FIEAust Adj CPEng*  
Managing Director and Chief Executive Officer

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of iSignthis Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

**Directors**

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

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

**Principal activities**

iSignthis Ltd is an Australian headquartered business with patented technology used to significantly enhance online payment security and to electronically verify identities by way of a dynamic, digital and automated system. The system assists obligated entities under Anti Money Laundering ("AML") and Counter Terrorism Funding ("CTF") legislation to meet their compliance requirements and to ensure rapid and convenient on boarding of their customers. iSignthis also assists online merchants with mitigating Card Not Present ("CNP") fraud and providing CNP liability shift, within the framework of the card scheme rules and applicable regulatory regimes. The consolidated entity has been granted USA, European, South African, Portuguese, Singaporean and Australian patents and has patents pending in several other key jurisdictions including China, Hong Kong, South Korea, Canada, Brazil and India. The Company is licensed by the Central Bank of Cyprus as an EEA authorised eMoney Institution, offering card acquiring in the EEA, Australia and New Zealand.

**Financial performance**

The loss for the consolidated entity after providing for income tax amounted to \$5,532,177 (30 June 2017: \$5,700,062).

Revenue including other income during the period amounted to \$6,338,969 (2017: \$1,371,192), which included interest of \$59,604, sales from operating activities of \$5,800,846 and R&D tax concession of \$478,519.

Operating expenses for the financial year were \$11,871,146 (2017: \$7,071,254). Employment benefit costs amounted to \$3,423,573 (2017: \$2,618,551), due to an increase in the number of employees throughout the financial year. Corporate expenses amounted to \$1,192,056 (2017: \$1,031,525) resulting from continuing operations. These fees are made up of consultancy, accounting, and other professional services. Share based payments during the period amounted to \$312,380 (2017: \$979,347) which represented a total of 2,069,167 performance rights and issued to employees in accordance with the company's employee incentive scheme. Operating expenses amounted to \$4,957,592 (2017: \$768,611) which was largely made up of cost of sales \$4,363,097 (2017: \$263,252) which increased during the financial year in line with the revenue increases.

**Financial Position**

The net assets of the consolidated entity increased by \$1,120,269 to \$6,530,633 as at 30 June 2018 (2017: \$5,410,364). The consolidated entity's working capital, being current assets less current liabilities was \$5,300,190 at 30 June 2018 (2017: \$4,152,721). During the period the consolidated entity had a negative cash flow from operating activities of \$3,422,948 (2017: \$5,337,210).

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

**Significant changes in the state of affairs**

On 9 November 2017, the consolidated entity issued 34,210,527 fully paid ordinary shares at an issue price of \$0.19 (19 cents) per share raising a total of \$6,500,000 (before costs).

On 28 November 2017, the consolidated entity issued 1,000,000 fully paid ordinary shares upon the vesting of performance rights that met their respective performance criteria.

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

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

**Matters subsequent to the end of the financial year**

On 2 July 2018, the consolidated entity announced the expiry of 5,000,000 unlisted options. Also on this day the consolidated entity issued 250,000 fully paid ordinary shares upon the vesting of performance rights. The consolidated entity also issued 116,686 performance rights to employees due to convert on 31 December 2018 subject to vesting conditions.

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

The consolidated entity is changing its financial year end to December effective from 31 December 2018. The next statutory financial report to be released will be the 31 December 2018 Annual Report.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

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

Additional revenue streams are now available via a payment facilitation agreement with the National Australia Bank and an eMoney Institution license issued by the Central Bank of Cyprus. iSignthis is therefore now an EEA authorised institution allowing it to issue eMoney, accept customer deposits, offer bank to bank transfers including direct debits and credits, as well as processing and settlement services for card acquiring to its existing and new merchant customers. These services now provide a full range of revenue generating services which include customer verification (identify and verify the customer as required by AML law), the Processing of payments (payment gateway), deposit taking (eMoney accounts), Eurosystem Central Banking facilities for bank to bank transfers, and the settlement of payments to the merchant (Acquiring).

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

**Information on directors**

Name:	Mr Timothy Hart
Title:	Non-Executive Chairman
Qualifications:	BSc, MM(T), MMktng, MEd (Melb), PGDipSI and PGDipOL (Oxon), FAICD, FAIM
Experience and expertise:	Mr. Hart is the Managing Director and Chief Executive Officer of Ridley Corporation Limited (ASX:RIC). Mr. Hart was Chief Executive Officer of Sugar Australia and Sugar New Zealand (joint ventures between Wilmar/CSR and Mackay Sugar Limited). Eight years prior to this, Mr. Hart held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited. He has also been Deputy Chairman of the Australian Food & Grocery Council, Chaired the Corporate Affairs Committee and was a Director of the World Sugar Research organisation. Mr. Hart is the former Chair of the AFGC Agribusiness Forum and is an Ambassador of not for profits National Association of Women in Operations (NAWO) and Enactus (SIFE). Mr. Hart has an extensive background of senior management, in the agribusiness, food, resources, automotive and packaging industries across Australia, New Zealand, Europe and Asia.
Other current directorships:	Ridley Corporation Limited (ASX:RIC)
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman, Member of the Audit Committee and Risk Committee and Chairman of the Remuneration Committee.
Interests in shares:	349,623 Fully paid ordinary shares. It is noted that Mr Hart holds an interest in the major shareholder of the company iSignthis Ltd (BVI).
Interests in options:	Nil
Interests in rights:	Nil
Name:	Mr Nickolas John Karantzis
Title:	Managing Director and Chief Executive Officer
Qualifications:	B.E. LL.M. M.Enterp FIEAust Adj CPEng Eurlng
Experience and expertise:	Mr. Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne and University of Melbourne Business School). He is the founder of iSignthis, and has been leading the sales effort whilst developing the intellectual property to its commercialised state. Mr. Karantzis has over 20 years' experience in a number of sectors, including online media, defence and communications, with a background in secure communications. His previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	3,500,000 fully paid ordinary shares. It is noted that Mr Karantzis holds an interest in the major shareholder of the company iSignthis Ltd (BVI).
Interests in options:	Nil
Interests in rights:	Nil

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

Name:	Mr Scott Minehane
Title:	Non-Executive Director
Qualifications:	B.Econ LLB LL.M
Experience and expertise:	Mr. Minehane has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 25 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 and Risk Committee.
Interests in shares:	It is noted that Mr Minehane holds an interest in the major shareholder of the company iSignthis Ltd (BVI).
Interests in options:	Nil
Interests in rights:	Nil
Name:	Mr Barnaby Egerton-Warburton
Title:	Non-Executive Director
Qualifications:	B. Ec. GAICD
Experience and expertise:	Mr Egerton-Warburton holds a Bachelor of Economics Degree and is a graduate of the Australian Institute of Company Directors. He has over 20 years of trading, investment banking, international investment and market experience. He has held positions with global investment banks in Hong Kong, New York and Sydney including JPMorgan, Banque Nationale de Paris and Prudential Securities.
Other current directorships:	Eneabba Gas Limited (ASX : ENB) and Invictus Energy Limited (ASX: IVZ) (Formerly Interpose Holdings Limited)
Former directorships (last 3 years):	Fastbrick Robotics Ltd (ASX : FBR) resigned 18 November 2015, Global Geoscience Limited (ASX: GSC) resigned 23 May 2017
Special responsibilities:	Member of Remuneration Committee and Audit Committee & Risk Committee.
Interests in shares:	2,953,667 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

Name:	Christakis Taoushanis
Title:	Non-Executive Director
Qualifications:	B.Sc MBA
Experience and expertise:	Mr. Taoushanis holds a BSc degree in Economics, and a Master's in Business Administration received from the London School of Economics and the London Business School, respectively. Mr. Taoushanis brings extensive banking and finance knowledge and experience to our organisation having spent over 30 years in the industry in various senior roles.
	Mr. Taoushanis has worked for some of the world's largest banks in a number of different locations including Chicago, Greece, Hong Kong and Cyprus. This includes serving at Continental Illinois National Bank of Chicago for four years, the HSBC Group for eighteen years, with twelve of those as the Managing Director of the Cyprus subsidiary, and eight years as the Chief Executive Officer of the Cyprus Development Bank.
	Since 2011, Mr. Taoushanis has been working with the private firm TTEG & Associates, providing services as an advisor to several companies.
Other current directorships:	Louis PLC, MHP SE
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman of the Risk Committee, Member of the Remuneration Committee and Audit Committee.
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	50,000 performance rights due to convert subject to vesting conditions on 25 April 2019

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

#### **Company Secretary and Chief Financial Officer**

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

#### **Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr T Hart	5	5	-	-	2	2
Mr S Minehane	5	5	-	-	2	2
Mr B Egerton-Warburton	4	5	-	-	1	2
Mr NJ Karantzis	5	5	-	-	-	-

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

Subsequent to the end of the financial year the consolidated entity amended the structures of its committees. The committees effective 1 July 2018 consist of a Risk Committee, Remuneration Committee and Audit Committee. The details of the members of each committee are noted within the Information of Directors section of this Annual report.



### **Remuneration report (audited)**

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

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

#### ***Principles used to determine the nature and amount of remuneration***

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

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- has economic profit as a core component of plan design
- focuses 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
- attracts and retains high calibre executives

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

#### ***Non-executive directors remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

#### ***Executive remuneration***

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

Following the issue of shares and performance shares for the initial acquisition of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") the board of directors of the consolidated entity have concluded that as they are still in the early stages of operations, a formal process regarding STI and LTI share based payments are not yet appropriate. The board will continue to review performance and make appropriate changes to remuneration and issue any incentives as deemed to be warranted. The board will continue to monitor and review its decision in regards to formal plans as the consolidated entity progresses and reaches further milestones.

#### *Consolidated entity performance and link to remuneration*

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

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

#### *Voting and comments made at the company's 28 November 2017 Annual General Meeting ('AGM')*

At the 28 November 2017 AGM, 99.03% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. 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	
	Cash salary and fees \$	Super- annuation \$	Equity- settled \$	Total \$
<b>2018</b>				
<i>Non-Executive Directors:</i>				
Mr Timothy Hart	60,000	5,700	-	65,700
Mr Scott Minehane	40,000	3,800	-	43,800
Mr Barnaby Egerton-Warburton	40,000	3,800	-	43,800
<i>Executive Directors:</i>				
Mr Nickolas John Karantzis*	307,079	694	77,500	385,273
<i>Other Key Management Personnel:</i>				
Mr Todd Richards	198,000	18,810	77,945	294,755
	<u>645,079</u>	<u>32,804</u>	<u>155,445</u>	<u>833,328</u>

\* Excluded from the amount noted above was a prepayment of fees amounting to \$21,744 relating to services to be provided by Mr Karantzis which will reduce his fees paid during the next financial reporting period.

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

	Short-term benefits	Post- employment benefits	Share-based payments	
	Cash salary and fees \$	Super- annuation \$	Equity- settled \$	Total \$
<b>2017</b>				
<i>Non-Executive Directors:</i>				
Mr Timothy Hart	60,000	5,700	-	65,700
Mr Scott Minehane	40,000	3,800	-	43,800
Mr Barnaby Egerton-Warburton	40,000	3,800	-	43,800
<i>Executive Directors:</i>				
Mr Nickolas John Karantzis	228,125	-	-	228,125
<i>Other Key Management Personnel:</i>				
Mr Todd Richards	180,000	17,100	185	197,285
Mr Chris Muir *	88,673	7,125	7,708	103,506
	<u>636,798</u>	<u>37,525</u>	<u>7,893</u>	<u>682,216</u>

\* Mr Muir resigned as Chief Operating Officer and Chief Legal Officer on 31 October 2016.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Mr Timothy Hart	100%	100%	-	-	-	-
Mr Scott Minehane	100%	100%	-	-	-	-
Mr Barnaby Egerton-Warburton	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Mr Nickolas John Karantzis	80%	100%	-	-	20%	-
<i>Other Key Management Personnel:</i>						
Mr Todd Richards	74%	100%	-	-	26%	-
Mr Chris Muir	-	92%	-	-	-	8%

**Service agreements**

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

Name:	Mr. Nickolas John Karantzis
Title:	Executive Director and Group Chief Executive Officer
Agreement commenced:	1 March 2018
Term of agreement:	Ongoing
Details:	The terms of Mr. Karantzis Executive Services Agreement for the position of Executive Director and Group Chief Executive Officer include a termination period of three (3) months by either party, the base salary for the Executive role totalling €212,000 (less directors fees as noted below) per annum which was approved by the Remuneration committee during the year financial year. The agreement shall recognise 21 days of paid annual leave per annum and other statutory employment requirements.
	Mr Karantzis' directors fees equating to \$48,000 per annum inclusive of superannuation.

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

Name:	Mr. Todd Richards
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	Ongoing
Details:	The terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company includes a termination period of three (3) months by either party, a base salary of \$198,000 per annum which was approved by the Nomination and remuneration committee during the year financial year (which is effective from 1 July 2017), plus statutory superannuation entitlements, and domicile portability provisions. The agreement provides for participation in the employee incentive plan.

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

### ***Share-based compensation***

#### *Issue of shares*

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Date	Shares	Issue price	\$
Nickolas John Karantzis	5 December 2017	500,000	\$0.155	77,500
Todd Richards	5 December 2017	500,000	\$0.155	77,500

A total of 500,000 fully paid ordinary shares each were issued to Mr John Karantzis and Mr Todd Richards upon satisfaction of performance right vesting conditions being achieved. The vesting conditions in relation to these rights included the following milestones which were satisfied over a two year period and were subsequently approved by the Remuneration and Nomination Committee during the year:

1. Establish operational teams in Melbourne and Cyprus; and
2. Granting of electronic eMoney Institution license by the Central Bank of Cyprus; and
3. Revenue generation commencement in late 2016 by satisfying compliance legislation; and
4. Meeting key security and card scheme requirements by way of ISO27001 and PCI DSS certification; and
5. Completion of applications of card schemes principle memberships for Visa and Mastercard and executed a partnership agreement with JCB International; and
6. Other corporate initiatives.

#### *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 30 June 2018.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

#### *Performance rights*

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

Grant date	Vesting date	Expiry date	Fair value per right at grant date
11 November 2016	1 November 2018	1 November 2018	\$0.17
27 January 2016	2 January 2019	2 January 2019	\$0.14
5 December 2017	5 December 2017	5 December 2017	\$0.155

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

Name	Number of rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date
Todd Richards	10,000	27 January 2017	2 January 2019	2 January 2019	\$0.14
Todd Richards	500,000	5 December 2017	5 December 2017	5 December 2017	\$0.155
Nicholas John Karantzis	500,000	5 December 2017	5 December 2017	5 December 2017	\$0.155

Performance rights granted carry no dividend or voting rights.

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 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Chris Muir *	-	250,000	-	-
Todd Richards	500,000	10,000	500,000	-
Nicholas John Karantzis	500,000	-	500,000	-

\* Mr Chris Muir resigned during the 2017 financial year and as such has not been disclosed.

**Additional information**

The earnings of the consolidated entity for the four years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$
Revenue	6,338,969	1,371,191	443,881	28,962
EBIT	(5,532,177)	(5,700,062)	(9,235,217)	(10,039,425)

**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
<b>Ordinary shares</b>					
Mr Barnaby Egerton-Warburton	2,847,224	-	106,443	-	2,953,667
Mr Timothy Hart *	349,623	-	-	-	349,623
Mr Nickolas John Karantzis *	3,000,000	500,000	-	-	3,500,000
Mr Scott Minehane *	-	-	-	-	-
Mr Todd Richards *	-	500,000	-	-	500,000
	6,196,847	1,000,000	106,443	-	7,303,290

\*During the 2015 financial year iSignthis Ltd (the "acquiree") completed the acquisition of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") ("acquirer"). The acquiree (iSignthis Ltd) issued a total of 311,703,933 fully paid ordinary shares to the acquirer as consideration for the transaction. These members (excluding Mr. Barnaby Egerton-Warburton) of the Key Management Personnel hold an interest in the acquirer.

**iSignthis Ltd**  
**Directors' report**  
**30 June 2018**

*Performance rights holding*

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Todd Richards	10,000	500,000	(500,000)	-	10,000
Nicholas John Karantzis	-	500,000	(500,000)	-	-
	<u>10,000</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>	<u>10,000</u>

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Performance rights over ordinary shares</i>			
Todd Richards	-	10,000	10,000
	<u>-</u>	<u>10,000</u>	<u>10,000</u>

*Loans to key management personnel and their related parties*

During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$484,246 was advanced in two separate tranches to Etherstack Pty Limited and subsequently repaid during the year. A total of \$10,220 interest was paid as part of the agreements. The transactions were completed at arm's length.

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

**Shares under option**

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

Grant date	Expiry date	Exercise price	Number under option
2 November 2015	30 September 2018	\$0.50	6,000,000
2 November 2015	30 September 2018	\$0.62	6,000,000
1 August 2016	1 July 2019	\$0.62	5,000,000
3 August 2017	31 December 2018	\$0.30	500,000
9 November 2017	8 February 2019	\$0.24	2,850,877
9 November 2017	8 May 2019	\$0.27	2,850,877
9 November 2017	8 February 2020	\$0.31	2,850,877
8 December 2017	8 February 2019	\$0.24	200,000
8 December 2017	8 May 2019	\$0.27	200,000
8 December 2017	8 February 2020	\$0.31	200,000
			<u>26,652,631</u>

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

### **Shares under performance rights**

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

Grant date	Expiry date	Number under rights
11 November 2016	1 November 2018	292,500
27 January 2017	2 January 2019	218,250
30 June 2017	25 April 2019	50,000
30 June 2017	1 July 2019	17,500
5 December 2017	24 April 2019	107,500
5 December 2017	1 September 2018	143,333
5 December 2017	1 September 2019	83,334
5 December 2017	19 September 2018	72,500
5 December 2017	19 September 2019	72,500
5 December 2017	1 December 2019	10,000
23 May 2018	1 March 2018	100,000
23 May 2018	1 March 2020	100,000
23 May 2018	11 March 2019	110,000
2 July 2018	31 December 2018	116,686
		<u>1,494,103</u>

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

### **Shares issued on the exercise of options**

There were no ordinary shares of iSignthis Ltd issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

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

The following ordinary shares of iSignthis Ltd were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights vested	Number of shares issued
5 December 2017	1,000,000
1 March 2018	216,667
30 June 2018	250,000
15 July 2018	618,584
	<u>2,085,251</u>

### **Indemnity and insurance of officers**

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

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

### **Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the company**

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

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd**

There are no officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd

**Auditor's independence declaration**

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

**Auditor**

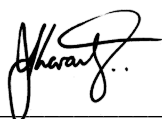
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

**Rounding of amounts**

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

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



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Nickolas John Karantzis  
Managing Director

28 August 2018



## Auditor's Independence Declaration

### To the Directors of iSignthis Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of iSignthis Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B L Taylor  
Partner – Audit & Assurance

Melbourne, 28 August 2018

**iSignthis Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Revenue</b>	5	6,338,969	1,371,192
<b>Expenses</b>			
Corporate expenses		(1,192,056)	(1,031,525)
Advertising & marketing		(246,524)	(116,837)
Employee benefits expense		(3,423,573)	(2,618,551)
Research & development expenses		(342,500)	(345,583)
Depreciation & amortisation expense	6	(149,493)	(122,719)
Other expenses		(1,222,015)	(1,042,191)
Operating costs	6	(4,957,592)	(768,611)
Share based payments	30	(312,380)	(979,347)
Net realised foreign exchange loss		(25,013)	(41,316)
Finance costs		-	(4,574)
<b>Loss before income tax expense</b>		(5,532,177)	(5,700,062)
Income tax expense	7	-	-
<b>Loss after income tax expense for the year attributable to the owners of iSignthis Ltd</b>		(5,532,177)	(5,700,062)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		7,066	(12,754)
Other comprehensive income for the year, net of tax		7,066	(12,754)
<b>Total comprehensive loss for the year attributable to the owners of iSignthis Ltd</b>		<u>(5,525,111)</u>	<u>(5,712,816)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	29	(0.84)	(0.91)
Diluted loss per share	29	(0.84)	(0.91)

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

**iSignthis Ltd**  
**Statement of financial position**  
**As at 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,523,197	3,398,853
Trade and other receivables	9	1,231,953	818,654
Other assets	10	9,988,926	642,871
Total current assets		<u>16,744,076</u>	<u>4,860,378</u>
<b>Non-current assets</b>			
Plant and equipment	11	107,392	63,541
Intangibles	12	1,166,327	1,221,448
Total non-current assets		<u>1,273,719</u>	<u>1,284,989</u>
<b>Total assets</b>		<u>18,017,795</u>	<u>6,145,367</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	2,578,576	576,562
Employee benefits	14	204,610	131,095
Other	15	8,660,700	-
Total current liabilities		<u>11,443,886</u>	<u>707,657</u>
<b>Non-current liabilities</b>			
Employee benefits	16	43,276	27,346
Total non-current liabilities		<u>43,276</u>	<u>27,346</u>
<b>Total liabilities</b>		<u>11,487,162</u>	<u>735,003</u>
<b>Net assets</b>		<u>6,530,633</u>	<u>5,410,364</u>
<b>Equity</b>			
Issued capital	17	30,723,878	24,668,528
Reserves	18	4,549,679	5,735,142
Accumulated losses		<u>(28,742,924)</u>	<u>(24,993,306)</u>
<b>Total equity</b>		<u>6,530,633</u>	<u>5,410,364</u>

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

**iSignthis Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Foreign currency reserve \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	22,734,789	6,368,646	(19,293,244)	(66,358)	9,743,833
Loss after income tax expense for the year	-	-	(5,700,062)	-	(5,700,062)
Other comprehensive loss for the year, net of tax	-	-	-	(12,754)	(12,754)
Total comprehensive loss for the year	-	-	(5,700,062)	(12,754)	(5,712,816)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	400,000	-	-	-	400,000
Share-based payments (note 30)	-	979,347	-	-	979,347
Transfer from share based payments reserve upon the exercise of options	1,533,739	(1,533,739)	-	-	-
Balance at 30 June 2017	<u>24,668,528</u>	<u>5,814,254</u>	<u>(24,993,306)</u>	<u>(79,112)</u>	<u>5,410,364</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Foreign currency reserve \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	24,668,528	5,814,254	(24,993,306)	(79,112)	5,410,364
Loss after income tax expense for the year	-	-	(5,532,177)	-	(5,532,177)
Other comprehensive income for the year, net of tax	-	-	-	7,066	7,066
Total comprehensive income for the year	-	-	(5,532,177)	7,066	(5,525,111)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	5,853,766	479,234	-	-	6,333,000
Share-based payments (note 30)	201,584	110,796	-	-	312,380
Lapse of options and rights	-	(1,782,559)	1,782,559	-	-
Balance at 30 June 2018	<u>30,723,878</u>	<u>4,621,725</u>	<u>(28,742,924)</u>	<u>(72,046)</u>	<u>6,530,633</u>

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

**iSignthis Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		4,924,710	431,984
Payments to suppliers and employees		(9,456,840)	(5,917,610)
Interest received		61,779	148,416
Research and development incentive received		1,047,403	-
Net cash used in operating activities	28	(3,422,948)	(5,337,210)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	11	(80,383)	(31,944)
Payments for intangibles	12	(46,154)	(124,063)
Cash on deposit considered an investment		351,068	(451,907)
Net cash from/(used in) investing activities		224,531	(607,914)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	17	6,500,000	400,000
Capital raising costs		(167,000)	-
Card scheme membership security		(1,005,716)	-
Net cash from financing activities		5,327,284	400,000
Net increase/(decrease) in cash and cash equivalents		2,128,867	(5,545,124)
Cash and cash equivalents at the beginning of the financial year		3,398,853	8,957,072
Effects of exchange rate changes on cash and cash equivalents		(4,523)	(13,095)
Cash and cash equivalents at the end of the financial year	8	<u>5,523,197</u>	<u>3,398,853</u>

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

**iSignthis Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 1. General information**

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

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

456 Victoria Parade  
East Melbourne  
Victoria, 3002

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2018. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of iSignthis Ltd ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. iSignthis Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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.

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

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

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

### **Impairment of non-financial assets**

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

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

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

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

*AASB 9 Financial Instruments*

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

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity has assessed the impact of the application of the standard at 30 June 2018. It is noted that there were no outstanding performance obligations in relation to contracts with customers and therefore the expected impact at 30 June 2018 is nil.



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

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity has assessed the impact of the standard and the expected impacts are as follows:

1. Increase in assets and liabilities amounting to \$382,133 and \$416,314 respectively.
2. Increase in the loss position of on the statement of profit and loss and other comprehensive income in the amount of \$34,181.
3. It is not expected that there will be any net impact on the statement of cash flows.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets*

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

*Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Note 4. Operating segments**

*Identification of reportable operating segments*

The operating segments are analysed by the Executives of the consolidated entity who ultimately report to the board of Board of Directors (collectively identified as the Chief Operating Decision Makers ('CODM')), based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources.

The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

*Operating segment information*

<b>Consolidated - 2018</b>	<b>Australia \$</b>	<b>Europe &amp; BVI \$</b>	<b>Total \$</b>
<b>Revenue</b>			
Sales to external customers	1,391,268	4,409,578	5,800,846
Research & development tax concession	478,519	-	478,519
Interest	59,604	-	59,604
<b>Total revenue</b>	<b>1,929,391</b>	<b>4,409,578</b>	<b>6,338,969</b>
<b>Expenses</b>			
Corporate expenses	(596,606)	(595,450)	(1,192,056)
Advertising & marketing	(111,239)	(135,285)	(246,524)
Employee benefits expense	(1,513,165)	(1,910,408)	(3,423,573)
Research & development expenses	(342,500)	-	(342,500)
Depreciation & amortisation expense	(27,530)	(121,963)	(149,493)
Other expenses	(742,850)	(479,165)	(1,222,015)
Operating costs	(1,488,881)	(3,468,711)	(4,957,592)
Share based payments	(312,380)	-	(312,380)
Net realised foreign exchange loss	(23,862)	(1,151)	(25,013)
<b>Loss before income tax expense</b>	<b>(3,229,622)</b>	<b>(2,302,555)</b>	<b>(5,532,177)</b>
Income tax expense			-
<b>Loss after income tax expense</b>			<b>(5,532,177)</b>

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

<b>Consolidated - 2017</b>	<b>Australia \$</b>	<b>Europe &amp; BVI \$</b>	<b>Total \$</b>
<b>Revenue</b>			
Sales to external customers	224,583	441,722	666,305
Research & development tax concession	578,884	-	578,884
Interest	126,003	-	126,003
<b>Total revenue</b>	<b>929,470</b>	<b>441,722</b>	<b>1,371,192</b>
<b>Expenses</b>			
Corporate expenses	(459,171)	(572,354)	(1,031,525)
Advertising & marketing	106,136	(222,973)	(116,837)
Employee benefits expense	(1,467,652)	(1,150,899)	(2,618,551)
Research & development expenses	(345,583)	-	(345,583)
Depreciation & amortisation expense	(35,816)	(86,903)	(122,719)
Other expenses	(365,336)	(676,855)	(1,042,191)
Operating costs	(496,696)	(271,915)	(768,611)
Share based payments	(979,347)	-	(979,347)
Net realised foreign exchange loss	(41,316)	-	(41,316)
Finance costs	(4,574)	-	(4,574)
<b>Loss before income tax expense</b>	<b>(3,159,885)</b>	<b>(2,540,177)</b>	<b>(5,700,062)</b>
Income tax expense			-
<b>Loss after income tax expense</b>			<b>(5,700,062)</b>

The CODM reviews cash and cash equivalents and the funds held on behalf of merchants within the statement of financial position.

*Geographical information*

	<b>Cash and cash equivalents</b>		<b>Funds held on behalf merchants</b>		<b>Intangibles</b>	
	<b>2018 \$</b>	<b>2017 \$</b>	<b>2018 \$</b>	<b>2017 \$</b>	<b>2018 \$</b>	<b>2017 \$</b>
Australia	3,708,159	2,749,713	7,862,249	-	-	-
Europe & BVI	1,815,038	649,140	798,451	-	1,166,327	1,221,448
	<b>5,523,197</b>	<b>3,398,853</b>	<b>8,660,700</b>	<b>-</b>	<b>1,166,327</b>	<b>1,221,448</b>

*Accounting policy for operating segments*

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

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Fees</i>		
Contracted service fees	5,780,429	441,722
Licensing fees	20,417	224,583
	<u>5,800,846</u>	<u>666,305</u>
<i>Other revenue</i>		
Interest	59,604	126,003
Research & development tax concession	478,519	578,884
	<u>538,123</u>	<u>704,887</u>
Revenue	<u><u>6,338,969</u></u>	<u><u>1,371,192</u></u>

*Accounting policy for revenue recognition*

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

*Know Your Customer (KYC) verification*

Revenue generated from KYC fees are billed on a flat rate per verification service and are recognised once the service is performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

*Payment processing function*

Revenue generated from the payment processing function are billed on a per transaction basis and are recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

*Settlement of payments*

Revenue generated from the settlement of payments are billed on a percentage of the transaction value and is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

*Integration, Establishment, Project and Platform Fees*

Revenue generated from the initial integration and merchant operational set up are billed on contract signing and service go live date. Revenue is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

*Licensing fees*

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

*Government subsidies*

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. As such the Company recognised the R&D tax incentive on a cash basis in prior periods however the consolidated entity amended its method during the year and now recognises on an accrual basis extent that related expenditure is recoverable. Government subsidies are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance).

**Note 5. Revenue (continued)**

*Interest*

Interest revenue is recognised as interest accrues 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.

*Other revenue*

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

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Computers and office equipment	39,455	41,041
<i>Amortisation</i>		
Patents and trademarks	110,038	81,678
Total depreciation and amortisation	149,493	122,719
<i>Operating expenses</i>		
Cost of sales	4,363,097	263,252
IT support	364,261	249,624
Other general operating expenses	230,234	255,735
Total operating expenses	4,957,592	768,611

The consolidated entity also operates a defined contribution plan which provides the legal superannuation obligation contributions. The expense recognised during the year in relation to these contributions amounted to \$118,886 (2017: \$130,271).

**Note 7. Income tax**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(5,532,177)	(5,700,062)
Tax at the statutory tax rate of 27.5%	(1,521,349)	(1,567,517)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	85,905	269,320
Difference attributable to foreign operations	326,123	401,221
Research and development refund	131,593	(159,193)
	(977,728)	(1,056,169)
Deductible blackhole expenditure	(20,041)	(39,549)
Other timing differences	37,718	15,304
Income tax losses not taken up as a tax benefit	960,051	1,080,414
Income tax expense	<u>-</u>	<u>-</u>
	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (Australia)	2,253,333	1,587,843
Temporary differences (Australia)	250,181	232,101
Tax losses (foreign subsidiaries)	692,755	385,675
Total deferred tax assets not recognised	<u>3,196,269</u>	<u>2,205,619</u>

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

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

- i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law;
- iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses; and
- iv) the losses are transferred to an eligible entity in the consolidated group.

*Accounting policy for income tax*

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

**Note 7. Income tax (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	5,523,197	2,398,853
Cash on deposit	-	1,000,000
	<u>5,523,197</u>	<u>3,398,853</u>

*Accounting policy for cash and cash equivalents*

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

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,109,386	181,539
Other receivables	82,446	585,288
Interest receivable	740	2,898
GST/VAT receivable	39,381	48,929
	<u>1,231,953</u>	<u>818,654</u>

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

**Note 9. Current assets - trade and other receivables (continued)**

*Accounting policy for trade and other receivables*

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

*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 10. Current assets - other assets**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Prepayments	275,760	190,964
Security deposits	46,750	46,750
Card scheme collateral	1,005,716	405,157
Funds held on behalf of merchants	8,660,700	-
	<u>9,988,926</u>	<u>642,871</u>

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

The funds held on behalf of merchants noted above represent security, rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Merchant) and settlement funds which were yet to be settled back to the respective merchants as at 30 June 2018.



	Consolidated	
	2018	2017
	\$	\$
Computer and office equipment - at cost	223,687	139,597
Less: Accumulated depreciation	<u>(116,295)</u>	<u>(76,056)</u>
	<u>107,392</u>	<u>63,541</u>

## Reconciliations

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

	Computer and office equipment \$
<b>Consolidated</b>	
Balance at 1 July 2016	72,269
Additions	31,944
Foreign exchange translation movements	369
Depreciation expense	(41,041)
Balance at 30 June 2017	63,541
Additions	80,383
Foreign exchange translation movements	2,923
Depreciation expense	(39,455)
Balance at 30 June 2018	107,392

*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
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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 12. Non-current assets - intangibles

	Consolidated	
	2018	2017
	\$	\$
Intellectual property - at cost	1,430,352	1,383,063
Less: Accumulated amortisation	(264,025)	(161,615)
	<u>1,166,327</u>	<u>1,221,448</u>

**Note 12. 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:

	Patents
<b>Consolidated</b>	\$
Balance at 1 July 2016	1,179,063
Additions	124,063
Amortisation expense	(81,678)
Balance at 30 June 2017	1,221,448
Additions	46,154
Exchange differences	8,763
Amortisation expense	(110,038)
Balance at 30 June 2018	<u>1,166,327</u>

Included in the additions above was the purchase of patents amounting to €30,000.

*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.

*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
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**Note 13. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade payables	275,846	309,951
Other payables	<u>2,302,730</u>	<u>266,611</u>
	<u>2,578,576</u>	<u>576,562</u>

Refer to note 19 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 14. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Annual leave	<u>204,610</u>	<u>131,095</u>

*Accounting policy for employee benefits*

*Short-term employee benefits*

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

**Note 15. Current liabilities - other**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Funds held on behalf of merchants	<u>8,660,700</u>	<u>-</u>

The funds held on behalf of merchants noted above represent security, rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Merchant) and settlement funds which were yet to be settled back to the respective merchants as at 30 June 2018. As such the amount noted above constitutes the liability of the funds held on behalf of merchants.

**Note 16. Non-current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Long service leave	<u>43,276</u>	<u>27,346</u>

*Accounting policy for other long-term employee benefits*

The liability for annual leave and 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 17. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>667,296,908</u>	<u>631,869,714</u>	<u>30,723,878</u>	<u>24,668,528</u>

**Note 17. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	621,869,714		22,734,789
Exercise of options	10 February 2017	10,000,000	\$0.04	400,000
Transfer from share based payments reserve on conversion of options		-	-	1,533,739
Balance	30 June 2017	631,869,714		24,668,528
Share placement	3 November 2017	34,210,527	\$0.19	6,500,000
Issue of shares upon the vesting of performance rights	5 December 2017	1,000,000	-	155,000
Issue of shares upon the vesting of performance rights	5 March 2018	216,667	-	46,584
Capital raising costs		-	-	(646,234)
Balance	30 June 2018	<u>667,296,908</u>		<u>30,723,878</u>

*Ordinary shares*

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

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

*Share buy-back*

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

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

*Accounting policy for issued capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Note 18. Equity - reserves**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(72,046)	(79,112)
Share-based payments reserve	4,621,725	5,814,254
	<u>4,549,679</u>	<u>5,735,142</u>

*Foreign currency reserve*

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

*Share-based payments reserve*

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

*Movements in reserves*

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

<b>Consolidated</b>	Foreign currency reserve \$	Share based payments res erve \$	Total \$
Balance at 1 July 2016	(66,358)	6,368,646	6,302,288
Foreign currency translation	(12,754)	-	(12,754)
Share-based payments issued	-	979,347	979,347
Transfer to issued capital upon the exercise of options	-	(1,533,739)	(1,533,739)
Balance at 30 June 2017	(79,112)	5,814,254	5,735,142
Foreign currency translation	7,066	-	7,066
Share-based payments issued	-	312,380	312,380
Transfer to issued capital upon the vesting of performance rights	-	(201,584)	(201,584)
Lapse of options and rights	-	(1,782,559)	(1,782,559)
Options issued to advisers for capital raising	-	479,234	479,234
Balance at 30 June 2018	<u>(72,046)</u>	<u>4,621,725</u>	<u>4,549,679</u>

**Note 19. 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.

**Note 19. Financial instruments (continued)**

**Market risk**

*Foreign currency risk*

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

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

*Price risk*

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

*Interest rate risk*

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

	2018		2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Cash at bank	1.50%	5,523,197	1.60%	2,398,853
Cash on deposit	-	-	2.00%	1,000,000
Net exposure to cash flow interest rate risk		<u>5,523,197</u>		<u>3,398,853</u>

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the 2017 and 2018 financial years. The impact would not be material on bank balances held at 30 June 2018. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
<b>Consolidated - 2018</b>						
Cash at bank	50	<u>27,616</u>	<u>27,616</u>	(50)	<u>(27,616)</u>	<u>(27,616)</u>
	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
<b>Consolidated - 2017</b>						
Cash at bank	50	11,994	11,994	(50)	(11,994)	(11,994)
Cash on deposit	100	<u>10,000</u>	<u>10,000</u>	(100)	<u>(10,000)</u>	<u>(10,000)</u>
		<u>21,994</u>	<u>21,994</u>		<u>(21,994)</u>	<u>(21,994)</u>

## Note 19. Financial instruments (continued)

### **Credit risk**

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

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

### **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.

## Note 20. Key management personnel disclosures

### *Directors*

The following persons were directors of iSignthis Ltd during the financial year:

Mr Timothy Hart	(Non-Executive Chairman)
Mr Nickolas John Karantzis	(Managing Director and CEO)
Mr Scott Minehane	(Non-Executive Director)
Mr Barnaby Egerton-Warburton	(Non-Executive Director)

### *Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Todd Richards	CFO and Company Secretary
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### *Compensation*

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	645,079	636,798
Post-employment benefits	32,804	37,525
Share-based payments	155,445	7,893
	<u>833,328</u>	<u>682,216</u>

**Note 21. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and its network firms:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>60,050</u>	<u>51,000</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	<u>15,401</u>	<u>-</u>
<i>Other services - network firms</i>		
Preparation of the tax return	<u>1,382</u>	<u>-</u>
	<u><u>16,783</u></u>	<u><u>-</u></u>

The network firm fees above include the work completed for both the 2017 and 2018 financial years for the Company's iSignthis eMoney Ltd Cyprus operations.

**Note 22. Contingent liabilities**

There were no contingent liabilities at 30 June 2018 and 30 June 2017.

**Note 23. Commitments**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	209,107	140,970
One to five years	<u>128,983</u>	<u>186,765</u>
	<u><u>338,090</u></u>	<u><u>327,735</u></u>

Operating lease commitments includes the office lease until 25 May 2020 for the Australian office and 1 October 2011 for the Cyprus office.

**Note 24. Related party transactions**

*Parent entity*  
iSignthis Ltd is the parent entity.

*Subsidiaries*  
Interests in subsidiaries are set out in note 26.

*Key management personnel*  
Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.



**Note 24. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Fees paid to Southern Ocean Pty Ltd for Marketing and advertising services (an entity associated with Mr Karantzis)	1,065	-
Purchase of Intellectual property from BXWIP Holding Co Pty Ltd	-	124,063
Incorporation and wind down costs for BXWIP Holding Co Pty Ltd	680	-

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

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$484,246 was advanced in two separate tranches to Etherstack Pty Limited and subsequently repaid during the year. A total of \$10,220 interest was paid as part of the agreements. The transactions were completed at arm's length.

*Terms and conditions*

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

**Note 25. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,042,735)	(1,518,622)
Total comprehensive loss	(1,042,735)	(1,518,622)

**Note 25. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Total current assets	3,480,917	2,703,304
Total assets	19,481,365	13,989,430
Total current liabilities	139,526	250,236
Total liabilities	139,526	250,236
Equity		
Issued capital	115,246,528	109,191,179
Share-based payments reserve	4,621,725	5,814,254
Accumulated losses	(100,526,414)	(101,266,239)
Total equity	19,341,839	13,739,194

*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 30 June 2017 and 30 June 2018.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2018.

*Capital commitments - Plant and equipment*

The parent entity had no capital commitments for plant and equipment as at 30 June 2017 and 30 June 2018.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

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

**Note 26. 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:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2018</b>	<b>2017</b>
		<b>%</b>	<b>%</b>
Authenticate Pty Ltd	Australia	100.00%	100.00%
Authenticate BV	Netherlands	100.00%	100.00%
iSignthis BV	Netherlands	100.00%	100.00%
ISX IP Ltd	British Virgin Islands	100.00%	100.00%
iSignthis eMoney Ltd	Cyprus	100.00%	100.00%
iSignthis Inc.	USA	100.00%	100.00%
iSignthis (IOM) Ltd	Isle of Man	100.00%	100.00%
iSignthis (UK) Ltd	United Kingdom	100.00%	100.00%
iSignthis eMoney (Au) Pty Ltd*	Australia	100.00%	-

**Note 26. Interests in subsidiaries (continued)**

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

**Note 27. Events after the reporting period**

On 2 July 2018, the consolidated entity announced the expiry of 5,000,000 unlisted options. Also on this day the consolidated entity issued 250,000 fully paid ordinary shares upon the vesting of performance rights. The consolidated entity also issued 116,686 performance rights to employees due to convert on 31 December 2018 subject to vesting conditions.

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

The consolidated entity is changing its financial year end to December effective from 31 December 2018. The next statutory financial report to be released will be the 31 December 2018 Annual Report.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 28. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
Loss after income tax expense for the year	(5,532,177)	(5,700,062)
Adjustments for:		
Depreciation and amortisation	149,494	122,720
Share-based payments	312,380	979,347
Foreign exchange differences	654,550	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(413,299)	(751,393)
Increase in other current assets	(9,346,055)	(48,206)
Increase in trade and other payables	2,002,014	28,615
Increase in employee benefits	89,445	31,769
Increase in other liabilities	8,660,700	-
Net cash used in operating activities	<u>(3,422,948)</u>	<u>(5,337,210)</u>

**Note 29. Earnings per share**

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
Loss after income tax attributable to the owners of iSignthis Ltd	<u>(5,532,177)</u>	<u>(5,700,062)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic loss per share	<u>654,851,402</u>	<u>626,705,330</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>654,851,402</u>	<u>626,705,330</u>

**Note 29. Earnings per share (continued)**

	Cents	Cents
Basic loss per share	(0.84)	(0.91)
Diluted loss per share	(0.84)	(0.91)

*Accounting policy for earnings per share*

*Basic loss per share*

Basic loss per share is calculated by dividing the profit attributable to the owners of iSignthis Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted loss per share*

Diluted loss per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Note 30. Share-based payments**

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

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
02/11/2015	31/07/2017	\$0.38	6,000,000	-	-	(6,000,000)	-
02/11/2015	30/09/2018	\$0.50	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.62	6,000,000	-	-	-	6,000,000
01/08/2016	01/07/2017	\$0.38	5,000,000	-	-	(5,000,000)	-
01/08/2016	01/07/2018	\$0.50	5,000,000	-	-	-	5,000,000
01/08/2016	01/07/2019	\$0.62	5,000,000	-	-	-	5,000,000
03/08/2017	31/12/2018	\$0.30	-	500,000	-	-	500,000
09/11/2017	08/02/2019	\$0.24	-	2,850,877	-	-	2,850,877
09/11/2017	08/05/2019	\$0.27	-	2,850,877	-	-	2,850,877
09/11/2017	08/02/2020	\$0.31	-	2,850,877	-	-	2,850,877
08/12/2017	08/02/2019	\$0.24	-	200,000	-	-	200,000
08/12/2017	08/05/2019	\$0.27	-	200,000	-	-	200,000
08/12/2017	08/02/2020	\$0.31	-	200,000	-	-	200,000
			33,000,000	9,652,631	-	(11,000,000)	31,652,631

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

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/05/2015	13/05/2017	\$0.04	10,000,000	-	(10,000,000)	-	-
02/11/2015	31/07/2017	\$0.38	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.50	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.62	6,000,000	-	-	-	6,000,000
01/08/2016	01/07/2017	\$0.38	5,000,000	-	-	-	5,000,000
01/08/2016	01/07/2018	\$0.50	5,000,000	-	-	-	5,000,000
01/08/2016	01/07/2019	\$0.62	5,000,000	-	-	-	5,000,000
			43,000,000	-	(10,000,000)	-	33,000,000

**Note 30. Share-based payments (continued)**

- \* On 1 August 2016 the company approved to grant 15,000,000 Unlisted Options in three tranches of 5,000,000 options each. The options have an exercise price of \$0.38 (38 cents), \$0.50 (50 cents) and \$0.62 (62 cents) per option, respectively.

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

Grant date	Expiry date	2018 Number	2017 Number
02/11/2015	31/07/2017	-	6,000,000
02/11/2015	30/09/2018	6,000,000	6,000,000
02/11/2015	30/09/2018	6,000,000	6,000,000
01/08/2016	01/07/2017	-	5,000,000
01/08/2016	01/07/2018	5,000,000	5,000,000
01/08/2016	01/07/2019	5,000,000	5,000,000
03/08/2018	31/12/2018	500,000	-
09/11/2017	08/02/2019	2,850,877	-
09/11/2017	08/05/2019	2,850,877	-
09/11/2017	08/02/2020	2,850,877	-
08/12/2017	08/02/2019	200,000	-
08/12/2017	08/05/2019	200,000	-
08/12/2017	08/02/2020	200,000	-
		<u>31,652,631</u>	<u>33,000,000</u>

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

2018						
Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
01/08/2016	01/03/2018	216,667	-	(216,667)	-	-
01/08/2016	15/07/2018	718,584	-	-	(100,000)	618,584
11/11/2016	01/11/2018	335,000	-	-	(42,500)	292,500
27/01/2017	02/01/2019	371,500	-	-	(153,250)	218,250
30/06/2017	25/04/2019	50,000	-	-	-	50,000
30/06/2017	01/07/2019	17,500	-	-	-	17,500
05/12/2017	24/04/2019	-	127,500	-	(20,000)	107,500
05/12/2017	01/09/2018	-	143,333	-	-	143,333
05/12/2017	01/09/2019	-	83,334	-	-	83,334
05/12/2017	19/09/2018	-	72,500	-	-	72,500
05/12/2017	19/09/2019	-	72,500	-	-	72,500
05/12/2017	01/12/2019	-	10,000	-	-	10,000
23/05/2018	01/03/2019	-	100,000	-	-	100,000
23/05/2018	01/03/2020	-	100,000	-	-	100,000
23/05/2018	11/03/2019	-	110,000	-	-	110,000
23/05/2018	30/06/2018	-	250,000	-	-	250,000
		<u>1,709,251</u>	<u>1,069,167</u>	<u>(216,667)</u>	<u>(315,750)</u>	<u>2,246,001</u>

**Note 30. Share-based payments (continued)**

2017

Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
01/08/2016	01/03/2018	-	231,250	-	(14,583)	216,667
01/08/2016	15/07/2018	-	791,500	-	(72,916)	718,584
11/11/2016	01/11/2018	-	335,000	-	-	335,000
27/01/2017	01/11/2018	-	371,500	-	-	371,500
30/06/2017	25/04/2019	-	50,000	-	-	50,000
30/06/2017	01/07/2019	-	17,500	-	-	17,500
		-	<u>1,796,750</u>	-	<u>(87,499)</u>	<u>1,709,251</u>

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

Grant date	Expiry date	2018 Number	2017 Number
01/08/2016	01/03/2018	-	216,667
01/08/2016	15/07/2018	618,584	718,584
11/11/2016	01/11/2018	292,500	335,000
27/01/2017	02/01/2019	218,250	371,500
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	-
05/12/2017	01/09/2018	143,333	-
05/12/2017	01/09/2019	83,334	-
05/12/2017	19/09/2018	72,500	-
05/12/2017	01/09/2019	72,500	-
05/12/2017	01/12/2019	10,000	-
23/05/2018	01/03/2019	100,000	-
23/05/2018	01/03/2020	100,000	-
23/05/2018	11/03/2019	110,000	-
23/05/2018	30/06/2018	250,000	-
		<u>2,246,001</u>	<u>1,709,251</u>

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
03/08/2017	31/12/2018	\$0.20	\$0.30	77.90%	1.67%	\$0.048
09/11/2017	08/02/2019	\$0.19	\$0.24	64.40%	1.74%	\$0.040
09/11/2017	08/05/2019	\$0.19	\$0.27	75.20%	1.74%	\$0.048
09/11/2017	08/02/2020	\$0.19	\$0.31	82.50%	1.74%	\$0.066
08/12/2017	08/02/2019	\$0.15	\$0.24	65.90%	1.87%	\$0.021
08/12/2017	08/05/2019	\$0.15	\$0.27	67.10%	1.87%	\$0.022
08/12/2017	08/02/2020	\$0.15	\$0.31	76.60%	1.87%	\$0.038

**Note 30. Share-based payments (continued)**

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

Grant date	Expiry date	Share price at grant date	Expected volatility	Risk-free interest rate	Fair value at grant date
05/12/2017	24/04/2019	\$0.16	-	-	\$0.155
05/12/2017	01/09/2018	\$0.16	-	-	\$0.155
05/12/2017	01/09/2019	\$0.16	-	-	\$0.155
05/12/2017	19/09/2018	\$0.16	-	-	\$0.155
05/12/2017	19/09/2018	\$0.16	-	-	\$0.155
05/12/2017	19/09/2019	\$0.16	-	-	\$0.155
05/12/2017	01/12/2019	\$0.16	-	-	\$0.155
23/05/2018	01/03/2019	\$0.18	-	-	\$0.18
23/05/2018	01/03/2020	\$0.18	-	-	\$0.18
23/05/2018	11/03/2019	\$0.18	-	-	\$0.18
23/05/2018	30/06/2018	\$0.18	-	-	\$0.18

The performance rights listed above will vest once the holder of the right has satisfied various performance conditions set out in the signed offer letter. The company has estimated that there is a 56% chance of all rights vesting and has therefore taken this into consideration when valuing the rights.

As part of the part consideration for the acquisition of 100% of issued capital of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") the vendor also issued 336,666,667 performance shares (on a post consolidation basis) based on achievement of the following milestones within three (3) of completing the transaction:

(i) 112,222,222 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class A Performance Shares will expire if unconverted within three (3) years of completing the transaction;

(ii) 112,222,222 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) years of completing the transaction; and

(iii) 112,222,223 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) years of completing the transaction.

As at the date of this audited report, all three milestones have been met. The Performance Rights will therefore convert and be issued as fully paid ordinary shares per the terms outlined in the Prospectus dated December 2014 as soon as practically possible.

*Accounting policy for share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, performance rights or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

**Note 30. Share-based payments (continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.



**iSignthis Ltd**  
**Directors' declaration**  
**30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



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Nickolas John Karantzis  
Managing Director

28 August 2018

# Independent Auditor's Report

## To the Members of iSignthis Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of iSignthis Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

## How our audit addressed the key audit matter

### Revenue recognition – Note 5

The Group derives revenue through the rendering of services which are performed under a combination of individual contractual agreements.

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

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

Our procedures included, amongst others:

- Obtaining an understanding and assessing the reasonableness of each revenue stream to assess the appropriateness of policies and procedures in place regarding revenue recognition in accordance with accounting standards AASB 118 *Revenue* and AASB 111 *Construction Contracts*;
- For revenue recorded under AASB 118, testing a sample of revenue transactions to supporting documentation in order to:
  - Verify the occurrence of services performed; and
  - Assess whether revenue is being recognised in accordance with the Group's revenue recognition policies and the related accounting standards;
- For revenue recorded under AASB 111:
  - Assessing management's estimate of the stage of completion of each project at 30 June 2018 through corroboration to underlying supporting documentation;
  - Performing a recalculation of the percentage of completion for each significant contract; and
  - Assessing whether revenue is being recognised in accordance with the Group's revenue recognition policies and the related accounting standards; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors' for the financial report

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

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

#### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 14 to 19 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of iSignthis Ltd, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B L Taylor  
Partner – Audit & Assurance

Melbourne, 28 August 2018

**iSignthis Ltd**  
**Shareholder information**  
**30 June 2018**

The shareholder information set out below was applicable as at 7 August 2018.

**Distribution of equitable securities**

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

	Number of holders of rights over ordinary shares	Number of holders of options over ordinary shares	Number of holders of ordinary quoted shares
1 to 1,000	-	-	623
1,001 to 5,000	1	-	901
5,001 to 10,000	6	-	737
10,001 to 100,000	13	-	1,627
100,001 and over	5	29	383
	<u>25</u>	<u>29</u>	<u>4,271</u>
Holding less than a marketable parcel	-	-	914

**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
ISIGNTHIS LTD (BVI)	297,143,100	44.47
CITICORP NOMINEES PTY LIMITED	41,571,018	6.22
UBS NOMINEES PTY LTD	39,881,280	5.97
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,579,476	1.88
MS MERLE SMITH & MS KATHRYN SMITH	11,000,000	1.65
BRISPOT NOMINEES PTY LTD	10,559,379	1.58
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,332,085	1.55
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,281,723	1.54
IFM PTY LIMITED	10,000,000	1.50
BANNABY INVESTMENTS PTY LIMITED	6,600,000	0.99
CHAMPIO PTY LTD	5,138,574	0.77
MR IAN TETRO	4,666,667	0.70
ITHAKI NOMINEES PTY LTD	3,500,000	0.52
MR MYUNG PARK & MRS YOUNG HEE KIM	2,880,000	0.43
WHISTLER STREET PTY LTD	2,700,000	0.40
NATIONAL NOMINEES LIMITED	2,395,750	0.36
MR DUC HONG NGUYEN	2,142,311	0.32
SURF COAST CAPITAL PTY LTD	2,000,000	0.30
MR PETER JAMES GRIMSHAW & MRS CARLENE BRENDA GRIMSHAW	1,950,000	0.29
CS FOURTH NOMINEES PTY LIMITED	1,814,298	0.27
	<u>479,135,661</u>	<u>71.71</u>

**iSignthis Ltd**  
**Shareholder information**  
**30 June 2018**

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	26,652,631	29
Performance rights over ordinary shares issued	1,494,103	25

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares % of total shares issued</b>
<b>Number held</b>	
ISIGNTHIS LTD (BVI)	297,143,100 44.47
CITICORP NOMINEES PTY LIMITED	41,571,018 6.22
UBS NOMINEES PTY LTD	39,881,280 5.97

**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.

**Performance Shares**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Performance shares Class A	30 June 2018	112,222,222
Performance shares Class B	30 June 2018	112,222,222
Performance shares Class C	30 June 2018	112,222,223
		<u><u>336,666,667</u></u>

The above performance shares are subject to milestones which at 30 June 2018 had been met however the shares are yet to be allotted and it is currently expected that the shares will be issued as soon as possible following the release of this report.

There are no other classes of equity securities.