



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

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Our Reference: CAS-23446-N8Q9Z7

7 May 2019

The Directors
iSignthis Ltd
456 Victoria Parade
East Melbourne VIC 3002

Attention: Todd Richards
Company Secretary

By email only: Todd.Richards@isignthis.com

Dear Directors

**iSignthis Ltd ACN 075 419 715 (the company)
Financial report for the year ended 30 June 2018**

We refer to our letter and section 30 notice requesting information dated 7 November 2018 and 27 March 2019 and your response letter and emails dated 27 November 2018 and 23 April 2019. After considering the information provided by you, we have a preliminary concern that the funds held on behalf of merchants does not meet the definition of an asset under the *Framework for the Preparation and Presentation of Financial Statements* (the Framework).

Background

At balance date the company recognised \$8.7 million funds held on behalf of merchants as current assets and current liabilities. These funds were held in the company's subsidiaries' bank accounts and mainly comprised:

- \$6.3 million rolling reserve and settlement funds held on behalf of two merchants, OT Markets Pty Ltd (OT) and Ozifin Tech Pty Ltd (Ozifin) (collectively the Funds) in current bank accounts,
- \$1.2 million security and rolling reserve funds held on behalf of OT and Ozifin in term deposits, and
- \$1.2m security, rolling reserve and other funds held on behalf of other merchants.

Definition of an asset

The Framework defines an asset as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Preliminary concern

ASIC has a preliminary concern that the Funds does not meet the definition of an asset under the Framework. This is because:

- The company does not have control over the Funds as they are restricted by court order. The company cannot determine the use of the monies and cannot use them for its own operating, investing and financing activities, and
- The company is not entitled to the interest income or economic benefits (if any) derived from these funds.

Therefore, the company should not record the Funds as the company's asset as at 30 June 2018 and should only disclose the nature and terms of the Funds in the notes to the financial report (as required by paragraph 48 of AASB 107 *Statement of Cash Flows*).

ASIC practice with respect to material adjustments following ASIC surveillance activity

It is ASIC practice to issue media releases where a company materially changes its financial information following our enquiries.

Response

Your written response to our above concern is required by 21 May 2019 and should be sent by email to [REDACTED].

If you have any questions, please contact me on [REDACTED]

Yours faithfully

[REDACTED]

Shanny Chen
Financial Reporting and Audit

Legal disclaimer

Our review does not express a view on whether the company's financial report complies with all applicable Australian accounting standards and gives a true and fair view of the financial position and performance in accordance with the Corporations Act 2001. This letter is not intended to be a conclusive list of all the concerns that ASIC might have in relation to the financial report. Nor does this letter limit our ability to raise further concerns with the company or to take any action within its powers. This letter should also not be constructed as providing any assurance as to the correctness or appropriateness of the financial report.

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