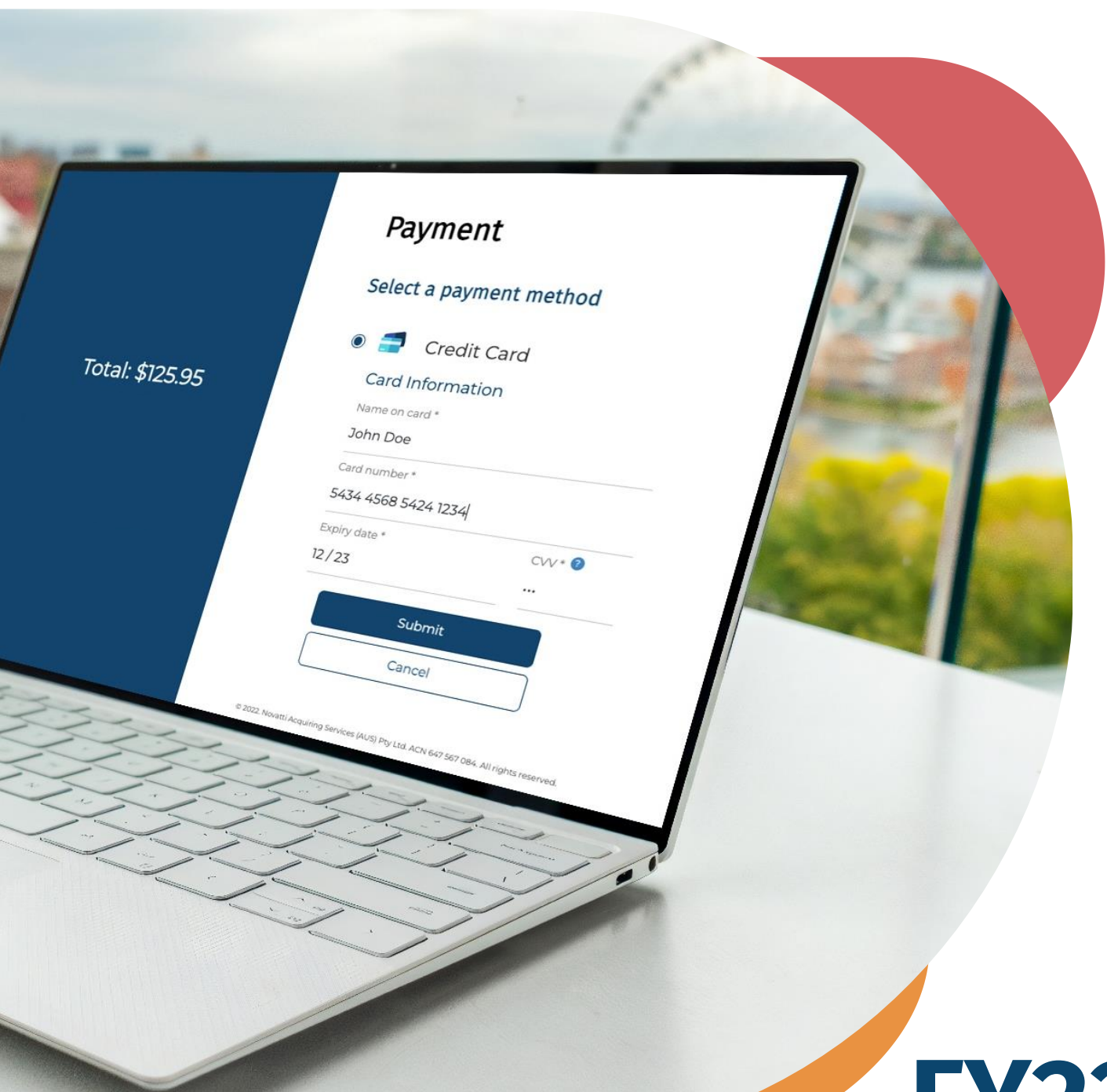


Novatti



FY22 ANNUAL REPORT

FY22 IN NUMBERS

\$32.5m

Annual sales revenue
– highest ever

+97%

Increase in annual
sales revenue on FY21

+150%

Increase in annual
processing revenue
on FY21

76%

Average growth in
annual sales revenue
across past five years

\$6.1m

End of year
cash balance

\$23m+

New cash expected in near
term to add to end
of year balance*

\$16.6m

Loss before income
tax expense

\$36m

Net assets at
end of year

*Based on publicly announced dividend guidance from Reckon Limited and gross proceeds of corporate bond issue. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.

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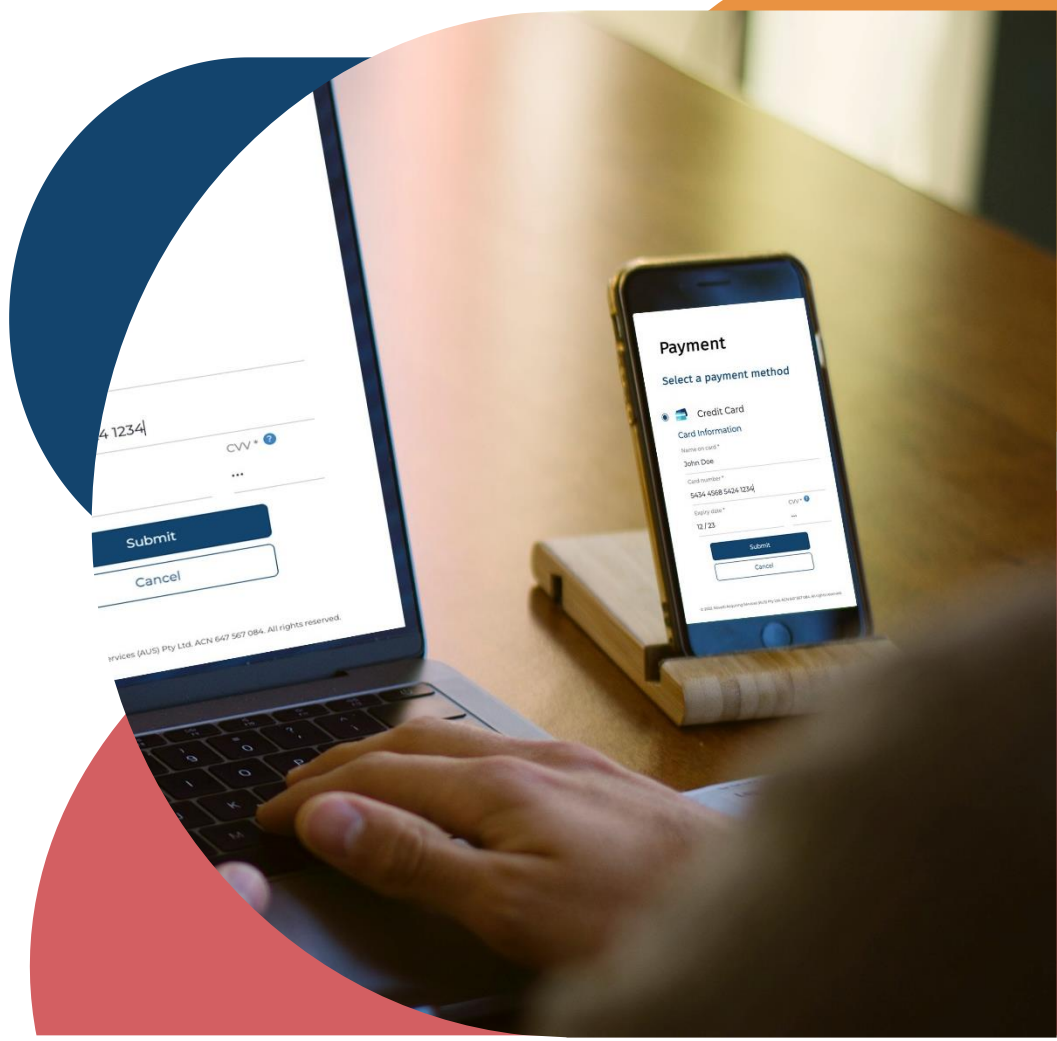
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Corporate Directory

Directors	Peter Pawlowitsch (Non-Executive Chairman) Peter Cook (Managing Director and Chief Executive Officer) Kenneth Lai (Non-Executive Director) Abigail Cheadle (Non-Executive Director) - appointed on 13 December 2021
Joint company secretaries	Ian Hobson Steven Stamboultgis
Registered office and principal place of business	Level 3 461 Bourke Street Melbourne VIC 3000 +61 3 9011 8490
Share register	Automic Registry Services Level 5, 191 St Georges Terrace Perth WA 6000 +61 8 9324 2099
Auditor	William Buck Level 20 181 William Street Melbourne VIC 3000
Solicitors	Milcor Legal Level 1 6 Thelma Street West Perth WA 6005
Bankers	ANZ 388 Collins Street Melbourne VIC 3000
Stock exchange listing	Novatti Group Limited shares are listed on the Australian Securities Exchange (ASX code: NOV)
Website	www.novatti.com
Corporate Governance Statement	www.novatti.com/corporate-governance
Australian Financial Services Licence	AFSL No.448066
New Zealand Financial Services Provider	FSP613789
Financial Conduct Authority	FCA No. 900631 as an appointed representative of CFS-ZIPP Ltd (FCA No. 900027) for issuance of e-money products

Novatti enables businesses to
pay and be paid, from any
device, anywhere.

From corner stores and startups
to global organisations, our
solutions will unlock your ambitions.



Chairman's report

On behalf of Novatti's Board, I'm delighted to report to you on Novatti's progress in FY22, another milestone year in the Company's growth journey.

Across FY22, Novatti's team showed great discipline and commitment to executing the growth strategy outlined to shareholders at the beginning of the financial year. In doing so, the business has been able to achieve quite remarkable growth, including a near doubling of annual sales revenue.

While Novatti's year-by-year results should always be highlighted, we remain particularly proud of the team's ability to deliver consistently strong growth over the longer term. Notably, across the past five years, Novatti has now achieved average annual revenue growth of 76%, a tremendous reflection on the hard work of the entire Novatti team and also the ability of the business to continue to scale.

There were many highlights across the year that led to this strong performance, including forming a strong working partnership with Reckon Limited, after acquiring a 19.9% strategic stake in that business, while also successfully acquiring and integrating ATX, a leading South East Asia fintech, which provides Novatti with a strong platform to grow from within South East Asia.

At the same time, clearly there have been clouds appearing in global markets in recent months, particularly as concerns emerge over rising inflation.

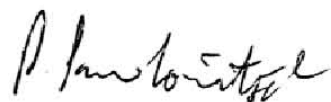
While Novatti has not seen any slowdown in the global shift to digital payments resulting from this, such volatility in global markets reinforces our emphasis as a board on enabling growth while maintaining a strong balance sheet. Notably here, Novatti strengthened its balance sheet across FY22, finishing the year with \$36m in net assets.

Going forward, we will continue to take a very prudent approach to cashflow and balance sheet management to ensure Novatti is able to continue its growth journey despite any global volatility. This will include a strong focus on increasing returns from the investment made in Novatti's payments ecosystem over recent years, with this ecosystem having now been established.

Importantly, this approach will also include an increasing push towards achieving positive cashflow, which would mark a significant next milestone in Novatti's development.

On behalf of the Board, I particularly want to thank all the Novatti team for their efforts across the past year, and for continuing to deliver on Novatti's objectives.

Thank you also to all our shareholders for your continued investment and support in Novatti. I very much look forward to continuing to work with you in FY23.



Peter Pawlowitsch
Chairman



Managing Director's report

I'm delighted to report to you on Novatti's FY22 performance, marking another year of remarkable growth and development.

At the start of the year, we laid out our growth strategy that would be underpinned by a \$40m+ capital raising. This strategy focused on delivering top-line revenue growth through:

- New and expanded markets
- Pursuing acquisition opportunities
- Leveraging Novatti's strategic stake in Reckon Limited

Across the year we remained focused on delivering against this strategy, including:

- In new and expanded markets, obtaining new principal acquiring licences from both Visa and Mastercard, increasing our ability to bring through larger business opportunities and margins for our acquiring business
- In acquisitions, successfully acquiring and integrating ATX, a leading South East Asian fintech that also provides Novatti with an operating platform in a key growth region
- After securing a strategic stake in leading accounting software provider, Reckon Limited, we were able to successfully develop a strong business relationship with them, seeing our payment solutions integrated into their products, with this integration now generating revenue



These achievements all made a substantial contribution towards delivering our overarching goal of top-line revenue growth. For FY22, Novatti's business near doubled, with sales revenue of \$32.5m, an increase of 97% on FY21. In particular, our processing business continues to provide the backbone of Novatti's growth, with revenue here increasing 150% on FY21.

We remain particularly proud of our ability to deliver consistent, long-term growth, with our five-year average annual revenue growth rate now standing at 76%.

After several years of investment and development, FY22 saw our focus shift to seeking increased leverage and returns from our leading global, B2B payments ecosystem. This also resulted in a shift in focus towards delivering positive cashflow.

Substantial progress has already been made here as cash used in the June quarter fell 48% and we expect Novatti's cash usage rate to continue to fall in the quarters ahead. Further, Novatti's FY22 pre-tax loss of \$16.6m reflects substantial investment in our newer lines of business, including Acquiring, Issuing and Emersion. Here we again believe FY22 marks a turning point as we seek to deliver increased returns from these investments going forward.

Novatti remains in a very strong position to capture future growth, with \$23m+ in new cash expected in the near term, without diluting shareholder equity, which adds to Novatti's end of year balance of \$6.1m.¹ Despite this strong cash position, future growth will be pursued in line with our focus on delivering increased returns from our established ecosystem.

A good example here is our new stablecoin, AUDD. We believe there is enormous growth opportunities in the use of stablecoins as a payment solution going forward, which is why we want our own product in market. To get this new product to market, we will leverage resources of our key project partners, enabling Novatti to avoid committing substantial upfront capital.

We continue to see strong demand for Novatti's services globally, as the macro-level shift to digital payments shows no sign of easing. We remain confident that this strong global demand will continue to support Novatti's growth going forward.

I'd like to sincerely thank all our team and investors for your ongoing support of Novatti. In FY23, we will seek to maintain our track record of delivering strong, long term growth, while shifting our focus towards delivering positive cashflow.

A handwritten signature in blue ink, appearing to read 'P. Cook', written over a horizontal line.

Peter Cook
Managing Director

¹ Based on publicly announced dividend guidance from Reckon Limited and gross proceeds of corporate bond issue. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.

Director profiles

Peter Pawlowitsch

Non-Executive Chairman

BCom, CPA, MBA, FGIA

- Extensive experience as a director and officer of ASX-listed entities
- Non-Executive Chairman of Family Zone Cyber Safety (**ASX:FZO**), Executive Director of Dubber (**ASX:DUB**), Non-Executive Director of VRX Silica (**ASX:VRX**)
- Experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors across past 15 years

Peter Cook

Managing Director and Chief Executive Officer

BSc, Grad Dip Computing, Grad Dip Securities, GAICD

- Over 25 years' experience as a director and executive with multiple companies
- Former Non-Executive Director and Deputy Chairman of Senetas Corporation (**ASX:SEN**)
- Founded and led multiple telco and payments companies, including Unidial Pty Ltd and Ezipin Canada Inc

Kenneth Lai

Non-Executive Director

Bachelor of Science (Computer Science)

- Over 14 years of leadership experience in the payments industry
- Managing Director and owner of Prestige Team Limited, an investment company with a portfolio in Hong Kong and Southeast Asia
- Prestige Team Limited has interests in real estate, payment processing, digital marketing and information technology support services

Abigail Cheadle

Non-Executive Director, Chair of Audit, Risk and Compliance Committee

Bachelor of Business (Accounting), MAICD

- Chartered Accountant with more than 30 years of experience working across Asia, Europe, Middle East, Australia
- Non-executive director of LGI Ltd and Shriro Holdings Limited (**ASX: SHM**)
- Former non-executive director of Isentia (**ASX: ISD**), SurfStitch (**ASX: SRF**) and QANTM Intellectual Property Limited (**ASX: QIP**)

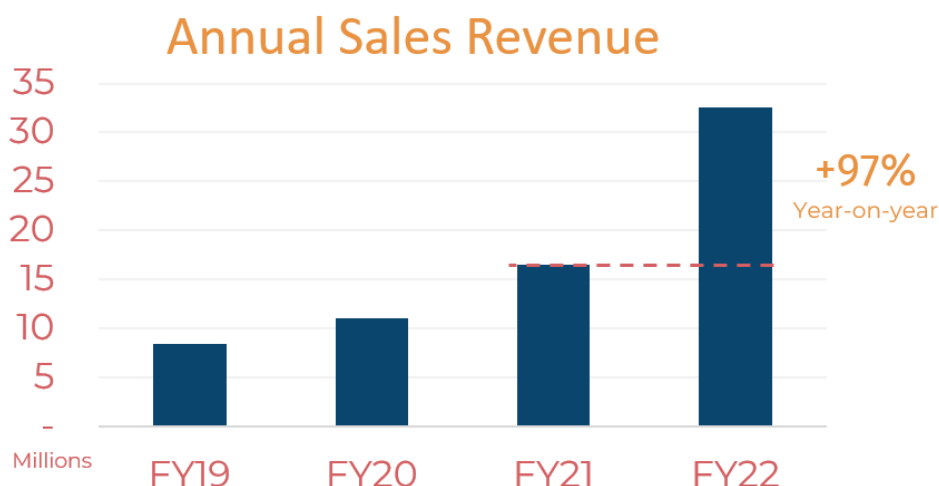


Review of operations

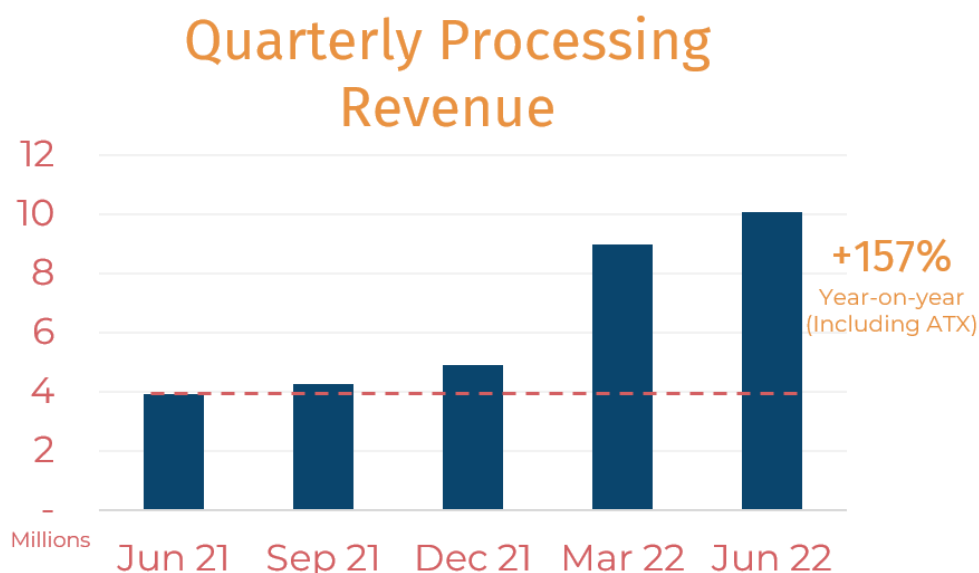
Financial results

FY22 saw Novatti deliver four consecutive quarters of record sales revenue. As a result, annual sales revenue grew to \$32.5m, an increase of 97% on the previous financial year.

These results continue Novatti's track-record of delivering consistent and strong, long term growth. Across the past five years, Novatti's sales revenue has now grown by an average of 76% annually.



This growth continues to be greatly supported by Novatti's core processing business, where annual revenue grew 150% on FY21. This business carries strong momentum into FY23, growing 157% year-on-year in the June quarter alone to deliver quarterly sales revenue of more than \$10m.



Across FY22, receipts from customers increased 82% to \$62m, highlighting the growth and increasing scale of Novatti's business.

Novatti's loss before income tax expense of \$16.6m for the year reflects substantial investment in newer lines of business, including Acquiring, Issuing, and Emersion. A significant contributor here was the increase in employee benefits by \$11.5m on FY21, reflecting the increase in Novatti's team across FY22 to facilitate the broader growth across the business.

FY22 is expected to mark a turning point here as management seeks increased returns from these recent investments.

Novatti Group Limited
Review of Operations
30 June 2022

Notably, Novatti has already shifted its focus towards delivering positive cashflow. Substantial progress has already been made here as cash used in the June quarter fell 48% on the previous quarter.

Novatti finished the year with \$6.1m in cash and expects to receive more than \$23m in new cash in the near term, based on publicly announced dividend guidance from Reckon Limited and gross proceeds of a corporate bond issue announced by Novatti after the completion of the financial year.

Fundraising

At the start of FY22, Novatti successfully completed a \$40m+ capital raising to implement a new growth strategy. The focus of this new strategy was:

- New and expanded markets
- Pursuing acquisitions
- Strategic investment in Reckon Limited

The achievements that flowed from this new strategy are discussed in the Operations section below.

At the completion of FY22, Novatti had 335,297,521 ordinary, fully paid shares issued.

After the completion of the financial year, Novatti announced that it has secured commitments for \$10.5m in new growth funds through a corporate bond issue. The bonds are secured and will be issued for a fixed term of five years from the date funds are received by Novatti, with interest at 90 day BBSW plus 650bps. Completion of the issue occurred on 12 August 2022.

Operations

Across FY22 year, Novatti focused on delivering the growth strategy outlined at the start of FY22, which included:

- New and expanded markets
- Pursuing acquisitions
- Strategic investment in Reckon Limited

Highlights flowing from the delivery of this strategy are discussed below:

New and expanded markets

Acquiring

Novatti's acquiring business enables merchants, particularly those in e-commerce to accept payment from consumers, including through credit cards, direct debits, and other mechanisms such as Alipay and WeChat Pay.

During the financial year, Novatti was awarded Principal Acquiring licences by both Visa and Mastercard. The awarding of these additional licences enables Novatti to bring through larger business opportunities and margins.

Exposure to growth in digital assets

Novatti announced the launch of its new stablecoin, AUDD. AUDD will provide a digital representation of the Australian dollar and will be secured with a 1:1 backing of AUD fiat value. It will be integrated into Novatti's existing suite of payment solutions, providing clients with a new and innovative way to pay and be paid, while creating the potential for faster and lower cost domestic, cross-border and billing payments, as well as stablecoin-linked payment cards.

AUDD creates the potential for new revenue streams for Novatti, including conversion, transaction and merchant fees, subject to product demand. This potential will only be increased by making AUDD available across multiple blockchain networks, in a similar way to merchants increasing the potential for successful sales by accepting multiple payment methods. AUDD will be issued on the open source, permission free, decentralised XRP Ledger, as well on Stellar, a network designed for stablecoins and renowned for its speed, low-cost, and interoperability.

Leveraging blockchain will also create a secure and permanent, digital record of all transactions and account balances, which maintains the integrity of each transaction and provides a strong framework to maintain Novatti's absolute focus on compliance.

Importantly, Novatti is launching this new product without committing substantial upfront capital by leveraging the resources of key project partners. This approach enables Novatti to continue to pursue enormous growth opportunities without substantially impacting available cash.

Expansion of partnership with Ripple

Novatti expanded its partnership with Ripple into Thailand, following the momentum of tapping on RippleNet's On-Demand Liquidity service for remittances between Australia and the Philippines in FY21.

Ripple's global financial network technology, RippleNet, provides its partners with the ability to process cross-border payments instantly, as well as providing access to emerging, high-growth capabilities, such as blockchain and the digital asset, XRP.

In expanding into Thailand, Novatti partnered with the first Thai bank, Siam Commercial Bank (SCB), through RippleNet.²

Proposed banking business

Novatti continues to work proactively with Australia's banking regulator for the final approvals of a restricted banking licence and remains confident in the progress on this front. During the financial year, Novatti bought back a 19.9% share of Novatti B Holding Company Pty Ltd, the dedicated subsidiary for Novatti's proposed banking business.

² See: <https://asia.nikkei.com/Companies/The-Siam-Commercial-Bank-Public-Co.-Ltd2>

At the same time, Novatti continued to progress its application for an EMoney Issuing (EMI) licence in Europe, as well as its Major Payment Institution Licence in Singapore, which would greatly enhance Novatti's service offering in both markets.

Pursuing acquisitions

ATX, a leading South East Asian fintech, based in Malaysia, was acquired and successfully integrated by Novatti during FY22.

Founded in 2011, ATX provides traditional retail stores and kiosks with digital payment services, such as third party bill and product payments. It has also been recognised as a top 50 rising startup in South East Asia.³

The acquisition presented strategic value for Novatti on a number of fronts, including:

- Access to an established network of 30,000+ payments touch points across Malaysia
- Providing an on-the-ground presence in South East Asia for further expansion
- ATX's strong leadership team, including its founders who hold the positions of CEO and Director – Strategy, and who have remained employed post acquisition
- Access to ATX's existing innovative solutions and technology, including its e-wallets

In addition, Novatti used FY22 to develop a pipeline of other potential acquisition opportunities that could be developed further as required in future.

Strategic investment in Reckon Limited

As part of its \$40m+ capital raising at the start of the financial year, Novatti also announced the acquisition of a 19.9% strategic stake in leading accounting software platform, Reckon Limited. This investment follows the strong synergy identified between the needs of payments and accounting software customers.

Since that acquisition, Novatti and Reckon also commenced a business partnership, with Novatti's payment solutions integrated into Reckon's products, providing value add to Reckon's 114k cloud-based users. This partnership is now generating revenue.

Novatti has also received more than \$1.1m in dividends from its investment in Reckon, with an additional \$12m+ in dividends expected shortly.⁴

³ Source: Tech In Asia - 50 rising startups in Southeast Asia 2020.

⁴ Based on publicly announced dividend guidance from Reckon Limited. The final amount may be lower or higher, and will be dependent upon a number of factors including the level of debt paid down by Reckon, cash retained and tax.

Environmental, social & governance

CEO message

Novatti is committed to making a difference through our Environmental, Social & Governance (ESG) focused approach to doing business.

As a growing company, we commenced the journey in late 2021 to develop a more formal ESG program, which we continue to strengthen, including developing a more formal framework. This framework will enable Novatti to identify, assess and manage those ESG areas which are most relevant to our business.

From an *Environmental* perspective, the nature of Novatti's business, driven by our people and our various digital offerings, means that Novatti is not a large consumer of energy or water. However, as we further develop our formal framework we will be considering these areas further, particularly from a perspective of monitoring and further improving their usage.

From a *Social* perspective, acting ethically is critical to Novatti's reputation and business. We have a strong culture of risk and compliance throughout our business. To maximise the protection available to our customers we invest in banking relationships; systems and security; fraud protection; and our processes, people and systems.

From a *Governance* perspective, we operate in a highly regulated industry that is subject to a complex set of laws, regulations and industry requirements in various jurisdictions globally. Furthermore, as a company listed on the Australian Securities Exchange (ASX) we are accountable to shareholders and ensure that the Company is properly managed and protected to enhance shareholder value, particularly by focusing on the long-term strength of Novatti's business.

We look forward to seeing our ESG framework develop and strengthen going forward to the benefit of all our stakeholders.

Introduction

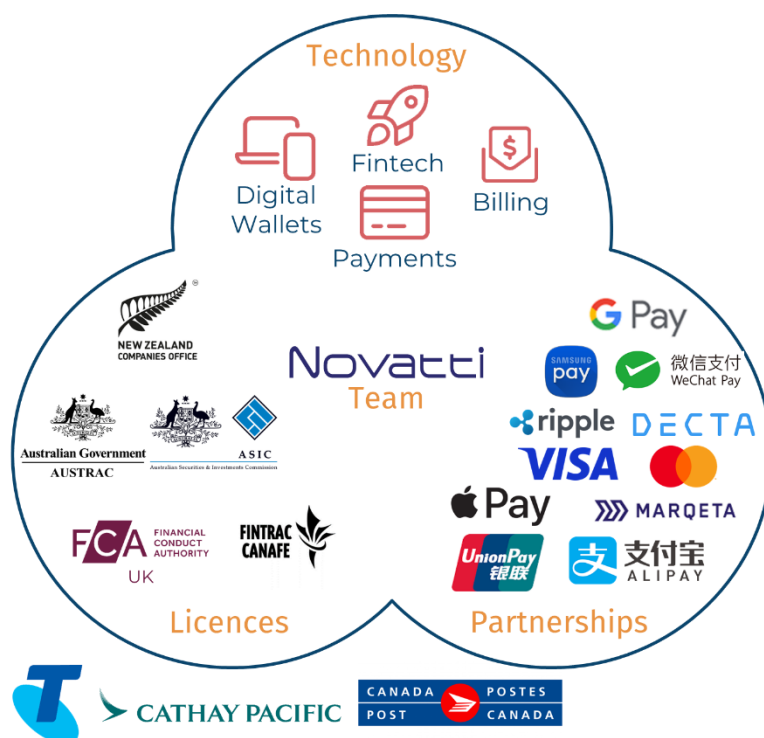
Novatti acknowledges the constantly evolving social and sustainability requirements and its responsibility to provide transparent reporting against these requirements to all our stakeholders. We have commenced our journey and will continue to strengthen our skills here as we develop a more formal ESG framework.

Regulatory and business landscape

Novatti acknowledges and embraces its regulatory and business responsibilities given the importance of the services it provides to the public. Our business is subject to a complex set of laws, regulations and industry requirements in various jurisdictions globally. These include, but are not limited to, financial services, consumer protection, anti-money laundering, and counter-terrorism financing, privacy and data protection, taxation, employment, corporate regulations and corporate governance.



In addition to the regulatory landscape, Novatti has developed a sophisticated ecosystem that leverages Technology, Licences, Partnerships and our Team to deliver its services.



Failure to comply with regulatory requirements in any of Novatti's current (or future) jurisdictions or to respond adequately to any regulatory change, could adversely impact Novatti's reputation and financial performance. Failure to comply could also result in increased compliance costs, the requirement to cease specific parts of all of Novatti's business activities, litigation, penalties or other regulatory enforcement action.

We have a deep appreciation for the seriousness of the regulatory environment in which we operate, and as a result, we have developed a suite of comprehensive policies, procedures and framework to administer and manage our regulatory and reporting requirements.

By way of example, Novatti is continually improving the Standard for Information Security Management, in addition to General Data Protection Regulation (GDPR) and Payment Card Industry Data Security Standard (PCI DSS).

In all jurisdictions in which Novatti operates, we are focused on operating our business in a responsible and fully compliant manner.

Governance

The Novatti Board acknowledges that it is accountable to shareholders and must ensure that the Company is properly managed and protected to enhance shareholder value by ensuring the long-term strength of Novatti's business.

Novatti recognises that its reputation is a valuable asset, which is based largely on the ethical behaviour of the people who represent the Company. Novatti has established a Code of Conduct which outlines how it expects its people to not only comply with the law, but also to conduct themselves in a manner consistent with community and corporate standards.

Novatti has established various statements and policies to support this Code of Conduct including:

- Board Charter
- Statement of Values
- Corporate Governance Statement
- Anti-Bribery and Anti-Corruption
- Risk Management, Internal Compliance and Control
- Whistleblowing

Novatti Group Limited
Environmental, Social & Governance
30 June 2022

- Procedures for Selection and Appointment of Directors
- Performance Evaluation for Directors and Executives
- Director Skills Matrix
- Remuneration of Directors and Executives
- Audit
- Continuous Disclosure
- Shareholders Communication
- Securities dealing by Directors and Employees

In respect to our People, Novatti has also established various policies, including, but not limited to:

- Diversity
- Employee Incentive Scheme

These policies are all available on Novatti's website at <https://novatti.com/corporate-governance/>

In addition to public facing policies, Novatti has also established a "one stop shop" on its Intranet, which makes available for all its people a suite of policies, procedures and templates for use by our teams.

These include, but not limited to the areas of:

- Human Resources
- Information Technology
- Operational
- Marketing
- Risk & Compliance
- Legal
- Anti-Money Laundering

Business Ethics

Novatti has adopted a Code of Ethics, which details the underlying values to be applied to support the integrity of its business. This Code operates alongside Novatti's Anti-Bribery & Anti-Corruption policy, Anti Money Laundering Requirements, Modern Slavery Statement and the overarching Code of Conduct.

Novatti has also implemented a Legal & Regulatory Compliance Policy Statement which provides details of the overarching governing principles of Novatti's approach to compliance, along with the underlying principles to support the elements of an effective compliance program.

Data Protection and Information Security

Data Protection and Information Security is important to Novatti's business, particularly as the business continues to grow. As a result, Novatti recently appointed a Chief Information Security Officer (CISO) to place more emphasis on these aspects of the business and to specifically lead Novatti's Data Protection and Information Security.

Novatti's Data Protection and Information Security Strategy has recently been reviewed and updated to account for the recent growth in the business, and a number of implementations and improvement activities have been carried out, including 24x7 security monitoring, secure email gateway, vulnerability management, updating of the business continuity management system and security awareness testing.

Novatti uses a risk-based information security management system, aligned to ISO 27001 standard. Novatti also uses the 'Demming Cycle' (Plan-DO-check-Act) to continuously improve our security posture and remain proactive for threats.

We continue to invest in, and work with, our partners & suppliers to maximise the protection available to our customers. This includes working with our banking partners, service providers such as Visa and Mastercard, technology providers for fraud protection and continuous improvement of our own processes, and systems, as well as investment in our own teams.

Social

The Novatti Board acknowledges that our people are at the core of who we are. This is why we place them at the centre of our Ecosystem. With their in-house expertise, Novatti is able to leverage and use its Technology, Licences, and Partnerships to deliver on its Vision.

Our Vision

Novatti

Novatti enables businesses to pay and be paid, from any device, anywhere. From corner stores and startups to global organisations, our solutions will unlock your ambitions



Our Values

Novatti places a strong emphasis on recruiting and retaining talent that enhances our values-driven culture. The accumulation of our collective experience, shared values, and individual skills allow Novatti to deliver on its vision. Our values, amongst others, include Integrity Always, which enable Novatti to develop stronger relationships with our team and clients.

The values that empower our people are:

Values

Novatti



Start with 'yes'

Unlocking the ambitions of our team and clients starts with a positive mindset



We've got your back

Novatti is one, connected team. Together we celebrate our success and turn mistakes into shared learnings. By embracing each team member, we unlock their ambitions, Novatti's, and those of our clients



Act with purpose

We are deliberate in what we do to focus our energy and deliver the best possible outcomes for our team and clients



Integrity always

With integrity we develop stronger relationships with our team and our clients



Keep it simple

Simple things are understood. By keeping it simple, we avoid confusion, achieve alignment, and in turn achieve great things together



Our Workforce

Novatti's workforce has grown and diversified as we have matured as a business and will continue to do so.

Novatti does not have any enterprise agreements - all team members are employed on above award common law contracts.

Novatti has adopted a Diversity Policy to assist it in attracting, developing and retaining people who are highly competent and can contribute to its the long-term success and values by bringing a broader range of perspectives, experience and ideas.

Our Diversity Policy includes the provision of Equal Opportunity and Non-discrimination which is backed up by the Whistleblower Policy its procedures.

Our Diversity Profile

Novatti's employees in a full-time and part-time capacity as at 30 June 2022, included 40 (2021 – 39) percent women and 60 (2021 – 61) percent men.

Novatti considers a senior executive position is one which reports directly to the Managing Director /CEO (or his designate COO or the Board). As at 30 June 2022, two (2021 – one) women qualified as a senior executive.

For 30 June 2022 the company had one (2021 – 0) woman on the Board representing 25% of the total Board. On 13 December 2021 the Company appointed Abigail Cheadle as a independent non-executive director of the Company and Chair of the Company's Audit and Risk Committee.

The Company has set a measurable diversity objective by 2025 to have 30% or greater:

- Of the total workforce female
- Of the workforce in senior roles female
- Board female

From 2030, Novatti has set the following measurable diversity objective of an aim of 40% or greater:

- Of the workforce female
- Of the workforce in senior roles female
- Board female

When Novatti established these diversity objectives, it was cognisant that achieving them is influenced by many factors including:

- The need to hire the best qualified person for the available job as established by the Company's Diversity Policy
- Changes in the number of people employed due to expansion or reduction in future business activities of the Company
- Changes in the composition of the workforce due to resignations, redundancies or terminations.

Staying Healthy and Well

The health and safety of our team members and contractors is a high priority for Novatti. There have been no work related accidents at Novatti in the last three years.

Novatti provides wellbeing initiatives, including mental health, physical health and financial wellbeing resources, plus a work structure that provides flexibility. Novatti has pivoted its arrangements during the Covid Pandemic which have been captured in its Remote Working Policy.

The impact of the pandemic continues to be felt by our team members globally, with all regions at different stages of easing restrictions. To support a safe return to our offices, we have introduced and continue to improve safety measures in line with local government guidance in each region.

Moving Money Safely

As a business that moves significant monies for customers around the world every day, it is critical that Novatti manages its risks in a way that maintains the trust of our customers, partners and banks, and meets the expectations of regulators. We have a strong culture of risk and compliance, with particular emphasis on the responsibility that Novatti has as an international and domestic money services provider to help prevent and detect financial crime.

Suppliers and Partners

At Novatti, we are very fortunate to work with leading banks and service providers globally. We partner with leading brands such as Visa, MasterCard, and Apple Pay and with those partnerships comes responsibilities to ensure ethical practices and integrity, which is the cornerstone of our values.

Novatti has adopted its own position regarding Modern Slavery and in particular the Australian Modern Slavery Act 2018. Whilst we are not considered a reporting entity, Novatti believes that taking action to address modern slavery is good business and in line with our values.

In addition, Novatti has also adopted an Ant-Bribery & Anti-Corruption Policy that is consistent with its commitment to conducting business in compliance with the law in all countries in which it operates.

Environmental

As noted above, Novatti has commenced the journey to strengthen its ESG program. Novatti's ESG framework will enable it to best identify, assess and manage ESG areas most relevant to our business. One area of focus will be environmental.

The nature of Novatti's business, driven by our people and the various digital offerings, means that Novatti is not a large consumer of energy or water. However, as we further develop our formal framework, we will be considering these areas from a perspective of monitoring and improving usage.

Sustainability is a journey. It starts with looking inwards at how we can minimise the negative impacts of our own operations to reduce our carbon footprint and waste.

The COVID-19 pandemic has led to significant reductions in our energy usage, use of consumables, business travel and waste. As we resume office-based work, we aim to carry this efficiency forward, exploring meaningful ways to reduce our emissions.

Novatti Group Limited
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Novatti Group Limited (referred to hereafter as the 'Company', 'Novatti' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Novatti Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Pawlowitsch (Non-Executive Chairman)
 Peter Cook (Managing Director and Chief Executive Officer)
 Kenneth Lai (Non-Executive Director)
 Paul Burton (Non-Executive Director) (resigned on 3 September 2021)
 Steven Zhou (Non-Executive Director) (resigned on 17 March 2022)
 Abigail Cheadle (Non-Executive Director) (appointed on 13 December 2021)

Principal activities

Novatti Group Limited is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. Solutions include issuing, acquiring, processing, and billing, while the Group is still in the process of applying to APRA for a restricted banking licence.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$16,627,000 (30 June 2021: \$11,843,000).

Despite the challenges of COVID-19, the Group's revenue increased by 97.5% to \$32,555,000 (30 June 2021: \$16,482,000). The underlying EBITDA* increased by 274% to a loss of \$15,989,000 compared to the corresponding prior year of \$4,280,000 loss.

During the financial year, the Group successfully raised more than \$40 million (before costs) through a placement to institutional and sophisticated investors. The net asset position improved by \$27,743,000 to \$36,641,000 as at 30 June 2022 (30 June 2021: \$8,898,000), with \$6,059,000 held in cash and cash equivalents.

	30 June 2022	30 June 2021	Change	Change
	\$'000	\$'000	\$'000	%
Net loss from operations	(16,627)	(11,843)	(4,784)	40%
Less:				
Interest income	(34)	(35)	1	(3%)
Add back:				
Depreciation and amortisation	1,853	1,481	372	25%
Finance charges	725	1,507	(782)	(52%)
Indirect tax expenses	71	29	42	145%
EBITDA	(14,012)	(8,861)	(5,151)	58%
Add back/(less)				
Vesting of share-based payments	1,792	2,087	(295)	(14%)
Gains on fair valuation of investments	(3,302)	(366)	(2,936)	802%
(Gains)/losses on embedded derivative	(729)	2,860	(3,589)	(125%)
Dividends from Reckon Limited	(1,126)	-	(1,126)	-
One-off transaction costs related to investment in Reckon Limited	617	-	617	-
Amounts accrued to vendors of the ATX transaction under earn-out arrangements treated as employee benefits expense	771	-	771	-
Underlying EBITDA*	(15,989)	(4,280)	(11,709)	274%
Cash	6,059	8,798	(2,739)	(31%)
Operating cash flow	(13,032)	(5,399)	(7,633)	141%

**Underlying EBITDA is a non-IFRS measure calculated as profit before income tax, and before depreciation and amortisation, share based payments, net finance costs, due diligence costs, gain on embedded derivative and impairment of capitalised bank licensing costs. The Company believes this non-IFRS and operational measure is useful in monitoring and understanding the Group's business and they should not be considered in isolation nor as a substitute for IFRS measures.*

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Group has taken precautionary measures by temporarily closing the Company's offices (for all but essential services) and having arranged for its the employees to work remotely, as well as curtailing travel. At the date of this report, the impact of these measures is not expected to significantly affect Novatti's business operations.

Significant changes in the state of affairs

On 2 July 2021, the Group launched a \$45 million capital raising under a \$40 million placement and a \$5 million share purchase plan to expand its presence in existing markets, enter new markets, and acquire a 19.9% interest in Reckon Limited (ASX:RKN).

On 5 July 2021, the Group issued 37,500 fully paid ordinary shares on conversion of 37,500 unlisted options exercisable at \$0.20 per share.

On 9 July 2021, the Group completed Tranche 1 of its capital raising, by issue of 51,120,472 fully paid ordinary shares at \$0.55 per share, raising \$28,116,260 before costs.

On 13 July 2021, the Group completed its previously announced acquisition of a 19.9% interest in Reckon Limited (ASX:RKN) by payment of \$22.5 million for acquisition of 22.5 million shares in Reckon and associated costs.

During July 2021, the Group issued 6,080,000 fully paid ordinary shares upon conversion of 1,520,000 convertible notes (4 for 1). Subsequently, on 4 August 2021, the Group settled 97,500 convertible notes by way of repayment or redemption.

On 6 August 2021, the Group completed the share purchase plan and on 9 August 2021 the Group issued 452,742 fully paid ordinary shares at \$0.55 raising \$249,000 before costs.

On 20 August 2021, the Group held a General Meeting for the ratification of shares issued prior and for the adoption of the 2021 Novatti Employee Incentive plan, and approval for issue of shares for Tranche 2 of the capital raising. On 27 August 2021, the Group completed Tranche 2 of the capital raising by the issue of 21,606,801 fully paid ordinary shares at \$0.55 per share, raising \$11,883,740 before costs.

On 1 September 2021, the Group issued 310,000 fully paid ordinary shares on conversion of 310,000 unlisted options exercisable at \$0.25 per share.

On 3 September 2021, Paul Burton resigned from Non-Executive Director of the Company.

On 1 October 2021, the Group issued the following securities:

- 600,000 fully paid ordinary shares on conversion of 600,000 unlisted options exercisable at \$0.25 per share;
- 40,000 fully paid ordinary shares at \$0.50 per share to service providers in lieu of investor relations services;
- 500,000 unlisted options in lieu of investor relations services exercisable at \$0.66, expiring 31 December 2023;
- 100,000 unlisted options in lieu of investor relations services exercisable at \$0.60, expiring 31 December 2022;
- 500,000 unlisted options in lieu of investor relations services exercisable at \$0.30, expiring 30 June 2022.

On 6 October 2021, the Group bought back the 19.9% shares of Novatti B Holding Company Pty Ltd from BC Investment Group Holdings Ltd.

On 15 October 2021, the Group issued the following securities:

- 1,000,000 fully paid ordinary shares at \$0.45 per share to employees as Employee Incentives;
- 1,300,000 unlisted options exercisable at \$0.495, expiring 15 October 2024;
- 1,300,000 unlisted options exercisable at \$0.75, expiring 15 October 2024.

On 3 December 2021, the Group issued the following securities:

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- 2,950,000 fully paid ordinary shares on conversion of 2,950,000 unlisted options exercisable at \$0.25 per share;
- 179,106 fully paid ordinary shares on cashless exercise of 450,000 unlisted options exercisable at \$0.20 per share;
- 68,907 fully paid ordinary shares on cashless exercise of 400,000 unlisted options exercisable at \$0.275 per share.

On 13 December 2021, Abigail Cheadle was appointed as Non-Executive Director of the Company.

On 20 December 2021, the Group issued 8,500,000 unlisted options exercisable at \$0.45, expiring 30 November 2025.

On 24 December 2021, the Group issued the following securities:

- 32,000 fully paid ordinary shares in lieu of investor relations services;
- 1,350,000 fully paid ordinary shares on conversion of 1,350,000 unlisted options exercisable at \$0.25 per share.

On 31 December 2021, the Group issued 1,666,667 fully paid ordinary shares on conversion of 1,666,667 unlisted options exercisable at \$0.19 per share.

On 1 January 2022, the Group completed the acquisition of 100% of the issued share capital in ATX Fintech Holding Sdn Bhd, a leading South East Asian payments fintech, based in Malaysia. As part of the initial consideration, the Group issued 3,600,000 fully paid ordinary shares at \$0.35 per share on 14 January 2022.

On 25 January 2022, the Group issued 600,000 unlisted options to employees exercisable at \$0.3262, expiring 25 January 2025.

On 17 March 2022, Steven Zhou resigned from Non-Executive Director of the Company.

On 19 April 2022, the Group issued 2,575,000 unlisted options exercisable at \$0.35, expiring 19 April 2025.

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

Matters subsequent to the end of the financial year

On 15 August 2022, the Group announced that it has completed and secured \$10.5m in new growth funds through a corporate bond issue. The primary purpose of the bond issue is to support collateral requirements from industry partners and banks as Novatti grows. The \$10.5m in new funding will further enable Novatti to unlock new and larger market opportunities as well as increased transaction volumes and supplement working capital.

The bonds are secured and will be issued for a fixed term of five years from the date funds are received by Novatti, with interest at 90 day BBSW plus 650bps. Completion of the issue occurred on 12 August 2022.

On 9 August 2022, Reckon Ltd, whom the Group has 19.9% interest in, had announced that they are expecting to declare a partially franked special dividend of between \$0.54 and \$0.58 cents from the sale of the Accountants Group division, subject to the finalisation of completion accounts, tax payments and other aspects of the completion.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Key Business Risks

The consolidated entity's Risk Management and Internal Control Policy assists in the development of organisational capabilities in risk management for internal control purposes. Risk management is regarded as an integral part of the Company's strategic planning, business planning and investment/project appraisal procedures. The focus of risk management is the identification and treatment of risks with the objective to add maximum sustainable value to all of the activities of the Company. Further information on Key Business Risks can be found on the entity's Corporate Governance Statement.

Information on directors

Name:	Peter Pawlowitsch
Title:	Non-Executive Chairman
Qualifications:	BCom, CPA MBA, FGIA
Experience and expertise:	Peter is an accountant by profession, with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors gained during the last 15 years
Other current directorships:	Non-Executive Chairman, Family Zone Cyber Safety Ltd (ASX: FZO) Non-Executive Director, VRX Silica Ltd (ASX: VRX) Executive Director, Dubber Corporation Ltd (ASX: DUB)
Former directorships (last 3 years):	Non-Executive Director, Knosys Ltd (ASX: KNO)
Special responsibilities:	Member of Audit, Risk and Compliance Committee
Interests in shares:	3,582,662 fully paid ordinary shares
Interests in options:	4,166,667 unlisted options
Name:	Peter Cook
Title:	Managing Director and Chief Executive Officer
Qualifications:	BSc, Grad Dip Computing, Grad Dip Securities, GAICD
Experience and expertise:	Peter has over 25 years of experience as a director and executive with companies including Coopers & Lybrand (now PWC), Catsco Pty Ltd and Advanced Network Management Pty Ltd (Telstra joint venture company) and many start-up technology companies. Peter's career has been largely based on founding and leading multiple telecommunications and payments companies. Unidial Pty Ltd and Ezipin Canada Inc. are such examples and all with successful exits to private and public companies. Peter was a non-executive Director and Deputy Chairman of ASX-listed Senetas Corporation Limited from June 1999 to January 2006
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director, P2P Transport Limited (ASX: P2P)
Special responsibilities:	Member of Audit, Risk and Compliance Committee
Interests in shares:	13,174,571 fully paid ordinary shares
Interests in options:	8,000,000 unlisted options

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Name: Kenneth Lai
 Title: Non-Executive Director
 Qualifications: BSc Majoring in Computer Science
 Experience and expertise: Kenneth is the managing director and wholly owner of Prestige Team Limited, an investment company which, together with its subsidiaries, holds an investment portfolio in Hong Kong and Southeast Asia. Prestige Team Limited has interests in real estate, payment processing, digital marketing and information technology support services. Kenneth has funded and invested in various Silicon Valley technology funds focusing on business opportunities within Asia. He also co-founded Legend World Development Technology Limited, a limited liability company incorporated in Hong Kong, which provides information technology solutions and integrated marketing solutions to business setups, and in which he is a shareholder and advisor.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: Member of Audit, Risk and Compliance Committee
 Interests in shares: 13,116,118 fully paid ordinary shares
 Interests in options: 1,666,667 unlisted options

Name: Abigail Cheadle
 Title: Non-Executive Director
 Qualifications: BCom, CA, GAICD
 Experience and expertise: Abigail Cheadle is a Chartered Accountant with more than 30 years of experience working across Asia, Europe, the Middle East, and Australia. During this time, she led professional services practices for a number of leading firms, including EY, Deloitte, and KordaMentha, focusing on corporate strategy and risk management. This included 17 years working in Asia, a key growth region for Novatti. During that time, Abigail advised and helped grow many listed companies, including during challenging economic periods, such as the Asian Financial Crisis. Notably, while advising the Indonesian-listed consumer finance company, BFI Finance Indonesia, its market capitalisation grew tenfold.

Abigail concurrently also serves as a Chair of Shriro Holdings Limited (ASX: SHM) and non-executive director of LGI Ltd. Previous non-executive director positions were also held at ASX-listed companies: Isentia Group Ltd (ASX: ISD), SurfStitch (ASX: SRF) and QANTM Intellectual Property Limited (ASX: QIP).

Other current directorships: Abigail is a Member of the Australian Institute of Company Directors and has a Bachelor of Business (Accounting) from Queensland University of Technology.
 Former directorships (last 3 years): Chair, Shriro Holdings Limited (ASX: SHM)
 Non-Executive Director of QANTM Intellectual Property Limited (ASX: QIP), Isentia Group Limited (ASX: ISD)
 Special responsibilities: Chair of Audit, Risk and Compliance Committee
 Interests in shares: Nil
 Interests in options: 1,500,000 unlisted options (subject to shareholders' approval at the 2022 AGM)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Ian Hobson

Ian was appointed Company Secretary on 12 October 2015 and holds a Bachelor of Business degree, is a Chartered Accountant and Chartered Secretary. Ian provides secretarial services and corporate, management and accounting advice to a number of listed companies. Ian's fees are based on a fee for service arrangement.

Steven Stamboultgis

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Steven was appointed Company Secretary on 15 March 2021 and is the Chief Financial Officer of the group. Steven holds a Bachelor of Business Degree and Master in Commercial Law. He is a Certified Practising Accountant.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held
Peter Pawlowitsch	9	11	2	2
Peter Cook	11	11	2	2
Kenneth Lai	9	11	-	-
Paul Burton*	1	1	1	1
Steven Zhou***	4	6	-	-
Abigail Cheadle**	7	7	1	1

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

* Paul Burton resigned from Non-Executive Director on 3 September 2021.

** Abigail Cheadle was appointed as Non-Executive Director on 13 December 2021.

*** Steven Zhou resigned from Non-Executive Director on 17 March 2022.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The full Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. For the year ended 30 June 2022, there was no advice from independent remuneration consultants. The Chairman's fees are determined independently to the fees of other non-executive directors based on similar roles in the external market. The Chairman, nor other non-executive directors are not present at any discussions relating to the determination of their remuneration. Non-executive directors do receive share options.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The total maximum remuneration of non-executive directors was set by the Constitution and subsequent variation is by ordinary resolution of Shareholders at a general meeting in line with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The maximum remuneration has been set at an amount not to exceed \$500,000. The current level of fees was approved at the Group's 27 November 2018 Annual General Meeting.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

Remuneration policies and arrangements as well as incentive targets for the Key Executive Members of the Group including the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer are reviewed by the Board save that the CEO is not present at any discussions relating to the determination of his remuneration.

The Group rewards its executives with a level and mix of remuneration based on their position and responsibility, which may have both fixed and variable components.

The executive remuneration and reward framework can have four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments or long-term performance incentives
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Short Term Incentive program (STI)

The STI program awards a cash bonus based on key members achieving targets from a Group, Business Unit and individual perspective.

STI awarded to each executive depends on the extent to which specific targets set at the beginning of the financial year by the Board or the CEO are met. Targets are set by the board for the Key Executive Members and the remaining executives have targets set by the CEO which are approved by the board through the budgeting process.

The targets consist of financial and non-financial Key Performance Indicators ('KPIs'). These may include but are not limited to:

- Product management and project platform implementation
- Financial and Business Unit operational targets linked to the achievement of the Group's growth in annual sales revenue and controllable financial drivers including cash, market growth (including geographical market growth), expense management control and capital management improvement
- Corporate development matters including employment, retention, and remuneration of core personnel, leadership and succession, cultural development and communication activities
- Establishment of business operational frameworks and procedures as well as Risk Management in respect of financial and operational issues

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

Long Term Incentive program (LTI)

LTI awards are reviewed annually to executives and are provided in order to align the remuneration of Key Executive Members with the creation of shareholder value. LTI comprise equity instruments including shares and options, where the incentive involves the time-based vesting of options on the basis that the executive or employee continues to be employed by the Group and are eligible under the Company's Employee Incentive Plan ('EIP').

The vesting of these awards is dependent on the length of time and service of the executive or employee, and alternatively, they can also be awarded at the discretion of the Board.

In addition, the CEO has performance options that are tied to total shareholder return with that being measured by providing share price targets.

The achievement of the Group's strategic and financial objectives is the key focus of the efforts of the Group. As indicated above, over the course of each financial year, the Board reviews the Group's executive remuneration policy to ensure that the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Group strategic objectives and the creation of shareholder value.

LTIs are based on participation of the EIP. LTI, based on equity remuneration (being either the issue of securities and or rights or the issue of options), are made in accordance with thresholds as set out in this financial plan. By using the Group's EIP to offer shares and options to employees, the interest of employees is aligned with shareholder wealth. A copy of the EIP can be found via the Group's website.

Consolidated entity performance and link to remuneration

The following table illustrates how the Group's remuneration strategy aligns with the Group's strategic direction and links remuneration outcomes to performance:

Novatti Group's business objective:

Novatti Group Limited is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. Solutions include issuing, acquiring, processing, and billing. The Group has also applied to APRA for a restricted banking licence.

Align the interest of executives with shareholders	Attract, motivate and retain high performing individuals
<ul style="list-style-type: none"> - The remuneration strategy incorporates "at-risk" components, with short-term paid in cash and long-term elements delivered in equity - Performance is assessed against a suite of financial and non-financial measures relevant to the success of the Company and generating returns for shareholders 	<ul style="list-style-type: none"> - Remuneration is competitive with companies of a similar size and complexity - Deferred and long-term remuneration is designed to encourage long-term consistent performance and employee retention

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Remuneration Component	Vehicle	Purpose	Link to Performance
Fixed Remuneration	Consisting of base salary, superannuation and nonmonetary benefits. Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.	To provide competitive fixed remuneration set with reference to role, market, experience and performance.	Reviewed annually by the Board, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.
Short Term Incentive	Is paid in cash.	This is designed to reward executives for their contribution to the achievement of annual Group, business unit and individual outcomes.	Directly linked to pre-agreed KPIs. Reviewed regularly with the relevant executive member. Final performance is determined by the Board.
Long Term Performance	Equity including Options, Shares and/or Rights.	Reward executives for their contribution to the creation of shareholder value over the longer term.	It aims to align the targets of the business units with the targets of those executives responsible for meeting those targets.

Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel (KMPs) of the consolidated entity are:

- Peter Pawlowitsch (Non-Executive Chairman)
- Peter Cook (Managing Director and Chief Executive Officer)
- Kenneth Lai (Non-Executive Director)
- Paul Burton (Non-Executive Director) (resigned on 3 September 2021)
- Steven Zhou (Non-Executive Director) (resigned on 17 March 2022)
- Abigail Cheadle (Non-Executive Director) (appointed on 13 December 2021)

Other key management personnel:

- Alan Munday (Group Chief Operating Officer)
- Steven Stamboultgis (Chief Financial Officer and Company Secretary)

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Amounts of remuneration

	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments	
	Cash salary and fees	Non-monetary	Annual leave	Long service leave	Super-annuation	Equity-settled	Total
30 June 2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter Pawlowitsch	119,455	-	-	-	11,946	273,733	405,134
Kenneth Lai [^]	-	-	-	-	-	136,867	136,867
Paul Burton [^]	-	-	-	-	-	-	-
Steven Zhou ^{***}	54,546	-	-	-	2,727	136,867	194,140
Abigail Cheadle ^{**}	26,000	-	-	-	2,600	42,221 ^{**}	70,821
<i>Executive Directors:</i>							
Peter Cook	402,579	8,329	1,312	9,690	19,000	410,600	851,510
<i>Other Key Management Personnel:</i>							
Alan Munday	277,574	-	30,569	6,870	27,500	41,364	383,877
Steven Stamboultgis	182,022	5,400	9,410	4,697	19,222	26,127	246,878
	<u>1,062,176</u>	<u>13,729</u>	<u>41,291</u>	<u>21,257</u>	<u>82,995</u>	<u>1,067,779</u>	<u>2,289,227</u>

* Paul Burton resigned from Non-Executive Director on 3 September 2021.

** Abigail Cheadle was appointed as Non-Executive Director on 13 December 2021. Abigail Cheadle's options are subject to shareholders' approval at the 2022 AGM.

*** Steven Zhou resigned from Non-Executive Director on 17 March 2022.

[^] \$140,000 remains unpaid for director fees for Kenneth Lai and Paul Burton.

	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments	
	Cash salary and fees	Non-monetary	Annual leave	Long service leave	Super-annuation	Equity-settled	Total
30 June 2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter Pawlowitsch	117,610	-	-	-	11,172	-	128,782
Kenneth Lai [^]	50,000	-	-	-	-	-	50,000
Paul Burton [^]	50,000	-	-	-	-	-	50,000
Steven Zhou	36,530	-	-	-	3,470	-	40,000
Brandon Munro [*]	15,834	-	-	-	1,504	-	17,338
<i>Executive Directors:</i>							
Peter Cook	432,673	35,318	16,894	8,659	20,231	286,917	800,692
<i>Other Key Management Personnel:</i>							
Alan Munday	313,171	-	30,520	6,158	25,000	78,175	453,024
Steven Stamboultgis ^{**}	204,267	-	10,814	3,880	19,405	62,540	300,906
	<u>1,220,085</u>	<u>35,318</u>	<u>58,228</u>	<u>18,697</u>	<u>80,782</u>	<u>427,632</u>	<u>1,840,742</u>

* Brandon Munro resigned as a Director on 5 August 2020.

** Steven Stamboultgis was also appointed company secretary on 15 March 2021.

[^] \$100,000 remains unpaid for director fees for Kenneth Lai and Paul Burton.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
<i>Non-Executive Directors:</i>						
Peter Pawlowitsch	32%	100%	-	-	68%	-
Kenneth Lai	-	100%	-	-	100%	-
Paul Burton	-	100%	-	-	-	-
Steven Zhou	30%	100%	-	-	70%	-
Brandon Munro	-	100%	-	-	-	-
Abigail Cheadle	40%	-	-	-	60%	-
<i>Executive Directors:</i>						
Peter Cook	52%	64%	-	-	48%	36%
<i>Other Key Management Personnel:</i>						
Alan Munday	89%	83%	-	-	11%	17%
Steven Stamboultgis	89%	79%	-	-	11%	21%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Peter Cook
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	20 November 2015
Term of agreement:	The term is not fixed.
Details:	Base salary of \$400,000 (including statutory superannuation). 6.7M incentive options exercisable at variable dollar values upon the achievement of certain milestones.

Remuneration is subject to an annual review to be conducted by the Board. Factors to be considered include personal competency progression, achievement of personal development targets and KPIs, company remuneration policy, its financial position and current market equivalent positions. KPIs to be agreed each year and may be varied by mutual agreement.

The agreement may be terminated, (A) by either party without cause with six months' notice, or at the election of the Group, immediately with payment in lieu of six months' notice (subject to the limitation of the Corporations Act and Listing Rules). (B) By the Group on one months' notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12-month period.

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Name: Alan Munday
Title: Group Chief Operating Officer
Agreement commenced: 20 November 2015
Term of agreement: The term is not fixed.
Details: Base salary of \$304,468 (including statutory superannuation).

Remuneration is subject to an annual review to be conducted by the Board. Factors to be considered include personal competency progression, achievement of personal development targets and KPIs, company remuneration policy, its financial position and current market equivalent positions. KPIs to be agreed each year and may be varied by mutual agreement.

The agreement may be terminated, (A) without cause, with three months' notice from the Group or two months from the executive, or payment in lieu of notice at the Group's election (subject to the limitation of the Corporations Act and Listing Rules). (B) by Novatti on one month's notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12-month period or (C), summarily following material breach or in the case of serious misconduct.

Name: Steven Stamboultgis
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 20 November 2015
Term of agreement: The term is not fixed.
Details: Base salary of \$213,368 (including statutory superannuation).

Remuneration is subject to an annual review to be conducted by the Board. Factors to be considered include personal competency progression, achievement of personal development targets and KPIs, company remuneration policy, its financial position and current market equivalent positions. KPIs to be agreed each year and may be varied by mutual agreement.

The agreement may be terminated, (A) without cause, with three months' notice from the Group or two months from the executive, or payment in lieu of notice at the Group's election (subject to the limitation of the Corporations Act and Listing Rules). (B) by Novatti on one month's notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12-month period or (C), summarily following material breach or in the case of serious misconduct.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to key management personnel as part of compensation during the year ended 30 June 2022.

Novatti Group Limited
Directors' report
30 June 2022

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Peter Pawlowitsch	833,333	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.106
Peter Pawlowitsch	833,334	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.074
Peter Cook	833,333	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.106
Peter Cook	833,334	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.074
Paul Burton*	333,333	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.106
Paul Burton*	333,334	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.074
Steven Zhou**	333,333	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.106
Steven Zhou**	333,334	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.074
Kenneth Lai	333,333	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.106
Kenneth Lai	333,334	27 November 2018	22 March 2019	30 November 2022	\$0.195	\$0.074
Peter Pawlowitsch	166,666	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.106
Peter Pawlowitsch	166,666	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.086
Peter Pawlowitsch	166,667	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.074
Peter Cook	833,333	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.106
Peter Cook	833,333	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.086
Peter Cook	833,333	25 November 2019	30 November 2020	30 November 2023	\$0.200	\$0.074
Alan Munday	375,000	19 December 2019	31 December 2019	19 December 2022	\$0.200	\$0.104
Alan Munday	187,500	19 December 2019	31 December 2020	19 December 2022	\$0.200	\$0.087
Alan Munday	187,500	19 December 2019	31 December 2021	19 December 2022	\$0.200	\$0.063
Steven Stamboultgis	300,000	19 December 2019	31 December 2019	19 December 2022	\$0.200	\$0.104
Steven Stamboultgis	150,000	19 December 2019	31 December 2020	19 December 2022	\$0.200	\$0.087
Steven Stamboultgis	150,000	19 December 2019	31 December 2021	19 December 2022	\$0.200	\$0.063
Peter Cook	833,334	25 November 2020	01 December 2020	30 November 2024	\$0.270	\$0.110
Peter Cook	833,333	25 November 2020	01 December 2020	30 November 2024	\$0.270	\$0.114
Peter Cook	833,333	25 November 2020	01 December 2020	30 November 2024	\$0.270	\$0.119
Alan Munday	500,000	22 December 2020	22 December 2020	22 December 2023	\$0.275	\$0.102
Alan Munday	500,000	22 December 2020	22 December 2020	22 December 2023	\$0.275	\$0.083
Steven Stamboultgis	400,000	22 December 2020	22 December 2020	22 December 2023	\$0.275	\$0.102
Steven Stamboultgis	400,000	22 December 2020	22 December 2020	22 December 2023	\$0.275	\$0.083
Peter Pawlowitsch	666,667	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.128
Peter Pawlowitsch	666,667	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.137
Peter Pawlowitsch	666,666	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.146
Peter Cook	1,000,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.128
Peter Cook	1,000,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.137
Peter Cook	1,000,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.146
Abigail Cheadle***	500,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.128
Abigail Cheadle***	500,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.137
Abigail Cheadle***	500,000	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.146
Kenneth Lai	333,334	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.128
Kenneth Lai	333,333	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.137
Kenneth Lai	333,333	20 December 2021	20 December 2021	30 November 2025	\$0.450	\$0.146
Alan Munday	500,000	19 April 2022	19 April 2022	19 April 2025	\$0.350	\$0.084
Steven Stamboultgis	250,000	19 April 2022	19 April 2022	19 April 2025	\$0.350	\$0.084

* Paul Burton resigned from Non-Executive Director on 3 September 2021.

** Steven Zhou resigned from Non-Executive Director on 17 March 2022.

*** Abigail Cheadle's options are subject to shareholders' approval at the 2022 AGM.

Options granted carry no dividend or voting rights.

Novatti Group Limited
Directors' report
30 June 2022

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Number of options granted during the year 30 June 2022	Number of options granted during the year 30 June 2021	Number of options vested during the year 30 June 2022	Number of options vested during the year 30 June 2021
Peter Pawlowitsch	2,000,000	-	2,000,000	-
Peter Cook	3,000,000	2,500,000	3,000,000	2,500,000
Kenneth Lai	1,000,000	-	1,000,000	-
Abigail Cheadle**	1,500,000	-	1,500,000	-
Steven Zhou*	1,000,000	-	1,000,000	-
Alan Munday	500,000	1,000,000	937,500	687,500
Steven Stamboultgis	250,000	800,000	675,000	550,000

* Steven Zhou resigned from Non-Executive Director on 17 March 2022.

** Abigail Cheadle's options are subject to shareholders' approval at the 2022 AGM.

Additional information

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	0.155	0.640	0.310	0.165	0.225
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(5.115)	(5.162)	(6.398)	(3.098)	(1.530)

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, controlled or joint controlled parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Exercise of options	Other	Balance at the end of the year
Ordinary shares					
Peter Pawlowitsch	3,582,662	-	-	-	3,582,662
Peter Cook	11,507,904	-	1,666,667	-	13,174,571
Steven Zhou	-	-	-	-	-
Kenneth Lai	13,116,118	-	-	-	13,116,118
Paul Burton*	263,158	-	-	(263,158)	-
Alan Munday	50,000	-	-	-	50,000
Steven Stamboultgis	20,000	-	248,013	-	268,013
Abigail Cheadle	-	-	-	-	-
	<u>28,539,842</u>	<u>-</u>	<u>1,914,680</u>	<u>(263,158)</u>	<u>30,191,364</u>

* Paul Burton resigned from Non-Executive Director on 3 September 2021 and "other" represents Mr Burton's holding at his resignation date.

Novatti Group Limited
Directors' report
30 June 2022

Option holding

The number of options over ordinary 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, controlled or joint controlled parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Peter Pawlowitsch	2,166,667	2,000,000	-	-	4,166,667
Peter Cook	6,666,667	3,000,000	(1,666,667)	-	8,000,000
Abigail Cheadle***	-	1,500,000	-	-	1,500,000
Kenneth Lai	666,667	1,000,000	-	-	1,666,667
Paul Burton*	666,667	-	-	(666,667)	-
Steven Zhou**	666,667	1,000,000	-	(1,666,667)	-
Alan Munday	1,750,000	500,000	-	-	2,250,000
Steven Stamboultgis	1,400,000	250,000	(850,000)	-	800,000
	<u>13,983,335</u>	<u>9,250,000</u>	<u>(2,516,667)</u>	<u>(2,333,334)</u>	<u>18,383,334</u>

* Paul Burton resigned from Non-Executive Director on 3 September 2021 and "other" represents Mr Burton's holding at his resignation date.

** Steven Zhou resigned from Non-Executive Director on 17 March 2022 and "other" represents Mr Zhou's holding at his resignation date.

*** Abigail Cheadle's options are subject to shareholders' approval at the 2022 AGM.

Other transactions with key management personnel and their related parties

Services

No other payments were made to Directors outside of their normal duties as Directors for Novatti Group Ltd.

Current and non-current liabilities to a Director

There are no other current or non-current liabilities outstanding to Directors of the Group as at 30 June 2022.

This concludes the remuneration report, which has been audited.

Novatti Group Limited
Directors' report
30 June 2022

Shares under option

Unissued ordinary shares of Novatti Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 November 2018	30 November 2022	\$0.190	3,666,668
15 November 2019	30 October 2022	\$0.250	2,577,500
25 November 2019	30 November 2023	\$0.200	3,000,000
19 December 2019	19 December 2022	\$0.200	4,262,500
10 July 2020	10 July 2023	\$0.200	850,000
10 July 2020	1 March 2024	\$0.200	441,667
10 July 2020	1 March 2025	\$0.200	441,667
10 July 2020	1 March 2026	\$0.200	66,666
10 July 2020	31 December 2022	\$0.200	3,200,000
26 October 2020	26 October 2023	\$0.300	1,000,000
25 November 2020	30 November 2024	\$0.270	2,500,000
22 December 2020	22 December 2023	\$0.275	3,200,000
22 December 2020	14 October 2023	\$0.300	2,000,000
8 February 2021	8 February 2024	\$0.300	200,000
5 April 2021	5 April 2024	\$0.300	300,000
7 April 2021	7 April 2024	\$0.600	100,000
5 May 2021	5 May 2024	\$0.750	100,000
31 May 2021	31 May 2024	\$0.750	400,000
1 October 2021	31 December 2023	\$0.660	500,000
1 October 2021	31 December 2022	\$0.600	100,000
15 October 2021	15 October 2024	\$0.495	1,300,000
15 October 2021	15 October 2024	\$0.750	1,300,000
20 December 2021*	30 November 2025	\$0.450	8,500,000
25 January 2022	25 January 2025	\$0.326	600,000
5 April 2022	19 April 2025	\$0.350	2,575,000
			<u>43,181,668</u>

* The 8,500,000 unlisted options exercisable at \$0.45, expiring 30 November 2025 include 1,500,000 unlisted options granted to Abigail Cheadle of which are subject to shareholders' approval at the 2022 AGM.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Novatti Group Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
27 November 2018	\$0.190	1,666,667
19 December 2019	\$0.200	216,606
22 December 2020	\$0.275	68,907
15 November 2019	\$0.250	10,000
15 September 2020	\$0.250	5,200,000
		<u>7,162,180</u>

Shares issued on conversion of convertible notes

On 5 July 2021, the Group issued 4,880,000 fully paid ordinary shares on conversion of 1,220,000 convertible notes (4 for 1).

Novatti Group Limited
Directors' report
30 June 2022

On 30 July 2021, the Group issued 1,200,000 fully paid ordinary shares on conversion of 300,000 convertible notes (4 for 1).

On 4 August 2021, the remaining 97,500 convertible notes have ceased without conversion due to repayment or redemption.

As at the date of this report, the Group has \$40,000 left payable on the \$1.1 million convertible note to Australian Fintech Investment Group Pty Ltd (AFIG).

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards (APES) 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of William Buck

There are no officers of the company who are former partners of William Buck.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

Novatti Group Limited
Directors' report
30 June 2022

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

On behalf of the directors

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

Peter Pawlowitsch
Chairman

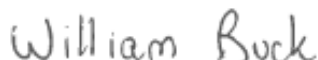
31 August 2022




**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF NOVATTI GROUP
LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.


William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136


N. S. Benbow
Director
Melbourne, 31st August 2022

Novatti Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

		Consolidated	
	Note	30 June 2022	30 June 2021
		\$'000	\$'000
Revenue	5	32,555	16,482
Other income		1,815	1,947
Expenses			
Administrative and corporate costs		(3,725)	(2,227)
Client hosting fees and other direct services	6	(18,928)	(4,979)
Employee benefits		(27,394)	(15,888)
Foreign currency translation gains/(losses)		403	(116)
Marketing and selling expenses		(290)	(57)
Data management expenses		(1,197)	(454)
Gain on investments at fair value through profit or loss	10	3,302	366
Share based payment on investor and broker options	33	(1,325)	(1,085)
Share of net profit of joint ventures accounted for using the equity method		23	33
Gains/(losses) on embedded derivative - convertible note facility into Novatti Group Ltd the parent entity		729	(2,860)
Depreciation and amortisation expense		(1,853)	(1,481)
Finance costs		(725)	(1,507)
Loss before income tax expense		(16,610)	(11,826)
Income tax expense	7	(17)	(17)
Loss after income tax expense for the year		(16,627)	(11,843)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		43	(43)
Other comprehensive income for the year, net of tax		43	(43)
Total comprehensive income for the year		<u>(16,584)</u>	<u>(11,886)</u>
Loss for the year is attributable to:			
Non-controlling interest		-	(31)
Owners of Novatti Group Limited		(16,627)	(11,812)
		<u>(16,627)</u>	<u>(11,843)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	(31)
Owners of Novatti Group Limited		(16,584)	(11,855)
		<u>(16,584)</u>	<u>(11,886)</u>
		Cents	Cents
Basic loss per share	32	(5.115)	(5.162)
Diluted loss per share	32	(5.115)	(5.162)

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

Novatti Group Limited
Consolidated statement of financial position
As at 30 June 2022

		Consolidated	
	Note	30 June 2022	30 June 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		6,059	8,798
Trade and other receivables	8	8,422	4,138
Financial assets - funds in trust	9	52,440	39,019
Other current assets		928	324
Total current assets		<u>67,849</u>	<u>52,279</u>
Non-current assets			
Investments accounted for using the equity method		77	804
Other investments at fair value through profit and loss	10	27,724	1,030
Plant and equipment		529	544
Right-of-use assets	11	1,790	1,933
Intangible assets	12	9,322	4,991
Security deposits		3,704	2,206
Total non-current assets		<u>43,146</u>	<u>11,508</u>
Total assets		<u>110,995</u>	<u>63,787</u>
Liabilities			
Current liabilities			
Trade and other payables	13	16,221	6,817
Settlement and remittance funds payable	14	52,062	38,609
Lease liabilities	15	273	247
Contract liabilities	16	798	876
Convertible note facilities		40	4,907
Employee benefits	17	1,959	1,314
Total current liabilities		<u>71,353</u>	<u>52,770</u>
Non-current liabilities			
Lease liabilities	15	1,829	1,971
Employee benefits	17	917	148
Other non-current liabilities	18	255	-
Total non-current liabilities		<u>3,001</u>	<u>2,119</u>
Total liabilities		<u>74,354</u>	<u>54,889</u>
Net assets		<u>36,641</u>	<u>8,898</u>
Equity			
Issued capital	19	89,336	44,144
Reserves	20	4,981	3,803
Accumulated losses		(57,676)	(41,018)
Equity attributable to the owners of Novatti Group Limited		<u>36,641</u>	<u>6,929</u>
Non-controlling interest		-	1,969
Total equity		<u>36,641</u>	<u>8,898</u>

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

Novatti Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-Controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2020	26,685	1,756	620	(29,547)	-	(486)
Loss after income tax expense for the year	-	-	-	(11,812)	(31)	(11,843)
Other comprehensive income for the year, net of tax	-	-	(43)	-	-	(43)
Total comprehensive income for the year	-	-	(43)	(11,812)	(31)	(11,886)
<i>Transactions with owners in their capacity as owners:</i>						
Lapse of expired share options	-	(341)	-	341	-	-
Vesting of share based payments arrangements	-	2,087	-	-	-	2,087
Issue of shares in lieu of consultancy fees	79	-	-	-	-	79
Issue of shares on exercise of options	980	(18)	-	-	-	962
Issue of shares on conversion of convertible notes and exercise of bonus options held by convertible note holders	4,060	(258)	-	-	-	3,802
Issue of equity in Novatti B Holdings Pty Ltd to BC Invest	-	-	-	-	2,000	2,000
Proceeds from issue of shares, net of transaction costs (note 19)	12,340	-	-	-	-	12,340
Balance at 30 June 2021	44,144	3,226	577	(41,018)	1,969	8,898

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

Novatti Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-Controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2021	44,144	3,226	577	(41,018)	1,969	8,898
Loss after income tax expense for the year	-	-	-	(16,627)	-	(16,627)
Other comprehensive income for the year, net of tax	-	-	43	-	-	43
Total comprehensive income for the year	-	-	43	(16,627)	-	(16,584)
<i>Transactions with owners in their capacity as owners:</i>						
Vesting of share based payments arrangements	-	1,792	-	-	-	1,792
Issue of shares in lieu of consultancy fees	26	-	-	-	-	26
Issue of shares in lieu of staff remuneration	250	-	-	-	-	250
Issue of shares on exercise of options	2,273	(656)	-	-	-	1,617
Issue of shares on conversion of convertible notes and exercise of bonus options held by convertible note holders	3,354	(1)	-	-	-	3,353
Reacquisition of equity in Novatti B Holdings Pty Ltd formerly owned by BC Invest	-	-	-	(31)	(1,969)	(2,000)
Proceeds from issue of shares, net of transaction costs (note 19)	38,029	-	-	-	-	38,029
Issue of shares to acquire ATX Fintech Holding Sdn Bhd	1,260	-	-	-	-	1,260
Balance at 30 June 2022	<u>89,336</u>	<u>4,361</u>	<u>620</u>	<u>(57,676)</u>	<u>-</u>	<u>36,641</u>

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

Novatti Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2022

		Consolidated	
	Note	30 June 2022	30 June 2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		62,124	34,155
Payments to suppliers and employees (inclusive of GST)		(75,838)	(41,102)
Interest received		34	38
Receipt of research and development grant		-	1,114
Receipt of Government Stimulus		256	798
Interest and other finance costs paid		(721)	(402)
		(14,145)	(5,399)
Dividends received		1,126	-
Income taxes paid		(13)	-
Net cash used in operating activities	31	(13,032)	(5,399)
Cash flows from investing activities			
Payment of deferred cash consideration for Emersion acquisition		-	(810)
Payment for purchase of business, net of cash acquired	28	(2,098)	-
Payments for investments in Reckon Limited	22	(22,517)	-
Payments for plant and equipment		(147)	(177)
Payments for intangible assets	12	(326)	(240)
Payments for security deposits		(1,587)	(1,970)
Proceeds from disposal of investments		-	560
Net cash used in investing activities		(26,675)	(2,637)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	19	38,029	13,054
Proceeds from loan repaid		-	200
Repayment of borrowings		(804)	(400)
Interest and other finance costs paid on convertible notes		-	(244)
(Repurchase)/issue of equity to BC Invest		(2,000)	2,000
Proceeds from exercise of options		1,618	-
Repayment of lease liabilities		(248)	(260)
Net cash from financing activities		36,595	14,350
Net increase/(decrease) in cash and cash equivalents		(3,112)	6,314
Cash and cash equivalents at the beginning of the financial year		8,798	2,600
Effects of exchange rate changes on cash and cash equivalents		373	(116)
Cash and cash equivalents at the end of the financial year		6,059	8,798

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

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2022

Note 1. General information

The consolidated financial statements cover Novatti Group Limited as a consolidated entity consisting of Novatti Group Limited ('the Company', 'Novatti' or 'parent entity') and the entities it controlled (collectively 'the Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Novatti Group Limited's functional and presentation currency.

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

Level 3
461 Bourke Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2022. The directors do not have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Statement of Compliance

The consolidated financial statements are general-purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on the historical cost convention, except for the followings are recorded on a fair value basis: assets and liabilities acquired in a business combination, investments at fair value through profit and loss, deferred consideration and embedded derivatives included in convertible notes. Unless otherwise stated the carrying amounts of financial assets and liabilities reflect their fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Note 2. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the legal parent entity is disclosed in note 27.

Principles of consolidation

These are the financial statements of the 'Company' and the 'Group' as at 30 June 2022.

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Novatti Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

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

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

Note 2. Significant accounting policies (continued)

Revenue recognition

The Group recognises revenue 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 of the goods or services promised to the customer.

Technology

Develop, deploy and supports specialised mobile and alternate payment technology. Billing and CIS solution to service providers in the utilities industry. Yearly licence fees are amortised over the relevant year and professional service revenue is recognised in the month the service is provided at that point in time.

Business Automation

Provisioning of customer engagement, payment, provisioning, and subscription billing solutions. Monthly fees are charged at a transactional level. Fees for settling up and deploying the service are charged and recognised when the service is provided.

Acquiring

A service that enables merchants to get paid. Monthly fees are charged at a transactional level. Fees for settling up and deploying the service are charged and recognised when the service is provided.

Alternative Payments

Revenue from Alternative Payments is a mixture of:

- Fees for software as a service
- Fees for the facilitation of top up vouchers
- Settlement Services of financial transactions
- Fees from 'Prepaid' reloadable cards

The revenue charges for alternative payment services are based on transactional value. Revenue is therefore recognised when the service is provided.

Banking Services

On approval as an Authorised Deposit-Taking Institution or its full banking licence by APRA, Banking services will provide a number of services to Australian customers for which they may charge a transactional fee and/or fee for service where the revenue is recognised when the service is provided.

Issuing

Issuing of prepaid Visa cards under licence of Visa. Monthly fees are charged at a transactional level. Fees for settling up and deploying the service are charged and recognised when the service is provided.

ATX Payments

ATX provides digital payment services, such as third-party bill and product payments and it is paid per transaction.

Interest

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

Contract liabilities

Contract liabilities includes revenue from clients whereby services are billed in advance of their anniversary dates and have outstanding services owing for the financial year ended 30 June 2022.

Other revenue

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

Note 2. Significant accounting policies (continued)

Contract assets

Contract assets includes revenue from the sales of services unbilled as at 30 June 2022.

Government grants

Government grants, including Research and Development revenues, are recognised at the point in time where there is reasonable assurance that the grant will be received and all attached conditions will be fulfilled.

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.

Novatti Group Limited (the 'head legal entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. The head entity and each subsidiary in the tax-consolidated Group continue to account for their own current and deferred tax amounts. The tax-consolidated Group has applied the 'separate taxpayer within Group' approach in determining the appropriate amount of taxes to allocate to members of the tax-consolidated Group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the tax-consolidated Group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated Group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Financial assets and other investments

Financial assets and other investments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 2. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group'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, 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.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives for the current period are as follows:

Plant and equipment	2 years
Leasehold fixtures and fittings at cost	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 Group. Gains and losses between the carrying amount and the disposal proceeds are taken to the statement of profit or loss and other comprehensive income in the period in which they arise.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 2. Significant accounting policies (continued)

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives for intangibles for the current period are:

Product Development: Technology	5 years
Customer lists	5 - 10 years
Intellectual Property: Technology - Billing Software	10 years
Brands	10 years

Intangible assets acquired in a business combination

Intangible assets, including customer lists, intellectual property and brand acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to 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 that are acquired separately.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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 2. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Convertible note facilities

During the year ended 30 June 2020 the Group issued convertible note tranches with conversion clauses that were both fixed and variable. For convertible notes with variable conversion terms, at initial recognition an embedded derivative is recognised on the statement of financial position at fair value and that embedded derivative is subsequently recorded at its fair value thereafter, with changes in fair value going through to the statement of profit or loss and other comprehensive income. The difference between the consideration received (net of costs) and the embedded derivative is reflected in the principal value of the convertible note liability.

For convertible notes with fixed conversion terms, at initial recognition the separate debt component of the note is recorded at its fair value (net of costs of the note) with the residual difference between the note and equity taken to a convertible note reserve in equity.

Over the duration of the maturity of the convertible note, the discount applied to the note at initial recognition is unwound through a finance charge using the effective interest rate up to the face value of the note at maturity. Costs directly attributable to the issue of the convertible notes are amortised over the life of the underlying note

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.

Other long-term employee benefits

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

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Business combinations

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

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

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

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

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

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

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

Loss per share

Basic loss per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Novatti Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Note 2. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Binomial models taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Revenue from contracts with customers involving performance milestones

When recognising revenue, the key performance obligation of the consolidated entity is considered to be performance milestones detailed under each contract. Management estimates the progress against these performance milestones at each reporting date and recognise revenue and work in progress accounts accordingly.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

The investments in Slice Payments and Rent Pay Pty Ltd are Level 2 valuation investments as they are unlisted, with the derivation of their value from the last available public information for trading in the shares of those investments at arms-length terms. Refer to note 22 'Financial instruments' for further information on valuation of investments in unlisted entities. The investment in Reckon Limited is a Level 1 investment, being that it is quoted on the Australian Securities Exchange.

Estimation of useful lives of finite life intangible assets

The Group determines the valuation, estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The 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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry-forward losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The directors have determined that the losses to date do not validate the requirement to book any DTA for carry forward losses and will consider the recognition of DTAs in future periods.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Assessment of the conversion features of the convertible notes

During the year ended 30 June 2020, the Group issued convertible note tranches with conversion clauses that were both fixed and variable. For the convertible note tranches with variable conversion terms, at initial recognition an embedded derivative is recognised on the statement of financial position at fair value and that embedded derivative is subsequently recorded at its fair value thereafter, with changes in fair value going through to the statement of profit or loss and other comprehensive income. The difference between the consideration received (net of costs) and the embedded derivative is reflected in the principal value of the convertible note liability.

The fixed component of the convertible note tranches in accordance with AASB 132 Financial instruments, are classified as equity.

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost. Refer to note 28 'Business combinations' for further information.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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

Assessment of ATX Fintech Holding Sdn Bhd (ATX)

The acquisition of ATX Fintech Holding Sdn Bhd has been accounted as a Business Combination under AASB 3. ATX Fintech Holding Sdn Bhd is identified as a business given it has a substantive process in place to process inputs into outputs. ATX has an integrated set of activities and assets and it provides digital payment services, such as third-party bill and product payments.

ATX is identified as a principal under AASB 15 given it controls the specified good or service before that good or service is transferred to a customer. For example, ATX controls the payment pins and takes the inventory risk before the payment pins are transferred to a customer. Therefore, when ATX satisfies a performance obligation, ATX recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. At the same time, it recognises costs of sales in gross amount.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into eight operating business segments:

- (1) Technology, incorporating enterprise sales, Maintenance & Support via the Novatti Platform and Basis2 operating under Novatti Incorporated
- (2) Business Automation, incorporating Emersion Systems Pty Ltd and Novatti Emersion Inc.
- (3) Acquiring, incorporating Novatti Acquiring Holdings Pty Ltd and Novatti Acquiring Services (AUS) Pty Ltd
- (4) Alternative Payments, incorporating Flexewallet Pty Ltd, Flexe Payments (South Africa) Pty Ltd and Flexe Payments Ltd
- (5) Banking Services, incorporating the banking services under Novatti B Holding Company Pty Ltd
- (6) Issuing, incorporating Flexewallet (NZ) Limited and Vasco Pay Pty Ltd
- (7) ATX Payments, incorporating ATX Fintech Holding Sdn Bhd
- (8) Corporate Overheads, the overhead segment that holds the financial assets for the Group and captures the corporate, public running costs and overheads costs

These operating business segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on at least a monthly basis.

Note 4. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Technology	Platform: Develops, deploys and supports specialised mobile and alternate payment technology, primarily through the deployment of the Novatti Platform.
Business Automation	Billing Solutions: Basis2 trading under Novatti Inc. provides a technologically advanced billing and CIS solution to service providers in the utilities industry. Emersion: Automates business processes including customer engagement, billing, collections, subscription management and embedded payments.
Acquiring	Novatti Acquiring: Enables businesses to accept payments online for e-commerce with a strong focus on mobile point-of-sales as key growth area.
Alternative Payments	TransferBridge: Provides a comprehensive global network that interconnects emerging payment platforms, remittance operators, financial institutions, retailers, utilities and other types of cross border payment settlement offerings.
Banking Services	Flexewallet and Flexe Payments: Offers customers an alternative payment method in the form of a prepaid cash voucher. Vouchers can be used for a multitude of payment methods such as prepaid account top-ups and for secure online payment of goods and services. Vouchers are available in a variety of currencies and locations globally. Novatti B Holding Company Pty Ltd, on approval as a Restricted Authorised Deposit-Taking Institution ('RADl') or its banking licence by APRA, Novatti B Holding Company Pty Ltd will offer new banking services to Australian customers with a focus on the migrant demographic.
Issuing	Vasco Pay Pty Ltd and Novatti Group Ltd: Provides a payment system centred around reloadable prepaid cards that meets the needs and wants of international and local university and college students.
ATX Payments	ATX Fintech Holding Sdn Bhd: Provides large, established payments network across Malaysia, including 30k+ touch points.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2022, approximately 27.12% (30 June 2021: 25.43%) of the consolidated entity's external revenue was derived from sales to customers as follows:

	Consolidated 30 June 2022 %	Consolidated 30 June 2021 %
Customer A	10.03%	13.98%
Customer B	17.09%	11.45%
	<u>27.12%</u>	<u>25.43%</u>

Novatti Group Limited
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Note 4. Operating segments (continued)

Operating segment information

	Business		Alternative	Banking			ATX	Corporate	
	Technology	Automation	Acquiring	Payments	Services	Issuing	Payments	Overheads	Total
Consolidated - 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue									
Sales to external customers	3,876	2,439	868	17,946	-	1,625	5,801	-	32,555
Other revenue	-	-	-	-	-	-	-	1,781	1,781
Total revenue	3,876	2,439	868	17,946	-	1,625	5,801	1,781	34,336
EBITDA	2,551	(2,995)	(3,205)	2,547	(2,404)	(2,586)	(54)	(7,866)	(14,012)
Depreciation and amortisation	-	-	-	-	-	-	-	(1,853)	(1,853)
Interest revenue	-	-	-	-	-	-	-	34	34
Finance costs	-	-	-	-	-	-	-	(725)	(725)
Other taxes	-	-	-	-	-	-	-	(54)	(54)
Profit/(loss) before income tax expense	2,551	(2,995)	(3,205)	2,547	(2,404)	(2,586)	(54)	(10,464)	(16,610)
Income tax expense									(17)
Loss after income tax expense									(16,627)
Assets									
Segment assets	5,535	2,640	889	44,657	72	17,174	10,160	29,868	110,995
Total assets									110,995
Liabilities									
Segment liabilities	5,644	955	790	43,607	499	16,835	3,909	2,115	74,354
Total liabilities									74,354

Novatti Group Limited
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Note 4. Operating segments (continued)

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	Issuing	Corporate Overheads	Total
Consolidated - 30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	4,956	2,229	-	8,362	-	935	-	16,482
Other revenue	-	-	-	-	-	-	1,912	1,912
Total revenue	<u>4,956</u>	<u>2,229</u>	<u>-</u>	<u>8,362</u>	<u>-</u>	<u>935</u>	<u>1,912</u>	<u>18,394</u>
EBITDA	(964)	(1,305)	(118)	1,690	(1,553)	(362)	(6,248)	(8,860)
Depreciation and amortisation	-	-	-	-	-	-	(1,481)	(1,481)
Interest revenue	-	-	-	-	-	-	35	35
Finance costs	-	-	-	-	-	-	(1,507)	(1,507)
Other taxes	-	-	-	-	-	-	(13)	(13)
Profit/(loss) before income tax expense	<u>(964)</u>	<u>(1,305)</u>	<u>(118)</u>	<u>1,690</u>	<u>(1,553)</u>	<u>(362)</u>	<u>(9,214)</u>	<u>(11,826)</u>
Income tax expense								(17)
Loss after income tax expense								<u>(11,843)</u>
Assets								
Segment assets	6,491	3,154	2	40,756	2,035	2,414	8,935	63,787
Total assets								<u>63,787</u>
Liabilities								
Segment liabilities	5,373	1,117	17	37,834	353	2,410	7,785	54,889
Total liabilities								<u>54,889</u>

For the breakdown of operating segment revenue into disaggregated revenue components, refer to note 5.

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	\$'000	\$'000	\$'000	\$'000
Australia	7,604	7,727	35,951	11,508
Malta	3,265	1,887	-	-
Mauritius	-	2,304	-	-
United States	2,069	1,836	-	-
Malaysia	7,316	-	7,195	-
Brazil	5,564	-	-	-
Gibraltar	2,140	-	-	-
Channel Islands	1,515	-	-	-
Other	3,082	2,728	-	-
	<u>32,555</u>	<u>16,482</u>	<u>43,146</u>	<u>11,508</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

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Note 5. Revenue

30 June 2022	Timing of revenue recognition Services provided at point in time \$	Timing of revenue recognition Services provided over time \$	Consolidated 2022 \$
Sales revenue:			
Technology	2,176	1,700	3,876
Business Automation	1,354	1,085	2,439
Acquiring	868	-	868
Alternative Payments	17,946	-	17,946
Banking Services	-	-	-
Issuing	1,625	-	1,625
ATX Payments	5,801	-	5,801
	<u>29,770</u>	<u>2,785</u>	<u>32,555</u>
30 June 2021	Timing of revenue recognition Services provided at point in time \$	Timing of revenue recognition Services provided over time \$	Consolidated 2021 \$
Sales revenue			
Technology	3,203	1,753	4,956
Business Automation	-	2,229	2,229
Acquiring	-	-	-
Alternative Payments	8,362	-	8,362
Banking Services	-	-	-
Issuing	935	-	935
ATX Payments	-	-	-
	<u>12,500</u>	<u>3,982</u>	<u>16,482</u>

Note 6. Client hosting fees and other direct services

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Settlement services	5,932	1,768
Tokenised technology commission	2,422	-
Issuing costs related to program management and Visa	1,307	357
Voucher top up, payment and distribution costs associated with the Malaysian subsidiary	4,976	-
Cross border settlement costs	1,697	1,425
Hosting and other direct services	2,594	1,429
	<u>18,928</u>	<u>4,979</u>

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Note 7. Income tax expense

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(16,610)	(11,826)
Tax at the statutory tax rate of 25% (2021: 26%)	(4,153)	(3,075)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Adjustment for tax rate differences in foreign jurisdictions	101	16
Adjustment for tax exempt research and development tax	-	(290)
Adjustments from prior periods	3,276	1,439
Adjustment for changes in tax rates	-	132
Share-based payments	406	393
Adjustment for R&D accounting expense included within R&D incentive	-	338
Other non-deductible expenses	18	(25)
	(352)	(1,072)
Current year tax losses not brought to account	4,831	2,003
Current year temporary differences not brought to account	(1,188)	995
Adjustments in respect of current income tax of previous year	(3,276)	(1,777)
Adjustment for changes in tax rates	-	(132)
Prior year income tax losses utilised in the current year	2	-
Income tax expense	<u>17</u>	<u>17</u>
	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Deferred tax assets not brought to account:</i>		
Unused tax losses for which no deferred tax asset has been recognised	28,625	21,100
Potential tax benefit @ 25% (2021: 26%)	7,156	5,486

Note 8. Trade and other receivables

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	5,703	3,076
Less: Allowance for expected credit losses	(221)	(55)
	<u>5,482</u>	<u>3,021</u>
Contract assets	<u>2,940</u>	<u>1,117</u>
	<u>8,422</u>	<u>4,138</u>

Allowance for expected credit losses

The consolidated entity has recognised additional provision of \$166,000 (2021: \$32,000 of credit) in statement of profit or loss and other comprehensive income in respect of the expected credit losses for the year ended 30 June 2022.

Other than the provision noted above, management are of the opinion that these receivables are reflective of fair value and should not be impaired.

Note 8. Trade and other receivables (continued)

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Current	4,802	2,114
3 to 6 months overdue	153	217
Over 6 months overdue	527	690
	<hr/>	<hr/>
Trade receivables	5,482	3,021
Contract assets	2,940	1,117
	<hr/>	<hr/>
	8,422	4,138
	<hr/> <hr/>	<hr/> <hr/>

Note 9. Financial assets - funds in trust

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Settlement funds*	27,441	15,913
Remittance funds*	7,947	18,371
Client visa funds	17,052	4,735
	<hr/>	<hr/>
	52,440	39,019
	<hr/> <hr/>	<hr/> <hr/>

* Refer to note 14 Current liabilities – Settlement and Remittance funds payable

Note 10. Other investments at fair value through profit and loss

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investment in Slice Payments	452	780
Investment in Rent Pay Pty Ltd	250	250
Investment in Reckon Limited	27,022	-
	<hr/>	<hr/>
	27,724	1,030
	<hr/> <hr/>	<hr/> <hr/>

For all of these investments, the directors consider that the Company has less than a significant influence. Accordingly, they are all held at fair value through profit or loss. The investments in Slice Payments and Rent Pay Pty Ltd are Level 2 valuation investments as they are unlisted, with the derivation of their value from the last available public information for trading in the shares of those investments at arms-length terms. The investment in Reckon Limited is a Level 1 investment, being that it is quoted on the Australian Securities Exchange. The Reckon Limited shares were originally acquired at \$1.00 per share. As at 30 June 2022 the value of those shares increased to \$1.20 per share, contributing to a fair valuation gain of \$4.50 million.

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Note 11. Right-of-use assets

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Buildings - right-of-use	2,761	2,526
Less: Accumulated amortisation	(971)	(593)
	<u>1,790</u>	<u>1,933</u>

Reconciliations

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

Consolidated	Buildings - Right-of-use \$'000
Balance at 1 July 2020	2,244
Foreign exchange differences	1
Amortisation expense	(312)
Balance at 30 June 2021	1,933
Additions	165
Additions through business combinations (note 28)	70
Amortisation expense	(378)
Balance at 30 June 2022	<u>1,790</u>

Note 12. Intangible assets

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Brand Asset	4,973	568
Less: Accumulated amortisation	(470)	(173)
	<u>4,503</u>	<u>395</u>
Intellectual property - at cost	2,588	847
Less: Accumulated amortisation	(991)	(347)
	<u>1,597</u>	<u>500</u>
Customer Lists	3,789	3,619
Less: Accumulated amortisation	(1,830)	(1,206)
	<u>1,959</u>	<u>2,413</u>
Licences	475	475
Less: Accumulated amortisation	(166)	(71)
	<u>309</u>	<u>404</u>
Other intangible assets	51	46
Product development	1,643	1,643
Less: Accumulated amortisation	(740)	(410)
	<u>903</u>	<u>1,233</u>
	<u><u>9,322</u></u>	<u><u>4,991</u></u>

Reconciliations

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

	Brand Asset \$'000	Intellectual Property \$'000	Customer Lists \$'000	Licences \$'000	Other Intangible Assets \$'000	Product Developme nt \$'000	Total \$'000
Consolidated							
Balance at 1 July 2020	452	584	3,061	-	46	1,561	5,704
Additions	-	-	-	475	-	-	475
Exchange differences	-	-	(165)	-	-	-	(165)
Amortisation expense	(57)	(84)	(483)	(71)	-	(328)	(1,023)
Balance at 30 June 2021	395	500	2,413	404	46	1,233	4,991
Additions	-	158	-	-	-	-	158
Exchange differences	-	(15)	170	-	-	-	155
Additions through business combinations (note 28)	4,405	1,105	-	-	5	-	5,515
Amortisation expense	(297)	(151)	(624)	(95)	-	(330)	(1,497)
Balance at 30 June 2022	<u><u>4,503</u></u>	<u><u>1,597</u></u>	<u><u>1,959</u></u>	<u><u>309</u></u>	<u><u>51</u></u>	<u><u>903</u></u>	<u><u>9,322</u></u>

Novatti Group Limited
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Note 13. Trade and other payables

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	6,969	3,596
Sundry creditors and accrued expenses	8,201	3,012
Deferred consideration related to ATX acquisition*	1,012	-
Income tax payable	39	13
Other payables	-	196
	<u>16,221</u>	<u>6,817</u>

* Refer to note 28 'Business combinations' for further information on deferred consideration.

Note 14. Settlement and remittance funds payable

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Settlement funds payable*	27,441	15,913
Remittance funds payable*	7,947	18,371
Client visa funds payable	16,674	4,325
	<u>52,062</u>	<u>38,609</u>

*Client Funds held for Settlement and Remittance, refer to note 9.

Note 15. Lease liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Office lease liabilities for Melbourne, United Kingdom, Malta and Malaysia	<u>273</u>	<u>247</u>
<i>Non-current liabilities</i>		
Office lease liabilities for Melbourne, United Kingdom, Malta and Malaysia	<u>1,829</u>	<u>1,971</u>
	<u>2,102</u>	<u>2,218</u>

Refer to note 22 for further information on financial instruments.

Note 16. Contract liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	798	876
Reconciliation of the values at the beginning and end of the current and previous financial year:		
	Contract liabilities	
	2022	2021
	\$	\$
Opening balance	876	861
Amounts billed in advance (ex GST)	2,707	3,997
Less revenue recognised over a period of time	(2,785)	(3,982)
	798	876

Note 17. Employee benefits

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	1,469	914
Long service leave	490	400
	1,959	1,314
<i>Non-current liabilities</i>		
Long service leave	138	148
Provision for employee-related costs*	779	-
	917	148
	2,876	1,462

* the provision for employee-related costs relates to the earn-out milestone payments to ATX executive staff.

Note 18. Other non-current liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current liabilities</i>		
Deferred consideration related to ATX acquisition*	117	-
Other payables related to ATX subsidiary	138	-
	255	-

* Refer to note 28 'Business combinations' for further information on deferred consideration.

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Note 19. Issued capital

	Consolidated			
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>335,297,521</u>	<u>244,203,326</u>	<u>89,336</u>	<u>44,144</u>

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Note 19. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2020	185,210,500	26,685
Issue of shares on conversion of convertible notes	3 July 2020	700,000	183
Issue of shares on exercise of options	3 July 2020	175,000	-
Issue of placement shares to institutional and sophisticated investors	7 July 2020	40,000,000	10,000
Issue of placement shares to Directors	15 September 2020	800,000	200
Issue of shares in lieu of consultancy fees	15 September 2020	200,000	50
Issue of shares on cashless exercise of options	5 November 2020	51,038	18
Issue of shares on exercise of options	8 December 2020	20,000	6
Issue of shares on conversion of convertible notes and compound interest	26 February 2021	844,811	354
Issue of shares on exercise of options	26 February 2021	280,000	87
Issue of shares on conversion of convertible notes and compound interest	19 March 2021	406,332	170
Issue of shares on exercise of options	19 March 2021	115,000	39
Issue of shares in lieu of consultancy fees	19 March 2021	115,163	29
Issue of shares on conversion of convertible notes	24 March 2021	1,660,000	696
Issue of shares on exercise of options	24 March 2021	250,000	83
Issue of shares on conversion of convertible notes	23 April 2021	1,618,032	875
Issue of shares on exercise of options	23 April 2021	210,000	71
Issue of placement shares to sophisticated investors	13 May 2021	6,833,713	3,000
Issue of shares on conversion of convertible notes	21 May 2021	190,000	103
Issue of shares on exercise of options	21 - 28 May 2021	555,000	183
Cost of capital raising		-	(870)
Issue of shares on conversion of convertible notes and compound interest	4 June 2021	1,381,084	925
Issue of shares on exercise of options	4 June 2021	300,000	100
Issue of shares on conversion of convertible notes and compound interest	15 June 2021	1,125,153	753
Issue of shares on exercise of options	18 June 2021	1,162,500	386
Cash received for exercise of options		-	18
Balance	30 June 2021	244,203,326	44,144
Issue of shares on conversion of convertible notes	5 July 2021	4,880,000	2,692
Issue of shares on exercise of options	5 July 2021	37,500	10
Issue of shares to sophisticated and institutional investors	9 July 2021	51,120,472	28,116
Issue of shares on conversion of convertible notes	30 July 2021	1,200,000	662
Issue of shares to existing shareholders under Share Purchase Plan	9 August 2021	452,742	249
Issue of shares to sophisticated and institutional investors	27 August 2021	21,606,801	11,884
Issue of shares on exercise of options	1 September 2021	310,000	103
Issue of shares on exercise of options	1 October 2021	600,000	199
Issue of shares in lieu of consultancy fees	1 October 2021	40,000	17
Issue of shares to employees	15 October 2021	1,000,000	250
Issue of shares on exercise of options	3 December 2021	3,198,013	1,046
Issue of shares in lieu of consultancy fees	24 December 2021	32,000	9
Issue of shares on exercise of options	24 December 2021	1,350,000	448
Issue of shares on exercise of options	31 December 2021	1,666,667	467
Issue of shares to acquire ATX Fintech Holding Sdn Bhd	14 January 2022	3,600,000	1,260
Cost of capital raising		-	(2,220)
Balance	30 June 2022	<u>335,297,521</u>	<u>89,336</u>

Note 19. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends, when declared and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

Note 20. Reserves

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Foreign currency reserve	620	577
Share-based payments reserve	4,361	3,226
	<u>4,981</u>	<u>3,803</u>

Foreign currency reserve

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

Share-based payments reserve

The option reserve is used to record the fair value of options issued to employees and directors as part of their remuneration. It is also used to record the fair value of options in other share-based payment transactions. The balance is transferred to Issued Capital when options are exercised and balance is transferred to retained earnings when options lapse.

Note 21. Dividends

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

Note 22. Financial instruments

Financial risk management objectives

The Group is exposed to risks that arise from the use of its financial instruments. This note describes Novatti Group's objectives, policies and processes for managing those risks and the methods used to measure them. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this Note.

The Group's Audit, Risk & Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Note 22. Financial instruments (continued)

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash at bank and on deposit
- Trade receivables
- Financial assets at fair value through profit or loss
- Trade and other payables
- Lease liabilities
- Convertible note facilities

Client funds held for settlement and remittance are not recognised as financial instruments as the net value of the two net off in total.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default by the counter-party, with maximum exposure equal to the carrying amount of these instruments. Exposure at the reporting date is addressed in each applicable note.

Clients of the Group range from financial service providers, telecommunication operators to airline companies. New client contracts may require customers to pay fees based on 'project milestone arrangements' in accordance with agreed upon contract terms. Moving from milestone to milestone requires the payment of each to move onto the next. In addition, companies may be charged for on-going service and maintenance contracts on a monthly or quarterly basis based on the initial contract value and last up to 5 - 10 years.

Transactional sales obligations are settled generally on 21-day terms and after receipt from distributors.

The Group undertakes transactions with a large number of customers and regularly monitors payments in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms. Refer to note 8 trade and other receivable for the ageing analysis.

The Group does not have any material credit risk exposure for other receivables or other financial instruments.

Market risk

Foreign currency risk

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the geographical region's cash balances, commitments and receipts, converted to the Group's main functional currency, Australian Dollars (AUD).

The Group is exposed to currency risk on cash at bank, accounts receivable and payable accounts and on its financial assets in Canadian Dollars (CAD) to fund its Canadian operations, Euro (EUR) and Great British Pounds (GBP) to service its European Operations in the UK, also US Dollars (USD) and New Zealand Dollars (NZD).

Note 22. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	30 June 2022 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2021 \$'000
CAD	449	1,219	(334)	(1,109)
USD	969	1,090	(275)	(206)
EUR	39,206	11,428	(1,572)	(432)
GBP	5	-	(141)	(15)
NZD	8,034	2,544	(6)	-
MYR	1,560	-	(2,703)	-
	<u>50,223</u>	<u>16,281</u>	<u>(5,031)</u>	<u>(1,762)</u>

The following tables below illustrate the sensitivity of the net result for the year and equity in regard to the Group's financial assets and financial liabilities compared with the currency on deposit and AUD exchange rate. It assumes a +/- 5% change in the exchange rate for the year ended at 30 June 2022. This percentage has been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. This assumes that other variables, in particular interest rates, remain constant.

Consolidated - 30 June 2022	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
CAD	5%	(5)	-	-	5%	6	-	-
USD	5%	(33)	-	-	5%	37	-	-
EUR	5%	(1,792)	-	-	5%	1,981	-	-
GBP	5%	6	-	-	5%	(7)	-	-
NZD	5%	(382)	-	-	5%	423	-	-
MYR	5%	54	-	-	5%	(60)	-	-
		<u>(2,152)</u>	-	-		<u>2,380</u>	-	-

Consolidated - 30 June 2021	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
CAD	5%	(5)	-	-	5%	6	-	-
USD	5%	(42)	-	-	5%	47	-	-
EUR	5%	(524)	-	-	5%	579	-	-
GBP	5%	1	-	-	5%	(1)	-	-
NZD	5%	(121)	-	-	5%	134	-	-
		<u>(691)</u>	-	-		<u>765</u>	-	-

Price risk

The Group is exposed to other price risk on its investments in listed and unlisted entities. These investments are classified on the statement of financial position as investment assets initially recorded at cost and are subsequently measured at fair value through the statement of profit or loss. The investments are in three different entities. The assets and liabilities within these investments indirectly expose the Group to equity price risks. It is not considered practicable to 'look through' the investments to analyse these risks in detail.

Note 22. Financial instruments (continued)

If the fair value of investments increased by 10% this would have increased total comprehensive income for the Group by \$2,772,400. A decrease of 10% would have reduced total comprehensive income by the same amount.

Investments measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is applied using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 – a valuation technique is applied using inputs that are not based on observable market data (unobservable inputs)

30 June 2022	Level 1	Level 2	Level 3	Total
Assets	\$'000	\$'000	\$'000	\$'000
Shares in listed entities	27,022	-	-	27,022
Shares in unlisted entities	-	702	-	702
	<u>27,022</u>	<u>702</u>	<u>-</u>	<u>27,724</u>
30 June 2021	Level 1	Level 2	Level 3	Total
Assets	\$'000	\$'000	\$'000	\$
Shares in unlisted entities	-	-	1,030	1,030
	<u>-</u>	<u>-</u>	<u>1,030</u>	<u>1,030</u>
Reconciliation			30 June 2022	30 June 2021
			\$'000	\$'000

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	1,030	860
Additions	22,517	364
Disposals	-	(560)
Revaluation increments	4,505	366
Revaluation decrements	(328)	-
Closing fair value	<u>27,724</u>	<u>1,030</u>

These investments are in private entities where obtaining input values is not readily possible. Input values recognised were based on judgement and most recent transaction values.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least three months.

The Group also seeks to reduce liquidity risk by ensuring that its cash deposits are earning interest at the best rates. At balance date, these reports indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

As at 30 June 2022, the financial liabilities of the Group include:

- Trade and other payables. For further details including breakdown of balances, refer to trade and other payables in note 13 for a breakdown of account balances
- Lease liabilities. Refer to note 15 for a summary of the outstanding lease liabilities
- Convertible note facilities.

Note 22. Financial instruments (continued)

The contractual amounts of financial liabilities are equal to their carrying values.

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.

Consolidated - 30 June 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and other payables	-	16,221	-	-	-	16,221
<i>Interest-bearing - fixed rate</i>						
Convertible note facilities	9.00%	40	-	-	-	40
Lease liabilities	5.21%	273	1,829	-	-	2,102
Total non-derivatives		16,534	1,829	-	-	18,363

Consolidated - 30 June 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables and other payables	-	6,817	-	-	-	6,817
<i>Interest-bearing - fixed rate</i>						
Borrowings	-	700	-	-	-	700
Convertible note facilities	9.00%	4,207	-	-	-	4,207
Lease liabilities	5.21%	247	1,971	-	-	2,218
Total non-derivatives		11,971	1,971	-	-	13,942

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Key management personnel disclosures

Directors

The following persons were directors of Novatti Group Limited during the financial year:

Peter Pawlowitsch (Non-Executive Chairman)
Peter Cook (Managing Director and Chief Executive Officer)
Kenneth Lai (Non-Executive Director)
Paul Burton (Non-Executive Director) (resigned on 3 September 2021)
Steven Zhou (Non-Executive Director) (resigned on 17 March 2022)
Abigail Cheadle (Non-Executive Director) (appointed on 13 December 2021)

Note 23. Key management personnel disclosures (continued)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Alan Munday	(Group Chief Operating Officer)
Steven Stamboultgis	(Chief Financial Officer and Company Secretary)

Compensation

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

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Short-term employee benefits	1,117,196	1,313,631
Post-employment benefits	82,995	80,782
Long-term benefits	21,257	18,697
Share-based payments	1,067,779	427,632
	<u>2,289,227</u>	<u>1,840,742</u>

Note 24. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by William Buck, the auditor of the Company, its network firms and unrelated firms:

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	98,500	86,000
<i>Other services - William Buck</i>		
Preparation of the tax return and associated tax services (including R&D)	71,560	49,460
Other matters	6,070	-
	<u>77,630</u>	<u>49,460</u>
	<u>176,130</u>	<u>135,460</u>

Note 25. Contingent liabilities

Deposits under non-current assets are refundable collateral held on application of the Visa issuing licence and Currency Cloud float. The conditions in place for the deposits are relating to a) the Visa partnership; b) the Currency Cloud float; and c) Visa collateral.

Programs managed under the Novatti Visa licence requires Novatti clients to maintain 6 days float in accounts held by Novatti for the client. Where a client's business model fails, their float is held by Novatti and is used to settle outstanding card payments. In the unlikely event that the client funds fall short of clearing their outstanding Visa settlements, the cash on deposit will be used for the shortfall. The Currency Cloud float enables expedient payments. Where the client does not forward the balance of the funds for cross-border payments, Novatti is at risk of the unpaid balance of that transaction.

The consolidated entity had no other contingent liabilities as at 30 June 2022 and 30 June 2021.

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Note 26. Related party transactions

Parent entity

Novatti Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

Loans to/from Directors

There were no other Director related services that have been provided to the Group outside of the Directors normal fiduciary duties and responsibilities as Directors of the Group other than as outlined in this report.

Loans to/from related parties

Loan provided to the Group's joint venture partner, High Impact. This loan agreement is for a total of USD 24,462 (AUD 35,509) as at 30 June 2022 (2021: USD 24,462 (AUD 30,307)). The loan is on commercial terms and interest has been calculated daily at 6% per annum.

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

Terms and conditions

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

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profit/(loss) after income tax	252	(7,391)
Total comprehensive income	252	(7,391)

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Note 27. Parent entity information (continued)

Statement of financial position

	Parent	
	30 June 2022	30 June 2021
	\$'000	\$'000
Total current assets	48,121	42,956
Total assets	100,307	46,759
Total current liabilities	14,335	7,901
Total liabilities	14,335	7,901
Equity		
Issued capital	92,853	47,061
Foreign currency reserve	534	-
Share-based payments reserve	4,361	3,825
Accumulated losses	(11,776)	(12,028)
Total equity	85,972	38,858

Prepaid deposit entered into by the parent entity in relation to the debts of its subsidiaries

There exists a prepaid deposit for offices leased in Melbourne. As at 30 June 2022, this totalled \$83,010 (2021: \$83,010). No other prepaid deposit exist.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 (2021: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 (2021: Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Business combinations

Acquisition of ATX Fintech Holding Sdn Bhd

On 1 January 2022, the Group completed the acquisition of 100% of the issued share capital in ATX Fintech Holding Sdn Bhd, a leading South East Asian payments fintech, based in Malaysia. The acquisition enables Novatti to scale the existing ATX business, introduce additional Novatti services, such as billing, and further expand across South East Asia. The acquisition has been accounted as a Business Combination under AASB 3. The acquired business contributed revenues of \$5,793,000 and loss after tax of \$736,000 to the consolidated entity for the period from 1 January 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$9,450,000 and loss after tax of \$828,000.

The provisional fair values of the identifiable net assets acquired are detailed below:

	Fair value \$'000
Cash and cash equivalents	1,051
Trade receivables	939
Other receivables	191
Inventories	227
Plant and equipment	105
Right-of-use assets	70
Brand asset	4,405
Intellectual property	1,105
Other intangible assets	5
Trade payables	(1,911)
Other payables	(467)
Lease liability	(74)
Other liabilities	(108)
	<hr/>
Acquisition-date provisional fair value of the total consideration transferred	<u>5,538</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date provisional fair value of the total consideration transferred	5,538
Less: deferred consideration	(1,129)
Less: shares issued by company as part of consideration	(1,260)
	<hr/>
Net cash used	<u>3,149</u>

Acquisition costs

Transaction costs of approximately \$114,000 associated with the acquisition have been expensed and are included within the administrative and corporate costs in the income statement.

Deferred consideration

Deferred consideration upon the purchase of ATX Fintech Holding Sdn Bhd is expected to be payable upon the subsidiary achieving agreed Gross Revenue targets for financial year ending 31 December 2022 and 31 December 2023. Directors have considered the agreed targets and have determined the liability recognised on the acquisition is reasonable.

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Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2022 %	30 June 2021 %
Novatti Group Ltd Subsidiaries			
Novatti Pty Ltd	Australia	100.0%	100.0%
Flexe Payments Pty Ltd	South Africa	100.0%	100.0%
Flexe Payments (AUS) Pty Ltd	Australia	100.0%	100.0%
Flexe Payments (MLT) Ltd	Malta	100.0%	100.0%
Flexe Payments (UK) Ltd	United Kingdom	100.0%	100.0%
Novatti Commerce Solutions Inc.	Canada	100.0%	100.0%
Novatti Commerce Solutions (MLT) Ltd	Malta	100.0%	100.0%
Novatti Technologies Ltd	United Kingdom	100.0%	100.0%
Novatti Inc.	United States of America	100.0%	100.0%
Vasco Pay Pty Ltd	Australia	100.0%	100.0%
Novatti B Holding Pty Ltd	Australia	100.0%	80.1%
Novatti IBA Pty Ltd	Australia	100.0%	80.1%
Novatti Billing Solutions Pty Ltd	Australia	100.0%	100.0%
UAB Novtec Global*	Lithuania	100.0%	100.0%
Emersion Systems Pty Ltd	Australia	100.0%	100.0%
Novatti Acquiring Holdings Pty Ltd	Australia	100.0%	100.0%
Novatti Acquiring Services (AUS) Pty Ltd	Australia	100.0%	100.0%
Novatti Acquiring Services (NZ) Pty Ltd	New Zealand	100.0%	-
Novatti Tech Europe Ltd	Cyprus	100.0%	100.0%
Novatti Emersion Inc.	United States of America	100.0%	100.0%
ATX Fintech Holding Sdn Bhd	Malaysia	100.0%	-
Novatti Global Services Pty Ltd	Australia	100.0%	-
Emavilis Holdings Limited	Cyprus	100.0%	-
Nisaki Holding Limited	Cyprus	100.0%	-
China Payments Services Pty Ltd	China	100.0%	-
Novatti Singapore Services Pte Ltd	Singapore	100.0%	-
AUDC Pty Ltd	Australia	100.0%	-
Novatti Transactions and Technology International Ltd	Cyprus	65.0%	-
Novatti Pty Ltd Subsidiaries			
Flexewallet Pty Ltd	Australia	100.0%	100.0%
Flexewallet (NZ) Ltd	New Zealand	100.0%	100.0%
TransferBridge Pty Ltd	Australia	100.0%	100.0%

* Proceeding with voluntary deregistration.

Note 30. Events after the reporting period

On 15 August 2022, the Group announced that it has completed and secured \$10.5m in new growth funds through a corporate bond issue. The \$10.5m in new funding will enable Novatti to unlock new and larger market opportunities as well as increased transaction volumes. The primary purpose of the bond issue is to support collateral requirements from industry partners and banks as Novatti grows.

The bonds are secured and will be issued for a fixed term of five years from the date funds are received by Novatti, with interest at 90 day BBSW plus 650bps. Completion of the issue occurred on 12 August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Loss after income tax expense for the year	(16,627)	(11,843)
Adjustments for:		
Depreciation and amortisation	1,853	1,481
Write off of property, plant and equipment	127	111
Share-based payments	1,902	2,180
Unrealised foreign exchange (gain) / loss	(432)	1
(Gain) / loss on convertible notes	(729)	2,860
Bad debt expense	279	-
Equity investments received for services rendered	(249)	(364)
Share of joint venture loss / (profit)	-	33
Non-cash finance charges	113	1,094
Gain on investments at fair value through profit or loss	(3,302)	(366)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,995)	(1,714)
Decrease in inventories	27	-
Increase in trade and other payables	6,333	963
Decrease in provision for income tax	(13)	-
Increase in employee benefits	634	427
Increase/(decrease) in deferred income	47	(262)
Net cash used in operating activities	<u>(13,032)</u>	<u>(5,399)</u>

Note 32. Loss per share

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Loss after income tax	(16,627)	(11,843)
Non-controlling interest	-	31
Loss after income tax attributable to the owners of Novatti Group Limited	<u>(16,627)</u>	<u>(11,812)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>325,048,215</u>	<u>228,847,775</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>325,048,215</u>	<u>228,847,775</u>
	Cents	Cents
Basic loss per share	(5.115)	(5.162)
Diluted loss per share	(5.115)	(5.162)

As at 30 June 2022, the Group has 43,181,668 unlisted options on issue (2021: 36,070,835). These options are considered to be non-dilutive whilst the Group is in a loss position.

Note 33. Share-based payments

Options issued under employee share option plan

Note 33. Share-based payments (continued)

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel and staff of the Group.

The Employee Share Option Plan is designed to provide long-term incentives for Senior Management (including Directors) and staff to deliver long-term shareholder returns. Options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

The options granted during the year ended 30 June 2022 were calculated based on the Binomial model method of calculation for share-based payments.

The following share-based payment arrangements were in existence during the current financial year and are supported by the table below.

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

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2018	30/11/2022	\$0.190	5,333,335	-	(1,666,667)	-	3,666,668
25/11/2019	30/11/2023	\$0.200	3,000,000	-	-	-	3,000,000
19/12/2019	19/12/2022	\$0.200	4,750,000	-	(487,500)	-	4,262,500
10/07/2020	10/07/2023	\$0.200	850,000	-	-	-	850,000
10/07/2020	01/03/2024	\$0.200	441,667	-	-	-	441,667
10/07/2020	01/03/2025	\$0.200	441,667	-	-	-	441,667
10/07/2020	01/03/2026	\$0.200	66,666	-	-	-	66,666
10/07/2020	31/12/2022	\$0.200	3,200,000	-	-	-	3,200,000
26/10/2020	26/10/2023	\$0.300	1,000,000	-	-	-	1,000,000
25/11/2020	30/11/2024	\$0.270	2,500,000	-	-	-	2,500,000
22/12/2020	22/12/2023	\$0.275	3,600,000	-	(400,000)	-	3,200,000
22/12/2020	14/10/2023	\$0.300	2,000,000	-	-	-	2,000,000
08/02/2021	08/02/2024	\$0.300	200,000	-	-	-	200,000
05/04/2021	05/04/2024	\$0.300	300,000	-	-	-	300,000
07/04/2021	07/04/2024	\$0.600	100,000	-	-	-	100,000
05/05/2021	05/05/2024	\$0.750	100,000	-	-	-	100,000
31/05/2021	31/05/2024	\$0.750	400,000	-	-	-	400,000
15/10/2021	15/10/2024	\$0.495	-	1,300,000	-	-	1,300,000
15/10/2021	15/10/2024	\$0.750	-	1,300,000	-	-	1,300,000
20/12/2021	30/11/2025	\$0.450	-	8,500,000	-	-	8,500,000
25/01/2022	25/01/2025	\$0.326	-	600,000	-	-	600,000
05/04/2022	19/04/2025	\$0.350	-	2,575,000	-	-	2,575,000
			28,283,335	14,275,000	(2,554,167)	-	40,004,168
Weighted average exercise price			\$0.237	\$0.458	\$0.205	\$0.000	\$0.318

- (i) The 3,666,668 unlisted options exercisable at \$0.19, expiring 30 November 2022 have market performance conditions.
- (ii) The 3,000,000 unlisted options exercisable at \$0.20, expiring 30 November 2023 have market performance conditions.
- (iii) The 2,500,000 unlisted options exercisable at \$0.27, expiring 30 November 2024 have market performance conditions.
- (iv) The 8,500,000 unlisted options exercisable at \$0.45, expiring 30 November 2025 have market performance conditions.

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2022

Note 33. Share-based payments (continued)

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2018	30/11/2022	\$0.190	9,000,000	-	-	(3,666,665)	5,333,335
25/11/2019	30/11/2023	\$0.200	3,500,000	-	(166,667)	(333,333)	3,000,000
19/12/2019	19/12/2022	\$0.200	5,370,000	-	(355,000)	(265,000)	4,750,000
10/07/2020	10/07/2023	\$0.200	-	850,000	-	-	850,000
10/07/2020	01/03/2024	\$0.200	-	441,667	-	-	441,667
10/07/2020	01/03/2025	\$0.200	-	441,667	-	-	441,667
10/07/2020	01/03/2026	\$0.200	-	66,666	-	-	66,666
10/07/2020	31/12/2022	\$0.200	-	3,200,000	-	-	3,200,000
26/10/2020	26/10/2023	\$0.300	-	1,000,000	-	-	1,000,000
25/11/2020	30/11/2024	\$0.270	-	2,500,000	-	-	2,500,000
22/12/2020	22/12/2023	\$0.275	-	3,600,000	-	-	3,600,000
22/12/2020	14/10/2023	\$0.300	-	2,000,000	-	-	2,000,000
08/02/2021	08/02/2024	\$0.300	-	200,000	-	-	200,000
05/04/2021	05/04/2024	\$0.300	-	300,000	-	-	300,000
07/04/2021	07/04/2024	\$0.600	-	100,000	-	-	100,000
05/05/2021	05/05/2024	\$0.750	-	100,000	-	-	100,000
31/05/2021	31/05/2024	\$0.750	-	400,000	-	-	400,000
			17,870,000	15,200,000	(521,667)	(4,264,998)	28,283,335
Weighted average exercise price			\$0.185	\$0.273	\$0.200	\$0.191	\$0.237

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.197
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.160
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.110
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.147
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.123
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.076
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.125
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.079
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.128
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.137
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.146
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.100
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.074
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.040
25/01/2022	25/01/2025	\$0.290	\$0.326	70.00%	-	0.98%	\$0.125
05/04/2022	19/04/2025	\$0.235	\$0.350	70.00%	-	2.46%	\$0.084

These options have different tranches with different vesting periods.

Bonus options issued for convertible notes

On 30 March 2020 the Group issued 3,500,000 bonus options to the convertible note holders. These options were valued using the Binomial model method of calculation for share-based payments.

Set out below are summaries of bonus options granted to convertible note holders:

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2022

Note 33. Share-based payments (continued)

30 June 2022							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/11/2019	30/10/2022	\$0.25	1,475,000	-	(10,000)	-	1,465,000
18/02/2020	30/10/2022	\$0.25	1,112,500	-	-	-	1,112,500
			<u>2,587,500</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>2,577,500</u>
30 June 2021							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/11/2019	30/10/2022	\$0.25	2,275,000	-	(800,000)	-	1,475,000
18/02/2020	30/10/2022	\$0.25	1,225,000	-	(112,500)	-	1,112,500
			<u>3,500,000</u>	<u>-</u>	<u>(912,500)</u>	<u>-</u>	<u>2,587,500</u>

Options issued to consultants

On 15 September 2020 and 1 October 2021, the Group issued 7,000,000 and 1,100,000 unquoted options to consultants in lieu of investor relation service fees. These options were valued using Black-Scholes valuation model.

Set out below are summaries of options granted to consultants:

30 June 2022							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
15/09/2020	31/12/2021	\$0.25	5,200,000	-	(5,200,000)	-	-
01/10/2021	30/06/2022	\$0.30	-	500,000	-	(500,000)	-
01/10/2021	31/12/2022	\$0.60	-	100,000	-	-	100,000
01/10/2021	31/12/2023	\$0.66	-	500,000	-	-	500,000
			<u>5,200,000</u>	<u>1,100,000</u>	<u>(5,200,000)</u>	<u>(500,000)</u>	<u>600,000</u>
30 June 2021							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/09/2020	31/12/2021	\$0.25	7,000,000	-	(1,800,000)	-	5,200,000
			<u>7,000,000</u>	<u>-</u>	<u>(1,800,000)</u>	<u>-</u>	<u>5,200,000</u>

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/10/2021	30/06/2022	\$0.43	\$0.30	70.00%	-	0.98%	\$0.167
01/10/2021	31/12/2022	\$0.43	\$0.60	70.00%	-	0.98%	\$0.086
01/10/2021	31/12/2023	\$0.43	\$0.66	70.00%	-	0.98%	\$0.122

Novatti Group Limited
Directors' declaration
30 June 2022

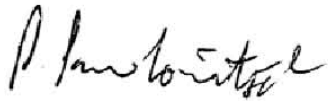
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Peter Pawlowitsch
Chairman

31 August 2022



Novatti Group Limited

Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Novatti Group Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



REVENUE RECOGNITION AND RECOGNITION OF RECEIVABLES	
Area of focus – note 5	How our audit addressed it
<p>Consistent with the prior year the Group continues to enter into agreements with new trading partners for generating new sources of income and include the following:</p> <ul style="list-style-type: none"> — Platform sales; — Software as a Service fees (Saas); — Support and maintenance fees; and — Licence fees. <p>Each revenue stream requires a bespoke revenue recognition model to ensure that revenue is only recognised:</p> <ol style="list-style-type: none"> when a performance milestone is achieved; can be reliably measured; and there is a low likelihood for dispute by the customer for revenues that are recognised which are beyond that originally scoped at the inception of the engagement. <p>Due to these matters, it is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Determining whether revenue recognised is in-compliance with the Group's accounting policies; — Identifying and verifying the achievement of performance milestones and recognition of revenue relative to the accretion of that achievement; — Agreeing revenue streams to a sample of underlying contracts with third parties; — Examining the existence of revenue, both by testing to contract, invoicing and to subsequent receipt of the revenue from the customer; — Examining significant aged debtors for evidence of collectability and/or dispute with the services provided; and — Analytically reviewing the reasonableness of accrued revenue and billings-in-advance accounts. <p>We also assessed the appropriateness of disclosures attached to revenues and expected credit losses on receivables, particularly those mandatorily required by the Accounting Standards AASB 15 and AASB 9.</p>
ACQUISITION OF ATX	
Area of focus – note 27	How our audit addressed it
<p>On 1 January 2022 the Group completed an acquisition of ATX Fintech Holding Sdn Bhd (ATX). This acquisition was material to the results of the Group in the following respects:</p> <ul style="list-style-type: none"> — Intangible assets totalling \$5,510k were capitalised to the Statement of Financial Position; and — New revenues streams totalling \$5,793k were recognised in the Statement of Profit or Loss. <p>The Group's Directors have assessed that ATX met the definition of a business under AASB 3 <i>Business Combinations</i> owing to strength of ATX's existing trading relationships with its suppliers and customers and its workforce.</p>	<p>Our audit procedures involved the following:</p> <ul style="list-style-type: none"> — A detailed review of the ATX sale agreement, and concurring with management that the acquisition met the definition of a business; — Consulting our internal specialists on the accounting treatment of the acquisition; — Reviewing the appropriateness of the provisional fair values booked on acquisition of assets and liabilities; — Assessing the impact of the acquisition on the results of the Group; and — Vouching the accounting treatment of the transaction to the date of execution of the sale to ensure that the results of the ATX business were appropriately consolidated into the results of the Group from that date.



ACQUISITION OF ATX	
Area of focus – note 27	How our audit addressed it
<p>We note that at reporting date the fair value attribution accounting is still provisional (which under Accounting Standards they are afforded 12 months from the date of acquisition), including:</p> <ul style="list-style-type: none"> a. calculations supporting the values of identifiable intangible assets; b. the setting of tax cost bases for calculating deferred tax assets and liabilities; and c. identifying any vendor guarantees or contingent liabilities that may be separately fair valued as part of the business purchase. <p>Due to these complexities, it has been included as a key audit matter.</p>	<p>We also considered the adequacy of the Group's disclosures in relation to the business combination.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

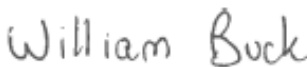
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Novatti Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136



N. S. Benbow
Director
Melbourne, 31st August 2022

Novatti Group Limited
Shareholder information
30 June 2022

The shareholder information set out below was applicable as at 29 August 2022.

Ordinary shares	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares
1 to 1,000	229	147,346	0.04
1,001 to 5,000	1,322	3,758,101	1.12
5,001 to 10,000	656	5,309,621	1.58
10,001 to 100,000	1,416	49,734,740	14.83
100,001 and over	370	276,347,713	82.42
	<u>3,993</u>	<u>335,297,521</u>	<u>100.00</u>
Holding less than a marketable parcel	829	1,193,327	0.36
Unquoted options	Number of holders of unquoted options	Number of unquoted options	% of unquoted options
5,001 to 10,000	5	50,000	0.12
10,001 to 100,000	50	3,062,500	7.35
100,001 and over	48	38,569,168	92.53
	<u>103</u>	<u>41,681,668</u>	<u>100.00</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	29 August 2022	% of total shares issued
	Number held	
1. BRAYTER LIMITED	46,631,507	13.91
2. CITICORP NOMINEES PTY LIMITED	15,700,790	4.68
3. CORANGAMITE PTY LTD <LAKE CORANGAMITE A/C>	13,174,571	3.93
4. XIADI CHEN	12,500,000	3.73
5. MADAM QING LI	10,407,452	3.10
6. EMERSION SOFTWARE SYSTEMS PTY LTD	4,592,276	1.37
7. MR ZHIYU NING	4,407,000	1.31
8. MR FREEMAN XIN WANG <AFU FAMILY A/C>	4,011,904	1.20
9. PORTMAN TRADING PTY LTD	3,909,092	1.17
10. BROADGATE INVESTMENTS PTY LTD	3,909,091	1.17
11. JINGTIAN LI	3,571,428	1.07
12. DASISTAS PTY LTD <DASISTAS SUPER FUND A/C>	3,427,802	1.02
13. NATIONAL NOMINEES LIMITED	3,306,372	0.99
14. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,909,224	0.87
15. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,890,046	0.86
16. SASHI KUMAR A/L A KOVINDSAMY	2,867,236	0.86
17. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,631,201	0.78
18. MR HUITONG SONG	2,580,000	0.77
19. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,434,996	0.73
20. BLOCKGROVE PTY LTD <NIELS HOUSE FAMILY A/C>	2,312,632	0.69
	148,174,620	44.19

Unquoted equity securities

There are no unquoted equity securities.

There are no holders of unquoted equity securities holding 20% or greater of the number of unquoted equity securities on issue.

Substantial holders

BRAYTER LIMITED 46,631,507 shares.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	14 January 2024	3,600,000

Use of funds

Since admission, the Company has used its cash in a way consistent with business objectives.



Novatti Group Ltd
ABN 98 606 556 183

Level 3, 461 Bourke St
Melbourne, Victoria
AUSTRALIA 3000

G.P.O. Box 171
380 Bourke St
Melbourne, Victoria
AUSTRALIA 3001

t. +61 3 9011 8490
www.novatti.com