

23<sup>rd</sup> August 2016

## **Appendix 4E and Financial Report 30 June 2016**

iSignthis Ltd (ASX:ISX) today announced the Financial Report on the results for the year ended 30 June 2016. In accordance with Listing Rule 4.3A, the report is attached.

### **Highlights for the Financial Year**

- Successfully completed a \$10.45m capital raising to institutional investors at an issue price of \$0.40
- Cash at Bank as at 30 June 2016 of \$8.96m (\$2.267m at 30 June 2015)
- Strengthened Balance Sheet with Net Assets of \$9.7m (\$3.47m at 30 June 2015)

### **Financial Results**

The net loss for the financial year to 30 June 2016 was \$9.295m (\$10.045m at 30 June 2015).

The loss comprised operational and business development investment of \$4.461m with non-cash related share based payments comprising of \$4.834m of the total loss (relating to the issue of share options to corporate advisors).

Revenues of \$0.444m were earned during the course of the financial year. These comprised of \$0.243m from Research & Development tax concessions, \$0.180m from bank interest and \$0.021m from receipts from customers.

The Company has sufficient cash at bank of \$8.96m and a strengthened balance sheet with net assets of \$9.7m.

### **Todd Richards**

Company Secretary

### **About iSignthis Ltd (ASX : ISX)**

iSignthis Ltd (ASX : ISX) is the global leader in dynamic, digital AML/CTF KYC identity proofing. Our Paydentity solution incorporates real time electronic verification to converge remote payment authentication and KYC identification. This delivers automated customer on-boarding with a global reach of any of the world's 3.5Bn



*"Your Identity Secured, your payments made Safe"*

financially included persons, no matter where they are located. iSignthis' unique solutions protect online customers whilst assisting merchants with CNP liability shift and providing operators with 100% confidence.



Read more about the company at their website [www.isignthis.com](http://www.isignthis.com).

For more information, please contact:

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Todd Richards: Company Secretary

Email: [investors@isignthis.com](mailto:investors@isignthis.com)

## 1. Company details

Name of entity:	iSignthis Ltd
ABN:	93 075 419 715
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	1432.6% to	443,881
Loss from ordinary activities after tax attributable to the owners of iSignthis Ltd	down	8.0% to	(9,235,217)
Loss for the year attributable to the owners of iSignthis Ltd	down	8.0% to	(9,235,217)

### 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 \$9,235,217 (30 June 2015: \$10,039,425). The loss noted above includes the restatement to the prior year reported loss (refer to note 4 for further information).

Operating expenses for the financial year amounted to \$9,679,098 (2015: \$10,068,387). Employment benefit costs amounted to \$2,035,354 (2015: \$643,351), due to an increase in the number of employees throughout the financial year. Corporate expenses amounted to \$860,365 (2015: \$695,417) resulting from continuing operations. These fees are made up of consultancy, accounting, and other professional services. Share based payments (all non-cash related) during the period amounted to \$4,834,907 (2015: \$4,601,216) which represented a total of 18,000,000 unlisted options issued to advisors of the company in consideration for services provided.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.38	0.38

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### *Current period*

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

### *Previous period*

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

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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 2016 is attached.

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## 12. Signed

Signed  \_\_\_\_\_

Nickolas John Karantzis

Date: 23 August 2016

# 2016

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## Annual Report

iSignthis Ltd | ABN 93 075 419 715

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Directors	Timothy Hart (Non-Executive Chairman) Nickolas John Karantzis (Managing Director) Barnaby Egerton-Warburton (Non-Executive Director) Scott Minehane (Non-Executive Director)
Company secretary & CFO	Todd Richards
Registered office	456 Victoria Parade East Melbourne, VIC, 3002
Share registry	Link Market Services Level 12, 680 George Street Sydney, NSW, 2000
Telephone	1300 554 474
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30 525 Collins Street Melbourne, VIC 3000
Stock exchange listing	iSignthis Limited shares are listed on the Australian Securities Exchange (ASX code: ISX)
Website	<a href="http://www.isignthis.com">www.isignthis.com</a>

## Letter from Chairman

Dear Shareholders,

The past year has been a year of strong advancements in our goal to challenge traditional thinking in regards to identity verification. The iSignthis service challenges last centuries methods and aims to move from a paper based, historical view to that of a dynamic, online way of ensuring the most up to date method and information is utilised to prove customer identity. This allows merchants to effectively on-board their customers to meet the requirements of the ever changing and complex AML/CTF laws that are vital in today's society.

At the beginning of 2016 iSignthis coined the term 'paydentity'. The paydentity aim was to converge payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a person's identity to satisfy Anti Money Laundering (AML) and Counter Terrorism Funding (CTF) requirements. The past financial year has seen significant advancements with the iSignthis paydentity solution being integrated to existing customers and the commencement of the processing of live transactions.

Our aim for the year was to take advantage of our market position. To further position ourselves as a market leader and dominant force in the online identity space. The year past was not about short term measures and quick wins but to put in place the necessary building blocks to establish a global presence and successful business. We have gone a long way to meeting these goals with the following achievements announced during the past 12 months;

- Completing a successful capital raising of \$10.45m in November 2015 at an issue price of \$0.40 per share. A remarkable effort given the listing at \$0.03 per share less than 12 months previously.
- Additional customer agreements being announced. Continuing to build a solid base and prove the service value in a number of different industries.
- Being announced as one of the highest performing stocks for 2015 (a great effort from a micro-cap in its first year post listing)

iSignthis operates in a particularly dynamic global environment. The way that business is conducted, people consume and governments regulate, is constantly evolving. Innovation and disruption are at the heart of everything we do and our paydentity solutions are not built just to accommodate changes but to facilitate it.

iSignthis still remains the only company offering identity proofing of persons in conjunction with payment services. Our unique solution has continued to set us aside from competitors, with the sales team working hard to close deals. With new laws coming into action in Europe from June next year, we hold a great position in the market.

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

Yours Sincerely



Timothy Hart  
Non-Executive Chairman

## Letter from the Managing Director

Dear Shareholder,

I am pleased to present to you this review of iSignthis' progress for the Financial Year ended 30 June 2016.

The reports and information that follow reflect the modest investment that has been made to deliver significant value for shareholders in the coming period, as well as underpinning growth of the Company. The past year has brought many new achievements and successes, including being named one of the highest performing stocks for 2015 on the Australian Stock Exchange.

Our aim in year 1 however was never about where our share price may sit and short term gains. We have identified and positioned ourselves to exploit an incredible opportunity to change the regulated identity landscape, and to be the compliance provider of choice for regulated entities, including financial institutions, globally.

Our decision making and processes have therefore been global in nature, and the opportunities we can exploit in the mid-term. iSignthis operates in a number of regulated sectors which require by law their customers to be identified and transactions verified. These are at the forefront of new laws being introduced and legislated in an age of terrorism and the continuing battle against crime and illegal proceeds.

Be it wagering and gaming, foreign exchange trading, share broking or banking, iSignthis is able to offer its range of services within multiple industries transacting trillions of dollars on a daily basis. These industries are all regulated and require customers to be identified as quickly, efficiently and to a regulatory standard which is commonly termed "Know your Customer" or KYC.

The initiatives in place and the decisions made over the course of the past financial year provide the stepping stones in building a sustainable business. The critical elements achieved in the past year include;

- Presenting our service to regulators in key jurisdictions. Whilst a regulator will never provide endorsement of a service or product they may advise suggestions. iSignthis has proactively sought guidance from regulators in the immediate markets in which we aggressively tackle new business development, including Cyprus, Malta, Gibraltar, Isle of Man, UK, Australia, and the U.S. We see this as a significant barrier and advantage over any potential competitors.
- Contracts in multiple industries – our immediate goals were not to take on any available customer contracts. It was important to release the product in multiple industries to enable a solid base for growth. Moving from a 'beta' stage to suitable scale has been done in a controlled manner.

### Selected highlights from the year included:

- Pilot announcement with iForex – global online CFD's trading platform. An exciting time for the business as we enter the multi trillion dollar FX industry providing significant scale and opportunity as we look at acquiring further customers.
- Commenced transacting with Coinify to deliver AML regulatory compliance for buying bitcoin via credit cards. Whilst in its relative infancy and hard to fully understand the growth potential of virtual currencies, iSignthis is at the forefront of providing the regulatory guidance in identifying customers and enabling a transition from traditional payment methods to virtual currency.
- Gibraltar: Independent reviews confirms iSignthis' services satisfy AML regulations for both Gambling & Financial Services. Further verification of our service in a key business market.
- Isle of Man: iSignthis validates its unique digital KYC service against AML/CTF regulations. The Isle of Man is home to a number of sports betting and gambling agencies. Satisfying the regulators of the iSignthis service to meet AML/CTF (KYC) compliance is the first step in enabling potential customers to cover their due diligence and compliance requirements.
- Continued aggressive marketing and promotion of the iSignthis brand and services – attended specialist EU and Asia gaming, forex and finance conferences in Hong Kong, London, Copenhagen & Cyprus, all of which provide the sales team further opportunity to build our pipeline.

- We have currently integrated our services with Adelante, eMerchantPay, IPG, eZeewallet, Coinify and Yeepay.

### The Year in Review

The Company's results reflect the hard work and effort the team have put into the development of the technology. In the past year iSignthis have been able to successfully integrate with many existing customers, whilst continuing to close deals with new customers. We have continued to use our first mover advantage as a strength, with the company showing steady growth within the industry. The initial focus has been on ensuring that we can certify and deliver the service, fine tune the service and then showcase the service, whilst knowing that automation of KYC will drive significant value and revenues for the company in the not too distant future.

### Operations

The Company has been focusing on key operational elements of business development growth and delivery of services to existing and new customers.

iSignthis have been extensively marketing the company to increase brand awareness, whilst promoting the company's solutions. Our focus is on the European market, which offers high value revenue prospects per person subject to KYC, and with 28 states bound together by a common market and divided by language and systems, all seeking to trade with each other. The changes in the regulatory environment in the EU have also been favourable to us, with the EU Parliament passing strict new Anti-Money Laundering laws, which have been interpreted by the regulators such as the European Banking Authority (EBA) as mandating a strengthening of the KYC related regulatory requirements.

Ensuring that we raise brand recognition of "iSignthis" and "payidentity" registered trademarks has been a priority for the Company, and has been achieved through our articles being published in many well recognized finance/payment/gaming news publications, speaking at industry recognized events and exhibiting at some of the largest payment/finance/gaming conferences in Europe, the UK and Asia.

The iSignthis business development team continues to actively pursue new customers and partners in order to build scale. We look forward to making further announcements once agreements are finalised.

### Financial Position

At the end of the year, the consolidated group cash balance was \$8.96 million. This position reflects the forecast operating costs incurred and the investment needed to build a business of suitable operational scale as we look to grow in the next financial period.

### Outlook

iSignthis continues to focus on delivering multiple services into its existing service customers and securing additional business development opportunities.

The Company's outlook for the coming year includes:

- Moving to transactional processing on a significant scale
- Continued brand awareness and market growth
- Further product development
- Monetising the service into revenue and delivering value

### The key focus and short-term objectives include:

- Building on opportunities created and looking at closing and announcing new agreements with direct customers, strategic channel partners and referrers.
- Technical deployment and delivery of services based on newly signed agreements.
- Further exposure of the iSignthis brand by way of targeted participation in conferences and finance related events.

I would like to thank our exceptional team who share the iSignthis vision and contribute to our operational success. I would also like to express gratitude on behalf of everyone at iSignthis to our shareholders for the support that enables us to grow and provide payment solutions we are passionate about.

The Board, Management and the iSignthis team are dedicated to delivering value to our shareholders and we look forward to keeping you informed of our progress.

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 2016.

### **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)

### **Principal activities**

iSignthis Ltd is an Australian based 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 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.

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$9,235,217 (30 June 2015: \$10,039,425).

### **Financial Position**

Revenue including other income during the period amounted to \$443,881 (2015: \$28,962), which included interest of \$179,640, integration fees of \$20,937 and R&D tax concession of \$243,304.

Operating expenses for the financial year were \$9,679,098 (2015: \$10,068,387). Employment benefit costs amounted to \$2,035,354 (2015: \$643,351), due to an increase in the number of employees throughout the financial year. Corporate expenses amounted to \$860,365 (2015: \$695,417) resulting from continuing operations. These fees are made up of consultancy, accounting, and other professional services. Share based payments during the period amounted to \$4,834,907 (2015: \$4,601,216) which represented a total of 18,000,000 unlisted options issued to advisors of the company in consideration for services provided.

The net assets of the consolidated entity increased by \$6,271,338 to \$9,743,833 as at 30 June 2016 (2015: \$3,472,495).

The consolidated entity's working capital, being current assets less current liabilities was \$8,509,398 at 30 June 2016 (2015: \$2,179,486). During the period the consolidated entity had a negative cash flow from operating activities of \$3,893,501 (2015: \$1,800,498).

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

### **Significant changes in the state of affairs**

On 2 November 2015 the consolidated entity issued 20,000,000 fully paid ordinary shares upon the exercise of unlisted options at an exercise price of \$0.04 (4 cents) per option raising a total of \$800,000 (these shares are to be held in escrow until 17 March 2017).

Also on the 2 November 2015 the consolidated entity issued 18,000,000 unlisted options in three different tranches of 6,000,000 unlisted options each.

On 9 November 2015 the consolidated entity completed a placement of 26,125,000 fully paid ordinary shares to institutional investors at \$0.40 (40 cents) per share raising a total of \$10,450,000 before costs.

On 11 November 2015 the consolidated entity issued 500,000 fully paid ordinary shares upon the exercise of unlisted options at an exercise price of \$0.05 (5 cents) per option raising a total of \$25,000.

On 19 November 2015 the consolidated entity issued 250,000 fully paid ordinary shares upon the exercise of unlisted options at an exercise price of \$0.05 (5 cents) per option raising a total of \$12,500.

On 4 January 2016 the consolidated entity issued 743 fully paid ordinary shares upon the exercise of listed options at an exercise price of \$0.50 (50 cents) per option raising a total of \$372.

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 1 August 2016 the consolidated entity issued 15,000,000 unlisted options in three different tranches of 5,000,000 unlisted options each. Also on this day the consolidated entity also issued a total of 1,022,750 performance rights in two different tranches of 231,250 and 791,500.

No other matter or circumstance has arisen since 30 June 2016 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**

Over the last year we have gradually grown in number and geographic reach of employees. One of our key goals for the second half of this year was to recruit people who shared our values to help us expand operations and awareness globally. We are extremely proud of the talent that we have attracted to join iSignthis and believe this is a testament to our technology, internal culture and the strength of the opportunities that lay ahead.

Every effort is now focused on growth. We have 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 revenues in the 2017 financial year.

## Information on directors

**Name:** Mr Timothy Hart  
**Title:** Non-Executive Chairman  
**Qualifications:** Bsc, MM(T), MMktng (Melb), PGDIPSI (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 currently Chairs the AFGC Agribusiness Forum and is a Director 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 & Risk Committee and Member of the Remuneration Committee  
**Interests in shares:** 285,107 Fully paid ordinary shares

**Name:** Mr Nickolas John Karantzis  
**Title:** Managing Director  
**Qualifications:** B.E. LL.M. M.Enterp FIEAust CPEng EurIng  
**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 a 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:** Nil

**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 and Risk Committee  
**Interests in shares:** 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 25 years of investment banking and 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), Global Geoscience Limited (ASX: GSC) and Interpose Holdings Limited (ASX: IHS)  
 Former directorships (last 3 years): 1-Page Limited (ASX : 1PG) (resigned 9 October 2014), Green Rock Energy Limited (ASX : GRK) resigned 22 January 2015 and DMY Capital Ltd (ASX : DMY) resigned 18 November 2015  
 Special responsibilities: Member of Nomination and Remuneration Committee and Audit & Risk Committee  
 Interests in shares: 2,847,224 fully paid ordinary shares  
 Interests in options: Nil

'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') and of each Board committee held during the year ended 30 June 2016, 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	8	8	1	1	4	4
Mr S Minehane	8	8	1	1	4	4
Mr B Egerton-Warburton	8	8	1	1	4	4
Mr NJ Karantzis	7	8	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

#### Remuneration report (audited)

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

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

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

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

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

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

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

The Nomination and 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 Nomination and Remuneration Committee. The Nomination and 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 Nomination and 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 (for example motor vehicle 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 early stages of operations, both STI and LTI share based payments are not yet appropriate. The board will continue to monitor and review its decision 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. All Directors and Executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders.

The Nomination and 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 30 November 2015 Annual General Meeting ('AGM')*

At the 30 November 2015 AGM, 99.86% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. 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	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
<b>2016</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	219,000	-	-	-	-	-	219,000
<i>Other Key Management Personnel:</i>							
Mr Todd Richards	180,000	-	-	17,100	-	-	197,100
Mr Chris Muir *	135,000	-	-	12,825	-	-	147,825
	<u>674,000</u>	<u>-</u>	<u>-</u>	<u>43,225</u>	<u>-</u>	<u>-</u>	<u>717,225</u>

\* Mr Muir was appointed as Chief Operating Officer and Chief Legal Officer on 1 October 2015.

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>							
Mr Timothy Hart	30,000	-	-	2,850	-	-	32,850
Mr Scott Minehane	20,000	-	-	1,900	-	-	21,900
Mr Barnaby Egerton-Warburton	95,348	-	-	5,174	-	-	100,522
Winton Willesee*	12,000	-	-	-	-	-	12,000
Harry Hill*	27,000	-	-	-	-	-	27,000
<i>Executive Directors:</i>							
Mr Nickolas John Karantzis	200,773	-	-	-	-	-	200,773
<i>Other Key Management Personnel:</i>							
Mr Todd Richards	155,700	-	-	8,550	-	-	164,250
	<u>540,821</u>	<u>-</u>	<u>-</u>	<u>18,474</u>	<u>-</u>	<u>-</u>	<u>559,295</u>

\* Payments exclude amounts paid for Company Secretarial services provided which amounted to \$24,600 for the year. An additional amount of \$6,000 was paid to a company associated with Mr Winton Willesee for providing office services.

\*\* Mr Willesee and Mr Hill resigned on 22 December 2014.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Mr Timothy Hart	100%	100%	-	-	-	-
Mr Scott Minehane	100%	100%	-	-	-	-
Mr Barnaby Egerton-Warburton	100%	100%	-	-	-	-
Mr Winton Willesee	-	100%	-	-	-	-
Mr Harry Hill	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Mr Nickolas John Karantzis	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Mr Todd Richards	100%	100%	-	-	-	-
Mr Chris Muir	100%	-	-	-	-	-

### **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: Managing Director  
Term of agreement: 24 months  
Details: The proposed terms of Mr. Karantzis Executive Services Agreement for the position of Managing Director and Chief Executive Officer will include a term of twenty four (24) months, with a termination period of six (6) months by either party, a director's fee and base salary totalling \$219,000 per annum, inclusive of statutory superannuation entitlements, and domicile portability provisions. The agreement shall recognise one month of accrued annual leave, and participation in the employee incentive plan.

Name: Mr. Todd Richards  
Title: Chief Financial Officer and Company Secretary  
Term of agreement: 24 months  
Details: The proposed terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company will include a term of twenty four (24) months, with a termination period of three (3) months by either party, a base salary of \$180,000 per annum, plus statutory superannuation entitlements, and domicile portability provisions. The agreement provides for participation in the employee incentive plan.

Name: Mr Chris Muir  
Title: Chief Operating Officer and Chief Legal Officer  
Term of agreement: No fixed term  
Details: The terms of Mr. Muirs' Executive Services Agreement for the position of Chief Operating Officer and Chief Legal Officer of the Company will include no fixed term of employment, with a termination period of one (1) month by the employee and three (3) months by the company, a base salary of \$180,000 per annum, 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*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

#### *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 2016.

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 2016.

**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
<i>Ordinary shares</i>					
Mr Barnaby Egerton-Warburton	2,762,224	-	85,000	-	2,847,224
Mr Timothy Hart *	-	-	285,107	-	285,107
Mr Nickolas John Karantzis *	-	-	-	-	-
Mr Scott Minehane *	-	-	-	-	-
Mr Todd Richards *	-	-	-	-	-
	<u>2,762,224</u>	<u>-</u>	<u>370,107</u>	<u>-</u>	<u>3,132,331</u>

\*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.

***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
15 May 2015	13 May 2017	\$0.040	10,000,000
2 November 2015	31 July 2017	\$0.380	6,000,000
2 November 2015	30 September 2018	\$0.500	6,000,000
2 November 2015	30 September 2018	\$0.620	6,000,000
			<u>28,000,000</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 issued on the exercise of options**

The following ordinary shares of iSignthis Ltd were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
2 November 2015	\$0.040	20,000,000
11 November 2015	\$0.050	500,000
18 November 2015	\$0.050	250,000
4 January 2016	\$0.500	743
		<u>20,750,743</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 22 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 22 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.

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

On behalf of the directors



---

Nickolas John Karantzis  
Managing Director

23 August 2016

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525 Collins St  
Melbourne Victoria 3000

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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 2016, 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, 23 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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	Note	Consolidated 2016 \$	2015 \$
<b>Revenue</b>	6	443,881	28,962
<b>Expenses</b>			
Listing expense on reverse acquisition	7	-	(3,552,805)
Corporate expenses		(860,365)	(695,417)
Advertising & marketing		(186,498)	(145,132)
Employee benefits expense		(2,035,354)	(643,351)
Research & development expenses		(521,347)	(15,805)
Depreciation & amortisation expense	8	(107,546)	(7,305)
Other expenses		(1,105,808)	(392,788)
Share based payments	8	(4,834,907)	(4,601,216)
Net realised foreign exchange loss		(25,882)	(12,482)
Finance costs	8	(1,391)	(2,086)
<b>Loss before income tax expense</b>		(9,235,217)	(10,039,425)
Income tax expense	9	-	-
<b>Loss after income tax expense for the year attributable to the owners of iSignthis Ltd</b>		(9,235,217)	(10,039,425)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(60,540)	(5,818)
Other comprehensive loss for the year, net of tax		(60,540)	(5,818)
<b>Total comprehensive loss for the year attributable to the owners of iSignthis Ltd</b>		(9,295,757)	(10,045,243)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	31	(1.53)	(2.58)
Diluted earnings per share	31	(1.53)	(2.58)

Refer to note 4 for detailed information on restatement of comparatives.

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

	Note	Consolidated 2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	8,957,072	2,267,022
Trade and other receivables	11	67,291	32,828
Other assets	12	142,758	76,479
Total current assets		<u>9,167,121</u>	<u>2,376,329</u>
<b>Non-current assets</b>			
Plant and equipment	13	72,269	37,660
Intangibles	14	1,179,063	1,259,000
Total non-current assets		<u>1,251,332</u>	<u>1,296,660</u>
<b>Total assets</b>		<u>10,418,453</u>	<u>3,672,989</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	547,948	169,291
Employee benefits	16	109,775	27,552
Total current liabilities		<u>657,723</u>	<u>196,843</u>
<b>Non-current liabilities</b>			
Employee benefits	17	16,897	3,651
Total non-current liabilities		<u>16,897</u>	<u>3,651</u>
<b>Total liabilities</b>		<u>674,620</u>	<u>200,494</u>
<b>Net assets</b>		<u>9,743,833</u>	<u>3,472,495</u>
<b>Equity</b>			
Issued capital	18	22,734,789	8,916,522
Reserves	19	6,302,288	4,595,398
Accumulated losses		<u>(19,293,244)</u>	<u>(10,039,425)</u>
<b>Total equity</b>		<u>9,743,833</u>	<u>3,472,495</u>

Refer to note 4 for detailed information on restatement of comparatives.

<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 2014	1,259,000	-	-	-	1,259,000
Loss after income tax expense for the year	-	-	(10,039,425)	-	(10,039,425)
Other comprehensive loss for the year, net of tax	-	-	-	(5,818)	(5,818)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(10,039,425)</b>	<b>(5,818)</b>	<b>(10,045,243)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Deemed value of OTE shares upon acquisition	4,791,201	-	-	-	4,791,201
Initial public offering (IPO)	3,100,000	-	-	-	3,100,000
Issue of options	3,000	4,601,216	-	-	4,604,216
Exercise of options	12,500	-	-	-	12,500
Capital raising costs	(249,179)	-	-	-	(249,179)
<b>Balance at 30 June 2015 (restated)</b>	<b>8,916,522</b>	<b>4,601,216</b>	<b>(10,039,425)</b>	<b>(5,818)</b>	<b>3,472,495</b>

Refer to note 4 for detailed information on restatement of comparatives.

<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 2015	8,916,522	4,601,216	(10,039,425)	(5,818)	3,472,495
Loss after income tax expense for the year	-	-	(9,235,217)	-	(9,235,217)
Other comprehensive loss for the year, net of tax	-	-	-	(60,540)	(60,540)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(9,235,217)</b>	<b>(60,540)</b>	<b>(9,295,757)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 18)	11,287,872	-	-	-	11,287,872
Share-based payments (note 32)	-	4,834,905	-	-	4,834,905
Transfer from share based payments reserve upon the exercise of options	3,086,077	(3,067,475)	(18,602)	-	-
Capital raising costs	(555,682)	-	-	-	(555,682)
<b>Balance at 30 June 2016</b>	<b>22,734,789</b>	<b>6,368,646</b>	<b>(19,293,244)</b>	<b>(66,358)</b>	<b>9,743,833</b>

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

	Note	Consolidated 2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		20,937	28,985
Payments to suppliers and employees		(4,312,074)	(1,829,483)
Interest received		154,329	-
Research and development incentive received		243,307	-
		<u>243,307</u>	<u>-</u>
Net cash used in operating activities	29	<u>(3,893,501)</u>	<u>(1,800,498)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	13	(62,218)	(44,965)
Proceeds from acquisition of business		-	1,251,981
		<u>-</u>	<u>1,251,981</u>
Net cash from/(used in) investing activities		<u>(62,218)</u>	<u>1,207,016</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	18	11,287,871	3,115,500
Capital raising costs	18	(555,682)	(249,179)
		<u>10,732,189</u>	<u>2,866,321</u>
Net cash from financing activities		<u>10,732,189</u>	<u>2,866,321</u>
Net increase in cash and cash equivalents		6,776,470	2,272,839
Cash and cash equivalents at the beginning of the financial year		2,267,022	-
Effects of exchange rate changes on cash and cash equivalents		(86,420)	(5,817)
		<u>(86,420)</u>	<u>(5,817)</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>8,957,072</u></u>	<u><u>2,267,022</u></u>

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

## **Note 1. General information**

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

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

456 Victoria Parade  
East Melbourne  
Victoria, 3002

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 23 August 2016. 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 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending 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 26.

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

### **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 2016 and the results of all subsidiaries for the year then ended. iSignthis Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

### **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.

### **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.

### **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.

#### *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.

#### *Rendering of services*

Service revenue is recognised when the services are provided by reference to the stage of completion of the transaction at reporting date and where the outcome of the work can be estimated reliably. Stage of completion is determined with reference to the service performed to date. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

### Income tax

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

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

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

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

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

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

### 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.

### Cash and cash equivalents

Cash and cash equivalents includes 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.

### Trade and other receivables

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

### 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.

## Note 2. Significant accounting policies (continued)

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

Computer and office equipment	2.5 - 7 years
-------------------------------	---------------

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

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

### 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.

### 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.

### 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.

### 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 2. Significant accounting policies (continued)

### *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.

### *Share-based payments*

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

Equity-settled transactions are awards of shares, 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.

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.

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

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **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.

### **Business combinations**

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

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

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

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

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

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

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

## Note 2. Significant accounting policies (continued)

### Earnings per share

#### *Basic earnings per share*

Basic earnings 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 earnings per share*

Diluted earnings 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.

### 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.

### 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 2016. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## 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.

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

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

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

#### *Employee benefits provision*

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

#### *Business combinations*

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

### **Note 4. Restatement of comparatives**

#### *Reclassification*

In March 2015, iSignthis Ltd (formerly Otis Energy Limited) ("ISX") completed the acquisition of identity and authentication service provider iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") ("Acquisition"). The Acquisition was accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations on the basis that the former shareholders of 'iSignthis' (the legal subsidiary) obtained accounting control of ISX (the legal parent).

For the 30 June 2015 financial statements consideration was determined as being the fair value of the ISX existing fully paid ordinary shares along with the fair value of 336,666,667 unlisted performance shares (that meet the definition of equity) issued to the previous owners of iSignthis.

However under AASB 3 Business Combinations all equity securities, being both the ordinary and performance shares, issued to the previous owners of iSignthis, should have been ignored on the basis that they do not represent the consideration transferred by the accounting acquirer to the accounting acquiree.

Accordingly the previous value of \$10,100,000, being the deemed value of the unlisted performance shares that formed part of the listing expense on acquisition are to be restated as a \$nil value.

#### Note 4. Restatement of comparatives (continued)

##### Statement of profit or loss and other comprehensive income

Extract	Consolidated		
	2015 \$ Reported	\$ Adjustment	2015 \$ Restated
<b>Expenses</b>			
Listing expense on reverse acquisition	(13,652,805)	10,100,000	(3,552,805)
<b>Loss before income tax expense</b>	(20,139,425)	10,100,000	(10,039,425)
Income tax expense	-	-	-
<b>Loss after income tax expense for the year attributable to the owners of iSignthis Ltd</b>	(20,139,425)	10,100,000	(10,039,425)
Other comprehensive income for the year, net of tax	(5,818)	-	(5,818)
<b>Total comprehensive income for the year attributable to the owners of iSignthis Ltd</b>	<u>(20,145,243)</u>	<u>10,100,000</u>	<u>(10,045,243)</u>
	<b>Cents Reported</b>	<b>Cents Adjustment</b>	<b>Cents Restated</b>
Basic earnings per share	(5.17)	2.59	(2.58)
Diluted earnings per share	(5.17)	2.59	(2.58)

##### Statement of financial position at the end of the earliest comparative period

Extract	Consolidated		
	2015 \$ Reported	\$ Adjustment	2015 \$ Restated
<b>Equity</b>			
Reserves	14,695,398	(10,100,000)	4,595,398
Accumulated losses	(20,139,425)	10,100,000	(10,039,425)
<b>Total equity</b>	<u>3,472,495</u>	<u>-</u>	<u>3,472,495</u>

#### Note 5. Operating segments

##### Identification of reportable operating segments

The consolidated entity is organised into one operating segment which consists of online payment security, internet identity, e-mandates and e-contract validation services, to safeguard eCommerce operators, and assist Anti Money Laundering ("AML") and Counter Terrorism Funding ("CTF"). This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

**Note 6. Revenue**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
<i>Fees</i>		
Integration fees	20,937	19,759
<i>Other revenue</i>		
Interest	179,640	9,203
Research & development tax concession	243,304	-
	<u>422,944</u>	<u>9,203</u>
Revenue	<u><u>443,881</u></u>	<u><u>28,962</u></u>

**Note 7. Listing expense on reverse acquisition**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Listing expense	-	<u><u>3,552,805</u></u>

The steps for calculating of the acquisition account items reflect the following rationale:

- iSignthis BV and ISX IP Ltd (together "iSignthis") is deemed to make a share-based payment to acquire the existing shareholders' interest in the net assets of iSignthis Ltd ("ISX") following the Acquisition;

- the total consideration deemed to be paid by iSignthis at the Acquisition (by way of the share-based payment) is calculated as follows:

o nature of deemed consideration – shares in iSignthis;

o value of iSignthis Ltd Entity share – cannot be determined as no active market for ISX shares at time of acquisition;

o therefore assess value of iSignthis Ltd Entity shares deemed to be issued by reference to the fair value of ISX assets acquired;

o fair value of ISX assets acquired (no. of ISX shares on issue prior to Acquisition been 159,706,705 multiplied by the Fair value of each ISX share immediately prior to Acquisition been \$0.03 (3 cents)).

As the shares of ISX were not being traded at the time of the Acquisition (the shares were suspended pending the outcome of the transaction) there was no active market for those shares. Accordingly the fair value of the shares was determined as 3 cents per share, this being the price at which ISX shares had been issued pursuant to the Prospectus, which was the last transaction for ISX shares immediately prior to the Acquisition.

- the total consideration deemed to be paid by iSignthis is then compared to the net assets of ISX at the Acquisition. The excess of the consideration paid over the value of the net assets of ISX is expensed in the consolidated statement of income as a listing fee expense (Calculations seen below).

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Calculation of listing expense on reverse acquisition</b>		
Deemed fair value of consideration shares paid on acquisition (159,706,705 fully paid ordinary shares @ \$0.03 (3 cents))	-	4,791,201

**Note 7. Listing expense on reverse acquisition (continued)**

*Less: Fair value of net assets of ISX acquired on reverse acquisition*

Cash & cash equivalents		3,704,080
Receivables	-	841,240
Other assets	-	6,793
Prospectus funds received (of which \$151,080 was oversubscribed and therefore subsequently refunded)	-	(3,251,080)
Trade & other payables	-	(62,637)
		<hr/>
Listing expense recognised on reverse acquisition	-	<u><u>3,552,805</u></u>

**Note 8. Expenses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Computers & office equipment	<u>27,609</u>	<u>7,305</u>
<i>Amortisation</i>		
Patents and trademarks	<u>79,937</u>	<u>-</u>
Total depreciation and amortisation	<u>107,546</u>	<u>7,305</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>1,391</u>	<u>2,086</u>
<i>Share-based payments expense</i>		
Share-based payments expense	<u>4,834,907</u>	<u>4,601,216</u>

**Note 9. Income tax expense**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(9,235,217)	(10,039,425)
Tax at the statutory tax rate of 30%	(2,770,565)	(3,011,828)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	1,450,472	1,380,365
Difference attributable to foreign operations	70,796	21,939
Non-deductible items	-	314,086
Research and development refund	(72,991)	-
	(1,322,288)	(1,295,438)
Deductible blackhole expenditure	(61,134)	(626)
Other timing differences	116,447	(7,173)
Income tax losses cancelled or forgone	-	1,281,298
Income tax losses not taken up as a tax benefit	1,266,975	21,939
Income tax expense	-	-
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2016</b>	<b>2015</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)	1,199,178	-
Temporary differences (Australia)	352,550	297,237
Tax losses (foreign subsidiaries)	89,736	21,939
Total deferred tax assets not recognised	1,641,464	319,176

Due to the significant change in ownership following the reverse acquisition of iSignthis BV and ISX IP Ltd (together "iSignthis") the Company has taken a conservative approach regarding the carried forward tax losses incurred prior to the reverse acquisition and it will undertake a detailed review in relation to this matter going forward.

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.

**Note 10. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	1,910,322	767,022
Cash on deposit	7,046,750	1,500,000
	<u>8,957,072</u>	<u>2,267,022</u>

**Note 11. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Other receivables	6,434	-
Interest receivable	25,311	-
GST receivable	35,546	32,828
	<u>67,291</u>	<u>32,828</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 receivable are received within the credit time frame.

**Note 12. Current assets – other assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<u>142,758</u>	<u>76,479</u>

**Note 13. Non-current assets - Plant and equipment**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Computer and office equipment - at cost	107,150	44,965
Less: Accumulated depreciation	<u>(34,881)</u>	<u>(7,305)</u>
	<u>72,269</u>	<u>37,660</u>

**Note 13. Non-current assets - Plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Computer and Office Equipment \$	Total \$
Balance at 1 July 2014	44,965	44,965
Depreciation expense	(7,305)	(7,305)
Balance at 30 June 2015	37,660	37,660
Additions	62,218	62,218
Depreciation expense	(27,609)	(27,609)
Balance at 30 June 2016	<u>72,269</u>	<u>72,269</u>

**Note 14. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Intellectual property - at cost	1,259,000	1,259,000
Less: Accumulated amortisation	(79,937)	-
	<u>1,179,063</u>	<u>1,259,000</u>

*Reconciliations*

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

<b>Consolidated</b>	Patent \$	Total \$
Balance at 1 July 2014	1,259,000	1,259,000
Balance at 30 June 2015	1,259,000	1,259,000
Amortisation expense	(79,937)	(79,937)
Balance at 30 June 2016	<u>1,179,063</u>	<u>1,179,063</u>

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables	231,069	64,763
Other payables	316,879	104,528
	<u>547,948</u>	<u>169,291</u>

Refer to note 20 for further information on financial instruments.

**Note 16. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Annual leave	<u>109,775</u>	<u>27,552</u>

**Note 17. Non-current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Long service leave	<u>16,897</u>	<u>3,651</u>

**Note 18. Equity - issued capital**

	<b>2016</b>	<b>Consolidated</b>		<b>2015</b>
	<b>Shares</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>621,869,714</u>	<u>574,993,971</u>	<u>22,734,789</u>	<u>8,916,522</u>

## Note 18. Equity - issued capital (continued)

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	1		1,259,000
		(1)	\$0.000	-
Existing OTE Shares at acquisition date	10 March 2015	159,706,705	\$0.000	4,791,201
Issue Share to Vendor (iSignthis Ltd)	10 March 2015	298,333,333	\$0.000	-
Issue Share to Vendor for cash shortfall (iSignthis Ltd)	10 March 2015	10,000,000	\$0.000	-
IPO	10 March 2015	103,333,333	\$0.030	3,100,000
Issue Share to Vendor for cash shortfall (iSignthis Ltd)	15 May 2015	3,370,600	\$0.000	-
Option issue	15 May 2015	-	\$0.000	3,000
Exercise of unlisted options	23 June 2015	250,000	\$0.050	12,500
Capital raising costs		-	-	(249,179)
Balance	30 June 2015	574,993,971		8,916,522
Option issue	2 November 2015	20,000,000	\$0.040	800,000
Placement	9 November 2015	26,125,000	\$0.400	10,450,000
Option Issue	11 November 2015	500,000	\$0.050	25,000
Option Issue	18 November 2015	250,000	\$0.050	12,500
Option Issue	4 January 2016	743	\$0.500	372
Transfer from share based payments reserve on conversion of options		-	-	3,086,077
Capital raising costs		-	-	(555,682)
Balance	30 June 2016	<u>621,869,714</u>		<u>22,734,789</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.

#### Note 18. Equity - issued capital (continued)

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.

#### Note 19. Equity - reserves

	Consolidated	
	2016	2015
	\$	\$
Foreign currency reserve	(66,358)	(5,818)
Share-based payments reserve	6,368,646	4,601,216
	<u>6,302,288</u>	<u>4,595,398</u>

##### *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.

#### Note 20. Financial instruments

##### **Financial risk management objectives**

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

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

##### **Market risk**

##### *Foreign currency risk*

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

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

##### *Price risk*

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

## Note 20. Financial instruments (continued)

### Interest rate risk

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

Consolidated	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at bank	1.50%	1,910,322	1.50%	767,022
Cash on deposit	2.90%	7,046,750	2.90%	1,500,000
Net exposure to cash flow interest rate risk		<u>8,957,072</u>		<u>2,267,022</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 2015 and 2016 financial years. The impact would not be material on bank balances held at 30 June 2016. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

Consolidated - 2016	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
Cash at bank	50	9,552	9,552	50	(9,552)	(9,552)
Cash on deposit	100	70,468	70,468	100	(70,468)	(70,468)
		<u>80,020</u>	<u>80,020</u>		<u>(80,020)</u>	<u>(80,020)</u>

Consolidated - 2015	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
Cash at bank	50	3,835	3,835	50	(3,835)	(3,835)
Cash on deposit	100	15,000	15,000	100	(15,000)	(15,000)
		<u>18,835</u>	<u>18,835</u>		<u>(18,835)</u>	<u>(18,835)</u>

### 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 does not hold any collateral.

### Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities 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 and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## Note 21. 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 persons 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
Mr Chris Muir	Chief Operating Officer & Chief Legal Officer

### Compensation

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	674,000	540,821
Post-employment benefits	43,225	18,474
	<u>717,225</u>	<u>559,295</u>

## Note 22. 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:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd (2015: Hayes Knight Audit Pty Ltd)</i>		
Audit or review of the financial statements	<u>44,700</u>	<u>31,300</u>
<i>Other services - Grant Thornton Audit Pty Ltd (2015: Hayes Knight Audit Pty Ltd)</i>		
Review of the financial statements of the Authenticate Pty Ltd & ISX IP Ltd group prior to transaction completion	<u>-</u>	<u>5,800</u>
	<u>44,700</u>	<u>37,100</u>

## Note 23. Contingent liabilities

There were no contingent liabilities at 30 June 2016 and 30 June 2015.

**Note 24. Commitments**

	Consolidated	
	2016	2015
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	88,400	85,000
One to five years	286,987	375,387
	375,387	460,387
	375,387	460,387

Operating lease commitments includes the office lease until 25 May 2020.

**Note 25. Related party transactions**

*Parent entity*

iSignthis Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 27.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	\$	\$
Payment for goods and services:		
Reimbursement paid to Southern Ocean Pty Ltd	150,000	-

During the year the consolidated entity paid \$150,000 to Southern Ocean Pty Ltd (an entity associated with Mr John Karantzis) as a reimbursement of costs incurred by this entity in relation to the consolidated entity's intellectual property and associated patents.

*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*

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

*Terms and conditions*

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

## Note 26. Parent entity information

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

### Statement of profit or loss and other comprehensive loss

	Parent	
	2016	2015
	\$	\$
Loss after income tax	(5,458,514)	(15,811,722)
Total comprehensive loss	(5,458,514)	(15,811,722)

### Statement of financial position

	Parent	
	2016	2015
	\$	\$
Total current assets	8,285,615	2,256,010
Total assets	13,924,324	3,855,327
Total current liabilities	45,855	109,423
Total liabilities	45,855	109,423
Equity		
Issued capital	107,257,440	93,439,137
Share-based payments reserve	6,368,646	5,507,816
Accumulated losses	(99,747,617)	(95,201,049)
Total equity	<u>13,878,469</u>	<u>3,745,904</u>

### 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 2015 and 30 June 2016.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2016.

### Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2016 and 30 June 2015.

### 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 27. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
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%	-
iSignthis Inc.	USA	100.00%	-
iSignthis (IOM) Ltd	Isle of Man	100.00%	-
iSignthis (UK) Ltd	United Kingdom	100.00%	-
Otis Energy (Yemen) Limited	British Virgin Islands	-	100.00%

## Note 28. Events after the reporting period

On 1 August 2016 the consolidated entity issued 15,000,000 unlisted options in three different tranches of 5,000,000 unlisted options each. Also on this day the consolidated entity also issued a total of 1,022,750 performance rights in two different tranches of 231,250 and 791,500.

No other matter or circumstance has arisen since 30 June 2016 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 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax expense for the year	(9,235,217)	(10,039,425)
Adjustments for:		
Depreciation and amortisation	107,545	7,305
Share-based payments	4,834,907	4,601,216
Foreign exchange differences	25,882	(13,586)
Listing expense on reverse acquisition	-	3,552,805
Change in operating assets and liabilities:		
Increase in trade and other receivables	(34,463)	(32,828)
Increase in prepayments	(66,279)	(76,479)
Increase in trade and other payables	378,657	169,291
Increase in employee benefits	95,467	31,203
Net cash used in operating activities	<u>(3,893,501)</u>	<u>(1,800,498)</u>

### Note 30. Non-cash investing and financing activities

On 9 March 2015, the Company completed the reverse acquisition of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") in which the legal parent entity (iSignthis Ltd) ("ISX") issued a total of 311,703,933 fully paid ordinary shares to iSignthis throughout the financial year as approved by shareholders at the general meeting held on the 22 December 2014.

The Company also issued the following Vendor Consideration Performance Shares:

112,222,222 Class A Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years of Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$5,000,000 (Milestone A). For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A

112,222,222 Class B Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$7,500,000 (Milestone B). For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B;

112,222,223 Class C Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years of Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$10,000,000 (Milestone C). For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.

As at the date of the this report, none of the milestones have been met in relation to the Performance Shares and none of the Performance Shares were issued or cancelled.

### Note 31. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the period ended 30 June 2015 has been calculated as the weighted average number of ordinary shares of provider iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and the actual number of ordinary shares of iSignthis Ltd (formerly Otis Energy Limited) outstanding during the period after acquisition.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of iSignthis Ltd	<u>(9,235,217)</u>	<u>(10,039,425)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>605,377,229</u>	<u>389,476,571</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>605,377,229</u>	<u>389,476,571</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.53)	(2.58)
Diluted earnings per share	(1.53)	(2.58)

### Note 32. Share-based payments

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

2016							
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	\$0.040	30,000,000	-	(20,000,000)	-	10,000,000
02/11/2015	31/07/2017	\$0.380	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.500	6,000,000	-	-	-	6,000,000
02/11/2015	30/09/2018	\$0.620	6,000,000	-	-	-	6,000,000
			<u>48,000,000</u>	<u>-</u>	<u>(20,000,000)</u>	<u>-</u>	<u>28,000,000</u>

\* On 7 November 2015 at the company's general meeting shareholders approved to grant 18,000,000 Advisor Options to the Advisors (and/or nominees) in recognition of ongoing corporate advisory services provided to the Company by the Advisors. The options have an exercise price of \$0.38 (38 cents), \$0.50 (50 cents) and \$0.62 (62 cents) per option, respectively.

2015							
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	\$0.040	30,000,000	-	-	-	30,000,000
			<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000,000</u>

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

Grant date	Expiry date	2016 Number	2015 Number
15/05/2015	13/05/2017	10,000,000	30,000,000
02/11/2015	31/07/2017	6,000,000	-
02/11/2015	30/09/2018	6,000,000	-
02/11/2015	30/09/2018	6,000,000	-
		<u>28,000,000</u>	<u>30,000,000</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	Dividend yield	Risk-free interest rate	Fair value at grant date
02/11/2015	31/07/2017	\$0.455	\$0.380	105.36%	-	1.76%	\$0.257
02/11/2015	30/09/2018	\$0.455	\$0.500	105.36%	-	1.83%	\$0.284
02/11/2015	30/09/2018	\$0.455	\$0.620	105.36%	-	1.83%	\$0.265

**Note 32. Share-based payments (continued)**

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 the this report, none of the milestones have been met in relation to the Performance Shares and none of the Performance Shares were issued or cancelled.

As consideration for the acquisition of 100% of the issued capital in iSignthis, the vendor also issued 298,333,333 vendor shares to the shareholders of iSignthis during the 2015 financial year.

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 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



---

Nickolas John Karantzis  
Managing Director

23 August 2016

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## Independent Auditor's Report To the Members of iSignthis Ltd

### Report on the financial report

We have audited the accompanying financial report of iSignthis Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

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

#### Auditor's opinion

In our opinion:

- a the financial report of iSignthis Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### Report on the remuneration report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. 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.

#### Auditor's opinion on the remuneration report

In our opinion, the remuneration report of iSignthis Ltd for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. L. Taylor  
Partner - Audit & Assurance

Melbourne, 23 August 2016

The shareholder information set out below was applicable as at 1 August 2016.

### Distribution of equitable securities

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

	Number of holders of ordinary quoted shares	Number of holders of options over ordinary shares
1 to 1,000	620	-
1,001 to 5,000	977	-
5,001 to 10,000	739	-
10,001 to 100,000	1,452	-
100,001 and over	280	3
	<u>4,068</u>	<u>3</u>
Holding less than a marketable parcel	<u>912</u>	<u>-</u>

### Equity security holders

#### Twenty largest equity security holders

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

	Ordinary Shares Number held	Shares % of total shares issued
ISIGNTHIS LTD	311,703,933	50.12
CITICORP NOMINEES PTY LIMITED	34,910,450	5.61
UBS NOMINEES PTY LTD	24,792,671	3.99
NATIONAL NOMINEES LIMITED	18,407,796	2.96
MYCATMAX PTY LTD	17,750,000	2.85
BANNABY INVESTMENTS PTY LIMITED	13,900,000	2.24
IFM PTY LIMITED	10,000,000	1.61
MS MERLE SMITH & MS KATHRYN SMITH	6,233,955	1.00
BRISPOD NOMINEES PTY LTD	5,752,300	0.93
PERSHING AUSTRALIA NOMINEES PTY LTD	5,365,972	0.86
CS FOURTH NOMINEES PTY LIMITED	5,000,000	0.80
MS MERLE SMITH & MS KATHRYN SMITH	4,000,000	0.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,953,843	0.64
MAHSOR HOLDINGS PTY LTD	3,590,000	0.58
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,723,535	0.44
WHISTLER STREET PTY LTD	2,593,557	0.42
KINCHINGTON TRADING PTY LTD	2,262,152	0.36
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,249,114	0.36
MERRIWEE PTY LTD	2,000,000	0.32
MR PAUL ANTHONY MOSS	1,900,000	0.31
	<u>479,089,278</u>	<u>77.04</u>

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	43,000,000	3
Fully paid ordinary shares	311,703,933	1

**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	311,703,933	50.12
DEUTSCHE BANK GROUP	33,032,700	5.31

**Voting rights**

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

*Ordinary shares*

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

There are no other classes of equity securities.