



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

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Our Reference: CAS-23446-N8Q9Z7

7 November 2018

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
Financial report for the year ended 30 June 2018

We have reviewed the company's financial report as part of our surveillance programme. We writing to seek further information on the accounting treatments of the funds held on behalf of merchants and trade receivables. This request is in no way expressing a view about whether or not the financial report complies with the accounting standards and gives a true and fair view of the company's financial position and performance as required by sections 296 and 297 of the *Corporations Act 2001*.

Accounting for funds held on behalf of merchants

At balance date the company recognised \$8.7 million funds held on behalf of merchants as current assets and current liabilities.

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

Information request

To enable us to determine the appropriateness of the company's accounting treatment of the funds, we request the following information:

1. An explanation of:
 - a. the nature, timing, processes and parties involved in obtaining and settling the funds, and
 - b. how the funds are calculated. Could you provide an illustrative example which quantifies the funds related to each types of company's products (e.g. eMoney accounts, card acquiring, alternative payment methods, know your customer verification).
2. A copy of a representative agreement(s). Please highlight the relevant clauses and/or provide other supporting documentation which would support the funds being recognised as assets including, but not limited to:
 - a. Terms, approval requirements and company's rights to use the funds,
 - b. The company's and other parties' rights to the economic interests and exposures to risks associated with the funds, and
 - c. An explanation as to why the company has control over the funds held on behalf of merchants with reference to relevant accounting standards.
3. Any other information that may be relevant to our review of the accounting for this asset and liability.

Accounting for trade receivables

The financial report discloses fee revenue of \$5.8 million and current trade receivables of \$1.1 million. Major fee revenues are for: know your customer verification, payment processing function, settlement of payments and integration, establishment, project and platform fees.

Information request

To enable us to gain understanding of the accounting treatment of trade receivables, we request the following information:

1. A breakdown of \$5.8 million fee revenue and \$1.1 million trade receivables by types of revenue streams.
2. An explanation as to nature of your revenue and trade receivables cycle by revenue streams, including why trade receivables are relatively high percentage of revenue at year end.
3. Provide an aged list of all trade receivables as at 30 June 2018 detailing amounts that have been subsequently collected and amounts that remain outstanding.
4. Provide a sample agreement to each of the key revenue streams.
5. Any other information that may aid our understanding of the company's revenue and receivables cycle.

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 is required by 21 November 2018 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

CC: [REDACTED]

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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