



Annual Report 2023

ISX Financial EU Plc
Annual Report
31 December 2023



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Annual Report 2023

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Company Overview

ISX Financial EU PLC is a 'banktech' company that leverages its own technology to provide financial services to merchants across the EEA & UK. The company's combined payments stack and infrastructure provides a complete end-to-end transactional banking, FX, remittance and payment processing capability.

ISXMoney®'s multi-currency IBAN accounts coupled with PaidBy® Bank instant open banking provide merchants with a tailored payment solution to reach any UK or EEA bank account holders.

ISX Financial's consumer product flykk® is a digital wallet that combines all its financial technology and infrastructure to create a retail product. flykk® is a two-sided network developed on ISX's own platform that links both merchants and consumers around the globe to facilitate the processing of payment transactions. flykk® allows customers to use their account for both purchases and paying for goods, as well as to transfer and withdraw funds, with the benefits of a Diners card for point of sale transactions.

ISX Financial's subsidiary Probanx® also develops payment infrastructure for third parties, and provides connectivity to central banks, banks around the world and major card schemes.

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Chairman

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Corporate Directory

Directors

Christakis Taoushanis (*Independent Non-Executive Chairman*)

Nikogiannis Karantzis (*Managing Director*)

Dominic Melo (*Executive Director*)

Panikos Pourous (*Independent Non-Executive Director*)

Adonis Pegasiou (*Independent Non-Executive Director*)

Paul Barnes (*Independent Non-Executive Director, appointed on 09 November 2023*)

Elizabeth Warrell (*Executive Director, resigned on 29 June 2023*)

Chief Financial Officer

Ajay Treon (*appointed 1st of May 2023*)

Company Secretary

Elena Pafiti

Registered office

Makrasykas 1, KBC North Bldg. Strovolos, Nicosia, 2034, Cyprus

Auditor

BDO Limited 236 Strovolos Avenue Strovolos
Nicosia, 2048, Cyprus

Website

www.isxfinancial.com

Internal Auditor (Cyprus)

Nexia Poyiadjis Chartered Accountants, 8th floor
2 Sophouli str, Nicosia, 1096, Cyprus



Partner Monetary Financial Institutions (Partner MFI)

Alpha Bank Cyprus Ltd

Astrobank Public Company Limited

Banking Circle S.A.

Banking Circle S.A. UK Branch

(Central) Bank Of Lithuania

ClearBank Ltd

Goldman Sachs Asset Management (GS Funds PLC)

State Street Fund Services (Ireland) Limited

There are no secrets to success.

It is the result of preparation,
planning and skilled execution.

~ **Nikogiannis Karantzis**
CEO and Managing Director

Key 2023 Numbers

**Total Processed
Volume**
€ 2.4 B
+22% YoY

**Total
Revenue**
€ 32.1 M
+17% YoY

EBITDA
€ 10.1 M
+43% YoY

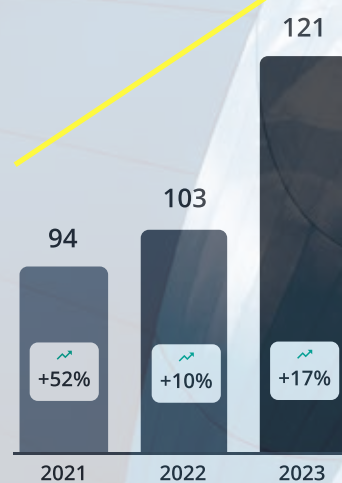
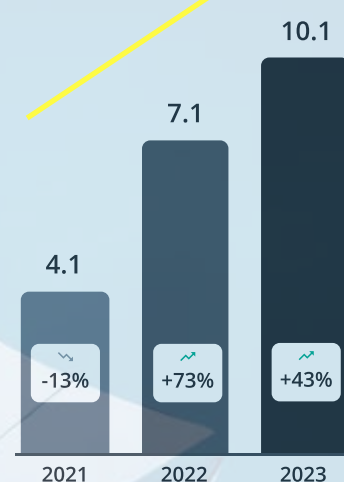
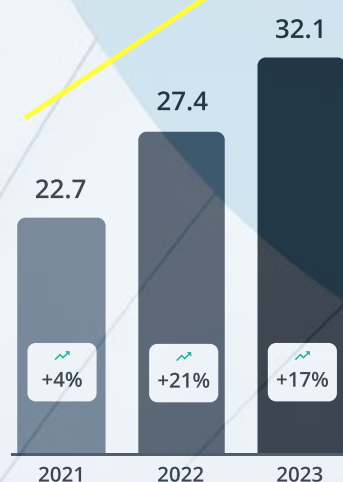
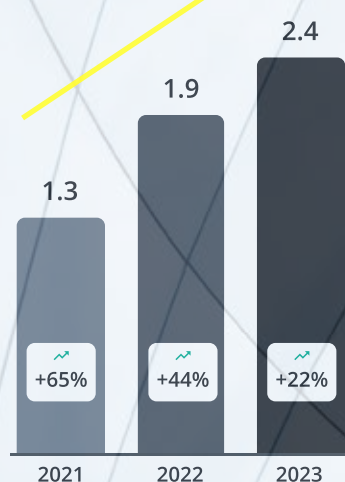
**Funds Held on
Behalf of Clients****
€ 121 M
+17% YoY

Own Funds*
€ 13.6 M
+128% YoY

* Own Funds are defined as Cash and cash equivalents and Financial assets at fair value through profit or loss (page 57). Financial assets refer to investments in short-dated high quality liquid assets (HQLA).

** Clients are defined as business customers and consumers.

Consistent Annual Growth



Letter from the Chairman



Dear Shareholders,

I am pleased to present ISX Financial's Annual Report and Accounts for 2023. It is a great privilege to be leading ISX Financial's Board at this time. The business has experienced significant organic growth and is continuing to take real advantage of the opportunities open to us. The ongoing transformation of our business is beginning to bear further fruit, by providing new capabilities, greater automation leading to flexibility and lower cost infrastructure. It is very pleasing indeed to see the options we are now afforded through the resilience and hard work of all our colleagues, as confirmed by this year's outstanding results.

This year's outcomes mark a record achievement for us. Through our disciplined focus on sustainable growth, profitability, and maintaining a robust balance sheet, we've enabled ourselves to invest in innovation, talent acquisition, and market expansion. Our dedication to addressing customer needs has seen the expansion of our customer base and enabled us to process higher transaction volumes. This has resulted in revenues growing by 17% to €32.1 million and profit before tax by 49% to €6.9 million.

ISX Financial remains dedicated to enhancing our Open Banking offering, reaffirming our commitment to facilitating instant payments, an essential solution addressing significant challenges for our customers.

This year, we are fortunate to welcome Paul Barnes to the Group Board, where, alongside his role as UK Chair, he is already making significant contributions. Paul now leads our Audit Committee. Additionally, we have appointed Ajay Treon as our new Chief Financial Officer as part of executive changes.

In 2024, we remained dedicated to our communities. It has been an honor to witness many of our staff members supporting the Ronald McDonald House Charity, donating blood to the National Blood Bank.

I would like to express my sincere appreciation to my esteemed colleagues on the Board for their unwavering support over the past year. I want to particularly recognize the outstanding contributions of our CEO, Nikogiannis Karantzis, and his executive team.

As we venture into 2024, both the Board and I remain enthusiastic about the Group's future growth prospects and our journey towards becoming a publicly listed company.

On behalf of the ISX Financial EU Plc Board of Directors, Management Team, and our dedicated employees, I want to convey our heartfelt appreciation to our shareholders for their continued support. We anticipate making 2024 an even more remarkable year for the Group.

Yours Sincerely,

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

Christakis Taoushanis
Non-Executive Chairman

Letter from the CEO



Dear Shareholders,

I am delighted to share our 2023 results and annual report, marking our fifth consecutive year of profitability and growth. This past year has been truly remarkable, setting the stage for further expansion and innovation beyond our current focus in the EU and UK.

From our pioneering inception as the first instant payments provider with central bank settlement account access in the Balkans in 2018, ISX Financial has continuously evolved, carving out a unique niche in the financial landscape. Today, ISX Financial stands at the forefront of Account-to-Account ("A2A") services, capitalizing on the synergies of open banking regulations, instant/faster payments, central bank access, and our robust technological infrastructure.

Our flagship offering, PaidBy®, epitomises our relentless pursuit of innovation and disruption. It represents the world's premier end-to-end A2A solution, challenging and surpassing traditional online card payments. PaidBy® builds upon the fundamentals of open banking A2A services, seamlessly initiating payments from online platforms, boasting unparalleled speed, instant cashflow and settlement times, consumer security, functionality and efficiency. Moreover, it offers API notifications, comprehensive refund management, and regulatory-compliant consumer protection, setting new industry benchmarks.

What truly distinguishes PaidBy® is its capability to settle within seconds in the Single Euro Payment Area (SEPA) zone and minutes in the UK via the Faster Payment Service (FPS), with funds clearing to fully featured transactional bank accounts issued by ISX to our business customers.

This level of technological depth and infrastructure integration with central banks, SWIFT, correspondent banks, and domestic banking/payment rails is typically associated with systemically important institutions.

Looking forward, our focus remains on expanding the reach and capabilities of PaidBy®. We are advancing plans to automate cross-border transactions between the UK and EEA, with further goals of facilitating instant

payments for cross-border/cross-currency purchases, reinforcing our position as industry leaders.

Our commitment to driving innovation extends to identifying and leveraging regulatory frameworks in new jurisdictions and currencies, challenging conventional norms, and seeking profitable expansion.

ISX Financial's systems, including flykk®, ISXMoney®, ISXPay® and Payidentity® all have pivotal roles to play with PaidBy®, creating an interlocked, two sided networked solution for consumers and business.

At ISX Financial, we pride ourselves on being more than just a payment provider; we are disruptors of the online card payment status quo. Our control over our technology stack, network, regulatory authorizations, policies, pricing, and margins empowers us to chart our own course and redefine industry standards while displacing incumbents.

I extend my gratitude to ISX Financial's staff for their dedication, our esteemed board members for their guidance, and our valued shareholders for their support throughout the year.

Looking ahead to 2024, we anticipate an exciting and more profitable year, fueled by solid growth in existing markets and the introduction of new products.

Together, ISX Financial, its staff, and management have achieved remarkable milestones, and I am confident that the future holds even greater opportunities and successes for all stakeholders.

Yours Sincerely,



Nikogiannis Karantzis
CEO & Managing Director ISX Financial



Management Report – Operating and Financial Review

Company Overview and Nature of the Company's Business

ISX Financial EU PLC ('ISXFEU') was incorporated and is domiciled in Cyprus and is a public company in accordance with the provisions of the Cyprus Companies Law (Cap. 113). The Company's registered office is Makrasykas 1, KBC North Building, Strovolos, Nicosia, 2034, Cyprus. The Company is the holding company of the ISX Financial EU Group (the 'Group').

ISXFEU is a regulated financial services company and developer of RegTech solutions, headquartered in Nicosia (Cyprus), with operations centres in London (UK) and Vilnius (Lithuania), software development centres in Raleigh (NC, USA), Melbourne (Australia) and with sales offices in Amsterdam (the Netherlands), Tel-Aviv (Israel) and Valetta, (Malta).

ISXFEU has developed and extended its own monetary financial services technology stack including payment gateway, core banking, interbank networking, open banking and KYC platforms. ISXFEU uses this technology stack to deliver payment and eMoney services to businesses and consumers

under EU and UK monetary financial services authorisations. ISXFEU also provides the platforms as a technology provider to other regulated financial institutions under either Software as a Service (SaaS) or a licensing plus service fees model.

In 2020, ISXFEU's UK subsidiary, ISX Financial UK Ltd ('ISXFUK') was granted an authorisation as an authorised eMoney institution (AEMI) by the UK's Financial Conduct Authority (FCA) under the Electronic Money Regulations 2011 (United Kingdom). The licence allows ISXFUK to issue, distribute and redeem eMoney in the UK, and, subject to approval of its application, to hold a Bank of England (BoE) settlement account. The full range of services permissible under the Payment Services Regulations 2017 (United Kingdom) has also been authorised, including account information and payment initiation services. During 2023, ISXFUK joined the Faster Payment Service (FPS) and bankers' automated clearing system (BACS) networks, for payment processing of pound sterling under its own UK Sort Code of 041392.

Using this Sort Code, ISXFUK can issue UK domestic named accounts that are networked to all UK banks via FPS and BACs. ISXFUK also has indirect access to the CHAPS network, and is a member of SWIFT alliance under its own Bank Identification Code (BIC) ISFIGB22.

ISXFEU and its subsidiaries hold payment services licences in both the EEA and UK for major card schemes, including Mastercard Inc., Diners Club, Discover, JCB International, and bank to bank payments including SWIFT, Faster Payment Service, BACS, SEPA and other alternative payment methods (APM's).

The Company has also during 2023 launched its end-to-end open banking product 'PaidBy®', which competes at a national level in the UK and the Eurozone with card scheme payments online. PaidBy® bank connects our business customers to both the UK & EU's open banking networks, that in turn allows their end customers to pay our customers directly from their bank accounts instantly. Unlike card scheme settlements, which can take days or up to a month, PaidBy Bank settles the same day to our customers, to a current account that we issue. The PaidBy® service is complete with real time API notifications upon receipt of funds to the ISX issued account, and has integrated refund capabilities to return whole or partial funds to sender. During 2023 the Company also announced an exciting partnership with Nasdaq listed Wix.com, which makes the PaidBy® service available as a payment option to their entire UK customer base. See <http://www.paidbybank.com> for further details.

Part of ISXFEU's strategy is to integrate its products, services, intellectual property, and regulatory authorisations into third party platforms. These platforms may take the form of securities trading, securities exchanges, gaming, gambling, eCommerce, travel, consumer, financial services, accounting, payroll, point of sale, and other opportunities ISXFEU identifies.

Subsidiaries

During the year ended 31 December 2023, ISXFEU purchased 100% of the shares of Authenticate Solutions Pty Ltd (formerly known as SC Payments AU PTY Ltd) from Southern Cross Payments Limited. The new subsidiary is dormant, holding a card acquiring agreement with Mastercard Asia/Pacific Pte Ltd for the Australian region. A full list of subsidiaries of the Group can be found in Note 34 of the financial statements.

Strategy

ISXFEU's strategy is to:

- offer its BankTech service incorporating RegTech and FinTech, globally to other financial institutions; and
- to provide regulated payment, transactional banking, securities exchange, clearing and settlement, and eMoney services to businesses within the EEA, including the UK, with expansion plans into the United States and Canada and other regions where suitable commercial opportunities exist, subject to regulatory approvals and licences; and
- enter into partnerships with operators of ecosystems and platforms that deliver online and point of sale services, such that ISXFEU services are incorporated into the payment process.



ISXFEU Group has eMoney focused sales teams located in the UK, the Netherlands, Lithuania, Malta, Israel, and Cyprus. The separate ISXFEU's EU and EEA and ISXFUK's UK authorisations permit the ISX Group to offer its regulated eMoney services in the following jurisdictions:

Jurisdictions Where ISXFEU Group May Offer Electronic Money Services

<i>Austria(AT)</i>	<i>Estonia(EE)</i>	<i>Luxembourg(LU)</i>	<i>Slovenia(SI)</i>
<i>Belgium(BE)</i>	<i>Spain(ES)</i>	<i>Hungary(HU)</i>	<i>Slovakia(SK)</i>
<i>Bulgaria(BG)</i>	<i>Finland(FI)</i>	<i>Latvia(LV)</i>	<i>Sweden(SE)</i>
<i>Cyprus(CY)</i>	<i>France(FR)</i>	<i>Malta(MT)</i>	<i>EEA- Iceland(IS)</i>
<i>Czechia(CZ)</i>	<i>Croatia(HR)</i>	<i>Netherlands(NL)</i>	<i>EEA- Liechtenstein(LI)</i>
<i>Germany(DE)</i>	<i>Italy(IT)</i>	<i>Poland(PL)</i>	<i>EEA- Norway(NO)</i>
<i>Denmark(DK)</i>	<i>Ireland(IE)</i>	<i>Portugal(PT)</i>	<i>Gibraltar(GIB)</i>
<i>Greece(EL)</i>	<i>Lithuania(LT)</i>	<i>Romania(RO)</i>	<i>United Kingdom(UK)</i>

ISXFEU Group intends to pursue further monetary financial services licences to operate as the local equivalent of authorised electronic money and/or payment institution in jurisdictions outside the EEA and the UK.

ISXFEU Group, through its Probanx® subsidiaries, intends to continue to develop financial and regulatory technology software for securities & commodities exchanges, banks, credit unions, electronic money institutions, payment institutions and financial services companies. The software may be licenced, or provided as a service, for upfront and monthly fees, and integrated directly with customer systems, or via platform partners. The software includes solutions for customers onboarding, identity verification, core banking, interbank networking, card scheme processing, securities delivery versus payment, payment netting and electronic wallet solutions.

ISXFEU Group's strategy includes the continuation of research and development of innovative technological solutions (registering patents where possible) for the delivery of transactional banking and identity services. This includes systems for identity verification, transaction monitoring, core banking, payment processing, card acquiring, card issuing and eMoney.

The Group consists of three primary operational divisions, an investment in a regulated exchange, and a centralised corporate centre:

- **Individual and Consumer Services Transactional Banking**, offers Electronic Money Accounts, Open Banking, Card Issuing, and flykk®, providing seamless digital transactions and innovative banking experiences to meet the diverse needs of individuals and consumers.
- **Business Transactional Banking** segment offers a range of services tailored for businesses, including Electronic Money Accounts, SWIFT/Cross Border Transfers, ISXPay's Card Acquiring, Masspay Payroll and Payout Services, and API-based notifications, ensuring efficient and secure financial transactions for corporate clients.
- **Technology Services** segment provides essential infrastructure and software solutions for financial institutions, including core banking systems, core networking platforms, identity management, and various other banking software services, enabling streamlined and secure operations in the digital age.
- **Regulated Securities Exchange** segment encompasses our investments in leading financial platforms, notably the National Stock Exchange of Australia Ltd, a publicly quoted exchange, and ClearPay, our innovative digital ledger technology company specialising in delivery versus payment solutions.
- **Corporate Centre** segment primarily manages interest income and other non-operating gains, serving as a central hub for financial activities and strategic oversight within the Group.

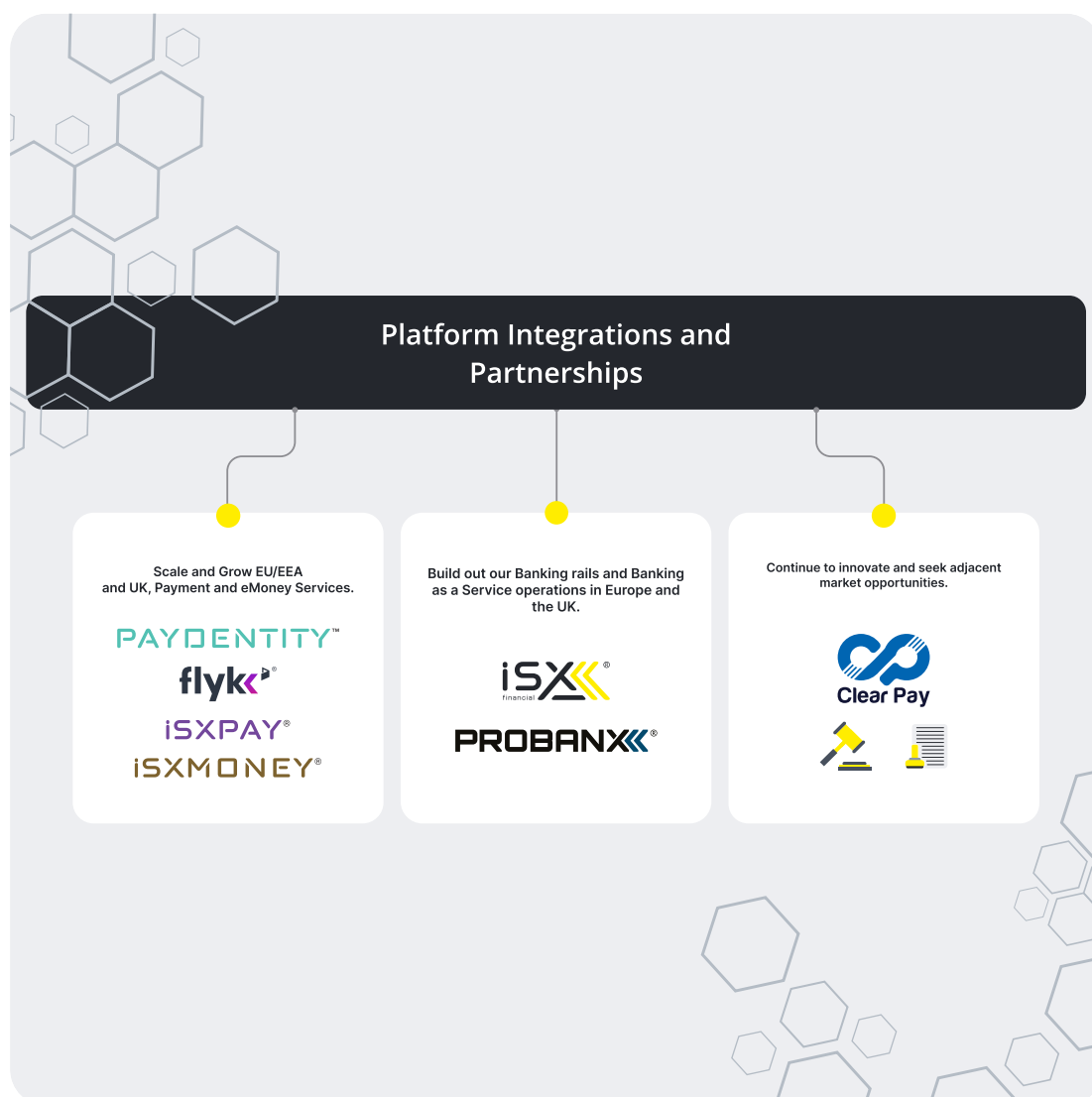
Broadly, regulated services are delivered under the "ISX Financial" company name with "ISX Money®" and

"ISXPay®" trademarks. The Technology services comprising FinTech are delivered under the "Probanx®" trademark, and RegTech under "Payidentity™" trademark. Consumer and Open Banking services under the "flykk®" and "PaidBy®" trademark.

Each business division will be treated as a separate profit and loss centre and reported geographically, with a primary focus on the EU followed by the UK, noting that according to EU Consilium data, the Euro (€) represents approximately one-third of global payments.

Presently, ISXFEU Group is focused on the UK and the EEA, with plans to expand geographically into the America's, with Canada, the United States and South American opportunities under evaluation. ISXFEU Group is also looking to expand into other AML regulated sectors where ISXFEU Group has a competitive advantage with its Open Banking, and Banktech offerings, which incorporate both RegTech and FinTech capabilities. ISXFEU Group is still in an expansionary phase for group authorisations into new jurisdictions, and partnerships with third party platforms and ecosystems, such as the Playtech "cashier", the WIX "checkout" and the Worldline Devcode "cashier", amongst others.

These platforms may also take the form of systems that provide consumers with securities trading, securities exchanges, gaming, gambling, eCommerce, travel, consumer, financial services, accounting, payroll, point of sale services and other opportunities ISXFEU Group identifies.





ISXFEU Group has, as part of its product offering, cross border remittance capabilities. These capabilities allow money to be remitted to other jurisdictions, outside the EEA and UK. ISXFEU Group has also commenced limited issuance of debit cards to EU based staff and customers, that are linked to a consumer's IBAN, allowing cash withdrawals at ATM's and payments at "Chip and PIN" point of sale terminals.

Probanx has finalised its stage 1 development of the Delivery versus Payment (DvP) platform for ClearPay Pty Ltd with its integration into the NASDAQ trade match engine operated by the NSX. Further stages may include the integration of the ISXPay® and Paydentity™ platforms into the National Stock Exchange of Australia (NSXA) and ClearPay, and development of a Clearing and Settlement system for Clearpay. By bringing together the capabilities of NSX and ISXFEU, ISXFEU plans to provide the technology to enable the NSXA to transform into an emerging company venture exchange that is an open, transparent, modern, and high-tech alternative to the ASX.

ISXFEU Group also aims to target general Consumer Service Businesses including retail, travel and eCommerce, together with Forex, Skilled Games,

Wagering and Businesses from other AML Regulated Sector Industries. Businesses in the regulated sectors have complex requirements that evolve with new regulatory conditions being imposed frequently, together with the challenging environment in which they operate. Marketing to these sectors is accomplished through attendance at specific trade shows, advertising in industry sector magazines, and setting up appointments with potential clients.

ISXFEU Group is focused on continuing to scale and grow in Europe. Over the longer term, management expects to continue its geographic expansion into other regions where suitable commercial opportunities exist, driven by access to central bank accounts and/or open banking regulatory regimes.

ISXFEU Group strategy includes integration of its products, services, intellectual property, and regulatory solutions.

Financial Review

Group Financial Performance

During the year ended 31 December 2023, we have seen the business continue to build and scale, with a profit after tax of €5.25 million, increased significantly by 44% compared to prior year (31 December 2022: a profit after tax of €3.65 million). The increase in net profit is mainly due to solid business customer and consumer revenue growth (up 17%), combined with controlled expense growth (up 11%).

In the period revenue from business customers and consumers grew 17% to €32.1 million, from €27.4 million in 2022. This growth was driven by new and existing customer and consumers revenues, combined with growth in open banking related payment services. The Group continues to focus on diversifying its revenue away from card acquiring, towards lower cost instant and batched interbank payments.

In the year ended 31 December 2023 the Group's expenses and operating costs increased by 11% or €2.6 million to €25.4 million.

Expenses increased by €5.1m and the main drivers were employee benefits expenses increase of €2.6 million due to additional employees hired to manage current and future customer growth, combined with wage inflation. In addition, depreciation and amortisation costs increased €0.6 million as the Group continues to invest in its key software assets to support future growth. Corporate costs increased €0.8 million, driven by increases in VAT expenses, advisory costs, and development of UK business. The Group also impaired its investment in NSX by €1.3 million due to the negative performance (share price and foreign exchange) of the associate compared to reversal of impairment €0.4 million in 2022. Savings were seen in impairment charge on intangible assets with €Nil booked in 2023 compared with €0.5m in 2022.

These were partially offset by savings in operating costs, which include variable payment scheme costs, these were down 36% or €2.5m as the Group continues to focus its growth on lower cost payments schemes.

Operating costs, which include variable payment scheme costs, were down 36% as the Group continues to focus its growth on lower cost payments schemes.

Financial Position

The Group's net assets for the year increased by 45% or €5.1 million to €16.2 million, driven by the Group's net profit after tax for the year of €5.25 million.

The financial position of the Group remained strong during the year, with own funds of €13.6 million (cash and cash equivalents of €8.1 million and investment/financial assets held at fair value of €5.5 million) at the end of the period (31 December 2022: €6.0 million). During the year changes in the Group's cash and cash equivalent of €2.1 million was attributable to €5.8 million in operating cash flows, offset by €2.9 million of cash used in investing activities, largely related to software development and €0.8 million in cash used in financing activities, largely related to the repayment of convertible notes debt to Southern Cross Payments Ltd and receipt of interest from loan to Red5.

The Group also saw its total assets increase by 19% or €23.6 million since 31 December 2022 to €147.1 million. The increase was largely due to an increase in funds held on behalf of businesses of €17.7 million, due to increased customer activity and new customers choosing to hold their cash with the Group, net cash increase €2.1 million and increase of financial assets €5.5 million partly offset by the impairment of our investment in NSX which decreased by €2.0 million.

Incoming customer funds are received predominantly at the Eurosystem (Central) Bank of Lithuania, which is rated as zero credit risk. Customer funds primarily reside in Euros (€) with a Partner MFI.

The Group's total liabilities have increased by 16% or €18.5 million to €130.9 million, due to a corresponding €17.7m increase in business customers liabilities driven by the reasons outlined above and €2.0m increase in trade and other payables, offset by a reduction in the convertible note payable of €1.0 million.

The Group's working capital, being current assets minus current liabilities were €9.0 million at 31 December 2023 (31 December 2022: €2.9 million). 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.

Principal risks and uncertainties - Risk management and mitigation

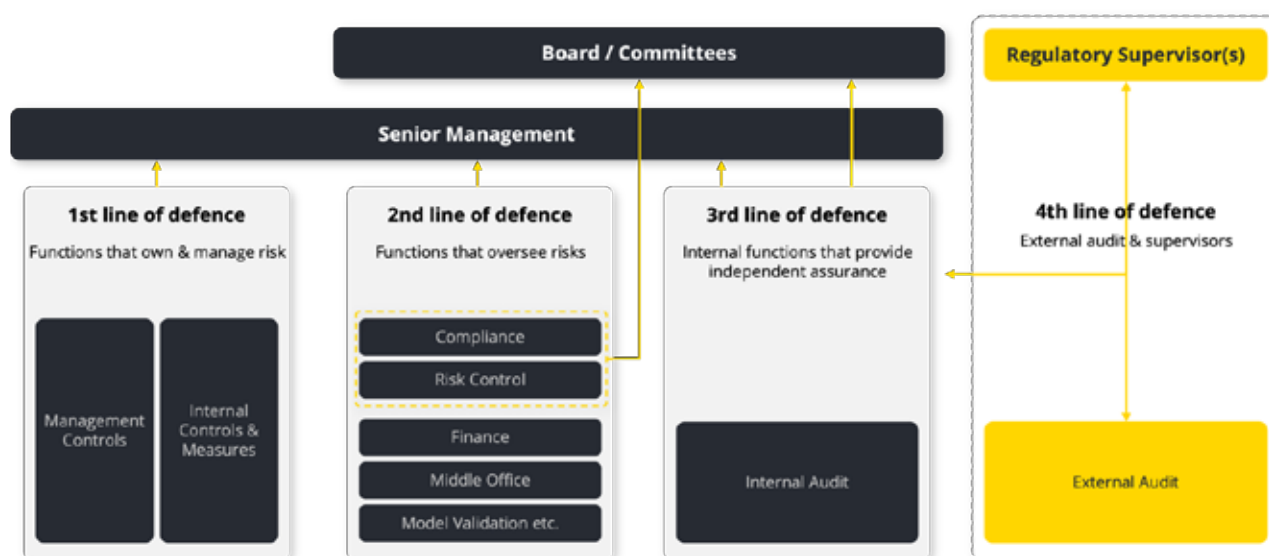
As part of its business activities, the Group faces a variety of risks, to which the Group has developed methods to manage and monitor these risks together with mitigation strategies, including by way of policy, procedures, controls, and technology.

The key risks the Group faces are outlined below. In addition, key risks facing the Group also include operational risk which also includes compliance, legal and reputational risk, regulatory risk, information security and cyber risk, digital transformation, and technology risk as well as business model and strategic risk.

Information relating to the financial risks the Group faces and how these risks are managed is set out in Note 29 of the Consolidated Financial Statements.

The Group activities are mainly in the European Economic Area (EEA) through its Cypriot domicile therefore the Group's performance is impacted by changes in the Cyprus operating and/or regulatory and/or political environment. Cyprus has in February 2023 held Presidential elections, with the policies of the incoming President being largely consistent with those of the previous 10 years. The operating and regulatory environment also remain stable.

The Group manages risk first through understanding and managing the risk environment and taking measures, where necessary, to ensure that risks are contained to acceptable levels consistent with the Group's risk appetite. The principle underpinning the Group's approach is that risk management is an integral part of the management function in the organisation. Senior managers have the responsibility to evaluate their risk environment, put in place appropriate controls and monitor the effectiveness of these controls. This process is supplemented with a review of key enterprise risks by the Risk Committee. The Group's risk management framework is detailed below:



The Group is committed to ensuring that effective risk management remains central to all its activities and is a core management competency. The aim is to ensure that risk management is embedded in the Group's processes and culture, thus contributing to the achievement of its core objectives.

The risk factors discussed below and outlined within this report should not be regarded as a complete and comprehensive

statement of all potential risks and uncertainties. There may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant, but which may become significant. As a result of the challenging conditions due to COVID-19, the uncertainty created by the Ukrainian and Middle East conflicts, the growing threat of cyber-attack and unknown risks, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control.

1. ISXFEU Group relies on key management personnel, and its business may be adversely affected by loss of such personnel or by any inability to recruit, train, retain and motivate key employees.

ISXFEU recognises the invaluable contribution of its management teams to the growth and management of the business. The success of ISXFEU and its ability to execute future strategies heavily rely on the efforts of key personnel. The digital payments industry faces a shortage of skilled professionals in the countries where ISXFEU operates, including Australia, Cyprus, the United States, and Lithuania, a trend expected to persist. Consequently, ISXFEU may encounter heightened competition for talent from local and regional finance and technology companies.

Moreover, obtaining visas for recruiting and retaining competent employees in various countries may pose challenges due to increasing efforts by those countries to prioritise local employment. Additionally, potential expansions through acquisitions may present integration hurdles in retaining skilled employees from acquired entities.

There's also a key person risk associated with Nikogiannis Karantzis, whose central role in operations, regulation, and strategy is vital. Despite this risk, ISXFEU has fortified its leadership team over the years to ensure continuity in operations even in Nikogiannis Karantzis' absence. Efforts to mitigate key person risk include appointing deputies, task distribution, recruitment of potential replacements, development of procedural manuals, and retention strategies.

2. ISXFEU Group's inability to successfully integrate, recruit, train, retain and motivate key skilled employees could have a material adverse effect on its business, financial condition, and results of operations.

ISXFEU relies heavily on the continuous services and performance of its Directors and key senior management. Any unexpected departure or loss within this group could significantly impact ISXFEU's business and financial performance. There is no guarantee that suitable replacements can be attracted or retained in a timely manner, if at all.

Moreover, recruiting and retaining replacements may result in significant additional costs and disruptions in integration. The effectiveness of ISXFEU's operations and execution of its business plan hinges on its ability to attract, train, and retain skilled personnel with relevant industry experience.

As ISXFEU expands, the need for personnel with suitable experience and qualifications increases. However, there is intense competition for such talent, making it challenging to retain employees on similar terms. Failure to attract or retain skilled personnel could adversely affect ISXFEU's business and financial performance.

To mitigate this risk, various measures have been implemented across the organization, including ensuring managers have deputies, task distribution among team members, recruitment of potential replacements, development of procedural manuals, retention strategies, induction programs for new staff, and role-based training for executives.

3. The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect ISXFEU Group's business, financial position, and results of operations.

ISXFEU Group is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims, shareholder class actions and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and valuation of ISXFEU Group.

ISXFEU from time to time may in the future be involved in governmental or regulatory investigations or similar matters arising out of its current or future business. ISXFEU's insurance or indemnities may not cover all

claims that may be asserted against it, and any claims asserted against it, regardless of merit or eventual outcome, may harm its reputation. Furthermore, there is no guarantee that ISXFEU will be successful in defending itself in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed ISXFEU's insurance coverage, they could have a material adverse effect on its business, financial condition, and results of operations. The Company manages these risks through ensuring communication with key stakeholders, including regulators and shareholders, is open and transparent, ensuring the Company is abreast of changes in regulations and through internal audit, which review annually the Company's adherence to regulations. Further, the Company has appropriate insurance policies in place to cover employers' liability, public liability, professional indemnity and directors' and officers' liability.

The Company has no material litigation ongoing nor been made aware of any investigations into its activities, as of the date of this report.

4. Local currency fluctuations could affect ISXFEU's cash flows which could, in turn, impact its ability to pay certain obligations as cash flows are generated in local currencies.

Each of ISXFEU's subsidiaries earns its revenue and incurs operating expenses principally in the local currency of the markets in which it operates. ISXFEU's operating results, as presented in EUROS, are affected by exchange rate fluctuations between the EURO and several local currencies. Substantially, most of ISXFEU's revenues are currently in the EURO currency, whereby volatility in the exchange rate of the EURO or any other currency against local currencies can result in gains or losses. Any negative effect of local currency fluctuations on ISXFEU's cash flows could adversely impact its ability to pay certain obligations, which could adversely affect its business, financial condition, and results of operations.

The Company monitors foreign exchange risk and if material would look to put appropriate hedges in place.

5. Customer service and reputational risk.

The reputation of ISXFEU Group and its products is important in attracting and retaining existing business

and obtaining new business and key employees. Reputational damage could arise due to several circumstances, including errors or defects, inadequate services or unsatisfactory client outcomes. Litigation arising, or negative publicity could adversely impact the reputation of ISXFEU Group which may potentially result in a fall in the number of customers seeking the products and services of ISXFEU Group.

The Company manages this risk through its customer-centric product design and development processes, ensuring products provide significant features and benefits for its target clients. Further, new technology is carefully developed, tested, and implemented via a fully auditable process.

6. Operational risk events.

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events which affect our business. Our business is exposed to operational risks such as external and internal fraud, processing errors, system or hardware failure and failure of information security systems. Loss from operational risk events could divert investment from new products into remediation of existing systems and processes, damage business customer relations or our reputation, adversely affect our financial results or position, as well as divert staff away from their core roles to remediation activity. In addition, losses could include legal or remediation costs and loss of property and/or information.

ISXFEU has conceived, designed, and built proprietary systems to enable it to offer an automated payments value-chain. The systems and processes are clearly understood and have built-in monitoring capabilities to allow ISXFEU or ISXFUK analysts to observe any system issues before they arise. Robust access controls should ensure no unauthorised changes can occur.

To further manage operational risks where processes are not automated, the Company has strict controls, coupled with 4-eyes/6-eyes checks, combined with robust governance and oversight.

Where other people-related risks remain such as accidents/falls etc, the Group holds appropriate insurances.

7. ISXFEU or ISXFUK may fail to hold, safeguard or account accurately for business customers or consumer funds.

ISXFEU and ISXFUK uphold stringent internal controls and compliance procedures to safeguard and accurately account for account holders' funds. Funds are secured through various means, including placement in secure, liquid low-risk assets held by a custodian or in segregated accounts of Partner MFIs. Additionally, insurance policies or bank guarantees are utilized for further protection. As the business expands, strengthening internal controls remains paramount to ensure public confidence in handling growing transaction volumes and customer funds.

Compliance with Electronic Money Regulations mandates safeguarding customer funds from receipt until their redemption or use, and for a subsequent six-year period. Failure to maintain necessary controls or accurately manage customer funds could significantly diminish customer trust and usage of ISXFEU's services, impacting its financial performance and prospects. Moreover, inadequate safeguarding may lead to regulatory enforcement actions, potentially resulting in fines or penalties.

ISXFEU has developed proprietary systems, including a core banking platform, to automate the payments value-chain and accurately record eMoney holders' rights and obligations. The company implements robust controls and reconciliations to ensure fund safeguarding. Incoming customer funds are received predominantly at the Eurosystem (Central) Bank of Lithuania, which is rated as zero credit risk. Customer funds primarily reside in Euros (€) with a Partner MFI.

In 2023, ISXFEU and ISXFUK established client funds safeguarding agreements with Goldman Sachs Asset Management and State Street Global Advisors. These measures underscore ISXFEU's commitment to maintaining the security and integrity of customer funds.

8. ISXFEU Group's systems and its third-party providers' systems may fail due to several factors, including factors beyond its control, which could interrupt its service, cause it to lose business and increase its costs.

The integrity, reliability, and operational performance of ISXFEU Group's IT infrastructure and systems are

critical to its operations. The most significant of these are the systems it uses to operate its business customers solutions. ISXFEU also depends on the efficient and uninterrupted operation of numerous other systems, software, data centres and telecommunications networks, as well as the systems of third parties, including the Central Bank of Lithuania, SWIFT, SEPA, Mastercard Inc, Diners Club/Discover, JCB International, UnionPay International, Pay.UK's FPS and BACs networks, Fiserv, Equinix, Microsoft Azure and Amazon Web Services in order to provide services to its clients. ISXFEU has experienced high growth rates in payment transaction volumes over the past year and expects growth to continue for the coming years. However, despite the implementation of architectural changes to safeguard sufficient future processing capacity on ISXFEU's payments systems, in the long term, these systems could potentially reach the limit of the number of transactions they are able to process, resulting in longer processing time or even downtime. ISXFEU's efforts to safeguard sufficient future processing capacity are time-consuming, involve significant technical risk and may divert ISXFEU's resources from new features and products, and there can be no guarantee that these efforts will succeed. A failure to adequately scale ISXFEU's payments systems could therefore materially and adversely affect its business, financial condition, and results of operations.

ISXFEU's systems and those of its third-party service providers, including data centre facilities and cloud storage services are subject to the risk of both limited and significant service interruptions. Although ISXFEU has not experienced any outages that have had a material impact on its business to date, its systems and operations and those of its third-party providers could be exposed to damage or interruption from these and other factors including hardware and software defects or malfunctions, and other events such as human error, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorised entry, fraud or sabotage, security breach, computer viruses, other defects and development delays.

If third parties cease to provide the facilities, components, or services ISXFEU relies on, breach their agreements with ISXFEU, or fail to meet ISXFEU's requirements due to financial or regulatory issues, labour issues, or other problems, ISXFEU's operations could be disrupted or otherwise negatively affected.

A key system outage or data loss could have a material adverse effect on ISXFEU's business, financial condition, and results of operations. ISXFEU's business customer solutions and acquiring solutions customers may require it to maintain a certain level of systems availability, and failure to maintain agreed levels of service availability or to reliably process the transactions of its customers could result in financial or other penalties and customers switching to a different provider.

Losses in customers due to performance issues, system interruptions or other failures could result in a loss of revenue, payment of damages or fines imposed by payment schemes, reputational harm, and additional operating expenses in order to remediate the failures, and exposure to other losses or other liabilities, including those incurred in resolving backlog issues once systems are restored, all of which could have a material adverse effect on ISXFEU's business, financial condition and results of operations.

ISXFEU's systems and operations or those of its associated participants could be exposed to interruptions, delays, or outages from, among other things, fire, natural disaster, power loss, telecommunications failure, unauthorised entry, and computer viruses. ISXFEU's systems or those of third parties may also contain undetected errors or other performance problems or may fail due to human error. Although ISXFEU maintains insurance policies specifically for property and business interruptions, these policies may not be adequate to cover losses arising as a result of any such interruptions. Defects in its systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures or other difficulties could result in:

- loss of revenue.
- loss of clients.
- loss or breach of business customer or consumer data.
- loss of membership with Mastercard Inc, JCB International, Diners Club, Discover, UnionPay International, SEPA, FPS, BACs, SWIFT, or other payment networks, leading to loss of ISXFEU's ability to access its networks.
- loss of correspondent banking partners
- fines imposed by payment networks and other issues relating to non-compliance with applicable payment network requirements.
- fines imposed by regulators, including the FCA, the

Central Bank of Cyprus, the Central Bank of Lithuania, and others.

- harm to its business or reputation resulting from negative publicity.
- exposure to fraud losses or other liabilities.
- additional operating and development costs.
- diversion of technical and other resources; and
- breach of contractual obligations, such as guarantees to maintain performance levels at certain levels given to many of its clients, which could harm client relationships and cause it to issue credits to clients or incur other additional liability.

ISXFEU's business is also dependent on the continued growth and maintenance of the Internet's infrastructure. There can be no assurance that the Internet's infrastructure will continue to be able to support the demands placed on it by sustained growth in the number of users and amount of traffic. Furthermore, the internet and cloud-based services could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility, and quality-of service. To the extent that the Internet's infrastructure is unable to support the demands placed on it, the business of business customers, and thus ISXFEU's business, may be impacted. ISXFEU may also be disadvantaged by the adverse effect of any delays or cancellations of private sector or government initiatives designed to expand broadband access. ISXFEU, and its business customers, may be impacted by a reduction in the growth of, or a decline in, access to broadband and Internet.

As ISXFEU continues to expand into new jurisdictions, market sectors, and opportunities ISXFEU is likely to require extension of its technology platforms, systems and ecosystems, including new functions, features, interfaces and designs. ISXFEU deploys extensive in-house and external testing and is usually required to obtain third party certification or assessment. Despite this, its technology platforms, systems and ecosystem may fail, leading to outages, errors, loss of revenue and possibly damages.

The Company subjects its critical systems to external audits by appropriately qualified technology standards-setting bodies, such as PCI/DSS and ISO. Currently

the Company is deemed to be fully compliant with international standards and has been found to have robust systems in place. ISXFEU also has robust disaster recovery and backup plans. Its reliance on key providers such as AWS is mitigated by the ability to switch from one server to another server in a different geographical location in the event of a failure, outage or natural disaster.

9. A substantial portion of ISXFEU's and ISXFUK's revenue is dependent on its continued membership in international payment schemes.

The vast majority of the transactions ISXFEU and ISXFUK process are through international payment schemes. In order to access these international payment schemes to provide business customers acquiring and issuer processing services, ISXFEU must have relevant geographically based memberships required by the schemes. ISXF Group holds principal membership of Mastercard Inc, JCB International, Diners Club/Discover and UnionPay International as an acquirer, SWIFT for international transfers, Pay.UK for FPS and BACS, and the EU based SEPA scheme as an instant, credit and debit transfer participant. As a result, ISXFEU Group business may be adversely affected if it were to lose membership status in one or more of the payment schemes for any reason.

As part of ISXFEU Group registration with its member payment schemes its business customers solutions customers are subject to detailed operating rules, including mandatory IT systems requirements that could subject ISXFEU Group and its business customers solutions customers to a variety of fines and penalties for breaches of those operating rules, as well as suspension and termination of its membership in the event of significant breaches. ISXFEU could lose its principal membership status in these payment schemes for a variety of reasons, including as a result of a significant cyber security breach.

Any material fines or other sanctions imposed on ISXFEU Group member, particularly if they result in it ceasing to provide services through a particular payment scheme, whether temporarily or permanently, could significantly adversely affect its reputation and have a material adverse effect on its business, operating results, and financial condition.

In particular, all payment scheme rules to which ISXFEU Group is subject, as well as certain of its issuer solutions customers require it to comply with Level 1 PCI DSS by eliminating identified security control deficiencies. ISXFEU cannot be certain that it will be able to address all new security issues that arise in a manner that will ensure its continued PCI DSS compliance. Any temporary or longer-term inability to maintain PCI DSS certification could adversely impact ISXFEU's ability to procure new issuer or business customers solutions customers and retain existing customers and could result in its suspension from membership with payment schemes or termination of existing processing agreements, all of which would have a material adverse effect on its business and future financial performance.

Payment scheme rules are established, interpreted, enforced, and changed from time to time by each scheme as it may determine in its sole discretion and with or without advance notice to its participants. ISXFEU must comply with any changes to payment scheme rules within the required timeframe or risk being fined or otherwise penalised for violation. Any changes in payment scheme rules or standards or the way they are implemented could increase ISXFEU's cost of doing business or limit its ability to provide transaction processing or value-added services to or through its customers and have a material adverse effect on its business, financial condition, and results of operations.

Under the terms and conditions of its membership with payment schemes, ISXFEU is also liable for the non-compliance of its business customers and merchants. Although ISXFEU has not been subject to any significant fines or penalties to date, if a business customers and merchants of ISXFEU fail to comply with the applicable requirements of any of its member payment schemes including for the FPS scheme as at Q3 2024, ISXFEU could be subject to a variety of fines or penalties that may be levied by the payment schemes. While ISXFEU is generally indemnified for any such fines against its business customers and merchants, if ISXFEU cannot collect such amounts from the applicable customer, it could end up bearing such fines or penalties, resulting in lower earnings for ISXFEU, which could have a material adverse effect on ISXFEU's business, financial condition, and results of operations.

ISXFEU's Proprietary technology is compliant with card scheme rules. Further, the Company carefully monitors flows from card schemes and additionally responds to card scheme queries, whenever they are raised. The management team and its compliance department have a good understanding of the card scheme rules and ensure the Company remains compliant.

10. The 'after effects' of the COVID-19 or other future unknown pandemics, including the resulting global economic uncertainty and measures taken in response to the pandemic, could materially impact ISXFEU Group, its future results of operations and financial condition.

The extent to which COVID-19' policy after effects impacts ISXFEU Group's financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the impact of COVID-19 policies and the actions taken by governments to curtail or treat its impact, including shelter in place directives, business limitations and shutdowns, travel bans and restrictions, loan payment deferrals (whether government-mandated or voluntary), moratoriums on debt collection activities and other actions, which, if imposed or extended, may impact the economies in which ISXFEU Group now, or may in the future, operate. Adverse market conditions resulting from the spread of COVID-19 could materially adversely affect its business.

In the event of a resurgence of the COVID-19 pandemic, it could cause ISXFEU Group's third-party service providers to shut down their business, experience security incidents that impact ISXFEU's business, delay or disrupt performance or delivery of services or experience interference with the supply chain of hardware required by ISXFEU's systems and services, any of which could materially adversely affect its business. Further, the COVID-19 pandemic has resulted in its employees and those of many of its customers working from home and conducting work via the Internet, and if the network and infrastructure of Internet providers becomes overburdened by increased usage or is otherwise unreliable or unavailable, its employees' and its customers' employees' access to the Internet to conduct business could be negatively impacted. Limitations on access or disruptions to services or goods provided by or to some of its suppliers upon which its platform and

business operations relies could interrupt its ability to provide its platform, decrease the productivity of its workforce and significantly harm its business operations, financial condition, and results of operations. In addition, ISXFEU's technology platforms and the other systems or networks used in its business may experience an increase in attempted cyber-attacks, targeted intrusion, ransomware, and phishing campaigns seeking to take advantage of shifts to employees working remotely using their household or personal Internet networks as a result of the COVID-19 pandemic. The success of any of these unauthorised attempts could substantially impact its technology platforms, the proprietary and other confidential data contained therein or otherwise stored or processed in its operations, and ultimately its business.

Additionally, diversion of management focus to address the impacts of the COVID-19 pandemic could potentially disrupt its operating plans. There is a risk that there will be major continued limitations on travel due to the pandemic, which in turn may limit the ability of ISXFEU Group to properly control its activities through senior management, impact its ability to access new markets, and may limit its ability to communicate effectively with regulators, suppliers, and customers. The extent and continued impact of the COVID-19 pandemic on its business will depend on certain developments, including: the duration and spread of the outbreak; government responses to the pandemic; the impact on customer, industry, or employee events; and the effect on its partners, business customers and their customers, third-party service providers, customers, and supply chains, all of which are uncertain and cannot be predicted.

To mitigate the impact of any pandemic, ISXFEU has a pandemic response plan that has been presented to the major card schemes and ISXFEU's key regulators. ISXFEU requires as part of its policy that key suppliers also have a similar pandemic response plan. There is no guarantee that ISXFEU's key suppliers will develop a sufficient pandemic response plan, or any plan at all. This may affect the effectiveness of the ISXFEU plan.

The Company responded to the pandemic by enabling staff to undertake work from home and had implemented robust systems to ensure data remained secure and system capacity was able to cope with the change to

working practices. The Company also implemented a COVID rapid testing regime for employees, to ensure a safe return to the office environment.

11. ISXFEU and ISXFUK are subject to certain economic and trade sanction laws and regulations as well as anti-money laundering ('AML') laws and regulations, and if it fails to comply, it could be exposed to fines, sanctions and other penalties or governmental investigations, which may impact its business.

ISXFEU and ISXFUK are subject to a wide range of anti-money laundering laws and regulations and trade and economic sanctions programmes. If ISXFEU or ISXFUK are found to have failed to comply with any of these laws, it may be exposed to material fines, sanctions and other penalties or governmental investigations. Although ISXFEU and ISXFUK seek to fully comply with trade and economic sanctions programmes and anti-money laundering laws and regulations that may be applicable to it, there is a possibility that it may indirectly and/or inadvertently conduct business with financial institutions and/or payment schemes that may have customers in or operate in countries (such as Iran and Syria, where ISXFEU has no operations or customers) or whose nationals may engage in transactions in countries that are the targets of sanctions by the Cypriot government, or the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, the US Department of State, the EU's Common Security and Defence Program, His Majesty's Treasury (HM Treasury) and similar regulators in other countries.

Although ISXFEU has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti-corruption and sanctions rules and regulations, and best practices, it cannot guarantee that such policies and procedures completely prevent situations of money laundering or corruption, including actions by ISXFEU's employees, agents, business customers, third-party suppliers, or other related persons for which ISXFEU or ISXFUK might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, criminal penalties, and reputational consequences, which could have a material adverse effect on ISXFEU's or ISXFUK's business, financial condition, and results of operations. A failure to adopt effective measures against fraud, money laundering,

corruption and terrorist financing may lead to regulatory proceedings, penalties by supervisory authorities and/or civil and criminal actions in courts.

The Company has detailed AML policies and procedures which are tested annually by the internal auditors. Further, all transactions are subject to screening for politically exposed persons and Sanctions and all business customers and connected individuals/ ultimate beneficial owners are subject to a daily Sanctions screen via recognised industry-standard databases and tools.

12. ISXFEU Group's payment platforms may be used for illegal or improper purposes, and ISXFEU may be subject to penalties or legal or regulatory actions and reputational damage.

ISXFEU Group's payments platforms may be subject to potentially illegal or improper uses, including money laundering, terrorist financing, circumvention of sanctions, illegal online gambling, fraudulent sales of goods or services, illicit sales of prescription medications or controlled substances, piracy of software, movies, music, and other copyrighted or trademarked goods (in particular, digital goods), bank fraud, child pornography, human trafficking, prohibited sales of alcoholic beverages or tobacco products, online securities fraud, or to facilitate other illegal activity. Certain activities that may be legal in one country may be illegal in another country, and business customers may intentionally or inadvertently be found responsible for importing or exporting illegal goods, which may result in liability for ISXFEU Group. Changes in laws have increased the penalties for intermediaries providing payments services for certain illegal activities and additional payments-related proposals are under active consideration by government authorities. In addition, ISXFEU Group may be held liable by business customers or payment schemes or other related third parties arguing that any failure to prevent the use of ISXFEU Group's payments services for illegal purposes constitutes a breach of ISXFEU Group's duty of care vis-à-vis such business customers or third parties. Intellectual property rights owners or government authorities may seek to bring legal or regulatory action against providers of payments solutions, including ISXFEU or ISXFUK, that are peripherally involved in the sale of infringing items. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction

volume or increased costs may materially and adversely affect ISXFEU Group's business, financial condition, and results of operations.

The Group has proprietary technologies that assist in the assessment and verification of individuals. These processes form part of the Group's management of this risk. Additionally, the Group has a dedicated team of skilled individuals assessing applicants, and verifying the documents that prospective clients provide. A dedicated risk transaction monitoring team assesses alerts and reviews high risk transactions to ensure the Group's products are not used for criminal activities.

13. Changes in tax laws or their interpretations or becoming subject to new taxes in the UK or the European Economic Area (EEA) that cannot be passed through to ISXFEU or ISXFUK's business customers, could reduce its profitability.

ISXFEU and ISXFUK continue to engage with relevant tax authorities across its jurisdictions of operation. As ISXFEU operates in a number of markets (through its legal presence or customer relations), the application of tax laws can be subject to a degree of uncertainty and interpretive discretion by tax authorities. Accordingly, ISXFEU may be subject to additional material tax assessments in the future, and which may also be subject to lengthy audit and review processes.

Changes in tax laws or in their interpretation or increases in ISXFEU's effective tax rates due to shifts in ISXFEU's geographic mix could decrease the profitability of ISXFEU and have a material adverse impact on its business, financial condition, and results of operations. A recent example is the introduction of the EU's Central Electronic System of Payment information (CESOP), which requires the collection of tax identification from consumers and businesses and reporting of VAT transactions across the EU.

The Group employs external tax consultants who should / would alert the Group to such changes ahead of time (if the changes are announced with sufficient warning).

14. ISXFEU is subject to the risks of political, social, and economic instability associated with the markets in which it operates and serves its customers.

ISXFEU is headquartered in Nicosia (Cyprus), with

operations centres in Vilnius, (Lithuania), Raleigh, NC (US) and London, (UK), and offices in Melbourne, (Australia), Amsterdam, (the Netherlands), Tel-Aviv, (Israel) and Valetta, (Malta), and its growth strategy is focused on these regions.

ISXFEU has been approved by the UK's FCA as a Temporary Passporting participant, this approval is effective until December 31, 2024 and is under contractual runoff. ISXFEU has also established ISXFUK being an FCA authorised electronic money institution business within the UK effectively mitigating Brexit regulatory risk. ISXFUK is operational, and issues Sort Code based accounts to business customers, and is connected to the FPS, BACS, CHAPS and SWIFT networks.

ISXFEU Group's business could be adversely affected by political, economic, or related developments both within and outside the EEA region because of inter-relationships within the global financial markets.

Most of our staff and daily management activities, decisions, and operations are managed or overseen from our Cyprus office by our Cyprus-based team, comprising approximately 110 out of our roughly 151 staff members. Key executives such as the Chairman, Christakis Taoushanis, Managing Director, Nikogiannis Karantzis, Independent Non-Executive Directors Panikos Poulos and Adonis Pegasiou, and Executive Director, Dominic Melo, reside in Cyprus, while Paul Barnes is based in the UK. Functions related to Treasury, AML (Anti-Money Laundering), Compliance, and Operational Risk are centralized in Cyprus.

Significant political, social, and economic instability in one or more of ISXFEU's markets could have a material adverse effect on ISXFEU's business, financial condition, and results of operations.

The Group is not presently particularly exposed to political risks, as it has focused on business in the EEA and UK. The Group completes annual reviews of all customers and monitors revenue by customer on a monthly basis. The client base seems to have remained resilient during Brexit, the pandemic and the Ukraine crisis.

15. ISXFEU and ISXFUK is subject to financial services regulatory risks, including regulatory licencing risks.

eMoney regulations undergo frequent revisions, presenting a dynamic landscape across the various

jurisdictions where ISXFEU operates, including ISXFUK and its UK operations. Adapting to changing eMoney regulations may necessitate seeking guidance from local legal advisors, potentially increasing operational costs. Moreover, to mitigate regulatory risks, ISXFEU or ISXFUK may opt to limit operations in specific jurisdictions, affecting expansion prospects. Compliance with local eMoney regulations may require obtaining licences, which could incur additional expenses, delay growth, or impede operations if licences are not granted.

Violation of current or future regulations, loss of authorisations from regulatory bodies such as the Central Bank of Cyprus or the UK's Financial Conduct Authority, could lead to increased compliance costs or revenue loss. Furthermore, regulatory breaches may expose ISXFEU Group to financial, civil, or criminal liabilities, necessitate changes in business practices, or result in business cessation in affected countries. International expansion may entail additional licensing costs, affecting financial performance.

The Group maintains a sound anti-money laundering record with regulators and remains vigilant of legal obligations, establishing policies and procedures to ensure compliance. Horizon scanning enables proactive adaptation to new regulations, safeguarding against regulatory risks.

16. Ukraine conflict

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus and globally with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and worldwide, which are difficult to precisely estimate if the war escalates.

17. Israel - Gaza conflict

The Israel-Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. ISXFEU Group management will continue to monitor the situation closely and take appropriate actions when and if needed.



Management Report – Corporate Governance



Composition of the Board

The Company is overseen by its Board of Directors, responsible for guiding and overseeing its operations. Comprising six directors, the Board includes four non-executive directors, all meeting the criteria of independence as defined in Annex II of the European Commission Recommendation no 2005/162/WE. Additionally, there are two executive directors, fulfilling the roles of Chief Executive Officer and Chief Product Officer. Further information regarding the current board members is provided below.

'Material' current directorships includes third party owned or controlled entities that are either regulated, listed on a regulated market, related parties or present a potential conflict of interest.

Christakis Taoushanis

Independent Non-Executive Director and Chairman

B.Sc | M.Sc



Age:
Residence:
ISXFEU Director Since:

66
Cyprus
April 4, 2017

Christakis Taoushanis holds a BSc degree in Economics, and a Master's in Business Administration received from the London School of Economics and the London Business School, respectively. Christakis Taoushanis brings extensive banking and finance knowledge and experience to our organisation having spent over 40 years in the industry in various senior roles.

Christakis Taoushanis has worked for some of the world's largest banks in a number of different locations including Chicago, Greece, Hong Kong and Cyprus. This includes serving at Continental Illinois National Bank of Chicago for four years, the HSBC Group for eighteen years, with twelve of those as the Managing Director of the Cyprus subsidiary, and eight years as the Chief Executive Officer of the Cyprus Development Bank.

Since 2011, Christakis Taoushanis has been working with the private firm TTEG & Associates, providing services as an advisor to several companies, also acting as a non-Executive director in some of them.

Other material current directorships:

MHP SE (LSE: MHPC), Louis plc (CSE: LUI), iCFD Ltd, Capital Intelligence Ratings Ltd, Trident Trust Company (Cyprus) Ltd
Chairman of the ISXFEU Board, Chairman of Remuneration Committee and Chairman of Nomination Committee

Special responsibilities:

Interests in shares:

258,500 Ordinary Shares directly held

Interests in options or rights:

Nil

Nikogiannis Karantzis
Managing Director and Chief Executive Officer
B.E. MCommrciLaw | M.Enterp



Age: 55
Residence: Cyprus
ISXFEU Director Since: October 19, 2015

Nikogiannis Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne). Nikogiannis Karantzis has over 29 years' experience in a number of sectors, including payments, online media, secure communications, and eCommerce.

His previous public company experience includes directorships with Southern Cross Payments Ltd (formerly iSignthis Ltd) (ASX: ISX) (2015 to 2021), NSX (ASX: NSX) (2020 to 2022), Sports Entertainment Group (ASX: SEG) (formerly known as Pacific Star Network Limited (ASX: PNW), Data and Commerce Ltd. (ASX: DCL) and Reeltime Media Limited (ASX: RMA).

Other material current directorships:	Select All Enterprise Ltd
Special responsibilities:	Managing Director, Member of the Risk Committee
Interests in shares:	22,485,409 Ordinary Shares indirectly held
Interests in options or rights:	Nil

Panikos Poulos
Independent Non-Executive Director
B.Sc | M.Sc



Age:	75
Residence:	Cyprus
ISXFEU Director Since:	April 13, 2022

Panikos Poulos holds a BSc degree in Economics from the London School of Economics and a MSc degree from the University of Aberdeen. Panikos Poulos also holds a certificate from the International Monetary Fund Institute (USA) and the European Institute of Public Administration (Maastricht-Netherlands). Panikos Poulos has over 46 years of extensive experience including roles in senior levels of the civil service of the Republic of Cyprus, insurance and the banking industry.

Panikos Poulos' role in government has been extensive having served as Permanent Secretary for E.U. Affairs at the Ministry of Foreign Affairs of the government of Cyprus 1996 – 1997, Permanent Secretary of the Planning Bureau of the government of Cyprus 1997 – 2004 and Permanent Secretary of the Ministry of Agriculture Natural Resources and the Environment of the government of Cyprus 2004 – 2009. Panikos Poulos also was part of the Negotiating Team for the Accession Negotiations of Cyprus with the E.U. and Acting Chief Negotiator in the absence of the Chief Negotiator, Giorgos Vasiliou, former president of the Republic of Cyprus and a member of the Council of Economic Advisers to the President of the Republic of Cyprus.

Panikos Poulos' key roles in banking and industry have included being an Independent non-executive director of Cyprus Development Bank 1997-2004, National Bank of Greece (Cyprus) 2010-2012, Bank of Cyprus 2013, Central Co-op Bank 2013-2018, Cyprus Airways (Public) Ltd 2012-2013, Aretaieion Hospital 2012-2022 and Cooperative Asset Management Company Ltd (SEDIPES) 2018-2023.

Other material current directorships:	Nil
Special responsibilities:	Chairman of the Risk Committee, Member of the Audit Committee, Member of Remuneration Committee
Interests in shares:	Nil
Interests in options or rights:	Nil

Dominic James Melo
Executive Director & Chief Product Officer



Age:	44
Residence:	Cyprus
ISXFEU Director Since:	June 10, 2019

Dominic Melo brings over two decades experience in the payments and information technology ("I.T.") expertise to our organization having worked for in the industries in various roles.

Dominic Melo has worked for organizations that span several locations including Hong Kong, London, Malta, Cyprus, United States of America. This included acting as director of Paymundo Systems for over six years, Senior Consultant for Go-Secure for over 11 years and as Information Technology director at Alliance Asset Management for over two years. Since 2018 Dominic Melo currently holds the position of Chief Product Officer where he coordinates the ISXFEU's product suite.

Other material current directorships:	Nil
Special responsibilities:	Executive Director.
Interests in shares:	116,029 Ordinary Shares directly held
Interests in options or rights:	Nil

Adonis Pegasiou
Independent Non-Executive Director
Ph.D | M. Sc



Age:	44
Residence:	Cyprus
ISXFEU Director Since:	June 17, 2022

Adonis Pegasiou holds a BSc degree in Economics from the London School of Economics (LSE) and a Masters from the University of Bristol in European Policy Studies. Adonis Pegasiou further holds a Ph.D. from the University of Manchester in Politics. Furthermore, he received funding to undertake a post-doctoral fellowship to study the Europeanisation of Cyprus's Economy, based at the European University of Cyprus and in cooperation with the LSE and the University of Manchester.

Adonis Pegasiou has over 10 years' experience in academia which includes him lecturing at both the 'University of Cyprus', 'European University of Cyprus' and is currently the Academic director at the 'European Institute of Management and Finance'.

In addition, Adonis Pegasiou has over a decade experience as a consultant for the public and the private sector, where he served on the Boards of Cyprus Airways as well as most recently the Cyprus Cooperative Bank, among other.

Other material current directorships:	Nil
Special responsibilities:	Member of the Nomination Committee, Member of the Audit Committee and Member of the Risk Committee
Interests in shares:	Nil
Interests in options or rights:	Nil

Paul Barnes
Independent Non-Executive Director
MSc | FCCA | MCSI



Age:	70
Residence:	United Kingdom
ISXFEU Director Since:	November 9, 2023

Paul Barnes has experience in international business, specifically in venture development across the financial services and technology sectors. His expertise in mergers and acquisitions (M&A) activities is particularly noteworthy, positioning him as an asset to the company's strategic planning and growth initiatives.

Previously, Paul Barnes has held significant roles including executive and non-executive director positions. Notably, he was part of Tristel PLC (TSTL.L), a healthcare company listed on the LSE AIM market. His contributions there as Finance Director and subsequently Chairman of the Company and Chairman of the Audit and Risk Committee were instrumental in the Company's development and success.

In addition to his role at ISX Financial EU Plc, Paul Barnes serves as an independent director with an ASX listed company specializing in cutting-edge wireless technology, including waveforms and public mobile radio solutions.

Paul Barnes is a Fellow of the Association of Chartered Certified Accountants and a Member of the UK's Chartered Institute for Securities and Investment. His expertise in financial regulations and compliance is further underscored by his role as a director at the FCA regulated ISX Financial UK Ltd since September 2020.

Other material current directorships:	Etherstack Plc (ASX :ESK)
Special responsibilities:	Chairman of the Audit Committee, Member of the Risk Committee, Member of the Remuneration Committee and Member of the Nomination Committee
Interests in shares:	25,000 Ordinary Shares directly held
Interests in options or rights:	Nil

Corporate Governance

Below details the key corporate governance policies and practices adopted by ISXFEU's Board. The ISXFEU Board is committed to ensuring continued investor confidence in the operations of ISXFEU and in maintaining high standards of corporate governance in the performance of their duties.

The role of the ISXFEU Board

The role of the ISXFEU Board of Directors is to provide strategic guidance to ISXFEU (and its related bodies corporate), effective oversight of management and to provide a sound base for a culture of good corporate governance within ISXFEU.

The ISXFEU Board will always retain ultimate authority over the management and staff of ISXFEU and its related bodies corporate.

In performing its role, the ISXFEU Board should act, at all times:

1. in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of ISXFEU, ISXFEU's Shareholders, as well as its employees, customers and the community.
2. in a manner designed to create and continue to build sustainable value for ISXFEU Shareholders.
3. in accordance with the duties and obligations imposed upon them by the ISXFEU Constitution and applicable law.
4. with integrity and objectivity, consistently with the ethical, professional and other standards set out in ISXFEU's corporate governance policies.

Responsibilities of the ISXFEU Board

The responsibilities of the ISXFEU Board include:

- represent and serve the interests of ISXFEU Shareholders by overseeing and appraising ISXFEU's strategies, policies and performance.
- protect and optimise ISXFEU's performance and build sustainable value for ISXFEU Shareholders.
- set, review and ensure compliance with ISXFEU's values and governance framework.
- ensure that ISXFEU Shareholders are kept informed of ISXFEU's performance and major developments.
- Operate ISXFEU as an EEA authorised electronic money institution, per the terms of its Central Bank of Cyprus authorisation.
- Appoint the Managing Director and review their performance.
- Receive reports and recommendations from the Anti Money Laundering Compliance Officer.
- Appoint a competent board of directors to ISXFUK which will operate the UK electronic money institution per the terms of its FCA authorisation, and
- Appoint competent board of directors to all other Group companies.

Composition of the ISXFEU Board

Under the ISXFEU Articles of Association, the minimum number of Directors is four and the maximum number is ten. The ISXFEU Board at the date of this Annual Report is comprised of six Directors, namely Christakis Taoushanis, Nikogiannis Karantzis, Panikos Pourous, Adonis Pegasiou, Paul Barnes and Dominic Melo.

Each ISXFEU Director is bound by all ISXFEU's charters, policies, and codes of conduct. If the ISXFEU Board determines it is appropriate or necessary, they may establish committees to assist in carrying out various responsibilities of the ISXFEU Board. Such committees will be established by a formal charter.

The ISXFEU Board delegates the management of ISXFEU's business and day to day operation to the ISXFEU Managing Director who is authorised, in turn, to delegate such powers conferred on him or her to members of the senior management group.

The ISXFEU Board seeks to nominate persons for appointment to the ISXFEU Board who have the qualifications, experience, and skills to augment the capabilities of the ISXFEU Board.

Independence of ISXFEU Directors

The ISXFEU Board considers the issue of independence of ISXFEU Directors, as set out in the ISXFEU Board charter.

The ISXFEU Board charter defines an independent director as a director who is not a member of management, is a non-executive director and who:

- is not, and has not within the last three years, been employed in an executive capacity by ISXFEU or another group member, and there has been a period of at least three years between ceasing such employment and serving on the ISXFEU Board.
- is not, and has not within the last three years been, a principal of a material professional adviser or a material consultant to ISXFEU or another group member, or an employee materially associated with the service provided.
- is not, and has not within the last three years, been a material supplier or customer of ISXFEU or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- is not a substantial shareholder (i.e. a person with a relevant interest through associated entities) of ISXFEU or an officer of, or otherwise associated directly with, a substantial shareholder of ISXFEU.
- has no material contractual relationship with ISXFEU or another group member other than as a Director of ISXFEU.
- has no close family ties with any person who fall within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Any independence issue is considered at the materiality threshold relevant at the time to the particular issue. When assessing the materiality threshold relevant to an issue, thought is given not just to the financial materiality of an issue, but to the type of issue, shareholders expectations and potential reputational impacts as a result of the issue.

ISXFEU Directors are required to be assessed as 'fit and proper' under the joint European Banking Authority (EBA) and European Securities Market Authority (ESMA) 'Guide to fit and proper assessments', with details to be submitted to the Central Bank of Cyprus and the UK's Financial Conduct Authority.

Independent professional advice

The ISXFEU Directors are entitled to seek independent professional advice at ISXFEU's expense on any matter connected with the discharge of their responsibilities. Such advice may be sought in accordance with the procedures set out in the ISXFEU Board charter.

Securities trading policy

ISXFEU will adopt a formal securities trading policy prior to admission to any regulated exchange.

Remuneration policy

Please refer to the remunerations report for the remunerations policy of the Company.

Continuous and timely disclosure obligations

Until such time as ISXFEU is admitted to an official list as a quoted public company, it will not be required to comply with any continuous or timely disclosure regulations.

ISXFEU is not currently listed, and it is therefore unnecessary to include obligations that ISXFEU will or may have upon admission. In any event, upon admission it will have obligations under, inter alia, (i) the rules of the stock exchange on which it will be admitted; (ii) the Companies Law ; (iii) under the GDPR (which it currently has in any event); (iv) the Electronic Money Laws of 2012 and 2018 (Cyprus), (an obligation that it currently has in any event), the Provision and Use of Payment Services and Access to Payment Systems Laws of 2018 to 2023 (Cyprus) (an obligation that it currently has in any event); the Prevention and Suppression of Money Laundering Activities Law of 2007 to 2023 (Cyprus) (a further obligation that it currently has in any event); (v) any Directives issued by the Central Bank of Cyprus pursuant to the laws which apply to ISXFEU.

ISXFEU Shareholder communication

The ISXFEU Board strives to ensure that ISXFEU Shareholders are provided with full and timely information to assess the performance of ISXFEU and ISXFEU Directors and to make well-informed decisions.

Information is communicated to ISXFEU Shareholders:

- through the distribution of quarterly financial updates, the half year report, annual report and notice of annual general meeting.
- through emails, letters and other forms of communications directly to ISXFEU Shareholders; and
- by posting relevant information on ISXFEU's website, social media and in certain cases, the mainstream Cypriot news media.

Ethical standards and business conduct

The ISXFEU Board recognises the need for ISXFEU Directors and employees to observe appropriate standards of behaviour and business ethics when engaging in corporate activity. Through its code of conduct, the ISXFEU Board intends to maintain a reputation for integrity. ISXFEU's business ethics are founded on openness, honesty, fairness, integrity, mutual respect, ethical conduct and compliance with laws.

The standards set out in the code of conduct are required to be adhered to by officers and employees of ISXFEU. The code of conduct and further details of these standards can be found on ISXFEU's website.

Anti-Money Laundering and Anti Bribery Policies

ISXFEU Group maintains extensive AML and Anti Bribery policies, which are monitored day to day by the inhouse Anti Money Laundering Compliance officers (AMLCO), Compliance and risk teams. ISXFEU operates according to a four-layer model, which includes having in place appropriate policy that is adhered to by ISXFEU Group operations, monitored by the AMLCO, and subject to assessment by independent auditors, with reports disclosed to the ISXFEU Board and the relevant Competent Authorities, which provide continuous oversight as required by regulation.

No regulated entity in the ISXFEU Group has been subject to any sanctions, fines, or corrective notices from any Competent Authority or financial intelligence unit in respect of its AML practices.

ISXFEU and ISXUK Competent Authorities include the Central Bank of Cyprus, the (Cypriot) Unit for Combating Money Laundering (MOKAS), the UK's Financial Conduct Authority (FCA), the UK's National Crime Agency (NCA) and the Central Bank of Lithuania.

Terms of Reference

Representation

Members of the Board represent the ISXFEU Group, and the Board has the authority to appoint any official as a representative, and to determine the list of his/her powers. The Managing Director and Chief Executive Officer is authorised to represent the Group on his own and to sign documents on behalf of the Group. In case of a conflict of interest between the Group and one of the directors, the conflicted director shall not participate in the decision making process concerning the matter causing the conflict. Members of the Board are appointed and may be suspended or dismissed from their position by the General Meeting of Shareholders.

At each annual general meeting of the Company one-third of the directors for the time being, (or if their number is not three or a multiple of three, then the number nearest one-third) shall retire from office and shall, if willing to act, be eligible for re-election. The directors who offer themselves for re-election shall be referred to as the Retiring Directors. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire (unless they otherwise agree among themselves) be determined by lot.

No person other than a Retiring Director shall be eligible for election to the office of director at a general meeting of the Company unless:

- that individual is recommended by the board of directors; or
- not less than ten Business Days nor more than 42 days before the date appointed for holding the meeting, there shall have been left at the registered office of the Company or forwarded to the electronic address of the Company a notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

Shareholding by the Board members and insider trading

Securities Rules have been established, which apply to the Board members in relation to the acquisition of securities share and transactions with them in listed entities with which ISXFEU Group conducts business. Furthermore, the conditions and requirements of the EU Market Abuse Directive and the company's Insider Trading Rules, reflecting the essence of EU Market Abuse Directive, are applicable to the Board members (and other persons related to Board Members) in relation to the acquisition of shares and equity participation.



Meetings of Directors

In 2023 the Board of Directors held ten meetings. The meetings were arranged in the form of face to face and via teleconferences on conditions that the minutes of the meetings in all cases were taken by the secretary of that meeting at the registered office of the company, or other premises on the territory of Cyprus and subsequently duly signed by the Chairman of the Board.

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Christakis Taoushanis	10	10	6	6	4	4	1	1	1	1
Nikogiannis Karantzis	10	10	-	-	4	4	-	-	-	-
Elizabeth Warrell ⁽¹⁾	5	6	-	-	-	-	-	-	-	-
Adonis Pegasiou	8	10	6	6	3	4	1	1	1	1
Panikos Pourous	10	10	6	6	4	4	1	1	1	1
Paul Barnes ⁽²⁾	1	1	-	-	-	-	-	-	-	-
Dominic Melo	10	10	-	-	-	-	-	-	-	-

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

(1) Elizabeth Warrell resigned on 29 June 2023.

(2) Paul Barnes was officially appointed as a director on 9 November 2023.



Board Committees

A full-page background image of the Tower Bridge in London at sunset. The sun is low on the left, creating a bright starburst and reflecting on the water. The bridge's stone towers and blue suspension cables are silhouetted against the orange and yellow sky.

Audit Committee

Audit Committee Chair (as of 1 January 2024)

Paul Barnes

Independent Non-Executive Director

MSc | FCCA | MCSI

Audit Committee Members Include: Panikos Poulos (Member),
Adonis Pegasiou (Current Member, Prior Chair Until 31/12/2023),
Christakis Taoushanis (Member Until 31/12/2023)



Dear Stakeholders,

This is my first report as Chair of the Audit Committee having succeeded Adonis Pegasiou in Q4 2023. I would like to thank Adonis for his significant contribution to Audit Committee during his tenure on the Board

The Audit Committee on behalf of the Board of Directors is tasked with overseeing the Company's financial reporting process.

The Company's executive management has the primarily responsibility for the financial statements, maintaining effective internal control for financial reporting, and assessing the effectiveness of internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed ISX Group's consolidated audited financial statements in the Annual Report with senior executives of the Group, and with the Group's independent auditor. The committee's discussions include those on the quality, not just the acceptability, of certain of the accounting policies adopted by the Group; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Committee is governed by a charter and comprises solely of independent directors. A copy of the charter is available on the Company's website (Audit Committee Charter). The charter has recently been reviewed and re-adopted in 2024. The Committee held six meetings during the financial year to 31/12/2023.

The meetings of the Committee seek to encourage communication among the Committee, senior executives, the Company's externally appointed internal auditors and the Company's independent auditor. The Committee discussed with both the Company's internal auditors and independent auditor the overall scope and plans for their respective audits.

The Committee has meet with the internal auditors and the independent auditor over the financial year, both with and without management present, to discuss the results of their reviews, their evaluations of the Company's internal control and the overall quality of the Company's financial reporting.

The Committee under its Charter has also considered and discussed with senior executives' risks related to financial reporting, cybersecurity, emerging technologies, and other critical areas and has considered the performance of the independent auditor, over independence, and effectiveness in ensuring accurate financial reporting.

Audit Committee

The Board of Directors has established an Audit Committee in order to meet the necessary corporate governance requirements and to ensure the Company's financial transparency.

The role of the Audit Committee is to:

- Monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- Assess management's selection of accounting policies and principles;
- Evaluate the external audit of the financial statements and the external auditor's report, including an assessment of whether external reporting is consistent with Board members' information and knowledge
- Recommend the External Auditor to shareholders and assess the adequacy of the external auditor's report for shareholder needs;
- Appoint the Internal Auditor. Where Internal Audit is outsourced, approve the selection of the Internal Auditor;
- Approve the audit plans – both Internal and External;
- Monitor, review, oversee and assess the external and internal audit function including matters concerning appointment and remuneration, independence and non-audit services;
- Examine internal controls, including the Company's policies and procedures for assessing, monitoring, and managing financial risks (and other authorized business risks), as well as the Company's overall risk management framework and systems;
- Develop and supervise procedures for handling complaints or employee concerns related to accounting, internal controls, auditing matters, and breaches of the Company's Code of Conduct; and
- Ensure compliance with all statutory reporting requirements that falls within the scope of the Audit Committee and perform such other functions as assigned by law or the Company's Constitution.

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise a minimum of 3 independent non-executive directors (where possible), with the secretary of the company being the secretary of the Audit Committee. One member, who does not chair the Board, shall be appointed to chair the Audit Committee and be an independent non-executive director. All Audit Committee members shall have a reasonable understanding of the sectors and industries in which the Company participates and will collectively possess competence relevant to the company's sector. Additionally, the Board will ensure that at least one Audit Committee member has recent and relevant financial, operational, and regulatory risk experience, along with at least one member having accounting and/or related financial management expertise. The degree of financial literacy among other committee members will be tailored to the company's nature, with a typical requirement of experience in corporate financial matters.

The Company has elected not to have an internal audit function in-house, instead the internal audit function is outsourced to external professionals who provide internal audit services.

Risk Committee

Risk Committee Chair

Panikos Pourous

Independent Non-Executive Director

B.Sc | M.Sc

Risk Committee Members Include: Adonis Pegasiou (Member),
Nikogiannis Karantzis (Member), Paul Barnes (Member as of 01/01/2024)
Christakis Taoushanis (Member Until 31/12/2023)



Dear Stakeholders,

The Risk Committee met four times during 2023. It reviewed the progress made since its previous meetings and discussed the CRO report. Issues covered and discussed included compliance regulatory and scheme reporting requirements, group policies to be reviewed, GDPR announcements amendments and decisions, AML and ABC training. Risk tolerance is being reviewed regularly, turnover and revenue statistics analysed to and identify possible risk areas and to show developments regarding the sources of income.

The committee monitored compliance with the internal audit report and identified areas that needed further progress. Banking and flykk® statistics were reviewed as well as EMA Country transaction distribution. Analysis of fraud and chargebacks show very low percentages well below 1%.

The AML and risk teams regularly review all clients, demonstrating our commitment to ensuring the safety and integrity of our operations. As our business expands, we maintain a keen focus on conducting periodic assessments of each client's risk profile. In Finance and Treasury, we are making significant progress in automating various processes, which enhances efficiency and accuracy. We acknowledge the importance of fostering a robust risk culture and have established a risk management framework which proactively addresses risk including through training efforts to mitigate any potential concerns.

Risk Committee

The Board of Directors has established a Risk Committee to meet the necessary corporate governance requirements and to ensure the Company's financial transparency.

The role of the Risk Committee is to:

- Assist the Board of Directors in the effective discharge of its responsibilities for business, market, credit, equity and other investment, financial, operational, liquidity and reputational risk management;
- Ensure adherence to internal risk policies and procedure; and
- Perform such other functions as assigned by law or the Company's Constitution.

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise (when possible) at least 2 non-executive directors plus the managing director, or 3 non-executive directors, with the secretary of the company being the secretary of the Risk Committee. All Committee members shall be financially literate. One member, who does not chair the Board, shall be appointed to chair the Risk Committee and be an independent non-executive director (where possible). At least one member shall have accounting and/or related financial management expertise as determined by the Board, along with another member who has experience in managing financial, operational, and regulatory risk. All Committee members shall have a reasonable understanding of the sectors in which the Company participates.

Nomination Committee

Nomination Committee Chair (as of 1 January 2024)

Christakis Taoushanis

Independent Non-Executive Director and Chairman

B.Sc M.Sc

Nomination Committee Members Include: Adonis Pegasiou (Current Member, Prior Chair Until 31/12/2023), Paul Barnes (Member as of 01/01/2024), Christakis Taoushanis (Member Until 31/12/2023)



Dear Stakeholders,

Throughout 2023, the Nomination Committee remained dedicated to ensuring robust succession planning for the Board, Executive Committee, and individuals deemed Material Risk Takers. Our focus on identifying and nurturing talent capable of driving our business success while upholding our distinctive culture remains paramount. In July, Elizabeth Warrell stepped down from the Board and as Chief Financial Officer, departing with our sincere gratitude for her contributions. We were delighted to welcome Paul Barnes to the Group Board in November, succeeding Adonis Pegasiou as Chair of the Audit Committee and also Ajay Treon in May as Chief Financial Officer.

Nomination Committee

The Board of ISXFEU has established a Nomination Committee that is comprised of at least three non-executive directors, all of whom are independent, where possible. One member shall be appointed to chair the Nomination Committee and must be an independent non-executive director. All Committee members shall have a reasonable understanding of the industries in which the Company participates.

The Nomination Committee's function is to examine the selection and appointment practices of the Company. To ensure that the Board has the appropriate blend of directors with the necessary skills, expertise, relevant industry experience and diversity, the Nomination Committee shall:

- regularly review the size and composition of the Board and consider any appropriate changes;
- make recommendations on the appointment and removal of directors;
- make recommendations on whether any director whose term of office is due to expire should be nominated for re-election;
- regularly review the time required from non-executive directors and whether non-executive directors are meeting that requirement;
- regularly review the Company's Diversity Policy and make decisions as to any strategies required to address Board diversity;
- regularly review and consider the relative proportion of women and men at all levels of the company; and
- assessing periodically, and at least annually the structure, size, composition and performance of the management body and making recommendations to the management body with regard to any changes.

The Nomination Committee reviews the Company's Procedure for Selection and Appointment of Directors and Diversity Policy. This review is conducted to ensure these policies promote transparency and shareholder confidence in the process of selecting directors for nomination.

Remuneration Committee

Remuneration Committee Chair (as of 1 January 2024)

Christakis Taoushanis

Independent Non-Executive Director and Chairman

B.Sc M.Sc

Remuneration Committee Members Include: Panikos Pourous (Member),

Adonis Pegasiou (Chair Until 31/12/2023),

Paul Barnes (Member as of 01/01/2024)



Dear Stakeholders,

2023 has proved to be a good year for ISX Financial, despite continued macroeconomic headwinds. The collective effort of all colleagues has resulted in robust results. Our approach to pay continues to be underpinned by the principles of commercial focus, fairness, and alignment to market. The focus for the first half of 2023 was to support colleagues in a high inflation environment, and ensure we paid them fairly in the round. We will continue to monitor the impact of the macro-economic environment on our colleagues, in the way we do for our customers, and look to balance the needs of all our stakeholders as part of our oversight of performance and remuneration. For 2023, as in previous years, a portion of remuneration is variable, based on performance delivered against a balanced scorecard. The scorecard is monitored, setting out four key performance areas of customer, accountability, responsibility, and engagement.

In 2024, the Remuneration Committee will continue to oversee the development and implementation of the Group's remuneration policy and practices, including the determination and distribution of variable pay, comprising annual bonuses for employees and long-term incentive awards to selected colleagues.

We remain committed to ensuring that our reward framework continues to align Executive performance with shareholder expectations, as well as with the customer experience, while ensuring that pay remains competitive to retain the right talent and aligned to the strategy of the Group over the short and long term.

Remuneration Committee

The Board of Directors has established a Remuneration Committee in order to meet the necessary corporate governance requirements and to ensure the Company's financial transparency.

The role of the Remuneration Committee is to:

- approve the remuneration packages of Executive Directors, Non-Executive Directors and senior executives;
- approve employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed; and
- be available to meet with the Central Bank of Cyprus upon request.

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least three non-executive directors (where possible). One member shall be appointed to chair the Remuneration Committee and must be an independent non-executive director (where possible). All Committee members shall have a reasonable understanding of the industries in which the Company participates.

General Meeting

The Company shall in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The next general meeting will be held no later than the 30th September 2024. Further information will be sent to shareholders regarding the final date and time of the meeting and how to join in due course.

Major Shareholders

The names of the twenty largest security holders as at 31st December 2023 are listed below:

Position	Holder Name	Holding	% IC
1	SELECT ALL ENTERPRISE LIMITED	44,779,775	40.68%
2	RED 5 SOLUTIONS LIMITED	10,900,000	9.90%
3	UBS NOMINEES PTY LTD	8,240,426	7.49%
4	ICEBREAK FLOW GLOBAL LIMITED	2,361,578	2.15%
5	VASTIUM HOLDINGS LIMITED	1,529,160	1.39%
6	ALTERNATIVE LIQUIDITY INDEX LP	1,201,280	1.09%
7	CILI PADI LIMITED	1,010,463	0.92%
8	IFM PTY LIMITED <IFM SUPER FUND A/C>	1,000,000	0.91%
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	896,360	0.81%
10	THE NORTHERN TRUST COMPANY	671,215	0.61%
11	TOP 4 PTY LTD <FOUNDATION INVESTMENTS S/F>	667,110	0.61%
12	WARNEET SUPER PTY LIMITED <WARNEET SUPER FUND A/C>	666,861	0.61%
13	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	620,000	0.56%
14	ARKADII ZALEVSKII	584,300	0.53%
15	BOND STREET CUSTODIANS LIMITED <LAMAN - D05019 A/C>	533,139	0.48%
16	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	494,028	0.45%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <NOM1 A/C>	480,158	0.44%
18	VICTORIA KIRIN PTY LTD <DROMANA COAST A/C>	440,000	0.40%
19	CHAMPIO PTY LTD <CHAMPIO FAMILY A/C>	413,857	0.38%
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	370,788	0.34%
TOTALS of Top20 Holders of Ordinary Paid Up shares		<u>77,860,498</u>	<u>70.73%</u>
Total Issued Capital		<u>110,079,450</u>	<u>100.00%</u>

All shares in the Company are ordinary, fully paid shares, with all shares carrying equal voting rights.



Management Report Non-Financial Information

Corporate Social Responsibility at ISX Financial EU

As a company active in financial markets around the world, we believe that ISXFEU has a responsibility to our stakeholders and to the communities where we live and work. Our commitment is built on the deeply ingrained sense of social responsibility among our employees and the recognition that our company grows stronger by helping to advance local communities, business practices and individual lives around the world.

Our social investment is wide-reaching and includes:

- Valuing our people
- Advancing diversity
- Developing our global community
- Contributing to economic development
- Managing our business
- Caring for the environment
- Respecting human rights

ISXFEU's Code of Conduct

ISXFEU has several codes, policies, and procedures to run the business in a fair, ethical and lawful manner and in compliance with applicable laws and regulations. The Company's Code of Conduct (the "Code") is a statement of the fundamental principles and certain key policies that govern the conduct of our business and can be found on the Company's website at: <http://www.isx.financial>.

The Code confirms that an essential aspect of the Group's success is our collective commitment to operating in an ethical and lawful manner to maintain the integrity of our business. The Code, which has been approved by the Company's Board of Directors, sets forth the guiding principles we expect each employee and corporate director to follow.

Outsourcing and Supply Chain Relationships

The Group has rigorous policies and procedures in relation to the engagement of suppliers that assist the Group in carrying on its business. The Group has a Procurement & Sourcing Code (this includes Vendor Selection and Contracting which sets out the parameters which apply to our selection and retention of certain new and existing suppliers and the execution of contracts). The policy has a specific question on modern slavery and human trafficking in their standard due diligence request list.

Our supply chain mostly consists of reputable financial services firms, sophisticated independent consulting firms, and other service providers in the areas of finance and technology (including the procurement of software, data and other technology-related goods and services). Given the nature of our business and the typical goods and services we procure, we consider the risk of slavery and human trafficking in our supply chain to be low. The Group exercises skill and care when selecting third party service providers, including a determination as to whether they have the ability and capacity to perform the contracted function(s) reliably and professionally.

When selecting new suppliers, we consider the suitability of the product or service for the Group's needs, as well as other selection criteria, including organization and management, reputation, and their ability to meet ISXFEU Group's applicable regulatory or legal requirements.

Our arrangements with material suppliers are documented by a written agreement specifying the respective rights and obligations of an ISX Group company and the supplier. The Group requires its service providers:

1. to comply with all applicable national, local, and international laws (including employment-related laws);
2. to adhere to the rules and requirements arising in connection with its personnel;
3. not to participate in any illegal, deceptive, misleading or unethical practices;
4. to comply with all applicable anti-slavery and human trafficking laws (including the Modern Slavery Act);
5. to implement due diligence procedures for their own supply chains;
6. to confirm that there is no slavery or human trafficking in its supply chains; and
7. to notify the Risk Committee of any breach.

The Group will not support any supplier relationship where we are aware, or have reasonable grounds to believe, that slavery and human trafficking is taking place, and the Group will take appropriate action if it appears that the supplier is not carrying out its functions as per the contractual arrangements and/or in compliance with the applicable laws and regulatory requirements.

Open Door Communication and Whistleblowing

The Group's objective is to maintain an environment in which all employees feel comfortable to raise issues that they believe are important. The Company therefore supports open door communication and encourages employees to raise concerns with their immediate supervisors or other senior managers. Alternatively, there is a portal available for those who wish to submit concerns anonymously. We also operate an ethics email for employees to raise issues or report concerns. In accordance with applicable law, no employee will be subject to retaliation because of a good faith report of suspected misconduct.

Environmental matters

The Group is committed to conducting its operations in an environmentally sound and sustainable manner. To achieve protection of the health and safety of employees, customers and the public, the Company has established procedures and compliance programs to ensure the minimum adverse impact on the environment. Such procedures and programs are periodically being reviewed and appraised.

Social and employee matters

As of 31 December 2023 the Group had 151 employees, with employees in Nicosia (Cyprus), Melbourne and Sydney (Australia), Vilnius (Lithuania), Malta (Valletta), Raleigh (NC, USA), London (UK), Amsterdam (the Netherlands), Tel-Aviv (Israel) and Valetta, (Malta).

The Group recruits, employs and promotes employees on the sole basis of their qualifications and abilities (including reputation and reliability). The Group endeavours to enable everyone to develop his or her talents in various ways (including, when appropriate, through training programs). The Group considers safe and healthy working conditions for its employees to be fundamental. The Company believes that good communication with employees is essential.

There are no material issues expected to impact employees in 2024.

Management Report Remuneration report

Remuneration Report

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Cypriot Companies Law (Cap. 113) 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.

Remuneration Policy for 2024

The Group has established a competitive remuneration framework to attract, engage and retain its employees. Its basic principles are to:

- Safeguard that remuneration is sufficient to retain and attract executives with appropriate skill and experience.
- Monitor that internal equity between all Units is applied.
- Avoid excessive risk taking.
- Link remuneration with long-term performance.

The continuous monitoring of market trends and best practices in domestic and global level ensures a competitive Remuneration Policy that is governed by transparency and internal equity.

Remuneration packages may contain any or all the following:

- annual salary base or guaranteed variable remuneration with provision to recognise the value of the individuals' personal performance and their ability and experience.
- rewards, bonuses, special payments, and other measures available to reward individuals and teams following a particular outstanding business contribution.
- share participation – the Company is considering implementing an employee incentive scheme, further details will be shared with shareholders when available; and
- other benefits, such as lease vehicles, medical insurance, holiday leave, sickness benefits, superannuation payments, long service benefits and separation agreement schemes.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year on the recommendation of the Managing Director and Chief Executive Officer.

Remuneration of the Managing Director and Chief Executive Officer will be reviewed annually by the Board. Determination of Non-Executive Directors fees are with regard to the long-term performance of the Company.

Executives and Executive Directors remuneration will offer a level of remuneration which is sufficient to attract and retain Executives needed to run the Company successfully, but avoiding paying more than is necessary for this purpose.

Employee remuneration will offer a level of remuneration which is sufficient to attract and retain Employees as needed to run the Company successfully but avoiding paying more than is necessary for this purpose. It's proposed that Employees are eligible to receive both a short and long-term incentive, tied to specific goals for the individual and the Company.

The Group can apply malus or clawback arrangements up to 100% of the total of any variable remuneration.

Remuneration of ISXFEU Directors

The Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed €500,000 per annum for the Company. Any change to Non-Executive Director fees is recommended by the Remuneration Committee and approved by the Board.

The remuneration of Executive Directors will be recommended by the Remuneration Committee and approved by Non-Executive Directors. The Board has resolved that the Directors' fees for the Company will be €36,000 per annum for the Chairman and €18,000 per annum for non-executive Directors (exclusive of any statutory obligations or other fees paid on behalf of other Group companies to directors), which may be subject to change in the future.

The remuneration of the executive Directors and key management will be determined by the Board. A summary of Nikogiannis Karantzis' (the Managing Director and Chief Executive Officer), Elizabeth Warrell's (the ex. Chief Financial Officer), Ajay Treon's (the current Chief Financial Officer) and Dominic Melo's (the Chief Product Officer) material terms in employment agreements are set out below.

Details of remuneration

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

	31 December 2023 €	31 December 2022 €
Short-term benefits	1,642,714	890,382
Post-employment Benefits	6,613	16,114
	<u>1,649,327</u>	<u>906,496</u>

Above amounts include Executive Directors, Non-Executive Directors and Group CFO remuneration.

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:

ISXFEU Director	ISXFEU Shares held	% Interest
Christakis Taoushanis	258,500 directly held	0.23%
Nikogiannis Karantzis	22,485,409 indirectly held	20.30%
Panikos Pourous	-	-
Adonis Pegasiou	-	-
Dominic Melo	116,029 directly held	0.10%
Paul Barnes ⁽¹⁾	25,000 directly held	0.02%

(1) Paul Barnes appointed as Non-Executive director on 09 November 2023

Loans to key management personnel and their related parties

At 31 December 2023, Red 5 Solutions Limited owed Probanx Solutions Limited €1,664,052. The loan is secured by shares held in ISXFEU by related parties and repayable earlier of 3 years from 16 May 2022, or six months from an Initial Public Offering of ISXFEU's (or ISXFEU successor's) securities on an exchange. The loan bears an interest charge of 1.25% per annum above the European Short-Term Rate (ESTR).





Management Report Other Matters

Share capital

At 31 December 2023, 110,079,450 ordinary shares were on issue, with a nominal value of €0.07 each (31 December 2022: 110,079,450 fully paid shares with a nominal value €0.07 each). Details on the development of the share capital of the Company are disclosed in Note 26 of the financial statement.

There are no restrictions on the transfer of the Company's ordinary shares, other than the provisions of the Business of Credit Institutions Law of Cyprus which require the approval of the Central bank of Cyprus (CBC) prior to acquiring shares in the Company, above certain thresholds.

The Company's issued ordinary shares do not carry special control rights.

Shareholders holding more than 5% of the share capital

Shareholders holding more than 5% of the share capital of the Company are disclosed in Shareholder information on page 46.

Principal activities

ISXFEU is incorporated in the European Union Member state of the Republic of Cyprus with Company Number HE348009 and holds Central Bank of Cyprus authorisation #115.1.3.17 as a European Economic Area Electronic Money Institution and United Kingdom (UK) FCA 900871 as a UK Electronic Money Institution.

ISXFEU owns 23.071% of its associate, the NSX Limited (NSXL), which is the 100% owner of the ASIC licenced Tier 1 Australian market operator and securities exchange, the National Stock Exchange of Australia (NSXA).

ISXFEU additionally owns 59% of ClearPay Pty Ltd, a start-up venture co-owned 41% by the NSXL, that seeks to enter the clearing and settlement sector, currently monopolised by the Australian Securities Exchange wholly owned subsidiary, ASXClear.

ISXFEU holds monetary financial services licences to operate as an authorised electronic money and payment institution in the European Economic Area (EEA) and the United Kingdom.

ISXFEU, through its Probanx® subsidiaries, develops financial and regulatory technology software for banks, credit unions, electronic money institutions, payment institutions and financial services companies. The software may be licenced, or provided as a service, for upfront and monthly fees, and integrated directly with customer systems, or via platform partners. The software includes solutions for customers onboarding, identity verification, core banking, interbank networking, card scheme processing, securities delivery versus payment, payment netting and electronic wallet solutions.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year ended 31 December 2023.

Matters subsequent to the end of the financial year

Matters subsequent to the end of the financial year can be found in Note 37 of the financial statements.

Likely developments and results of operations

In 2023, our business witnessed significant growth as we continued to expand our operations and integrate new business opportunities. This enabled us to process transactions more efficiently and generate increased revenues. Looking ahead to 2024, our focus remains on executing our strategic initiatives to further grow and scale our operations. This includes expanding our banking business in Europe and the UK, as well as exploring new market opportunities to drive innovation and growth.

Our commitment to delivering outstanding products and services to our existing customers remains unwavering. We are dedicated to expanding our customer base and increasing revenues in the upcoming financial year.

Furthermore, in 2024, we are actively exploring opportunities to list on an EU or UK exchange. To facilitate this process, we have engaged advisors to assist with the listing. Pending the approval of the prospectus, shareholders, and other necessary regulatory approvals, we plan to restructure the Group by establishing a holding company above ISX Financial EU Plc either immediately before listing, or post listing, subject to further legal advice. This non-operating holding entity will be specifically created for ongoing listing purposes, allowing our regulated operating companies such as ISXFEU and ISXFUK to operate independently of the holding company, with boards of directors possessing the requisite skills and experience.

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 and gross negligence.

During the financial year, the company paid a premium in respect of a contract to ensure the directors and executives of the company against a liability to the extent permitted by the Cypriot Companies Law (Cap. 113). 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 or against the company

No active or material cases have been filed against the Company.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former audit partners of BDO Ltd

There are no officers of the Company who are former audit partners of BDO Ltd.

Auditor

BDO Ltd continues in office in accordance with the Auditors Law of 2017.

This report is made in accordance with a resolution of directors.

On behalf of the directors,



Christakis Taoushanis
Non-executive Chairman
29 May 2024

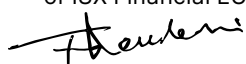


Nikogiannis Karantzis
Managing Director and Chief Executive Officer
29 May 2024

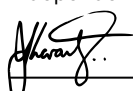
Consolidated statement of profit or loss and other comprehensive income	Note	31 December 2023 €	31 December 2022 €
Consolidated			
Revenue	5	32,064,524	27,435,546
Other income	6	302,930	65,173
Expenses			
Corporate expenses		(4,582,710)	(3,789,494)
Advertising & marketing expenses		(470,532)	(505,700)
Employee benefits expense	7	(8,921,928)	(6,370,902)
Research & development expenses		(444,357)	(686,634)
Depreciation & amortisation expense	7	(2,947,903)	(2,325,784)
Impairment charge on intangible assets	16	-	(453,283)
(Impairment)/Reversal of impairment of investment in associate	17	(1,307,012)	424,689
Share of losses from investment in associate	17	(555,765)	(601,628)
IT expenses		(1,568,257)	(1,418,729)
Other expenses		11,487	(50,636)
Operating costs		(4,422,704)	(6,946,357)
Share based payments		(26,265)	(27,238)
Net realised/unrealised foreign exchange gain		4,796	64,392
Finance costs		(211,901)	(178,828)
Profit before income tax expense		6,924,403	4,634,587
Income tax expense	8	(1,676,707)	(982,870)
Profit after income tax expense for the year		5,247,696	3,651,717
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(214,874)	(62,592)
Other comprehensive loss for the year, net of tax		(214,874)	(62,592)
Total comprehensive income for the year		5,032,822	3,589,125
Profit/(loss) for the year is attributable to:			
Non-controlling interests	28	(3,403)	(2,750)
Owners of ISX Financial EU Plc		5,251,099	3,654,467
		5,247,696	3,651,717
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests	28	(3,403)	(2,750)
Owners of ISX Financial EU Plc		5,036,225	3,591,875
		5,032,822	3,589,125

Consolidated statement of financial position	Note	31 December 2023 €	31 December 2022 €
Consolidated Assets			
Current assets			
Cash and cash equivalents	9	8,126,279	5,983,161
Financial assets at fair value through profit or loss	10	5,500,311	-
Trade and other receivables	11	627,820	493,478
Funds held on behalf of Business Customers & Consumers	12	121,010,848	103,344,198
Other assets	13	1,164,301	703,407
Total current assets		<u>136,429,559</u>	<u>110,524,244</u>
Non-current assets			
Plant and equipment	14	575,071	616,766
Right-of-use assets	15	1,865,642	1,976,569
Intangibles	16	4,981,787	4,860,273
Deferred tax assets		58,496	66,877
Investment in associate	17	1,550,769	3,619,971
Loans to related parties	18	1,664,052	1,883,467
Total non-current assets		<u>10,695,817</u>	<u>13,023,923</u>
Total assets		<u>147,125,376</u>	<u>123,548,167</u>
Liabilities			
Current liabilities			
Trade and other payables	19	5,647,478	3,615,822
Contract liabilities	20	19,934	58,672
Lease liability	21	483,646	360,639
Employee benefits	22	271,943	281,507
Funds held on behalf of Business Customers & Consumers	12	121,010,848	103,344,198
Total current liabilities		<u>127,433,849</u>	<u>107,660,838</u>
Non-current liabilities			
Lease liability	23	1,651,588	1,879,079
Deferred tax liabilities		55,741	57,697
Employee benefits	24	50,545	51,526
Convertible note payable	25	1,745,146	2,769,607
Total non-current liabilities		<u>3,503,020</u>	<u>4,757,909</u>
Total liabilities		<u>130,936,869</u>	<u>112,418,747</u>
Net assets		<u>16,188,507</u>	<u>11,129,420</u>
Equity			
Issued capital	26	7,705,562	7,705,562
Reserves	27	11,793,460	11,982,069
Accumulated losses		(3,721,511)	(8,972,610)
Equity attributable to owners of the parent		<u>15,777,511</u>	<u>10,715,021</u>
Contribution to equity from non-controlling interest	28	410,996	414,399
Total equity		<u>16,188,507</u>	<u>11,129,420</u>

We the Members of the Board of Directors and the officials responsible for the drafting of the Consolidated Financial Statements of ISX Financial EU Plc (the Company) for the year ended 31 December 2023, confirm that to the best of our knowledge the consolidated statement of financial position give a true and fair view of the assets and liabilities of ISX Financial EU Plc and of the entities included in the Consolidated Financial Statements.



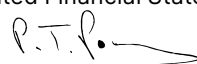
Christakis Taoushanis
Independent, Non-Executive Director, Chairman of the Board



Nikogiannis Karantzis
Chief Executive Officer & Managing Director of the Board



Paul Barnes
Independent, Non-Executive Director of the Board



Panikos Poulos
Independent, Non-Executive Director of the Board



Dominic Melo
Chief Product Officer & Executive Director of the Board



Adonis Pegasiou
Independent, Non-Executive Director of the Board

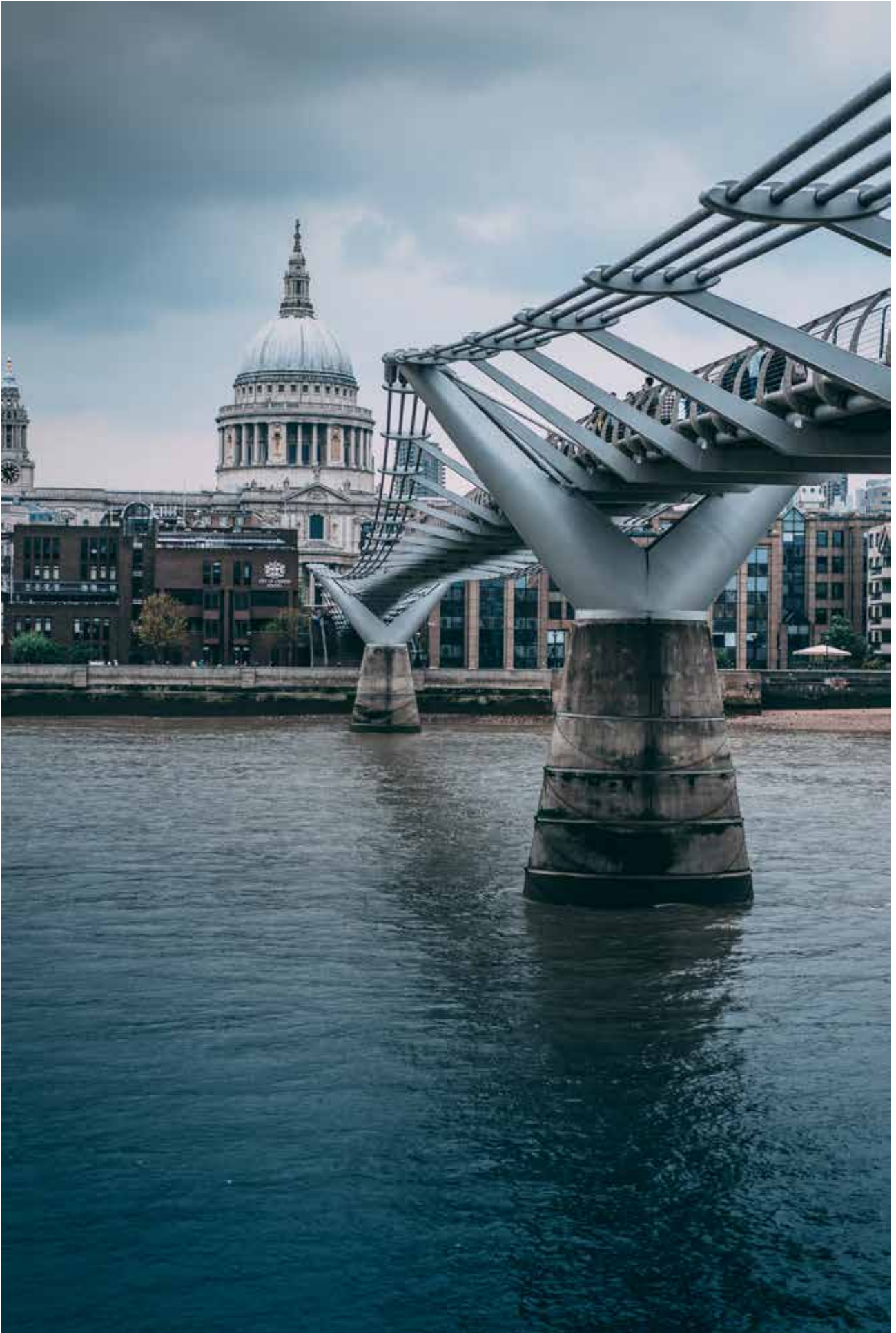
Consolidated statement of changes in equity	Issued capital €	Accumulated losses €	Non- controlling interest €	Reserves €	Total equity €
Consolidated					
Balance at 1 January 2023	7,705,562	(8,972,610)	414,399	11,982,069	11,129,420
Profit/(loss) after income tax expense for the year	-	5,251,099	(3,403)	-	5,247,696
Other comprehensive income for the year, net of tax	-	-	-	(214,874)	(214,874)
Total comprehensive income/(loss) for the year	-	5,251,099	(3,403)	(214,874)	5,032,822
Transactions with owners in their capacity as owners:					
Share based payments (note 27)	-	-	-	26,265	26,265
Balance on 31 December 2023	<u>7,705,562</u>	<u>(3,721,511)</u>	<u>410,996</u>	<u>11,793,460</u>	<u>16,188,507</u>

Consolidated statement of changes in equity	Issued capital €	Accumulated losses €	Non- controlling interest €	Reserves €	Total equity €
Consolidated					
Balance at 1 January 2022	7,705,562	(12,627,077)	417,149	12,017,423	7,513,057
Profit/(loss) after income tax expense for the year	-	3,654,467	(2,750)	-	3,651,717
Other comprehensive income for the year, net of tax	-	-	-	(62,592)	(62,592)
Total comprehensive income/(loss) for the year	-	3,654,467	(2,750)	(62,592)	3,589,125
Transactions with owners in their capacity as owners:					
Share based payments (note 27)	-	-	-	27,238	27,238
Balance at 31 December 2022	<u>7,705,562</u>	<u>(8,972,610)</u>	<u>414,399</u>	<u>11,982,069</u>	<u>11,129,420</u>

Consolidated statement of cash flows	Note	31 December 2023 €	31 December 2022 €
Consolidated			
Cash flows from operating activities			
Receipts from customers		31,831,751	27,289,143
Payments to suppliers and employees		(20,051,864)	(19,419,720)
Increase in financial assets at fair value through profit or loss		(5,500,311)	-
Interest received		347,539	65,173
Income taxes paid		(854,851)	(969,390)
Net cash generated from operating activities	38	<u>5,772,264</u>	<u>6,965,206</u>
Cash from investing activities			
Payments for plant and equipment	14	(149,857)	(61,993)
Payments for intangibles	16	(2,449,962)	(2,848,620)
Payment for purchase of business	17	(284,342)	(1,095,761)
Net cash (used in) investing activities		<u>(2,884,161)</u>	<u>(4,006,374)</u>
Cash flows from financing activities			
Repayment of borrowings		(840,544)	(1,516,102)
Dividends paid		-	-
Payment of lease liabilities		-	(450,102)
Other (Loan to related parties)		238,316	-
Other (Business Customer security received and card scheme membership security)		(147,553)	23,213
Net cash (used in) financing activities		<u>(749,781)</u>	<u>(1,942,991)</u>
Net increase/(decrease) in cash and cash equivalents		2,138,322	1,015,841
Cash and cash equivalents at the beginning of the financial year		5,983,161	4,968,402
Effects of exchange rate changes on cash and cash equivalents		4,796	(1,082)
Cash and cash equivalents at the end of the financial year ⁽¹⁾	9	<u><u>8,126,279</u></u>	<u><u>5,983,161</u></u>

(1) In 2023, the Group invested €5.5 million in short-dated high quality liquid assets (HQLA), which are excluded from the Cash and cash equivalent. Own funds balance at year end is €13.6 million, comprised of €8.1 million of Cash and cash equivalent and the above-mentioned HQLA of €5.5 million.





Notes to the consolidated financial statements

Note 1. General information

The financial statements cover ISX Financial EU Plc as a consolidated entity consisting of ISX Financial EU Plc and the entities it controlled at the end of, or during, the year. The financial statements are presented in Euros, which is ISX Financial EU Plc's functional and presentation currency.

ISX Financial EU Plc is a public company limited by shares, incorporated, and domiciled in Cyprus. Its registered office and principal place of business is:

Makrasykas 1, KBC North Building
Strovolos, Nicosia, 2034,
Cyprus

The Company has built its own monetary financial services technology stack including payment gateway, core banking, interbank networking, and KYC platforms. The Company uses this technology stack to deliver payment and eMoney services to businesses and consumers under EU and UK monetary financial services authorisations. The Company also provides the platforms as a technology provider to other regulated financial institutions under either SaaS or a licensing plus service fees model.

The Company also possesses the capability to license its know-how, including extensive software systems and intellectual property rights (in the form of patents granted across several jurisdictions) to prospective customers. The Company is in the deployment and commercialisation stage of its business life as an emerging neo-banking, payments, identity/KYC, and technology provider to both the consumer and AML regulated business sectors.

The Company ('ISXFEU') is the holder of EEA regulatory authorisation as an eMoney Institution authorised by the Central Bank of Cyprus. ISXFEU was granted a transitional authority to operate in the UK by the FCA as an interim measure following Brexit and until a licence is granted in the UK.

Note 1. General information (continued)

In September 2020, the Company's UK subsidiary, ISX Financial UK Ltd ('ISXFUK') was granted an AEMI by the FCA under the Electronic Money Regulations 2011 (United Kingdom). The licence allows ISXFUK to issue, distribute and redeem eMoney and provision of payment services in the UK, and, subject to approval of its application, to hold a Bank of England settlement account. The full range of services permissible under the Payment Services Regulations 2017 (United Kingdom) have also been authorised, including account information and payment initiation services.

The Company's subsidiaries hold payment services licences in both the EEA and UK for major payment schemes, including SWIFT, SEPA, FPS, BACS, CHAPS, Mastercard Inc., Diners Club, Discover, JCB International, UnionPay International and other APM's.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 May 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the Cyprus Companies Law (Cap. 113), as appropriate for for-profit oriented entities.

On 18 October 2021 ISX Financial EU Plc finalised the demerger between the Company and its former parent Southern Cross Payments Ltd. Leading up to the demerger several subsidiaries were transferred from Southern Cross Payments Ltd to ISXFEU, to create the consolidated ISXFEU Group. The Company has applied the "pooling of interests" method (or book value accounting) to account for the transfer of subsidiaries as a result of the Group restructuring.

Under the "pooling of interests" method, the following principals were applied:

- The assets and liabilities of the two combining entities were transferred at their carrying values
- Adjustments were made only where necessary to harmonise the accounting policies of the two entities. No fair value adjustments are made, and no new assets or liabilities are recognised.
- No goodwill was recorded.

Any difference between the purchase price and the book value of the assets transferred is recognised as an adjustment to equity (either to an existing reserve, or to a newly created common control reserve).

Note 2. Significant accounting policies (continued)

The financial statements for the year ended 31 December 2021, were the first the Group had prepared in accordance with IFRS.

Accordingly, the Group prepared financial statements that comply with IFRS applicable as at 31 December 2021, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group's date of transition to IFRS. There were no material adjustments made by the Group as a result of the adoption of IFRS.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, 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

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Note 2. Significant accounting policies (continued)**Foreign currency translation**

The financial statements are presented in Euros, which is ISX Financial EU Plc's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Euros 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 Euros using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Euros using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

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

Impairment of non-financial assets

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

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

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

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Adoption of new or revised standards and Interpretations

During the current year, the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Group.

New Accounting Standards and Interpretations not yet mandatory or early adopted

International 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 31 December 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgments, 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, revenues, 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.

Revenue Recognition

Revenue from payment processing and settlement contracts is recognised when the entity has completed all performance obligations under the contract, by transferring the payment settlement to the customer's account. This recognises that the Company's performance obligations are not separately identifiable and should be bundled as one performance obligation, completed when settlement is made to the customer. All performance obligations from payment processing and settlement are satisfied at a point in time.

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 because of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

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

Note 4. Operating segments

Identification of reportable operating segments

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

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

The Group consists of three primary operational divisions, an investment in a regulated exchange, and a centralised corporate center:

- **Individual and Consumer Services Transactional Banking** offers Electronic Money Accounts, Open Banking, Card Issuing, and flykk®, providing seamless digital transactions and innovative banking experiences to meet the diverse needs of individuals and consumers.
- **Business Transactional Banking** segment offers a range of services tailored for businesses, including Electronic Money Accounts, SWIFT/Cross Border Transfers, ISXPay's Card Acquiring, Masspay Payroll and Payout Services, and API-based notifications, ensuring efficient and secure financial transactions for corporate clients.
- **Technology Services** segment provides essential infrastructure and software solutions for financial institutions, including core banking systems, core networking platforms, identity management, and various other banking software services, enabling streamlined and secure operations in the digital age.
- **Regulated Securities Exchange** segment encompasses our investments in leading financial platforms, notably the National Stock Exchange of Australia Ltd, a publicly quoted exchange, and ClearPay, our innovative digital ledger technology company specializing in delivery versus payment solutions.
- **Corporate Centre** segment primarily manages interest income and other non-operating gains, serving as a central hub for financial activities and strategic oversight within the Group.



	Individual and Consumer Services	Business Transactional Banking	Technology Services	Regulated Securities Exchanges	Corporate Centre	Total
	€	€	€	€	€	€
Note 4. Operating segments (continued)				Consolidated - 31 December 2023		
Revenue and other income						
Revenue	373,563	30,143,263	1,547,698	-	-	32,064,524
Other gains	-	-	-	-	12,075	12,075
Interest	-	-	-	-	290,855	290,855
Total revenue and other income	373,563	30,143,263	1,547,698	-	302,930	32,367,454
Expenses						
Corporate expenses	(53,390)	(4,308,121)	(221,199)	-	-	(4,582,710)
Advertising & marketing	(5,482)	(442,338)	(22,712)	-	-	(470,532)
Employee benefits expense	(103,944)	(8,387,338)	(430,646)	-	-	(8,921,928)
Research & development expenses	(5,177)	(417,732)	(21,448)	-	-	(444,357)
Depreciation & amortisation expense	(34,344)	(2,771,269)	(142,290)	-	-	(2,947,903)
Impairment of investment in associate	-	-	-	(1,307,012)	-	(1,307,012)
Share of losses from investment in associate	-	-	-	(555,765)	-	(555,765)
IT expenses	(18,271)	(1,474,289)	(75,697)	-	-	(1,568,257)
Other expenses	134	10,799	554	-	-	11,487
Operating Cost	(51,526)	(4,157,702)	(213,476)	-	-	(4,422,704)
Share based payments	(306)	(24,691)	(1,268)	-	-	(26,265)
Net realised foreign exchange gain/(loss)	56	4,509	231	-	-	4,796
Finance costs	(2,469)	(199,204)	(10,228)	-	-	(211,901)
Profit/(Loss) before income tax benefit	98,844	7,975,887	409,519	(1,862,777)	302,930	6,924,403
Income tax expense	(19,534)	(1,576,241)	(80,932)	-	-	(1,676,707)
Profit/(Loss) after incom tax benefit	79,310	6,399,646	328,587	(1,862,777)	302,930	5,247,696

	Individual and Consumer Services	Business Transactional Banking	Technology Services	Regulated Securities Exchanges	Corporate Centre	Total
	€	€	€	€	€	€
Note 4. Operating segments (continued)				Consolidated - 31 December 2022		
Revenue and other income						
Revenue	56,204	25,546,425	1,832,917	-	-	27,435,546
Interest	-	-	-	-	65,173	65,173
Total revenue and other income	56,204	25,546,425	1,832,917	-	65,173	27,500,719
Expenses						
Corporate expenses	(7,763)	(3,528,562)	(253,169)	-	-	(3,789,494)
Advertising & marketing	(1,036)	(470,879)	(33,785)	-	-	(505,700)
Employee benefits expense	(13,051)	(5,932,223)	(425,628)	-	-	(6,370,902)
Research & development expenses	(1,407)	(639,354)	(45,873)	-	-	(686,634)
Depreciation & amortisation expense	(4,765)	(2,165,638)	(155,381)	-	-	(2,325,784)
Impairment charge (929)		(422,071)	(30,283)	-	-	(453,283)
Reversal of Impairment of investment in associate	-	-	-	424,689	-	424,689
Share of losses from investment in associate	-	-	-	(601,628)	-	(601,628)
IT expenses	(2,906)	(1,321,040)	(94,783)	-	-	(1,418,729)
Other expenses	(104)	(47,149)	(3,383)	-	-	(50,636)
Operating Cost	(14,230)	(6,468,054)	(464,073)	-	-	(6,946,357)
Share based payments	(56)	(25,362)	(1,820)	-	-	(27,238)
Net realised foreign exchange gain/(loss)	132	59,958	4,302	-	-	64,392
Finance costs	(366)	(166,516)	(11,946)	-	-	(178,828)
Profit/(Loss) before income tax benefit	9,723	4,419,535	317,095	(176,939)	65,173	4,634,587
Income tax expense	(2,013)	(915,193)	(65,664)	-	-	(982,870)
Profit/(Loss) after income tax benefit	7,710	3,504,342	251,431	(176,939)	65,173	3,651,717

Note 5. Revenue

	31 December 2023 €	31 December 2022 €
Consolidated		
<i>Contracted service fees</i>		
- Recognised at a point in time	31,705,989	26,833,525
- Recognised over time	358,535	602,021
Revenue	<u>32,064,524</u>	<u>27,435,546</u>

Revenue is disaggregated as indicated in note 4 to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data and geographical dispersion.

Accounting policy for revenue recognition

Revenue is recognised when (or as) the consolidated entity satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is recognised at the transaction price that is allocated to the performance obligation.

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

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Transactional banking services

Revenue generated from transactional banking services are billed on a per transaction basis and are recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

Note 5. Revenue (continued)*Payment processing and settlement*

Revenue generated from the payment processing and settlement are billed on a per transaction basis and are recognised once all performance obligations are completed, when settlement is made to the customer.

Revenue from payment processing contracts is recognised when the entity has completed all performance obligations under the contract, by transferring the payment settlement to the customers account. This recognises that the Company's performance obligations are not separately identifiable and should be bundled as one performance obligation, completed when settlement is made to the customer.

All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised point in time. This revenue stream forms part of the Regulated Services division.

Know Your Customer (KYC) verification (Identity Services)

Revenue generated from KYC fees are billed on a flat rate per verification service and are recognised once the service is performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised point in time. This revenue stream forms part of the Reg-Tech Solutions division.

Integration, Establishment, Project and Platform Fees

Revenue generated from the initial integration and business customers operational set up are billed on contract signing and service go live date, or in line with the performance obligations in the contract. Revenue is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above and is recognised over time. This revenue stream forms part of the Reg-Tech Solutions division.

Other revenue

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

Note 6. Other income

	31 December 2023 €	31 December 2022 €
Consolidated		
Interest income	290,855	65,173
Other Income	12,075	-
Total other income	<u>302,930</u>	<u>65,173</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 7. Expenses

	31 December 2023 €	31 December 2022 €
Consolidated		
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings right-of-use assets	452,489	371,016
Computers and office equipment	188,028	212,513
Total depreciation	640,517	583,529
<i>Amortisation</i>		
Intangible assets	2,307,386	1,742,255
Total depreciation and amortisation	2,947,903	2,325,784
Employee benefits expense	8,921,928	6,370,902

Below is the breakdown of employee benefits expense:

	31 December 2023 €	31 December 2022 €
Consolidated		
Salaries	7,920,782	5,595,522
Social securities	828,303	591,438
Pensions	172,843	183,942
Employee benefits expense	8,921,928	6,370,902

The average number of employees of the Group in 2023 is 151 (2022: 144).

Note 8. Income tax

	31 December 2023 €	31 December 2022 €
Consolidated		
Current income tax charge	1,622,749	909,760
Deferred tax	8,381	-
Prior year income tax adjustment	45,577	73,110
Charge for the year	1,676,707	982,870

Note 8. Income tax (continued)

	31 December 2023 €	31 December 2022 €
Consolidated		
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:		
Profit before tax	6,924,403	4,634,587
Add/(Less): Profit/loss from overseas entities not subject to Cyprus corporation tax	503,786	(900,371)
	<u>7,428,189</u>	<u>3,734,216</u>
Tax calculated at the applicable tax rates	928,524	466,777
Tax effect of expenses not deductible for tax purposes	651,330	555,442
Tax effect of allowances and income not subject to tax	(35,762)	(231,560)
10% additional charge	42,557	94,441
Prior year income tax adjustment	45,577	73,110
Income tax expense from overseas entities	36,100	24,660
Deferred tax	<u>8,381</u>	<u>-</u>
Tax charge	<u><u>1,676,707</u></u>	<u><u>982,870</u></u>

In the Republic of Cyprus, the corporation tax rate is 12.5% (2022: 12.5%), noting however that ISXFEU's Probanx® subsidiary is at 2.5%.

Under certain conditions, interest income may be subject to defence contribution at the rate of 30% (2022: 30%). In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% (2022: 17%).

Below are corporate income tax rates applicable to subsidiaries outside of the Cyprus jurisdiction.

- United Kingdom: 25% (2022: 19%).
- Australia: 25% (2022: 25%). This rate is applicable to small or medium business with aggregated turnover threshold of AUD 50 million.
- The Netherlands: top corporate income tax rate for taxable amount from €395,000 is 25.8% (2022: taxable amount is €395,000 and tax rate is 25%). Lower tier tax rate for taxable amount up to €395,000 is 19% (2022: taxable amount is €395,000 and tax rate is 15%).
- Lithuania: the standard corporate income tax rate is 15% (2022: 15%).
- The United States of America: 21% (2022: 21%).

Note 8. Income tax (continued)*Accounting policy for income tax*

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

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

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

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

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

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

Note 9. Current assets – cash and cash equivalents

	31 December 2023 €	31 December 2022 €
Consolidated		
Cash at bank	<u>8,126,279</u>	<u>5,983,161</u>

Accounting policy for cash and cash equivalents

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

Note 10. Financial assets at fair value through profit or loss

	31 December 2023 €	31 December 2022 €
Consolidated		
Balance at 1 January	-	-
Additions	5,500,311	-
Balance 31 December	<u>5,500,311</u>	<u>-</u>

Financial assets – Classification

The Company classifies its financial assets at fair value through profit or loss.

In 2023, a portion of our Own Funds was invested in short-dated, liquid money market funds managed by Goldman Sachs Asset Management and State Street Global Advisors.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

All other financial assets are classified as measured at FVTPL.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.



Note 11. Current assets – trade and other receivables

	31 December 2023 €	31 December 2022 €
Consolidated		
Trade receivables	525,464	438,235
Other receivables	102,356	55,243
	<u>627,820</u>	<u>493,478</u>

Accounting policy for trade and other receivables

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

The consolidated entity recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, including trade and other receivables. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly (i.e. more than 60 days overdue), the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Value Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT 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 VAT receivable or payable. The net amount of VAT 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 VAT 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 VAT recoverable from, or payable to, the tax authority.

Note 12. Current assets – funds held on behalf of business customers and consumers

	31 December 2023 €	31 December 2022 €
Consolidated		
Funds held on behalf of business customers and consumers		
Funds received – current asset	121,010,848	103,344,198
Funds payable – current liability	(121,010,848)	(103,344,198)
	<u>-</u>	<u>-</u>

The funds held on behalf of business customers and consumers in current asset and current liability noted above represent rolling reserve (initial and additional requirements under each agreement depending on the volume of transactions with each Business Customer), eMoney issued and settlement funds which were yet to be settled back or redeemed to the respective business customers and consumers at the end of the year.

Note 13. Current assets – other assets

	31 December 2023 €	31 December 2022 €
Consolidated		
Prepayments	241,244	196,778
Security deposits	224,590	84,243
Card scheme collateral	698,467	422,386
	<u>1,164,301</u>	<u>703,407</u>

The card scheme collateral requirements as noted above are largely held by Mastercard Inc in relation to business customers clients whereby ISX Financial EU Plc offers card acquiring, processing and settlement services and are held to meet capital adequacy and security requirements by each party.

Note 14. Non-current assets – plant and equipment

	31 December 2023 €	31 December 2022 €
Consolidated		
Computer and office equipment – at cost	1,396,188	1,254,101
Less: Accumulated depreciation	(821,117)	(637,335)
	<u>575,071</u>	<u>616,766</u>

Note 14. Non-current assets – plant and equipment (continued)**Consolidated***Reconciliations*

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

	31 December 2023
	€
Balance at 1 January 2022	758,873
Additions	61,993
Exchange differences	8,413
Depreciation expense	(212,513)
Balance at 31 December 2022	616,766
Additions	149,857
Exchange differences	(3,524)
Depreciation expense	(188,028)
Balance at 31 December 2023	575,071

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives. The expected useful life of computer and office equipment is between 2.5 to 10 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.



Note 15. Non-current assets – right-of-use assets

	31 December 2023 €	31 December 2022 €
Consolidated		
Land and buildings – right-of-use	3,234,162	2,946,093
Less: Accumulated depreciation	(1,368,520)	(969,524)
	<u>1,865,642</u>	<u>1,976,569</u>

Reconciliations

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

	31 December 2023 €
Consolidated	
Balance at 1 January 2022	2,430,198
Additions	-
Exchange differences	(82,613)
Depreciation expense	(371,016)
Balance at 31 December 2022	<u>1,976,569</u>
Additions	345,654
Exchange differences	(4,092)
Depreciation expense	(452,489)
Balance at 31 December 2023	<u>1,865,642</u>

Right of use assets mainly relate to the lease of Cyprus and UK offices.

Accounting policy for right-of-use assets

The consolidated entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets less than €7,000. The consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of items that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

The consolidated entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In calculating the present value of lease payments, the Company uses its incremental borrowing rate of 5.24% at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Note 16. Non-current assets – intangibles

	31 December 2023 €	31 December 2022 €
Consolidated		
Goodwill – at cost	104,622	92,982
Intellectual property – at cost	882,104	894,748
Less: Accumulated amortisation	(428,821)	(441,465)
Less: Impairment	(453,283)	(453,283)
	-	-
Software – at cost	727,902	737,508
Less: Accumulated amortisation	(697,667)	(565,165)
	30,235	172,343
Internally developed software – at cost	9,508,816	7,106,833
Less: Accumulated amortisation	(4,661,886)	(2,511,885)
	4,846,930	4,594,948
	4,981,787	4,860,273

Reconciliations

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

	€
Balance at 1 January 2022	4,216,687
Disposal – Software	(2,580)
Additions – Internally developed software – at cost	2,824,283
Exchange differences	17,421
Amortisation expense	(1,742,255)
Impairment	(453,283)
Balance at 31 December 2022	4,860,273
Additions – Internally developed software – at cost	2,348,196
Exchange differences	80,704
Amortisation expense	(2,307,386)
Balance at 31 December 2023	4,981,787

Note 16. Non-current assets – intangibles (continued)**Accounting policy for intangible assets**

Intangible assets, not acquired through a business combination, are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

Amortisation commences when the asset is available for use, in the location and condition necessary for it to be capable of operating in the intended manner by management. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Goodwill impairment

The Group performed its annual impairment test in December 2023.

For the purpose of impairment testing, the goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The technology, which was acquired through the Probanx and BBS acquisitions, includes the core banking system and payment gateway technology used in the Regulated eMoney & Payment Services cash generating unit (REPS CGU), as such the goodwill has been allocated to this cash generating unit. This represents the total goodwill of the Group.

The recoverable amount of the REPS CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a minimum of three-year period. The projected cash flows have been updated to reflect the expected demand for the REPS CGU's products and services. The pre-tax discount rate applied to the cash flow projections between 11.7% and 17.8%. As a result of the analysis, there is headroom and management did not identify an impairment for the REPS CGU.

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, usually between 1 to 15 years.

Note 16. Non-current assets – intangibles (continued)**Internally developed software**

An intangible asset arising from development (or from the development phase of an internal project) is recognised as internally generated software if, and only if, all the following have been demonstrated:

The technical feasibility of completing the intangible asset so that it will be available for use or sale;

- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for these internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Internally generated software is amortised on a straight-line basis over the period of their expected benefit, usually between 3 to 5 years.

The Group reviews internally developed software for impairment annually.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset, and their fair values can be measured reliably. After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Amortisation is on a straight-line basis over the period of their expected benefit, usually between 3 to 5 years.

The Group reviews intangible assets acquired in a business combination for impairment annually.

Note 17. Non-current assets - Investment in Associate

	31 December 2023	31 December 2022
	€	€
Consolidated		
Balance as at 1 January 2023/2022	3,619,971	2,680,909
Additions:	-	1,095,761
Add/(Less):		
Share of losses from investment in associate	(555,765)	(601,628)
(Impairment)/reversal of impairment of investment in associate	(1,307,012)	424,689
Foreign currency translation difference	(206,425)	20,240
Total Investment in associate	<u>1,550,769</u>	<u>3,619,971</u>

Investment in associate

In determining how to account for an investment in an associate, management first review whether the ISXFEU Group controls the investee. Where it is determined that the ISX Financial EU Group controls the investee, the results of the investee are consolidated within ISXFEU Group's consolidated financial statements.

Note 17. Non-current assets - Investment in Associate (continued)

Where management determine an investee is not controlled by the ISXFEU Group, management further review the investee to determine if the ISX Financial Group have significant influence over the investee. Where its determined significant influence exists, the investee is accounted for under the equity method. Where significant influence doesn't exist, the investment is accounted for as a financial asset.

Investment in NSX Limited

As at 31 December 2023, the Company held a 23.071% stake in NSX Limited ('NSX'). NSX operates NSXA, Australia's second-largest Tier 1 securities market operator.

In 2023 Management reviewed the investment in NSXL, to determine if the Group still had significant influence over NSX Limited. After considering several factors including the ability to control a shareholder's vote, the ability to control a board vote, the material transaction between NSXL and ISX Financial EU Plc and the Managing Director of the ISX Financial Group holding the interim CEO role at NSXL during 2021, Management concluded that the ISX Financial Group does not control NSXL, but despite owning only 23.071% of NSXL does have significant influence over NSXL. The investment in NSXL is therefore accounted for under the equity method.

Set out below is the supplementary information about the associate, NSX Limited.

Statement of profit or loss and other comprehensive income

	NSX Limited 31 December 2023 €	NSX Limited 31 December 2022 €
Total Revenue	969,757	1,364,760
Loss after income tax	(2,410,973)	(2,602,202)
Total comprehensive loss for the period	<u>(2,410,973)</u>	<u>(2,602,202)</u>

Statement of financial position

	NSX Limited 31 December 2023	NSX Limited 31 December 2022
<i>Current assets</i>	1,425,586	3,920,937
Non-current assets	896,970	1,066,595
Total assets	2,322,556	4,987,532
<i>Current liabilities</i>	1,708,643	1,676,353
Non-current liabilities	589,310	874,871
Total liabilities	<u>2,297,953</u>	<u>2,551,224</u>
Net Assets	<u>24,603</u>	<u>2,436,308</u>
<i>Equity</i>		
Issued capital	39,815,555	41,179,496
Option Reserves	326,536	977,770
Retained earnings	<u>(40,117,488)</u>	<u>(39,720,958)</u>
Total Equity	<u>24,603</u>	<u>2,436,308</u>

Note 18. Loans to related parties

	31 December 2023 €	31 December 2022 €
Consolidated		
Loans to related parties (Note 32)	<u>1,664,052</u>	<u>1,883,467</u>

Accounting policy for loans to related parties

Loans to related parties are recognised at amortised cost and will be reviewed annually at contract date for impairment.

Loan to related parties is secured by shares held in ISXFEU by related parties and repayable earlier of 3 years from 16 May 2022, or six months from an Initial Public Offering of ISXFEU's (or ISXFEU successor's) securities on an exchange. The loan bears an interest charge of 1.25% per annum above the European Short-Term Rate (ESTR).

Note 19. Current liabilities – trade and other payables

	31 December 2023 €	31 December 2022 €
Consolidated		
Trade payables	1,518,172	1,244,683
GST/VAT payable	346,570	236,942
Other payables (includes Business Customer Security Payable)	<u>3,782,736</u>	<u>2,134,197</u>
	<u>5,647,478</u>	<u>3,615,822</u>

Refer to note 29 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 20. Current liabilities – contract liabilities

	31 December 2023 €	31 December 2022 €
Consolidated		
Contract liabilities	<u>19,934</u>	<u>58,672</u>

Accounting policy for contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 21. Current liabilities – lease liability

	31 December 2023 €	31 December 2022 €
Consolidated		
Lease liability	483,646	360,639

Refer to note 15 for accounting policy and note 29 for further information on financial instruments.

The following are the amounts recognised in profit or loss:

	31 December 2023 €	31 December 2022 €
Depreciation expense of right-of-use assets	452,489	371,016
Interest expense on lease liabilities	104,864	104,540
Expense relating to short-term leases (included in corporate expenses)	337,468	352,571
Expense relating to leases of low-value assets (included in corporate expenses)	630	1,121
Total amount recognised in profit or loss	895,451	829,248

Note 22. Current liabilities – employee benefits

	31 December 2023 €	31 December 2022 €
Consolidated		
Annual leave	271,943	281,507

*Accounting policy for employee benefits***Short-term employee benefits**

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

Note 23. Non-current liabilities – lease liability

	31 December 2023 €	31 December 2022 €
Consolidated		
Lease liability (refer to note 15 for accounting policy)	<u>1,651,588</u>	<u>1,879,079</u>

Refer to note 29 for further information on financial instruments.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 24. Non-current liabilities – employee benefits

	31 December 2023 €	31 December 2022 €
Consolidated		
Long service leave	<u>50,545</u>	<u>51,526</u>

Accounting policy for other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 25. Non-current liabilities – Convertible note payable

	31 December 2023 €	31 December 2022 €
Consolidated		
Convertible note payable (note 32)	<u>1,745,146</u>	<u>2,769,607</u>

The convertible note of AUD6.6 millions (EUR4.2 millions equivalent) was issued by Southern Cross Payments Ltd on 18 October 2021 from conversion of intercompany balance between Southern Cross Payments Ltd and ISX Financial EU Plc (ISXFEU). 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 10th anniversary of the Completion Date which is 30 August 2031. 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 ISXFEU. The convertible note is recognised at amortised cost.

During 2023, ISXFEU made 5 repayments of total AUD1,505,125, leaving the convertible note payable balance AUD2,870,423. Above balance shows the EUR equivalent balance of convertible loan payable and unpaid interest charge as at 31 December 2023.

Note 26. Equity - issued capital

	No. of shares		Amount (€)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	€	€	€	€

Consolidated

Ordinary shares – fully paid	110,079,450	110,079,450	7,705,562	7,705,562
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There is no movement in ordinary share capital during the years 2022 and 2023.

Note 27. Equity - reserves

	31 December 2023	31 December 2022
	€	€

Consolidated

Foreign currency reserve	680,170	895,044
Capital reserves	9,974,855	9,974,855
Share based payment reserve	53,503	27,238
Other reserves	1,084,932	1,084,932
	<u>11,793,460</u>	<u>11,982,069</u>

Foreign currency reserve

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

Capital reserve

Capital reserve balance represents the forgiveness of debt from Southern Cross Payments Ltd and transfer of investment from Southern Cross Payments Ltd to ISXFEU which has not been converted to issued shares capital as at the end of the year.

Share based payment 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.

Other reserves

This reserve is used to record the differences which may arise because of transactions with non-controlling interests that do not result in a loss of control. It represents the 59% (ISXFEU ownership of ClearPay Pty Ltd) of the NSX contribution of AUD3.2 million (equivalent to €1,844,384) into ClearPay Pty Ltd.

Note 27. Equity - reserves (continued)

	Foreign currency reserve €	Capital reserve €	Share Based payment reserve €	Other reserve €	Total €
Consolidated					
<i>Movements in reserves</i>					
Movements in each class of reserve during the current and previous financial year are set out below:					
Balance at					
1 January 2022	957,636	9,974,855	-	1,084,932	12,017,423
Foreign currency translation	(62,592)	-	-	-	(62,592)
Contribution of equity	-	-	27,238	-	27,238
Balance at					
31 December 2022	895,044	9,974,855	27,238	1,084,932	11,982,069
Foreign currency translation	(214,874)	-	-	-	(214,874)
Contribution of equity	-	-	26,265	-	26,265
Balance at					
31 December 2023	680,170	9,974,855	53,503	1,084,932	11,793,460

Note 28. Equity - Contribution to equity from non-controlling interest

	31 December 2023 €	31 December 2022 €
Consolidated		
Balance at the beginning of the period	414,399	417,149
Non-controlling interest -share of profit	(3,403)	(2,750)
Balance at the end of the period	410,996	414,399

Non-controlling interest relates to NSX Limited 41% investment in ClearPay Pty Ltd.



Note 29. 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 monthly.

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. It however has no exposure to foreign currency on behalf of transactions for its clients, as all such transactions are converted at spot rate plus margin.

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

The exposure to the foreign currency risk is not significant for the current year.

Price risk

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

Interest rate risk

The consolidated entity's only exposure to interest rate risk is in relation to deposits held and investments in High Quality Liquid Assets (HQLA), namely, short duration money market funds. Deposits are held with our Partner MFI.

	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	€	%	€
Consolidated		31 December 2023		31 December 2022
Cash at bank	0.16%	8,126,279	0.03%	5,983,161
Financial assets at fair value through profit or loss	3.54%	5,500,311	-	-
Loan to related parties	4.40%	1,664,052	1.60%	1,883,467
Convertible note payable	4.78%	(1,745,146)	2.12%	(2,769,607)
Net exposure to cash flow interest rate risk		13,545,496		5,097,021

	Basis points increase			Basis points decrease		
31 December 2023	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	36,898	36,898	50	(36,898)	(36,898)
Financial assets at fair value through profit or loss	50	2,116	2,116	50	(2,116)	(2,116)
Loan to related parties	50	8,588	8,588	50	(8,588)	(8,588)
Convertible note payable	50	(11,277)	(11,277)	50	11,277	11,277
		<u>36,325</u>	<u>36,325</u>		<u>(36,325)</u>	<u>(36,325)</u>

Note 29. Financial instruments (continued)

31 December 2022	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 €
Consolidated						
Cash at bank	50	26,689	26,689	50	(26,689)	(26,689)
Loan to related parties	50	9,417	9,417	50	(9,417)	(9,417)
Convertible note payable	50	(16,511)	(16,511)	50	16,511	16,511
		<u>19,595</u>	<u>19,595</u>		<u>(19,595)</u>	<u>(19,595)</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 holds security in relation to its card scheme business customer settlements (initial and additional requirements (rolling reserve) under each agreement depending on the volume of transactions with each business customer). This therefore mitigates the risk of default of the counterparty as the consolidated entity holds sufficient security to cover amounts receivable by each party.

The Company assesses on a forward-looking basis the Expected Credit Losses (ECL) for debt instruments (including loans) measured at amortised cost and Fair Value through Other Comprehensive Income (FVOCI). The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects:

(i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;

(ii) time value of money; and

(iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within 'net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically: For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

Note 29. Financial instruments (continued)

For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, and a failure to make contractual payments for a period greater than one year.

Loan to related parties is secured by shares held in ISXFEU by related parties and repayable within 3 years from 16 May 2022, or six months from an Initial Public

Offering of ISXFEU's (or ISXFEU successor's) securities on an exchange. The loan bears an interest charge of 1.25% per annum above the European Short-Term Rate (ESTR). There were no significant loans to related parties written off during the year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.





Note 29. Financial instruments (continued)

Consolidated 31 December 2023	Weighted averag interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
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Consolidated

Non-derivatives

Non-interest bearing

Trade payables	-	1,518,172	-	-	-	1,518,172
Other payables	-	3,782,736	-	-	-	3,782,736

Interest-bearing - variable

Convertible

note payable	4.78%	83,160	83,389	249,481	2,050,143	2,466,173
Lease liability	4.37%	<u>574,627</u>	<u>501,207</u>	<u>1,045,125</u>	<u>357,442</u>	<u>2,478,401</u>
Total						
non-derivatives		<u>5,958,695</u>	<u>584,596</u>	<u>1,294,606</u>	<u>2,407,585</u>	<u>10,245,482</u>

Consolidated 31 December 2023	Weighted averag interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
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Non-derivatives

Trade payables	-	1,244,683	-	-	-	1,244,683
Other payables	-	2,134,197	-	-	-	2,134,197

Interest-bearing - variable

Convertible

note payable	2.12%	58,555	58,716	175,664	2,984,362	3,277,297
Lease liability	4.57%	<u>507,089</u>	<u>504,420</u>	<u>1,019,398</u>	<u>704,473</u>	<u>2,735,380</u>
Total						
non-derivatives		<u>3,944,524</u>	<u>563,136</u>	<u>1,195,062</u>	<u>3,688,835</u>	<u>9,391,557</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 30. Key management personnel disclosures

Directors

The following persons were directors of ISX Financial EU Plc during the financial year and up to the date of this report, unless otherwise stated:

Christakis Taoushanis	(Independent Non-Executive Director and Chairman)
Panikos Pourou	(Independent Non-Executive Director)
Adonis Pegasiou	(Independent Non-Executive Director)
Nikogiannis Karantzis	(Managing Director and Chief Executive Officer)
Dominic Melo	(Executive Director and Chief Product Officer)
Elizabeth Warrell (1)	(Executive Director and Chief Financial Officer)
Paul Barnes (2)	(Independent Non-Executive Director)

(1) Elizabeth Warrell resigned from the position of Executive Director and Chief Financial Officer on 29 June 2023.

(2) Paul Barnes was appointed as Non-Executive Director on 09 November 2023.

Note 30. Key management personnel disclosures (continued)**Compensation**

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

	31 December 2023 €	31 December 2022 €
Consolidated		
Short-term employee benefits	1,642,714	890,382
Post-employment benefits	6,613	16,114
	<u>1,649,327</u>	<u>906,496</u>

Note 31. Remuneration of auditors

	31 December 2023 €	31 December 2022 €
Consolidated		
The following fee was paid or payable for services provided by BDO Ltd, the auditor of the Group:		
Fees to BDO Ltd		
Audit or review of the financial statements	115,500	113,000
Tax compliance services	-	4,200
	<u>115,500</u>	<u>117,200</u>
Audit services - unrelated firms		
Audit or review of the financial statements	<u>57,455</u>	<u>101,910</u>

Note 32. Related party transactions**Ultimate controlling party**

Select All Enterprise Ltd is the ultimate controlling party, which owns 40.68% of ISX Financial EU Plc.

Parent entity

ISX Financial EU Plc is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the management report.

Transactions with related parties

For the year ended 31 December 2023 ISX Financial EU Plc was charged by Southern Cross Payments Ltd €135,260 (2022: €70,222) interest, per the terms of the convertible note.

For the year ended 31 December 2023 Authenticate Pty Ltd, a wholly owned subsidiary at the time, charged NSX Limited €145,456 (including GST) for IT services (2022: €224,335).

Note 32. Related party transactions (continued)

As at 31 December 2023, there was €1,680,195 eMoney issued to Related Parties with non-zero account balances. This includes the foregoing eMoney issued liabilities and the corresponding client funds held as assets in Partner MFI's, with individual account balances as follows:

• Andrew Karantzis:	€845,805	• ISX Technologies Plc	€58,656
• Ada Caroline Karantzis:	€52,797	• Indian Pacific Kinetics Ltd	€73,004
• Nikogiannis Karantzis:	€69,074	• Authenticate Payments Ltd	€1,200
• Constantina Karantzis:	€560,643	• ISX Capital Ltd	€1,000
• Select All Enterprise Limited	€18,000	• ISX Financial Canada Ltd	€1
• Southern Cross Payments Ltd	€15		

For the year ended 31 December 2023, Andrew Karantzis, brother of Managing Director and Chief Executive Officer Nikogiannis Karantzis, earned €703,929 before tax related to his role as the Chief Sales Officer. For the year ended 31 December 2022, Andrew Karantzis earned €544,391 before tax related to his role as the Group Global Sales Leader.

As at 31 December 2023, NSX Limited owed €11,355 to Authenticate Pty Ltd as mentioned in the transactions with related parties note above. The amount is recorded in trade receivables in note 11. The receivable is interest-free and repayable on demand.

Loans to/from related parties

At 31 December 2023, Red 5 Solutions Limited owed Probanx Solutions Limited €1,664,052. The loan is secured by shares held in ISXFEU by related parties and repayable earlier of 3 years from 16 May 2022, or six months from an Initial Public Offering of ISXFEU's (or ISXFEU successor's) securities on an exchange. The loan bears an interest charge of 1.25% per annum above the European Short-Term Rate (ESTR).

Convertible note payable

The convertible note of AUD 6.6 million (EUR 4.2 million equivalent) was issued by Southern Cross Payments Ltd on 18 October 2021 from conversion of intercompany balance between Southern Cross Payments Ltd and ISX Financial EU Plc (ISXFEU). 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 10th anniversary of the Completion Date which is 30 August 2031. 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 ISXFEU. The convertible note is recognised at amortised cost.

During 2023, ISXFEU made 5 repayments of total AUD1,505,125, leaving the convertible note payable balance AUD2,870,423.

Note 33. Parent entity information

	31 December 2023 €	31 December 2022 €
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Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

Profit/(loss) after income tax	5,794,898	2,535,808
Total comprehensive income	<u>5,794,898</u>	<u>2,535,808</u>

Statement of financial position

	31 December 2023 €	31 December 2022 €
Current assets	135,354,667	111,057,674
Non - current assets	14,148,620	13,262,578
Total assets	<u>149,503,287</u>	<u>124,320,252</u>
Current liabilities	127,278,380	108,331,391
Non - current liabilities	3,184,495	2,769,607
Total liabilities	<u>130,462,875</u>	<u>111,100,998</u>
Net Assets	<u>19,040,412</u>	<u>13,219,254</u>
Equity		
Issued capital	7,705,562	7,705,562
Other reserves	53,503	27,238
Retained earnings	<u>11,281,347</u>	<u>5,486,454</u>
Total equity	<u>19,040,412</u>	<u>13,219,254</u>



Note 33. Parent entity information (continued)

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 31 December 2023 and 31 December 2022.

Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment as at 31 December 2023 and 31 December 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note, 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 34. 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	31 December 2023	31 December 2022
		€	€
Authenticate Pty Ltd	Australia	100%	100%
Authenticate Solutions Pty Ltd (1)	Australia	100%	-
Authenticate B.V.	Netherlands	100%	100%
Authenticate Ltd	Malta	100%	100%
ClearPay Pty Ltd	Australia	59%	59%
ISX IP Ltd	Cyprus	100%	100%
ISX Technologies Inc.	USA	100%	100%
ISX Financial UK Ltd	United Kingdom	100%	100%
ISXH Netherlands B.V.	Netherlands	100%	100%
Probanx Solutions UK Ltd	United Kingdom	100%	100%
ISX Financial B.V.	Netherlands	100%	100%
Probanx Holdings Ltd	Cyprus	100%	100%
Probanx Solutions Ltd	Cyprus	100%	100%
UAB Authenticator	Lithuania	100%	100%
UAB Probanx Solutions	Lithuania	100%	100%

(1) Previously known as SC Payments AU Pty Ltd. Purchased during the year ended 31 December 2023.

Note 34. Interests in subsidiaries (continued)*Subsidiaries*

The results of all entities where the Group has 100% ownership interest, are included within ISXFEU Group consolidated financial statements.

Entities with less than 100% ownership interest are reviewed by management and approved by the Board to determine whether the Group controls the entity. Where the Group has determined an entity is controlled by the ISXFEU Group, its results are included within ISX Financial EU Plc's consolidated financial statements.

Note 35. Operating environment

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus and globally with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and worldwide, which are difficult to precisely estimate if the war escalates.

The Israel-Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the war area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. ISXFEU Group management will continue to monitor the situation closely and take appropriate actions when and if needed.

Note 36. Commitments

The Group had no capital or other commitments as of 31 December 2023.

Note 37. Events after the reporting period

On 23 February 2024, the Group entered into a convertible loan deed, whereas the Group granted the amount of €300,469 (AUD500,000) to NSX Limited, which bore interest 18% per annum. The loan repayment date was the earlier of the issue and distribution of any share from NSX Limited to the Company or the 3 month anniversary of the loan or earlier by mutual agreement. On 7 March 2024, NSX Limited issued 20,108,493 shares to the Company in full settlement of the convertible loan.

On 6 March 2024, the Group acquired 46,305,073 additional shares in NSX Limited for the total consideration of €695,036 (AUD1,157,627), increasing its shareholding to 33.651%.

No other matter or circumstance has arisen since 31 December 2023 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 38. Reconciliation of profit after income tax to net cash from operating activities

	31 December 2023 €	31 December 2022 €
Consolidated		
Profit after income tax expense for the year	5,247,696	3,651,717
Adjustments for:		
Depreciation and amortisation	2,947,903	2,325,784
Share of losses - investment in associate	555,765	601,628
(Reversal of impairment)/impairment of investment in associate	1,307,012	(424,689)
Impairment charge on intangible assets	-	453,283
Share based payments	26,265	27,238
Foreign exchange differences	(4,796)	(64,392)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	85,073	(71,861)
(Increase) in other current assets	(44,466)	(5,100)
Increase in trade and other payables	1,201,406	595,545
Increase in financial assets at fair value through profit or loss (1)	(5,500,311)	-
(Decrease)/increase in employee benefits	(10,545)	(49,404)
(Decrease)/increase in deferred revenue	(38,738)	(74,543)
Net cash from operating activities	<u>5,772,264</u>	<u>6,965,206</u>

(1) In 2023, the Group invested €5.5 million in short-dated high quality liquid assets (HQLA), which are excluded from the Cash and cash equivalent. Own funds balance at year end is €13.6 million, comprised of €8.1 million of Cash and cash equivalent and the above-mentioned HQLA of €5.5 million.



Independent Auditor's Report To the Members of ISX Financial EU PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ISX Financial EU PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 56 to 98 and comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read 'Terence Kiely'.

Terence Kiely
Certified Public Accountant and Registered Auditor
for and on behalf of
BDO Limited
Certified Public Accountants (CY) and Registered Auditors
Nicosia, Cyprus,
29 May 2024



Annual Report 2023

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Group operating subsidiaries include ISX Financial UK Ltd, ISX Financial EU PLC (CY), Probanx Solutions Ltd (CY) & UAB Probanx Solutions (LT), UAB Authenticator (LT), ISX Technologies Inc (USA). ISX Financial UK Ltd, trading as Flykk, ISX Money and ISXPay, is a FCA UK Authorised eMoney Institution FRN 901034. ISX Financial