

# **Southern Cross Payments Ltd (formerly iSignthis Ltd)**

**ABN 93 075 419 715**

**Interim Report - 30 June 2022**

**Southern Cross Payments Ltd**  
**Corporate directory**  
**30 June 2022**

Directors	Timothy Hart (Executive Chairman) Todd Richards (Executive Director) Scott Minehane (Independent, Non-Executive Director)
Chief Financial Officer	Todd Richards
Company Secretary	Todd Richards
Registered office	Level 7, 232 Victoria Parade East Melbourne, VIC, 3002, Australia Telephone: +61 3 8640 0990 Facsimile: +61 3 8640 0953
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnson Street, Abbotsford, VIC, 3067, Australia Telephone: 1300 850 505
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street, Sydney, NSW, 2000, Australia
Stock exchange listing	Southern Cross Payments Ltd shares are listed on the Australian Securities Exchange (ASX: SP1)
Website	<a href="http://www.southerncrosspayments.com.au">www.southerncrosspayments.com.au</a>

**Southern Cross Payments Ltd**  
**Directors' report**  
**30 June 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Southern Cross Payments Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

**Directors**

The following persons were directors of Southern Cross Payments Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Timothy Hart (Executive Chairman)

Mr Scott Minehane (Independent, Non-Executive Director)

Mr Barnaby Egerton-Warburton (Independent, Non-Executive Director), resigned 19 August 2022

Mr Todd Richards (Executive Director), appointed 26 August 2022

**Southern Cross Payments Ltd**  
**Directors' report**  
**30 June 2022**

**Principal activities**

The Company's subsidiary iSignthis Australia Pty Ltd ('ISAU'), is an Australian principal member of Mastercard. Its licence, is presently for card acquiring, however, this can be extended to card issuing and to include Mastercard Send and Home Send services. ISAU has entered into a technical gateway services agreement for access to the PCI DSS level 1 certified ISXPay gateway on a per usage basis. The Company also retains card acquiring licences from ChinaUnionPay, Diners Discover and American Express, in addition to Mastercard, for the Australian region. With licences and the payment gateway agreement in place, the Company is at the early stages of rebuilding its Australian strategy and will now look as to how it can commercialise these licenses for future growth.

The Company has also identified opportunities under the Consumer Data Right (CDR) regulations that are supervised by the Australian Consumer and Competition Commission, with its subsidiary ISAU considering its approach to a license application.

**Financial performance**

In the six months ended 30 June 2022 (1H22), the Group incurred a first half loss of \$1.8 million, compared to a loss from continuing operations of \$2.7 million in the six months ended 30 June 2021 (1H21). The loss in the half is primarily due to legal and advisory costs related to the ASIC and ASX legal cases of \$1.4 million incurred in 1H22. Costs have fallen since 1H21 due to reduced employee costs.

In the period the Group focused on reducing costs, as they look to commercialise its card scheme licences.

**Financial Position**

The financial position of the Group remained stable during the period, with cash and cash equivalents of \$3.1 million at the end of the period, compared to \$2.9m as at 31 December 2021. Cash and cash equivalents during the period increased by \$2.3 million due to early repayments from the convertible note payable. These cash flows were largely offset by \$2.1m in cash outflows from operating activities in the half.

The Group also saw its total assets remain reduce to \$8.4 million from \$10.3 million at 31 December 2021, due to operating losses incurred in the half.

The Group's working capital, being current assets less current liabilities was \$3.3 million at 30 June 2022, up from \$2.9 million at 31 December 2021, mainly due to early repayment from the convertible note receivable made in the half. The Directors believe the consolidated entity is in a stable position as it looks to commercialise its card scheme licences.

**Significant changes in the state of affairs**

On 26 May 2022, the Company announced it was changing its name from iSignthis Ltd to Southern Cross Payments Ltd, as the Company refocuses on the Australian payments market.


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

**Rounding of amounts**

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Timothy Hart  
Executive Chairman

15 November 2022

**DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF SOUTHERN CROSS PAYMENTS LIMITED (FORMERLY ISIGNTHIS LIMITED)**

As lead auditor for the review of Southern Cross Payments Limited for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Southern Cross Payments Limited and the entities it controlled during the period.



**Tim Aman**  
**Director**

**BDO Audit Pty Ltd**

Sydney, 15 November 2022

**Southern Cross Payments Ltd**

**Contents**

**30 June 2022**

Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Directors' declaration	20
Independent auditor's review report to the members of Southern Cross Payments Ltd	21

**Southern Cross Payments Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 22</b>	<b>30 June 21</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>		-	-
Other income	5	62,419	103
<b>Expenses</b>			
Corporate expenses	6	(1,760,673)	(2,324,632)
Advertising & marketing expense		-	(12,333)
Employee benefits expense		(143,067)	(134,176)
Other expenses		-	(16,791)
Share based payments		-	(96,853)
Net realised/unrealised foreign exchange gain/(loss)		25,423	(90,579)
Finance costs		(1,162)	-
<b>Profit/(loss) before income tax expense</b>		<u>(1,817,060)</u>	<u>(2,675,261)</u>
Income tax expense		-	-
<b>Profit/(loss) after income tax expense for the half-year</b>		<u>(1,817,060)</u>	<u>(2,675,261)</u>
<b>Discontinued operations</b>			
Profit/(loss) after tax for the half-year from discontinued operations	7	-	2,076,976
<b>Profit/(loss) for the half-year</b>		<u>(1,817,060)</u>	<u>(598,285)</u>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	146,911
Other comprehensive income/(loss) for the half-year, net of tax		-	146,911
<b>Total comprehensive (loss)/income for the half-year</b>		<u>(1,817,060)</u>	<u>(451,374)</u>
<b>Profit/(loss) after income tax expense for the half-year attributable to:</b>			
Owners of the parent		(1,817,060)	(592,510)
Non-controlling interests	12	-	(5,775)
		<u>(1,817,060)</u>	<u>(598,285)</u>
<b>Total comprehensive income/(loss) for the half-year attributable to:</b>			
Owners of the parent		(1,817,060)	(445,599)
Non-controlling interests	12	-	(5,775)
		<u>(1,817,060)</u>	<u>(451,374)</u>
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>		<b>Cents</b>	<b>Cents</b>
Profit/(loss) for the half-year			
Basic		(0.17)	(0.05)
Diluted		(0.17)	(0.05)
Profit/(loss) from continuing operations			
Basic		(0.17)	(0.24)
Diluted		(0.17)	(0.24)

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

**Southern Cross Payments Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 22</b>	<b>31 December 21</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,077,546	2,920,409
Trade and other receivables		120,244	59,583
Other assets	8	866,663	690,784
<b>Total current assets</b>		<u>4,064,453</u>	<u>3,670,776</u>
<b>Non-current assets</b>			
Convertible note receivable	9	4,337,107	6,600,000
<b>Total non-current assets</b>		<u>4,337,107</u>	<u>6,600,000</u>
<b>Total assets</b>		<u>8,401,560</u>	<u>10,270,776</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	730,711	782,867
<b>Total current liabilities</b>		<u>730,711</u>	<u>782,867</u>
<b>Non-current liabilities</b>			
Total non-current liabilities		-	-
<b>Total liabilities</b>		<u>730,711</u>	<u>782,867</u>
<b>Net assets</b>		<u>7,670,849</u>	<u>9,487,909</u>
<b>Equity</b>			
Issued capital	11	36,840,342	36,840,342
Accumulated losses		(29,169,493)	(27,352,433)
<b>Equity attributable to owners of the parent</b>		7,670,849	9,487,909
Contribution to equity from non-controlling interest	12	-	-
<b>Total equity</b>		<u>7,670,849</u>	<u>9,487,909</u>

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



**Southern Cross Payments Ltd**  
**Consolidated statement of changes in equity**  
**For the half-year ended 30 June 2022**

<b>Consolidated</b>	<b>Issued capital AUD</b>	<b>Share based payments reserve AUD</b>	<b>Accumulated losses AUD</b>	<b>Non- controlling interest AUD</b>	<b>Other reserves AUD</b>	<b>Total equity AUD</b>
Balance at 1 January 2021	49,674,485	17,305	(26,366,276)	764,847	1,339,911	25,430,272
Profit/(loss) after income tax expense for the half-year	-	-	(592,510)	(5,775)	-	(598,285)
Other comprehensive income for the half-year, net of tax	-	-	-	-	146,911	146,911
Total comprehensive income/(loss) for the half-year	-	-	(592,510)	(5,775)	146,911	(451,374)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 11)	129,336	(130,932)	-	-	-	(1,596)
Non Controlling Interest Contributions to equity	-	-	-	-	-	-
Share-based payments (note 13)	-	96,853	-	-	-	96,853
Balance at 30 June 2021	<u>49,803,821</u>	<u>(16,774)</u>	<u>(26,958,786)</u>	<u>759,072</u>	<u>1,486,822</u>	<u>25,074,155</u>

<b>Consolidated</b>	<b>Issued capital AUD</b>	<b>Share based payments reserve AUD</b>	<b>Accumulated losses AUD</b>	<b>Non- controlling interest AUD</b>	<b>Other reserves AUD</b>	<b>Total equity AUD</b>
Balance at 1 January 2022	36,840,342	-	(27,352,433)	-	-	9,487,909
Profit/(loss) after income tax expense for the half-year	-	-	(1,817,060)	-	-	(1,817,060)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-	-
Total comprehensive income/(loss) for the half-year	-	-	(1,817,060)	-	-	(1,817,060)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 11)	-	-	-	-	-	-
Non Controlling Interest Contributions to equity	-	-	-	-	-	-
Share-based payments (note 13)	-	-	-	-	-	-
Balance at 30 June 2022	<u>36,840,342</u>	<u>-</u>	<u>(29,169,493)</u>	<u>-</u>	<u>-</u>	<u>7,670,849</u>

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

**Southern Cross Payments Ltd**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2022**

	<b>Consolidated</b>	
	<b>30 June 22</b>	<b>30 June 21</b>
<b>Note</b>	<b>AUD</b>	<b>AUD</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	-	16,620,816
Payments to suppliers and employees	(2,139,684)	(15,062,129)
Interest received	35,419	7,108
Government grants & tax incentives received	-	184,200
Income tax paid	-	(541,179)
Other (Mastercard charge)	-	455,388
Net cash (used in)/generated from operating activities	<u>(2,104,265)</u>	<u>1,664,204</u>
<b>Cash from investing activities</b>		
Payments for plant and equipment	-	(103,829)
Payments for intangibles	-	(2,012,127)
Proceeds from payment of convertible notes	2,262,893	-
Net cash generated from/(used in) investing activities	<u>2,262,893</u>	<u>(2,115,956)</u>
<b>Cash flows from financing activities</b>		
Card scheme membership security	-	(730,183)
Net cash (used in) investing activities	<u>-</u>	<u>(730,183)</u>
Net increase/(decreased) in cash and cash equivalents	158,628	(1,181,935)
Cash and cash equivalents at the beginning of the financial half-year	2,920,409	16,562,647
Effects of exchange rate changes on cash and cash equivalents	(1,491)	102,135
<b>Cash and cash equivalents at the end of the financial half-year</b>	<u><u>3,077,546</u></u>	<u><u>15,482,847</u></u>
<b>Net cash flows from discontinued operations</b>	7	<u>(1,521,357)</u>

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

**Southern Cross Payments Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 1. General information**

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

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

Level 7, 232-236 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 15 November 2022.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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

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

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

**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.

*Uncertainty over Tax Treatments*

The Australia Tax Office is currently reviewing the Company's tax returns from 2017, up until 2021, including the demerger transaction. It remains uncertain as to whether the ATO will accept the Company's historical tax treatments and whether the ATO will conclude, as the Company has, that the demerger transaction meets the definition of a demerger per Section 125 of the Income Tax Assessment Act 1997. As a result of this uncertainty, it remains uncertain as to whether the ATO will deem the Company has a deemed dividend. If the ATO did conclude the Company had a deemed dividend, the Company may be liable for 30% Withholding Tax on dividends to overseas tax residents.

The Company has accounted for the demerger transaction, under the assumption the transaction meets the definition of a demerger per Section 125 of the Income Tax Assessment Act 1997.

*Provisions*

Consistent with AASB 137, Provision, Contingent Liabilities and Contingent Assets, the Company recognises a provision for a liability, when the Company has a present obligation from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation.

*Contingent Liability*

The Company recognises a contingent liability, where a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the entity, or where there is a present obligation that arises from a past event, but it is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

**Southern Cross Payments Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 4. Operating segments**

*Identification of reportable operating segments*

The operating segments are analysed by the Executives of the consolidated entity who ultimately report to the board of Board of Directors (collectively identified as the Chief Operating Decision Makers ('CODM')), based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Post the demerger of ISX Financial EU Plc, the consolidated entity is organised into one operating segment which consists of both Southern Cross Payments Ltd and its subsidiary iSignthis Australia Pty Ltd, which both of which hold payment licences for Australia. This operating segment is based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. For financial information on continuing operations please see the Consolidated Statement of Profit or Loss and other Comprehensive Income. For financial information on the discontinued operations, please refer to note 7 – Discontinued Operations.

Prior to the demerger, the Group operated across four main operating divisions, with various product/services brands within each of those divisions, they include:

- *Regulated eMoney & Payment Services*: Payments, eMoney and transactional banking services;
- *RegTech Solutions*: Core banking, core networking platforms, identity and other banking software services;
- *Regulated Securities Exchange*: including holdings in the public quoted National Stock Exchange of Australia Ltd, and in ClearPay, our digital ledger technology delivery versus payment company; and
- *Intellectual Property*: A number of granted and pending patents applicable to anti-money laundering, payment verification and payments, across multiple jurisdictions.

The results of the Group for the half-year in 2021 including both continuing and discontinued operations under the old operating segments pre-demerger are presented below.

	Australia	Europe	Reg- Tech Solutions	Regulated Securities Exchanges	Intellectual Property	Corporate Items	Total
Consolidated - 30 June 2021	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
Sales to external customers	65,663	15,884,740	908,032	-	-	-	16,858,435
Research & development tax concession	172,598	-	-	-	-	(14,499)	158,099
Interest	466	5,536	-	1,004	-	104	7,110
<b>Total revenue</b>	<u>238,727</u>	<u>15,890,276</u>	<u>908,032</u>	<u>1,004</u>	<u>-</u>	<u>(14,395)</u>	<u>17,023,644</u>
<b>Expenses</b>							
Corporate expenses	(321,643)	(1,241,781)	(203,042)	(6,988)	(177,046)	(2,407,975)	(4,358,475)
Advertising & marketing	-	(25,021)	(17,933)	-	-	(12,333)	(55,287)
Employee benefits expense	(592,462)	(2,763,318)	(556,352)	(8,100)	-	(175,998)	(4,096,230)
Research & development expenses	(426,157)	(204,039)	-	-	-	-	(630,196)
Depreciation & amortisation expense	(235,840)	(140,541)	(586,997)	(8,079)	(48,276)	-	(1,019,733)
Impairment charge	-	-	-	-	-	(266,275)	(266,275)
IT expenses	(329,017)	(426,268)	(56,766)	28,854	-	2,500	(780,697)
Other expenses	(13,478)	8,787	(13,738)	-	-	(4,873)	(23,302)
Operating costs	3,112	(5,122,596)	(192,147)	-	-	-	(5,311,631)
Share based payments	-	-	-	-	-	(96,852)	(96,852)
Finance costs	-	-	(89,904)	-	-	-	(89,904)
Net realised foreign exchange gain/(loss)	(44,125)	(81,784)	145,286	-	-	(98,764)	(79,387)
<b>Profit/(loss) before income tax expense</b>	<u>(1,720,883)</u>	<u>5,893,715</u>	<u>(663,561)</u>	<u>6,691</u>	<u>(225,322)</u>	<u>(3,074,965)</u>	<u>215,675</u>
Income tax expense	-	-	-	-	-	-	(813,960)
<b>Profit/(loss) for the year</b>	<u>(1,720,883)</u>	<u>5,893,715</u>	<u>(663,561)</u>	<u>6,691</u>	<u>(225,322)</u>	<u>(3,074,965)</u>	<u>(598,285)</u>
<b>Profit/(loss) for the year from continuing operations</b>	<u>9,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,684,477)</u>	<u>(2,675,261)</u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
Interest income	35,419	103
Others	27,000	-
	<u>62,419</u>	<u>103</u>
Other income	<u>62,419</u>	<u>103</u>

*Interest income*

Interest income is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Note 6. Corporate expenses**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	\$	\$
Legal fees	(1,348,801)	(1,840,166)
Advisory and Audit fees	(134,176)	(218,295)
Insurance expenses	(153,192)	(129,660)
Other corporate expenses	(124,504)	(136,511)
Total corporate expenses	<u>(1,760,673)</u>	<u>(2,324,632)</u>

*Legal and advisory costs*

Legal and advisory costs during the period largely related to the ongoing legal ASX and ASIC legal cases.

**Southern Cross Payments Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 7. Discontinued Operations**

On 1 September 2021, the Group announced that it was exploring a proposed demerger of subsidiary ISX Financial EU Plc (ISX EU) by way of a reduction in capital of Southern Cross Payments Ltd. On 12 October 2021, the shareholders of the Company approved the demerger. The demerger was complete on 18 October 2021.

The results of ISX EU for the half-year are presented below:

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Revenue and other income	-	17,038,047
Expenses	-	(14,146,663)
Profit before tax from discontinued operations	-	2,891,384
Income tax expense	-	(814,408)
Profit for the year from discontinued operations	<u>-</u>	<u>2,076,976</u>
	<b>Cents</b>	<b>Cents</b>
Earnings per share attributable to the ordinary equity holders of the parent from discontinued operations		
Basic profit per share	-	0.19
Diluted profit per share	-	0.19

The statement of cash flows includes the following amounts relating to discontinued operations:

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Operating activities	-	4,197,649
Investing activities	-	(2,115,955)
Financing activities	-	(3,619,310)
Effects of exchange rate changes on cash and cash equivalents	-	16,259
Net cash flows from discontinued operations	<u>-</u>	<u>(1,521,357)</u>

**Note 8. Current assets - other assets**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Prepayments	262,215	113,250
Security deposits	77,248	63,045
Card scheme collateral	527,200	514,489
	<u>866,663</u>	<u>690,784</u>

The card scheme collateral requirements as noted above are largely held by Mastercard in relation to licences held by the Group.

**Note 9. Non-current assets – Convertible note receivable**

	Consolidated	
	30 June 2022	31 December 2021
	\$	\$
Convertible note receivable	4,337,107	6,600,000
	<u>4,337,107</u>	<u>6,600,000</u>

The convertible note of \$6.6 millions was issued to ISX Financial EU Plc (ISX EU) on 18 October 2021 from conversion of intercompany balance between Southern Cross Payments Ltd and ISX EU. The convertible note charged an interest expense at the rate that is 1% above the Reserve Bank of Australia's cash rate expressed on a per annum basis. The convertible note matures on the 10<sup>th</sup> anniversary of the Completion Date which is 30 August 2021. If Southern Cross Payments Ltd elects to convert the loan, Southern Cross Payments Ltd will hold the Conversion Shares and will be a shareholder in ISX EU. The convertible note is recognised at amortised cost.

As at 30 June 2022, an amount of \$2,262,893 has been repaid from ISX EU.

**Note 10. Current liabilities - trade and other payables**

	Consolidated	
	30 June 2022	31 December 2021
	\$	\$
Trade payables	547,819	492,921
Other payables	182,892	289,946
	<u>730,711</u>	<u>782,867</u>

*Accounting policy for trade and other payables*

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

**Note 11. Equity - issued capital**

	Consolidated			
	30 Jun 22 Shares	31 Dec 21 Shares	30 Jun 22 \$	31 Dec 21 \$
Ordinary Shares – fully paid	<u>1,100,792,118</u>	<u>1,100,792,118</u>	<u>36,840,342</u>	<u>36,840,342</u>

There is no movements in ordinary share capital from 1 January 2022 to 30 June 2022.



**Southern Cross Payments Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 11. Equity - issued capital (continued)**

*Movements in ordinary share capital from 1 January 2021 to 31 December 2021*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 January 2021	1,097,597,165		49,674,485
Issue of shares upon the vesting of performance rights	26 February 2021	23,750	\$0.132	3,138
Issue of shares upon the vesting of performance rights	31 March 2021	654,801	\$0.149	98,220
Issue of shares upon the vesting of performance rights	30 April 2021	69,000	\$0.335	23,115
Issue of shares upon the vesting of performance rights	30 June 2021	4,545	\$1.069	4,863
Issue of shares upon the vesting of performance rights	2 August 2021	2,442,857	\$0.085	208,990
Reduction in capital from demerger				<u>(13,172,469)</u>
Balance 31 December 2021		<u>1,100,792,118</u>		<u>36,840,342</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.

**Note 12. Equity – Contribution to equity from non-controlling interest**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	-	764,847
Non-controlling interest from capital contribution	-	-
Non-controlling interest - share of losses	-	(13,725)
Transfer to Demerger group	-	<u>(751,122)</u>
Balance at the end of the period	<u>-</u>	<u>-</u>

Non-controlling interest relates to NSX Limited has been transferred to ISX Financial EU Plc upon demerger.

**Note 13. Share-based payments**

There was no options granted or exercisable during the financial half-year in 2022 and 2021.

There is no outstanding performance right as at 31 December 2021. There was no performance right granted during the financial half-year in 2022.

Below are summaries of performance rights granted under the plan as at the end of financial half-year 2021:

**30 June 2021**

Grant date	Expiry date	Balance at the start of the half-year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the half-year
09/05/2019	30/04/2021	69,000	-	(69,000)	-	-
01/08/2019	01/08/2021	57,000	-	-	(1,250)	55,750
06/12/2019	08/08/2021	1,000	-	-	-	1,000
06/12/2019	30/06/2021	4,545	-	(4,545)	-	-
06/12/2019	31/07/2021	3,846	-	-	-	3,846
06/12/2019	30/09/2021	2,381	-	-	-	2,381
12/03/2020	28/02/2022	23,364	-	-	-	23,364
01/04/2020	28/02/2021	18,750	-	(18,750)	-	-
01/04/2020	31/03/2021	768,450	-	(610,950)	(157,500)	-
30/04/2020	31/03/2021	43,851	-	(43,851)	-	-
11/08/2020	28/02/2021	5,000	-	(5,000)	-	-
28/10/2020	31/10/2021	1,812,000	-	-	(141,000)	1,671,000
28/10/2020	31/10/2022	85,000	-	-	-	85,000
28/10/2020	31/10/2023	85,000	-	-	-	85,000
09/12/2020	31/08/2021	100,027	-	-	(91,121)	8,906
09/12/2020	30/09/2021	15,000	-	-	-	15,000
09/12/2020	13/11/2021	25,000	-	-	(25,000)	-
09/12/2020	13/11/2022	25,000	-	-	(25,000)	-
31/03/2021	31/03/2023	-	491,610	-	-	491,610
		<u>3,144,214</u>	<u>491,610</u>	<u>(752,096)</u>	<u>(440,871)</u>	<u>2,442,857</u>

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

Grant date	Expiry date	30 June 2022 Number	30 June 2021 Number
01/08/2019	01/08/2021	-	55,750
06/12/2019	08/08/2021	-	1,000
06/12/2019	31/07/2021	-	3,846
06/12/2019	31/08/2021	-	8,906
06/12/2019	30/09/2021	-	2,381
12/03/2020	28/02/2022	-	23,364
28/10/2020	31/10/2021	-	1,671,000
28/10/2020	31/10/2022	-	85,000
28/10/2020	31/10/2023	-	85,000
09/12/2020	30/09/2021	-	15,000
31/03/2021	31/03/2023	-	491,610
		<u>-</u>	<u>2,442,857</u>

**Note 13. Share-based payments (Continued)**

The performance rights listed above will vest once the holder of the right has satisfied various performance conditions set out in the signed offer letter.

The performance conditions may include one or more of:

- (i) service to the Company of a minimum period of time;
- (ii) achievement of specific performance conditions by the participant and/or by the Company;
- (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or
- (iv) such other performance conditions as the Board may determine and set out in the Offer.

The Board in its absolute discretion determines whether performance conditions have been met.

*Accounting policy for share-based payments*

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

Equity-settled transactions are awards of shares, performance rights or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. Where market prices are not available, the fair value of equity-settled transactions are determined using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. This valuation technique considers value of tangible and intangible assets of the Company, the present value of anticipated future cash flows, multiple of earnings and other factors to be reasonable valuation technique for the purposes of AASB 2 Share-based Payment.

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

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

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

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

**Note 14. Contingent assets and liabilities**

*ASIC*

On 7 December 2020, ASIC served Southern Cross Payments with a statement of claim in civil proceedings to be conducted in the Federal Court of Australia. The proceedings seek civil penalties against Southern Cross Payments arising from some alleged continuous disclosure breaches and alleged misleading information in 2018 and mid-2020 (the latter being while the Company's shares were not trading on the ASX). Southern Cross Payments will vigorously contest the claims. The Company holds no provision for this matter, as the outcome is so uncertain, no reliable estimate can be made.

**Note 14. Contingent assets and liabilities (continued)**

*ASX Legal Fees*

The Company has commenced legal proceedings against the Australia Securities Exchange (ASX) in the Federal Court of Australia, per file number VID1315/2019. The cost of the proceedings and the likelihood of a successful outcome against the Australia Securities Exchange (ASX) remain uncertain. If the Company is unsuccessful against the ASX it may be liable to pay the ASX's legal fees as they relate to the case. The Company holds no provision for this matter.

*ATO Review*

In late 2021 the ATO commenced a review of the Company's tax returns from 2017 to 2021, including the demerger transaction. The review remains in its very early stages and any outcome remains uncertain. The Company holds no provision for this matter.

**Note 15. Events after the reporting period**

In relation to the ASX legal case VID1315/2019, this matter was resolved via a Deed of Release on 28 October 2022 on a no costs basis. The Company was delisted from the ASX on 4 November 2022.

Apart from the above matter, no other matter or circumstance has arisen since 30 June 2022 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.

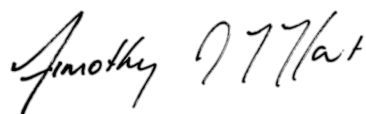
**Southern Cross Payments Ltd**  
**Directors' declaration**  
**30 June 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Timothy Hart  
Executive Chairman

15 November 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Southern Cross Payments Limited (formerly iSignthis Limited)

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Southern Cross Payments Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

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

#### Auditor's responsibility for the review of the financial report



Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman', written over a horizontal line.

**Tim Aman**  
**Director**

Sydney, 15 November 2022