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Annual Report

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FY23 in numbers

\$39m

Annual sales revenue
– highest ever

+20%

Increase in annual
sales revenue on FY22

\$4.2B

Highest GTV

60%

Growth in GTV on
FY22

47%

Gross Margin

476 bps

Growth in margin
on FY22

-\$14.5m

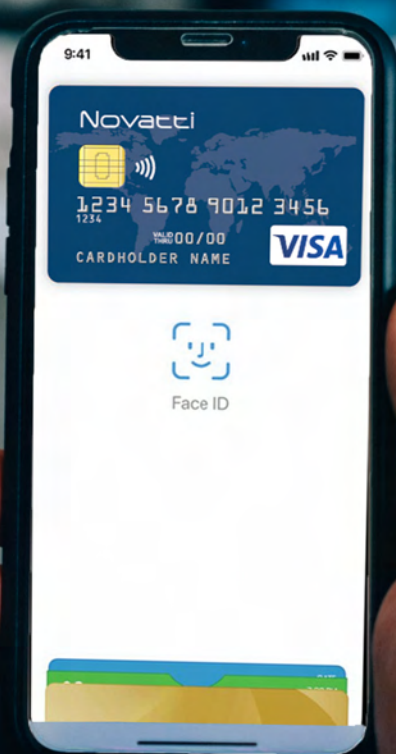
Underlying EBITDA
-7% YoY

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About 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.

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Corporate directory

Novatti Group Limited

Directors	Peter Pawlowitsch (Non-Executive Chairman) Peter Cook (Executive Director) Kenneth Lai (Non-Executive Director) Killian Murphy (Non-Executive Director)
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	Automatic 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
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

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Chairman's Report



Peter Pawlowitsch

Chairman

FY23 was a year of great transition for Novatti. At the top of the list, we saw the smooth transition across a number of senior leadership positions, none more so than CEO - from Peter Cook to Mark Healy.

Peter had been CEO of Novatti since its founding and of course since its listing on the ASX. I want to acknowledge Peter's leadership and contribution during this time. Peter and his team have now built a world-class payments ecosystem that, as recent results show, is now being rapidly scaled and monetised. Notably, Novatti's Gross Transaction Value increased 46% across FY23, highlighting the strong growth in the underlying business.

The senior leadership team worked harmoniously to transition the role of CEO from Peter to Mark, without disruption to the business. Importantly, Mark has wasted no time in articulating his own new and exciting vision for a streamlined Novatti business, with a drive for increased margins underway.

Importantly, this new vision remains underpinned by continued growth in digital payments across the global economy, particularly within Australia and New Zealand. It is particularly pleasing to see traction in a number of Novatti's newer businesses that were incubated in-house, including Acquiring, providing promising signs for future growth.

There were many other highlights flowing from multiple years of investment and development across FY23. Perhaps most notably, we saw the launch of International Bank of Australia after receiving its restricted banking licence, enabling Novatti to focus on getting this business into market.

FY23 was, however, not without challenge. Notably, we saw a rapid slowdown in capital markets globally, particularly within growth technology businesses. To this end, a key focus across the past year was the prudent management of Novatti's financial resources, with management implementing an organic headcount reduction strategy and new funding pathways identified to leverage Novatti's balance sheet including through the issue of a \$10.5m bond. We continue to take a prudent approach to both cashflow and balance sheet management to manage any potential uncertainty in the years ahead.

On behalf of the Board, I want to thank all the Novatti team for their tireless effort to see Novatti continue to grow and achieve our ambitions. All your achievements are adding up. Thank you also to all our shareholders for your continued investment and support for Novatti. We look forward to continuing to report on Novatti's progress under Mark's leadership in the year ahead.

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Importantly, this new vision remains underpinned by continued growth in digital payments across the global economy, particularly within Australia and New Zealand

CEO's Report



Mark Healy

CEO

It is with great pleasure that I report to you on Novatti's FY23 performance, having been appointed as CEO towards the end of the financial year.

FY23 saw Novatti continue its long-term growth journey, with positive annual revenue growth maintained despite challenging economic conditions both in our region and globally.

Novatti delivered \$39m in revenue, an increase of 20% on FY22, which was underpinned by substantial growth in underlying business activity. Here, Gross Transaction Value (the value of transactions processed), grew 46% to exceed \$4.2b.

Operationally Novatti delivered on many significant milestones:

- Launch of International Bank of Australia, securing a restricted banking licence
- Commercial launch of several platforms under development across previous years
- Strong commercial traction in the newer Acquiring, Issuing, Cross Border businesses
- Full integration of Acquiring product, covering online, offline and in-app payments
- \$2.3m Australian Government grant for digital currency payment anti-fraud and anti-money laundering techniques
- Extension of Issuing product capability to include debit card and multi-currency cards
- Support for VISA's FIFA Women's World Cup prepaid card solution
- Expansion of Cross Border product capability into New Zealand

Many of these milestones followed several years of investment and development. With this in mind, I want to particularly pay tribute to my predecessor, Peter Cook, for his leadership during those years to establish Novatti's world-class payments ecosystem.

It is worth highlighting the impact of some of these milestones in commercial terms. For example, Acquiring saw a 198% increase in revenue, 44% increase in customers, and 435% increase in Gross Transaction Value. These results highlight the incredible growth potential of the platforms we are commercialising.

Since my appointment as CEO, we have developed a clear portfolio view of the Company and initiated a strategy focused on simplifying the business and driving continued improvements to gross margins on the way to achieving positive cashflow. By realigning our commercial team around this goal, we have already started seeing an uplift in gross margins. In addition, our cost optimisation program will continue in FY24.

We expect changes being made to our operations and processes to make it simpler for merchants and partners to engage multiple Novatti payment services, increasing opportunities for cross-selling and deeper customer engagement in FY24 and beyond.

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Acquiring saw a 198% increase in revenue and 435% increase in GTV. These results highlight the incredible growth potential of the platforms we are commercialising.

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Review of operations

Annual Sales Revenue increased by 20% on FY22

Financial Results

Across FY23, Novatti generated \$39 million in sales revenue, an increase of 20% on the previous financial year. The revenue rise represented organic growth with Novatti not undertaking any major acquisitions during FY23, a year where the priority was to consolidate the digital payments ecosystem and extend digital payment services into businesses acquired in FY22 and earlier.

Expansion of these services, which leverage Novatti's regulatory, partnership and technology ecosystem, was reflected in the Company processing \$4.2 billion of Gross Transaction Value (GTV), a 46% increase on the previous financial year.

Novatti's underlying EBITDA loss of \$14.5 million in FY23 was a 7% increase on the previous year, primarily contributed to by Novatti's continued investment in its core technology platforms with a view to long-term profit uplift from automation and scale efficiencies. All expenses for platform development costs are expensed, including a major upgrade by the Acquiring business to expand into 'card present' services where merchants can link the terminals to their existing online payment gateways to accept payment via a physical card or digital wallet. The addition of this capability enabled Novatti to target larger merchants with greater processing volume.

Reducing costs across the Group was a focus in H2 FY23, with a decrease in staff and drive for productivity resulting in the positive effect of an improvement in revenue per staff member as Novatti's business scales. This focus has extended into FY24 under CEO Mark Healy and Novatti's strategy to streamline multiple business units into centralised divisions with a focus on increased gross margins. The impact of this strategy was highlighted in Q4 FY23 when gross margins across the quarter increased to 51% from 35% in Q4 FY22.

Gross margins across FY23 were 47%, a 5% increase from 42% in FY22.

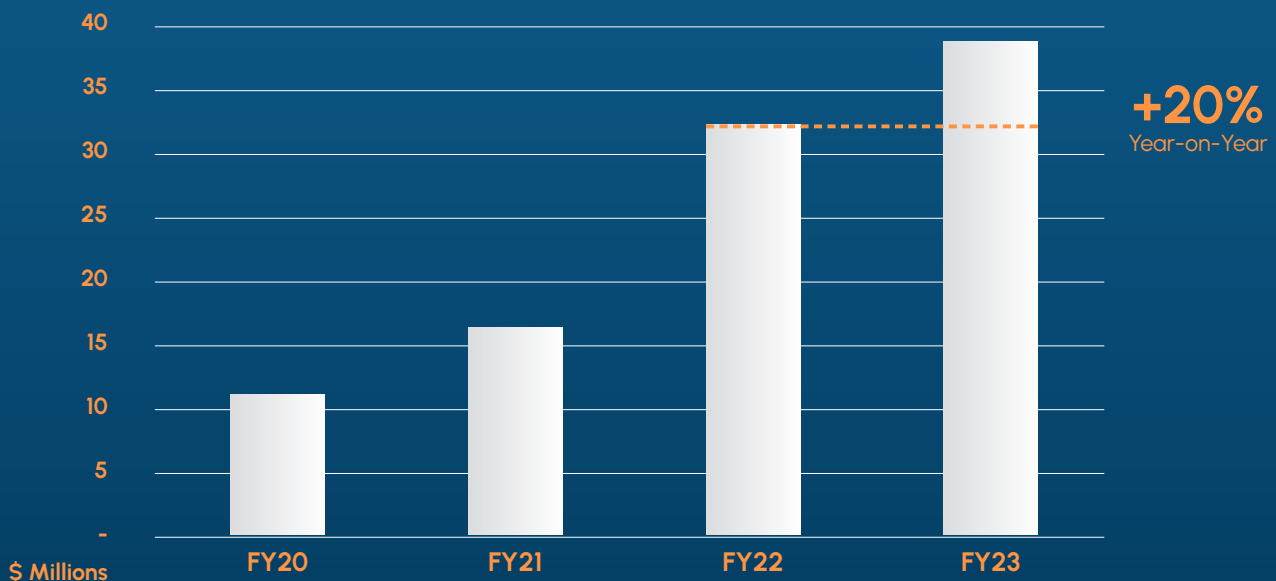
The Novatti Board of Directors consider the underlying EBITDA loss of \$14.5m in FY23 as a more accurate measure of Novatti's continuing operations. Net loss after tax of \$26.1 million was a 58% increase on the

previous year. The net loss includes \$3.3 million in expenses incurred by Novatti on its banking business which was granted a restricted banking licence in November 2022 when it launched as International Bank of Australia and commenced independent operations. The figure also included \$2.2 million of depreciation and amortisation, \$1.3 million in finance charges and a payment of \$1.1 million in earn-out fees tied to Novatti's acquisition of ATX in FY22.

As of 30 June 2023, Novatti had \$18.2m in cash. Novatti expects the results of its strategy to streamline multiple business units into four core divisions to continue to drive revenue, reduce expenses, improve gross margins and drive the Company towards operating cash profit in FY24.

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Annual Sales Revenue

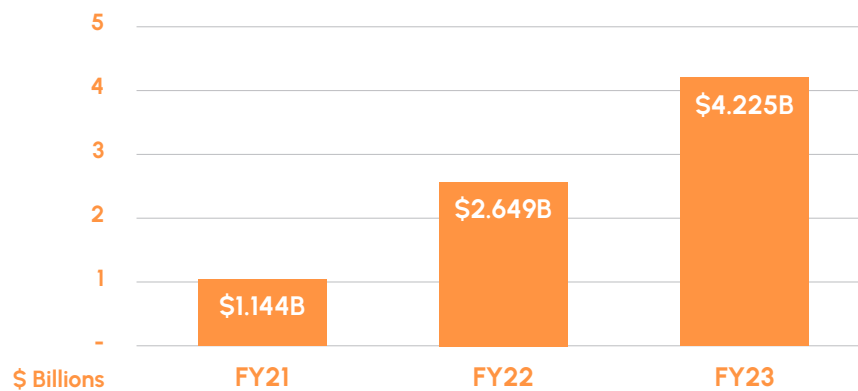


Capital Management

On 15 August 2022, Novatti announced the execution of a \$10.5 million corporate bond issue, with a focus on supporting growth in core payment processing business. The bonds are secured and are issued for a fixed term of five years from the date funds were received by Novatti, with interest at 90-day BBSW plus 650 bps and interest settled quarterly. Completion of the issue occurred on 12 August 2022. The advisors to the bond issue were entitled to 3.25% of the proceeds received.

At the completion of FY23, Novatti had 338,656,542 ordinary, fully paid shares issued.

GTV in AUD Billion



Operations

Acquiring

Since being granted licences from both VISA and Mastercard for Acquiring payments in FY22, Novatti has been able to target businesses for merchant services. This saw growth in Novatti's Acquiring business in FY23 which was headlined by \$1.7 million in annualised incremental revenue, a 198% increase on the previous year.

Acquiring customers grew by 44% in FY23 while GTV of \$182 million represented a 435% increase on the previous financial year.

Acquiring experienced a significant uplift in sales capabilities and upgrades to technology during the year. These upgrades expanded the Acquiring product suite from online payment portals to a fully integrated product offering for customers, covering online, offline and Tap on Phone

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Acquiring customers grew by 44% in FY23 while GTV of \$182 million represented a 435% increase on the previous financial year

Value add services were also introduced to provide Novatti's Acquiring customers with fraud protection measures and chargeback guarantees

payments. By adding card-present payment options, Acquiring was able to expand its addressable market to include traditional brick-and-mortar merchants which required POS terminals. These terminals can either be leased through Novatti tech partners, or integrated through an existing Android device so that no additional hardware needed to be leased or purchased. Merchants that engage Novatti can accept customer payments from credit cards, debit cards, other digital wallet mechanisms such as Asian wallets (UnionPay, Alipay and WeChat Pay), account to account methods including traditional Direct Debit and the real time new payments platform (NPP).

Value add services were also introduced to provide Novatti's Acquiring customers with fraud protection measures and chargeback guarantees.

Some of the larger customer wins across FY23 in Acquiring include a national gym software business which collects payments from members across Australia, a major hotel operator, a student accommodation provider and various telecommunications providers that acquire their customer payments via Novatti.

Issuing

Since being licensed by VISA Inc in January 2021 to issue cards in New Zealand, under similar arrangements as Novatti's licence to issue cards in Australia, the Company has continued to expand its Issuing business with new payment services added in FY23 which included multi-currency capabilities for Novatti-issued prepaid and debit cards.

In FY23 this business processed \$442 million GTV, a 147% increase on the previous financial year. Total customers increased 8% in this time while sales revenue rose 81% to \$3.4 million.

Recent growth in New Zealand is through partnerships with a trans tasman accounting and automation software provider for deployment..." and "...a New Zealand based national digital wallet application for utility, lifestyle and community based payments. Opportunities are also present in New Zealand for Novatti's Cross Border division for both inbound and outbound payments with an increasing presence in New Zealand acting as a gateway to Novatti's digital payments ecosystem.

Novatti can issue cards for a diverse range of clients which include fintechs, small and medium businesses (SMB), multinationals, reward program operators, BNPL providers, digital wallets and Government.

Cross Border Payments

Novatti's Cross Border Payments business also saw a strong uplift in GTV to process \$479 million in FY23, a 63% increase on the previous year.

This was reflected in \$2.7 million sales revenue, a 92% increase on the previous financial year.

The lifting of international travel restrictions and return of international students to Australian campuses contributed to GTV growth where Novatti provides a variety of digital payment services for students, travellers and migrants from China to pay their Australian bills (eg, tuition fees, rent, utilities etc) in their native RMB.

Facilitating many of the payment needs for migrants transferring money to and from Australia, Novatti expanded the ChinaPayments business into 6 other countries in SouthEast Asia with the launch of Novatti BillPay, a simple platform that enables users to pay Australian bills from their native digital wallets.

Novatti has identified opportunities to extend its global payments infrastructure into further new markets and commenced a partnership with a Global Tier 1 Bank to access these international markets as part of Novatti's strategy to lift overall gross margins across the Group. Accessing these markets will create additional cross-sell opportunities for Novatti where its Australian and New Zealand customers can send and collect funds globally without the need to open a foreign bank account.

The Novatti Global Currency Account allows customers to collect, convert and pay in 35 currencies and receive in 20+ currencies globally.

Novatti's Cross Border Payments business also saw a strong uplift in GTV to process \$479 million in FY23, a 63% increase on the previous year

In January 2023, Novatti's ongoing innovation was recognised with a grant of \$2.3m for the development of novel anti-fraud and anti-money laundering techniques for new payment methods centred around digital currencies



Investments

Stablecoin and Digital Currencies

Novatti made strong progress in its digital currency products across FY23 with the launch of the 1:1 fiat-backed multi-chain AUDD stablecoin. The stablecoin was created with a focus on compliance, security and utility. AUDD aims to be a high governance and compliant digital asset that will reduce friction points in many payment services. AUDD enables currency and remittances to be sent globally with near-instant settlement, creating great value for businesses who need to transact on this scale.

Novatti has actively participated in the Reserve Bank of Australia research project to explore the potential use cases and economic benefits of a Central Bank Digital Currency (CBDC) in Australia. Novatti aims to help shape the future of CBDCs and promote the use cases for high governance stablecoins in Australia. Through Novatti's participation in the CBDC research project, an application of AUDD was demonstrated through Novatti executing Australia's first ever charitable donation using a stablecoin backed 1:1 by Australia's CBDC (eAUD). Novatti's participation in the project will continue into FY24.

In January 2023, Novatti's ongoing innovation was recognised with a grant of \$2.3m from the Australian Government's Cooperative Research Centre for the development of novel anti-fraud and anti-money laundering techniques for new payment methods centred around digital currencies.

In November 2022, Novatti received a \$12.8 million special dividend from its stake in Reckon Limited (ASX: RKN)

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Thank You



Payment Successful

AUDD has currently been developed on Stellar, Ripple's XRP Ledger and Ethereum, with extension to other blockchains in planning.

International Bank of Australia

International Bank of Australia (IBOA) launched in November 2022, having been granted a restricted banking licence by Australia's banking regulator, APRA. IBOA will leverage best-in-class digital technologies to service fintechs and the underserved migrant sector.

International Bank of Australia will also have the strong advantage of being able to leverage Novatti's existing payments ecosystem and global footprint to help win customers quickly.

Since being granted its licence, IBOA has made strides towards obtaining a full banking licence with the establishment of its core banking platform, appointment of a Chief Risk Officer and auditor. Major progress has also been made in its commercial strategy to onboard customers with more than 100 potential channel partners engaged with agreements which cover a range of service providers including migration agents, education agencies and travel operators. All are critical milestones in securing a full banking licence.

Novatti continues to hold a 91% shareholding in IBOA.

Reckon Limited

Also in November 2022, Novatti received a \$12.8 million special dividend from its stake in Reckon Limited (ASX: RKN). The special dividend of \$0.57 per share, 60% franked, was distributed from the \$100m sale of Reckon's Accountants Practice Management Group (APMG). Since acquiring its strategic stake in Reckon Limited in July 2021, Novatti has now received a total of \$14.6m in dividends while its approximate 19.9% interest remains in place. Novatti also continues to offer digital payment services to Reckon, seeking to add value to its 109,000 cloud-based business platform users.

A further \$563k is due to be received on 29 September 2023 upon distribution of Reckon Limited's FY23 fully-franked interim dividend of \$0.025 per share.

Digital payment solutions empower financial inclusion and literacy, support sustainability programs and help connect our communities



Environmental, Social and Governance

Novatti is committed to environmental and social responsibility. As a growing company, we have commenced the journey to develop an Environmental, Social and Governance (ESG) program, which we will continue to strengthen, including developing a more formal framework. Novatti acknowledges the constantly evolving social and sustainability requirements and its responsibility to provide transparent reporting against these requirements to all our stakeholders. Ongoing formalisation will enable Novatti to identify, assess and manage those ESG areas which are most relevant to our business.

Novatti is also committed to running our business in an ethical manner. The Company acknowledges and embraces our 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.

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

From office recycling programs to promoting eco-conscious practices among our employees, our People Experience team continues to be a driving force behind our sustainability journey



Environmental

Sustainability is a journey. It starts with looking inwards at how we can minimise the potential negative impacts of our own operations to reduce our carbon footprint and waste. The adaptation of our office environments through the global COVID-19 pandemic has led to reductions in our energy usage, use of consumables, business travel and office waste. This year we formally adopted a hybrid working framework and a reduced office footprint which enables lower carbon emissions. The People Experience team plays a pivotal role in championing environmental sustainability initiatives across our global footprint. From office recycling programs to promoting eco-conscious practices among our employees, our People Experience team continues to be a driving force behind our sustainability journey. By integrating sustainability into our daily operations and company culture, we not only aim to reduce our environmental footprint but also inspire change in the communities that we service.

The nature of Novatti's business, driven by our people and the various digital offerings, means that Novatti is not a significant 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.

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 to deliver on our Vision.

Our Vision

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

From corner stores and start-ups to
global organisations, our solutions will
unlock your ambitions.

Novatti

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. The values that empower our people are:



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



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



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



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



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



Novatti has adopted a Diversity Policy to assist it in attracting, developing and retaining people who are highly competent and can contribute to its long-term success and values

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 Novatti's Whistleblower Policy and procedures.

Our Diversity Profile

The Company has set a diversity objective by 2025 to have 30% or greater female representation in the total workforce, in senior roles and on the Board of Directors.

The Company has set a diversity objective by 2030 to have 40% or greater female representation in the total workforce, in senior roles and on the Board of Directors.

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.

As at 30 June 2023, Novatti's employees in a full-time and part-time capacity included 39% female (2022 - 40%) and 61% male (2022 - 60%).

Novatti considers a senior role as one which is on or reporting into the Executive. As at 30 June 2023, four females (2022 - one) held a senior role.

During 2023 the Company had one female on the Board as an independent non-executive director prior to her resignation in December 2022. At 30 June 2023 the company had not yet replaced this Board member (2022 - one).

Health and Wellness

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 five years. This is a testament to our secure working environment and commitment to our teams health and wellbeing. Novatti prioritises employee well-being by offering initiatives and activities which cover mental health, physical fitness and financial stability, alongside a flexible work structure that empowers our team members to achieve a work-life balance that suits their needs. Ensuring a holistic approach, ensures that our team members thrive both personally and professionally aligning to our values and corporate responsibility.



Novatti prioritises employee well-being by offering initiatives and activities which cover mental health, physical fitness and financial stability

Governance

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.

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
- 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:

- Conflict of Interest
- Diversity and Inclusion
- Modern Slavery
- Employee Incentive Scheme

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

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In addition to public facing policies, Novatti has an internal Intranet for staff providing 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 and Compliance
- Information Security
- Legal
- Anti-Money Laundering

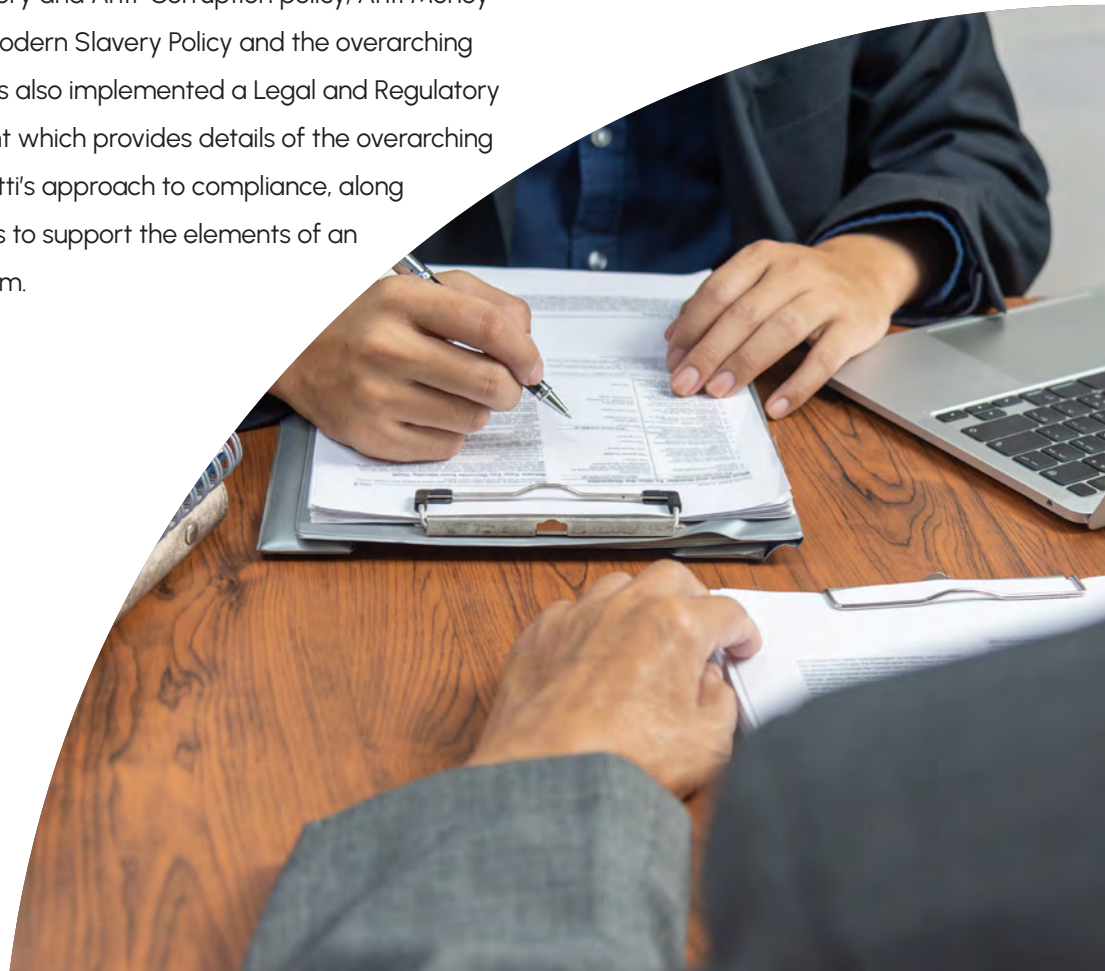
Novatti has adopted a Code of Ethics, which details the underlying values to support the integrity of its business

Business Ethics

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.

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

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Data Protection and Information Security

Novatti places paramount importance on data protection and information security. This year we certified our information security management system to the ISO 27001:2013 standard. This uplift and investment reflects our commitment to global information security standards, proactive risk mitigation and continuous improvement. Additionally, we employ a "Defence in Depth" strategy to safeguard data, creating multiple layers of protection. Our multi-layered cybersecurity defence system includes network security, access controls, data encryption, employee training, incident response plans, penetration testing and 24x7 security monitoring.

Data security and information protection are embedded in our operational practices and provides a secure environment for both data and systems.

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.

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

Data security and information protection are embedded in our operational practices and provides a secure environment for both data and systems.

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Annual Report 30 June 2023

ACN 606 556 183

Novatti Group Limited
Directors' report
30 June 2023

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 2023.

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 (Executive Director) (retired as Managing Director and Chief Executive Officer on 15 June 2023)
Kenneth Lai (Non-Executive Director)
Abigail Cheadle (Non-Executive Director) (resigned on 28 December 2022)
Killian Murphy (Non-Executive Director) (appointed on 13 October 2022)

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 dedicated banking subsidiary, International Bank of Australia, was granted a Restricted Authorised Deposit taking Institution (RADI) license in November 2022.

Dividends

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

Review of operations

The Group's revenue increased by 19.7% to \$38,979,000 (30 June 2022: \$32,555,000). The underlying EBITDA* increased by 7% to a loss of \$14,481,000 compared to the corresponding prior year of \$13,585,000 loss.

The loss for the consolidated entity after providing for income tax amounted to \$26,545,000 (30 June 2022: \$16,627,000).

The net asset position decreased from \$36,641,000 as at 30 June 2022 to \$15,475,000 as at 30 June 2023, with \$18,215,000 held in cash and cash equivalents.

	30 June 2023 \$'000	30 June 2022 \$'000	Change \$'000	Change %
Net loss from operations	(26,545)	(16,627)	(9,918)	60%
Less:				
Interest income	(668)	(34)	(634)	1865%
Add back:				
Depreciation and amortisation	2,211	1,853	358	19%
Finance charges	1,382	725	657	91%
Indirect tax expenses	109	71	38	54%
EBITDA	(23,511)	(14,012)	(9,499)	68%
Add back/(less)				
Vesting of share-based payments	2,265	1,792	473	26%
Losses/(gains) on fair valuation of investments	15,877	(3,302)	19,179	(581%)
(Gains)/losses on embedded derivative	-	(729)	729	(100%)
Dividends from Reckon Limited	(13,511)	(1,126)	(12,385)	1100%
One-off transaction costs related to investment in Reckon Limited	-	617	(617)	(100%)
Amounts accrued to vendors of the ATX transaction under earn-out arrangements treated as employee benefits expense	1,060	771	289	37%
Banking business	3,339	2,404	935	39%
Underlying EBITDA*	(14,481)	(13,585)	(896)	7%
Cash	18,215	6,059	12,156	201%
Operating cash flow	1,393	(13,032)	14,425	(111%)

Novatti Group Limited
Directors' report
30 June 2023

**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 the bank business. 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.*

Significant changes in the state of affairs

- 1,228,000 fully paid ordinary shares issued to employees as part of the employee incentive scheme;
- 1,069,869 fully paid ordinary shares issued upon a cashless exercise of 3,666,668 options over fully paid ordinary shares to employees;
- 145,905 fully paid ordinary shares issued upon a cashless exercise of 875,000 options over fully paid ordinary share employees; and
- 690,247 fully paid ordinary shares issued upon a cashless exercise of 5,310,000 options over fully paid ordinary shares to employees.

On 15 August 2022, the Company announced the execution of a \$10.5 million corporate bond issue to support growth in core payment processing business and capital for proposed banking business. The bond is secured and issued for a fixed term of five years with interest at the floating 90-day BBSW rate plus 650bps, interest settled quarterly. Completion of the issue occurred on 12 August 2022. The advisors to the bond issue were entitled to receive 3.25% of the proceeds received.

On 7 November 2022, the Company announced that its dedicated banking subsidiary International Bank of Australia Pty Limited (IBOA), has been granted a Restricted Authorised Deposit-taking Institution (RADI) licence by Australia's banking regulator, the Australian Prudential Regulation Authority (APRA). The banking business will launch as the International Bank of Australia.

On 23 January 2023, the Company's Chief Financial Officer and Joint Company Secretary, Mr Steven Stamboultgis, tendered his resignation, effective 31 March 2023.

On 23 January 2023, the Company announced that an anti-money laundering fintech project it will lead has been approved for a \$2.3 million grant under the Australian Government's Cooperative Research Centres Projects (CRC-P) Grants program.

On 3 April 2023, the Company announced the appointment of Ms Dharshini Mendez as its Chief Financial Officer. On the same day, Mr Stamboultgis agreed to remain with the Company in the role of Joint Company Secretary and to assist with the transition of Ms Mendez into the role of Chief Financial Officer.

On 14 June 2023, the Company announced the appointment of Mr Mark Healy as Chief Executive Officer effective from 15 June 2023. Mr Peter Cook remains as an Executive Director in a strategic business development focused role.

During the period, the Company finalised a Series A equity round for IBOA Group Holdings Pty Limited (IBOA Group), which heads the Company's dedicated banking division and is parent entity of the Bank, as part of securing a restricted banking licence. Through this funding round, the Company made an additional \$5m investment. In addition, sophisticated investors contributed \$3.1m for a total of \$8m dollars in this funding round, through issuing shares of IBOA Group to the investor. The Company consequently retained a 90.68% interest in IBOA Group. The aggregate \$8m in new funding under this round will enable the Bank to launch and build its business.

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

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Company has developed and launched its own platform for acquiring services and commenced migrating existing customers from the third party platform used to launch this service. Developed to provide an omni-channel experience the platform offers integrated online, face to face and in-app payments expected to support future growth in revenue and margin. The strong working partnership with Reckon Limited will continue to deepen after the successful integration of the Novatti acquiring platform with the Reckon One Cloud and the launch of a pilot group of transacting Reckon customers.

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The Company believes there is significant growth opportunities with the use of stablecoins as a future payment solution. The company launched the 1:1 fiat backed AUDD Stablecoin on the Stellar blockchain in November, 2022 and subsequently the XRP Ledger in June 2023. Providing a fully collateralised digital representation of the Australian dollar, AUDD has been developed to meet continuing strong demand for digital currencies and improved payment services.

The Company continues to see strong demand for its services globally, as the macro-level shifts to digital payments shows no sign of easing. The Company remains confident that this strong global demand will continue to support its growth going forward.

Environmental regulation

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

Key business risks

Going concern

The financial statements for the period ended 30 June 2023 have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the 12 month period the entity recorded revenue of \$39,979,000, a net loss after tax of \$26,545,000 and incurred net cash inflows from operating activities of \$1,393,000, which includes a one-off dividend of approximately \$12,835,000.

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. The above matters described indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors are planning for the business to reduce net operating cash outflows during FY24 by increasing cash receipts from customers in order to work towards positive future operating cash flow;
- The Group owns a number of investments that the Group can potentially sell;
- The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements;
- Management are actively considering the future capital requirements of the entity and will consider all funding options as required;
- The Group is undertaking a simplification strategy to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential to existing customers so as to conserve cash; and
- During the year, the Group sold down its interest in the banking entity by 9.32%, by raising \$3,100,000 for the banking operations. The directors may consider, if required, additional partial sales of its interest in this entity, or alternatively the sale or dilution of the Group's interest in other non-core business assets.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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Regulatory and licencing risk

The Company operates in a complex regulatory environment and in jurisdictions that have varying degrees of enactment and implementation of regulations.

The financial services sector in Australia and other markets in which the company operates are subject to stringent and complex regulations,. A failure to comply with financial license conditions, or related regulatory requirements including KYC and AML, may adversely affect the Company and its business units.

In addition, changes to the regulations themselves or the way such regulations are interpreted, implemented or enforced may affect the Company's platforms or products in those jurisdictions or the ability of the Company or its partners to conduct business in those jurisdictions.

Growth and Profitability (dependent on increasing market penetration)

The Company continues to trade in a loss-making position, incurring operating cash outflows as it strives to achieve positive operating cash flows through growth.

The Company's future growth and profitability is dependent on continuing to increase the usage of its products. Its key strengths are the strong global market and domain knowledge of payments, flexible approaches to value exchange, and reliable balance management capabilities

A failure to continue to innovate and add new functionality to its platforms, and to operate its platforms at a standard that will retain clients and attract new clients could lead to customers not renewing their engagement with the Company which could adversely impact the Company's financial performance and/or operations. If the Company is not able to grow revenues and cash receipts, reduce operating costs or obtain additional financing as needed, it may be required to reduce the scope of its operations and may be prevented from progressing the commercialisation of its technology.

Reliance on key suppliers and third party platforms

The company relies on a range of third party vendors and suppliers to deliver services to customers in a range of markets, including white labelled platforms, onboarding, processing, transaction facilitation, distribution and banking facilities. In some cases, limited alternatives are in place or implementing alternatives may involve significant time and cost. If single suppliers were to discontinue operations, adjust their risk appetite or otherwise restrict services, the Company may need to limit the scope of operations, discontinue certain products or withdraw from certain markets.

The Company's products and services are intended for use across a number of internet access platforms, mobile and desktop devices and software operating systems. The Company depends on the ability of its products and services to operate on such platforms, devices and operating systems however it cannot control the maintenance, upkeep and continued supply of effective service from external suppliers in these areas. Any changes in such platforms, operating systems or devices that adversely affect the functionality of the Company's products and services or give preferential treatment to competitive products and services could adversely affect usage of the Company's products and services.

Reliance on access to and confidence in telecommunications and internet access

In some instances, the Company will depend on the ability of the end consumer and its customers to access a deployed solution over telecommunications and internet access and to feel confident processing financial transactions online.

Ability to run effective and reliable financial and payments systems.

The Company develops, deploys, maintains and operates financial and payments systems technology. There is little tolerance for error or downtime in such systems and the Company must maintain effective and reliable system performance for all customers. Should the Company experience significant and unanticipated errors and downtime, there may be a loss of ongoing confidence in the Company's products that may negatively impact ongoing revenue and sales prospects.

Operational Risk

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

Reliance on key senior staff

The Company's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations.

Reliance on continual product development

The Company's ability to grow the use of its products and generate revenue will depend in part on its ability to continue to innovate and develop features for existing products and additional products.

Competition

The Company competes with other businesses and companies. Many of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities.

Changes in technology

The Company's success will depend, in part, on its ability to expand its products and grow its business in response to changing technologies, customer behaviours and third party service providers' demands and competitive pressures. Further, the cost of responding to changing technologies is unpredictable and may impact the Company's profitability or, if such cost is prohibitive, may reduce the Company's capacity to expand or maintain its business.

Data loss, theft or corruption

The Company, its hosting providers, and networks are required to adhere to their own and customers' security and compliance standards. If adequate safeguards and measures to mitigate breaches are not provided and maintained, it could negatively impact upon the Company's reputation, revenues and profitability. If the Company's security measures are breached, or if its products are subject to cyber-attacks that expose or restrict customer access to the platform or their data, its' solutions may be perceived as less secure than competitors and customers may stop using the Company's products.

Liquidity and realisation risk

There can be no guarantee that an active market in the shares will be maintained or that the price of the shares will increase. A Company with a limited free float may experience relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the shares.

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and further debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its product or market development.

Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

International business risks

The Company has operations internationally. Wherever the Company sets up operations it is exposed to a range of political and multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company operates.

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Businesses that operate across multiple jurisdictions face additional complexities from the unique business requirements in each jurisdiction.

Sustainability and climate change risk

Environmental, Social and Governance (ESG) risks are becoming increasingly relevant to all businesses in Australia. The possible effects of climate change may impact the prosperity of economies, environments and societies all around the world. Although our operations are not subject to any particular and significant environmental regulation under any law of the countries in which we operate, this area and associated governmental responses have potential impact on our business in unknown ways.

The Management Risk Committee consisting of the CEO, COO, CFO and GM Corporate Services meet on a regular basis to review the company's risk profile, risk register and risk control posture against open and any new risks. Any significant changes in risk profile or risks are discussed, documented, assessed and then action plans updated or established as required to ensure a suitable level of mitigation relative to the risk appetite of the company.

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, Qoria Ltd (formerly Family Zone Cyber Safety Ltd) (ASX: QOR)
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: 4,067,295 fully paid ordinary shares
Interests in options: 5,500,000 unlisted options

Name: Peter Cook
Title: Executive Director (retired as Managing Director and Chief Executive Officer on 15 June 2023)
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 and Operational Committee
Interests in shares: 13,674,571 fully paid ordinary shares
Interests in options: 14,000,000 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: None
Interests in shares: 13,309,971 fully paid ordinary shares
Interests in options: 3,000,000 unlisted options

Name: Killian Murphy
Title: Non-Executive Director
Experience and expertise: Mr Murphy is a Stockbroker with more than 15 years of experience working in capital markets across Ireland, UK, US and Australia. He currently works for MST Financial, a research driven full service Stockbroker servicing domestic and international institutional investors. Prior role includes Head of Industrials for Petra Capital as well as CIMB Australia and Davy (UK and Ireland).

During this time, he has worked with a number of established and emerging tech and payments companies, assisting them in crafting their message for institutional investors and accessing growth capital.

Mr Murphy holds a Master of Arts (Economics) and a Bachelor of Arts (Hons) in Economics from University College Dublin, National University of Ireland.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit, Risk and Compliance Committee
Interests in shares: Nil
Interests in options: 2,000,000 unlisted options

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.

Chief Executive Officer

Mark Healy

Mark has held several senior roles in the Payments industry including most recently as Managing Director of Global Payments Australia, and prior roles as Chief Operating Officer for Ezidebit and eWAY, and EVP and Chief Risk officer for the Neovia Financial (now Paysafe) Group in the United Kingdom

Chief Financial Officer

Dharshini Mendez

Dharshini has held multiple senior leadership roles focused on driving organisational growth and has extensive experience in transformation and change management across Telstra, Australia Post and ASX listed Melbourne IT. Dharshini's academic credentials include a Masters in Business Accounting and Bachelor of Business Studies (Hons) and is also a Certified Practising Accountant (CPA).

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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

Steven was appointed Company Secretary on 15 March 2021 and was the Chief Financial Officer of the group till 31 March 2023. Steven holds a Bachelor of Business Degree and Master in Commercial Law. He is a Certified Practising Accountant. Steven's fees are based on a fee for service arrangement.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held
Peter Pawlowitsch	7	7	2	2
Peter Cook	7	7	2	2
Kenneth Lai	5	7	-	-
Killian Murphy*	4	4	1	1
Abigail Cheadle**	4	4	1	1

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

* Killian Murphy was appointed on 13 October 2022

** Abigail Cheadle resigned on 28 December 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.

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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 2023, 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:

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- 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, while the dedicated banking subsidiary, International Bank of Australia, was granted a Restricted Authorised Deposit taking Institution (RADI) license in November 2022.

Align the interest of executives with shareholders

- 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

Attract, motivate and retain high performing individuals

- 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 Executive Director (retired as Managing Director and Chief Executive Officer on 15 June 2023)
- Kenneth Lai (Non-Executive Director)
- Abigail Cheadle (Non-Executive Director) (resigned on 28 December 2022)
- Killian Murphy (Non-Executive Director) (appointed on 13 October 2022)

Other key management personnel:

- Mark Healy (Chief Executive Officer) (appointed on 15 June 2023)
- Alan Munday (Group Chief Operating Officer)
- Steven Stamboultgis (Company Secretary) (resigned as Chief Financial Officer effective 31 March 2023)
- Dharshini Mendez (Chief Financial Officer) (appointed on 3 April 2023)

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Amounts of remuneration

	Short-term benefits	Short-term benefits		Long-term benefits	Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary	Annual leave	Long service leave	Super-annuation	Equity-settled	
30 June 2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter Pawlowitsch	89,186	-	-	-	9,364	413,200	511,750
Kenneth Lai [^]	-	-	-	-	-	275,467	275,467
Killian Murphy ⁽ⁱ⁾	20,736	-	-	-	2,178	275,467	298,381
Abigail Cheadle ⁽ⁱⁱ⁾	23,529	-	-	-	2,471	-	26,000
<i>Executive Directors:</i>							
Peter Cook	318,000	-	18,588	21,959	14,250	826,400	1,199,197
<i>Other Key Management Personnel:</i>							
Alan Munday	291,895	-	30,188	19,122	27,500	9,281	377,986
Steven Stamboultgis ⁽ⁱⁱⁱ⁾	230,746	4,050	(55,957)	(17,318)	17,229	4,640	183,390
Dharshini Mendez ^(iv)	63,716	-	(1,943)	123	6,677	58,139	126,712
Mark Healy ^(v)	14,885	-	1,335	29	1,269	32,638	50,156
	<u>1,052,693</u>	<u>4,050</u>	<u>(7,789)</u>	<u>23,915</u>	<u>80,938</u>	<u>1,895,232</u>	<u>3,049,039</u>

(i) Killian Murphy was appointed on 13 October 2022

(ii) Abigail Cheadle resigned on 28 December 2022

(iii) Steven Stamboultgis resigned as Chief Financial Officer effective 31 March 2023

(iv) Dharshini Mendez was appointed as Chief Financial Officer on 3 April 2023

(v) Mark Healy was appointed as Chief Executive Officer on 15 June 2023

[^] \$140,000 remains unpaid for director fees for Kenneth Lai

	Short-term benefits	Short-term benefits		Long-term benefits	Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary	Annual leave	Long service leave	Super-annuation	Equity-settled	
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>

Novatti Group Limited
Directors' report
30 June 2023

* 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.

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

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 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>Non-Executive Directors:</i>						
Peter Pawlowitsch	19%	32%	-	-	81%	68%
Kenneth Lai	-	-	-	-	100%	100%
Steven Zhou	8%	30%	-	-	92%	70%
Abigail Cheadle	100%	40%	-	-	-	60%
<i>Executive Directors:</i>						
Peter Cook	31%	52%	-	-	69%	48%
<i>Other Key Management Personnel:</i>						
Alan Munday	98%	89%	-	-	2%	11%
Steven Stamboultgis	97%	89%	-	-	3%	11%
Dharshini Mendez	54%	-	-	-	46%	-
Mark Healy	38%	-	-	-	62%	-

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: Executive Director (retired as Managing Director and Chief Executive Officer on 15 June 2023)
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.

**Novatti Group Limited
Directors' report
30 June 2023**

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 (Ceased on 31 March 2023)
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.

Name: Mark Healy
Title: Chief Executive Officer
Agreement commenced: 15 June 2023
Term of agreement: The term is not fixed.
Details: Base salary of \$350,000 (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 between the Executive and the Board.

The agreement may be terminated, (A) with six months' notice from the Group or six 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 six month's notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any 12-month period or (C), summarily following material breach or in the case of serious misconduct.

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Novatti Group Limited
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Name: Dharshini Mendez
Title: Chief Financial Officer (appointed on 3 April 2023)
Agreement commenced: 17 April 2023
Term of agreement: The term is not fixed.
Details: Base salary of \$310,000 (including statutory superannuation).

Remuneration is subject to an annual review at review date to be conducted by the Remuneration Committee (or in the absence of a Remuneration Committee, the Managing Director). Factors to be considered include personal competency progression, achievement of personal development targets and KPIs, company remuneration policy, financial position and performance and current market equivalent positions. KPIs to be agreed each year and may be varied by mutual agreement between the Executive and the Remuneration Committee.

The agreement may be terminated,(A) with three months' notice from the Group or three 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 three month's notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six 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 2023.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

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Novatti Group Limited
Directors' report
30 June 2023

Name	Service / Market conditions	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value at per option grant date
Peter Pawlowitsch	Market	166,666	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.106
Peter Pawlowitsch	Market	166,666	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.086
Peter Pawlowitsch	Market	166,667	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.074
Peter Cook	Market	833,333	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.106
Peter Cook	Market	833,333	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.086
Peter Cook	Market	833,333	25/11/2019	30/11/2020	30/11/2023	\$0.200	\$0.074
Peter Cook	Market	833,334	25/11/2020	01/12/2020	30/11/2024	\$0.270	\$0.110
Peter Cook	Market	833,333	25/11/2020	01/12/2020	30/11/2024	\$0.270	\$0.114
Peter Cook	Market	833,333	25/11/2020	01/12/2020	30/11/2024	\$0.270	\$0.119
Alan Munday	None	500,000	22/12/2020	22/12/2020	22/12/2023	\$0.275	\$0.102
Alan Munday	None	500,000	22/12/2020	22/12/2020	22/12/2023	\$0.275	\$0.083
Steven Stamboultgis	None	400,000	22/12/2020	22/12/2020	22/12/2023	\$0.275	\$0.102
Peter Pawlowitsch	Market	666,667	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.128
Peter Pawlowitsch	Market	666,667	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.137
Peter Pawlowitsch	Market	666,666	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.146
Peter Cook	Market	1,000,000	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.128
Peter Cook	Market	1,000,000	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.137
Peter Cook	Market	1,000,000	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.146
Kenneth Lai	Market	333,334	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.128
Kenneth Lai	Market	333,333	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.137
Kenneth Lai	Market	333,333	20/12/2021	20/12/2021	30/11/2025	\$0.450	\$0.146
Alan Munday	Service	500,000	19/04/2022	19/04/2022	19/04/2025	\$0.350	\$0.084
Steven Stamboultgis	Service	250,000	19/04/2022	19/04/2022	19/04/2025	\$0.350	\$0.084
Mark Healy	Service	833,333	06/07/2022	06/07/2022	06/07/2025	\$0.250	\$0.091
Mark Healy	Service	833,333	06/07/2022	06/07/2023	06/07/2025	\$0.157	\$0.111
Mark Healy	Service	833,334	06/07/2022	06/07/2024	06/07/2025	\$0.157	\$0.111
Peter Pawlowitsch	Market	1,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.135
Peter Pawlowitsch	Market	1,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.137
Peter Pawlowitsch	Market	1,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.141
Peter Cook	Market	2,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.135
Peter Cook	Market	2,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.137
Peter Cook	Market	2,000,000	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.141
Kenneth Lai	Market	666,667	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.135
Kenneth Lai	Market	666,667	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.137
Kenneth Lai	Market	666,666	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.141
Killian Murphy	Market	666,667	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.135
Killian Murphy	Market	666,667	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.137
Killian Murphy	Market	666,666	23/11/2022	23/11/2022	30/11/2026	\$0.200	\$0.141
Dharshini Mendez	Service	500,000	17/04/2023	17/04/2023	17/04/2026	\$0.180	\$0.089
Dharshini Mendez	Service	500,000	17/04/2023	17/04/2024	17/04/2026	\$0.180	\$0.089
Dharshini Mendez	Service	500,000	17/04/2023	17/04/2025	17/04/2026	\$0.180	\$0.089
Mark Healy	Service	3,000,000	13/06/2023	30/06/2024	30/06/2027	\$0.200	\$0.064
Mark Healy	Service	795,455	13/06/2023	30/06/2024	30/06/2027	\$0.000	\$0.120
Mark Healy	Service	4,772,727	13/06/2023	30/06/2026	30/06/2027	\$0.000	\$0.120
Mark Healy	Market / Service	1,250,000	13/06/2023	30/06/2026	30/06/2027	\$0.200	\$0.046
Mark Healy	Market / Service	1,250,000	13/06/2023	30/06/2026	30/06/2027	\$0.200	\$0.039
Mark Healy	Market / Service	1,250,000	13/06/2023	30/06/2026	30/06/2027	\$0.200	\$0.033
Mark Healy	Service	1,250,000	13/06/2023	30/06/2026	30/06/2027	\$0.200	\$0.033
		<u>42,968,180</u>					

Novatti Group Limited
Directors' report
30 June 2023

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 2023 are set out below:

Name	Number of options granted during the year 30 June 2023	Number of options granted during the year 30 June 2022	Number of options vested during the year 30 June 2023	Number of options vested during the year 30 June 2022
Peter Pawlowitsch	3,000,000	2,000,000	-	2,000,000
Peter Cook	6,000,000	3,000,000	-	3,000,000
Kenneth Lai	2,000,000	1,000,000	-	1,000,000
Abigail Cheadle ^(a)	2,000,000	1,500,000	-	1,500,000
Steven Zhou ^(b)	-	1,000,000	-	1,000,000
Alan Munday	-	500,000	125,000	937,500
Killian Murphy ^(c)	2,000,000	-	-	-
Mark Healy ^(d)	14,818,182	-	833,333	-
Steven Stamboultgis ^(e)	-	250,000	62,500	675,000
Dharshini Mendez ^(f)	1,500,000	-	500,000	-

(a) Abigail Cheadle resigned as a Non-Executive Director on 28 December 2022

(b) Steven Zhou resigned from Non-Executive Director on 17 March 2022

(c) Killian Murphy was appointed as a Non-Executive Director on 13 October 2022

(d) Mark Healy was appointed as Chief Executive Officer on 15 June 2023

(e) Steven Stamboultgis resigned as Chief Financial Officer effective 31 March 2023

(f) Dharshini Mendez was appointed as Chief Financial Officer on 3 April 2023

Additional information

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

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	0.120	0.155	0.640	0.310	0.165
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(7.800)	(5.115)	(5.162)	(6.398)	(3.098)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Exercise of options ^(f)	Other ^(g)	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Pawlowitsch	3,582,662	-	484,633	-	4,067,295
Peter Cook	13,174,571	-	-	500,000	13,674,571
Kenneth Lai	13,116,118	-	193,853	-	13,309,971
Alan Munday	50,000	-	78,348	-	128,348
Steven Stamboultgis ^(a)	268,013	-	26,390	-	294,403
Killian Murphy ^(b)	-	-	-	-	-
Abigail Cheadle ^(c)	-	-	-	-	-
Dharshini Mendez ^(d)	-	-	-	-	-
Mark Healy ^(e)	-	-	-	29,700	29,700
	<u>30,191,364</u>	<u>-</u>	<u>783,224</u>	<u>529,700</u>	<u>31,504,288</u>

Novatti Group Limited
Directors' report
30 June 2023

- (a) Steven Stamboultgis resigned as Chief Financial Officer on 31 March 2023
- (b) Killian Murphy was appointed on 13 October 2022
- (c) Abigail Cheadle resigned on 28 December 2022
- (d) Dharshini Mendez was appointed as Chief Financial Officer on 3 April 2023
- (e) Mark Healy was appointed as Chief Executive Officer on 15 June 2023
- (f) Number of shares issued represented the cashless exercise of options (refer to "option holding" section) at the intrinsic economic value of the option derived between exercise price and VWAP on ASX over 5 trading day period immediately preceding the exercise date.
- (g) On-market acquisition

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 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	4,166,667	3,000,000	(1,666,667)	-	5,500,000
Peter Cook	8,000,000	6,000,000	-	-	14,000,000
Abigail Cheadle	1,500,000	2,000,000	-	(3,500,000)	-
Kenneth Lai	1,666,667	2,000,000	(666,667)	-	3,000,000
Alan Munday	2,250,000	-	(750,000)	-	1,500,000
Steven Stamboultgis	800,000	-	(150,000)	-	650,000
Dharshini Mendez	-	1,500,000	-	-	1,500,000
Mark Healy	-	14,818,182	-	-	14,818,182
Killian Murphy	-	2,000,000	-	-	2,000,000
	18,383,334	31,318,182	(3,233,334)	(3,500,000)	42,968,182

* The exercises of options were cashless and the number of shares issued were according to the intrinsic economic value of the option derived between exercise price and VWAP on ASX over 5 trading day period immediately preceding the exercise date.

** Cessation of being a KMP.

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 2023.

This concludes the remuneration report, which has been audited.

Novatti Group Limited
Directors' report
30 June 2023

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
25 November 2019	30 November 2023	\$0.200	3,000,000
10 July 2020	10 July 2023	\$0.200	750,000
10 July 2020	1 March 2024	\$0.200	375,000
10 July 2020	1 March 2025	\$0.200	375,000
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	2,700,000
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
15 October 2021	15 October 2024	\$0.500	800,002
15 October 2021	15 October 2024	\$0.750	1,400,000
20 December 2021	30 November 2025	\$0.450	7,000,000
25 January 2022	25 January 2025	\$0.330	300,000
5 April 2022	19 April 2025	\$0.350	2,375,000
6 July 2022	6 July 2025	\$0.250	833,333
6 July 2022	6 July 2025	\$0.157	1,666,667
30 September 2022	30 June 2026	\$0.250	1,000,000
23 November 2023	30 November 2026	\$0.200	13,000,000
13 December 2022	30 June 2026	\$0.250	250,000
17 April 2023	17 April 2026	\$0.180	1,500,000
13 June 2023	30 June 2027	\$0.200	6,750,000
13 June 2023	30 June 2027	\$0.000	5,568,182
			56,743,184

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

There were 1,906,021 ordinary shares of Novatti Group Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

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 25 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 25 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.

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



Peter Pawlowitsch
Chairman

28 September 2023

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 2023 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

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



N. S. Benbow

Director

Melbourne, 28 September 2023

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Novatti Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

		Consolidated	
	Note	30 June 2023	30 June 2022
		\$'000	\$'000
Revenue	5	38,979	32,555
Other income	6	16,316	1,815
Expenses			
Administrative and corporate costs		(5,651)	(3,725)
Client hosting fees and other direct services	7	(20,731)	(18,928)
Employee benefits		(28,265)	(27,394)
Foreign currency translation gains/(losses)		(69)	403
Marketing and selling expenses		(1,037)	(290)
Data management expenses		(4,348)	(1,197)
(Loss)/Gain on investments at fair value through profit or loss	10	(15,877)	3,302
Vesting charge for share-based payments	33	(2,265)	(1,325)
Share of net profit of joint ventures accounted for using the equity method		-	23
Gains/(losses) on embedded derivative - convertible note facility into Novatti Group Ltd the parent entity		-	729
Depreciation and amortisation expense		(2,211)	(1,853)
Finance costs		(1,382)	(725)
Loss before income tax expense		(26,541)	(16,610)
Income tax expense		(4)	(17)
Loss after income tax expense for the year		(26,545)	(16,627)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(238)	43
Other comprehensive income for the year, net of tax		(238)	43
Total comprehensive income for the year		(26,783)	(16,584)
Loss for the year is attributable to:			
Non-controlling interest		(235)	-
Owners of Novatti Group Limited		(26,310)	(16,627)
		(26,545)	(16,627)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(235)	-
Owners of Novatti Group Limited		(26,548)	(16,584)
		(26,783)	(16,584)
		Cents	Cents
Basic loss per share	32	(7.800)	(5.115)
Diluted loss per share	32	(7.800)	(5.115)

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 2023

		Consolidated	
	Note	30 June 2023	30 June 2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		18,215	6,059
Trade and other receivables	8	7,748	8,422
Financial assets - funds in trust	9	92,444	52,440
Other current assets		1,131	928
Total current assets		<u>119,538</u>	<u>67,849</u>
Non-current assets			
Investments accounted for using the equity method		-	77
Other investments at fair value through profit and loss	10	11,847	27,724
Plant and equipment		407	529
Right-of-use assets	11	1,509	1,790
Intangible assets	12	7,904	9,322
Security deposits	26	4,429	3,704
Total non-current assets		<u>26,096</u>	<u>43,146</u>
Total assets		<u>145,634</u>	<u>110,995</u>
Liabilities			
Current liabilities			
Trade and other payables	13	22,420	16,221
Settlement, remittance and visa funds payable	14	91,629	52,062
Lease liabilities	16	271	273
Contract liabilities	17	286	798
Convertible note facilities		-	40
Employee benefits	18	3,338	1,959
Total current liabilities		<u>117,944</u>	<u>71,353</u>
Non-current liabilities			
Trade and other payables	13	-	255
Borrowings	15	10,500	-
Lease liabilities	16	1,575	1,829
Employee benefits	18	140	917
Total non-current liabilities		<u>12,215</u>	<u>3,001</u>
Total liabilities		<u>130,159</u>	<u>74,354</u>
Net assets		<u>15,475</u>	<u>36,641</u>
Equity			
Issued capital	19	90,686	89,336
Reserves	20	5,401	4,981
Accumulated losses		(83,477)	(57,676)
Equity attributable to the owners of Novatti Group Limited		<u>12,610</u>	<u>36,641</u>
Non-controlling interest	21	2,865	-
Total equity		<u>15,475</u>	<u>36,641</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 2023

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 changes in equity
For the year ended 30 June 2023

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 2022	89,336	4,361	620	(57,676)	-	36,641
Loss after income tax expense for the year	-	-	-	(26,310)	(235)	(26,545)
Other comprehensive income for the year, net of tax	-	-	(238)	-	-	(238)
Total comprehensive income for the year	-	-	(238)	(26,310)	(235)	(26,783)
<i>Transactions with owners in their capacity as owners:</i>						
Expiry of share options	-	(509)	-	509	-	-
Vesting of share based payments arrangements	-	2,265	-	-	-	2,265
Issue of shares in lieu of consultancy fees	31	-	-	-	-	31
Issue of shares in lieu of staff remuneration	221	-	-	-	-	221
Issue of shares on exercise of options	1,098	(1,098)	-	-	-	-
Issue of shares in subsidiary to external investor	-	-	-	-	3,100	3,100
Balance at 30 June 2023	<u>90,686</u>	<u>5,019</u>	<u>382</u>	<u>(83,477)</u>	<u>2,865</u>	<u>15,475</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 2023

		Consolidated	
	Note	30 June 2023	30 June 2022
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		78,282	62,124
Payments to suppliers and employees (inclusive of GST)		(91,708)	(75,838)
Interest received		668	34
Receipt of Government Stimulus		1,921	256
Interest and other finance costs paid		(1,238)	(721)
		<u>(12,075)</u>	<u>(14,145)</u>
Dividends received		13,511	1,126
Income taxes paid		(43)	(13)
		<u>(43)</u>	<u>(13)</u>
Net cash from/(used in) operating activities	31	<u>1,393</u>	<u>(13,032)</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(2,098)
Payments for investments in Reckon Limited	23	-	(22,517)
Payments for plant and equipment		(35)	(147)
Payments for intangible assets	12	(353)	(326)
Payments for security deposits		(1,573)	(1,587)
		<u>(1,573)</u>	<u>(1,587)</u>
Net cash used in investing activities		<u>(1,961)</u>	<u>(26,675)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	19	-	38,029
Repayment of borrowings		-	(804)
Repayment of convertible notes		(40)	-
(Repurchase)/issue of equity to BC Invest	21	-	(2,000)
Proceeds from exercise of options		-	1,618
Proceeds from borrowings	15	10,500	-
Borrowings transaction costs		(392)	-
Repayment of lease liabilities		(256)	(248)
Proceeds from the issue of shares into IBOA Group Holdings Pty Limited		3,100	-
		<u>3,100</u>	<u>-</u>
Net cash from financing activities		<u>12,912</u>	<u>36,595</u>
Net increase/(decrease) in cash and cash equivalents		12,344	(3,112)
Cash and cash equivalents at the beginning of the financial year		6,059	8,798
Effects of exchange rate changes on cash and cash equivalents		(188)	373
		<u>(188)</u>	<u>373</u>
Cash and cash equivalents at the end of the financial year		<u><u>18,215</u></u>	<u><u>6,059</u></u>

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 2023

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 28 September 2023. 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.

Note 2. Significant accounting policies (continued)

Going concern

The financial statements for the period ended 30 June 2023 have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the 12 month period the entity recorded revenue of \$39,979,000, a net loss after tax of \$26,545,000 and incurred net cash inflows from operating activities of \$1,393,000, which includes a one-off dividend of approximately \$12,835,000.

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. The above matters described indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

The Directors are planning for the business to reduce net operating cash outflows during FY24 by increasing cash receipts from customers in order to work towards positive future operating cash flow;
The Group owns a number of investments that the Group can potentially sell
The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements;
Management are actively considering the future capital requirements of the entity and will consider all funding options as required;
The Group is undertaking a simplification strategy to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential to existing customers so as to conserve cash; and
During the year, the Group sold down its interest in the banking entity by 9.32%, by raising \$3,100,000 for the banking operations. The directors may consider, if required, additional partial sales of its interest in this entity, or alternatively the sale or dilution of the Group's interest in other non-core business assets.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on the historical cost convention, except for the following which is recorded at fair value basis: investments at fair value through profit and loss and deferred consideration. 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.

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 28.

Principles of consolidation

These are the financial statements of the 'Company' and the 'Group' as at 30 June 2023.

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:

Note 2. Significant accounting policies (continued)

- 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.

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.

Note 2. Significant accounting policies (continued)

Technology

In this revenue stream the Consolidated Entity develops, deploys and supports specialised mobile and alternate payment technologies, whereby licence fees are amortised over the relevant period of contract and professional service revenue is recognised as the service rendered to the customer.

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 2023.

Other revenue

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

Contract assets

Contract assets includes revenue from the sales of services unbilled as at 30 June 2023.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

Borrowings

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

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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 2023.

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.

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.

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 23 '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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

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

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.

Research and Development Rebate

The consolidated entity is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claim lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may only occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the Directors of the consolidated entity consider that such a negative review has a remote likelihood of occurring.

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 Wallet Platform.
	Billing Solutions: Basis2 trading under Novatti Inc. provides a technologically advanced billing and CIS solution to service providers in the utilities industry.
Business Automation	Emersion: Automates business processes including customer engagement, billing, collections, subscription management and embedded payments.
Acquiring	Novatti Acquiring: Enables businesses to accept a wide range of payments online and offline with a strong focus on mobile point-of-sales as key growth area.
Alternative Payments	Novatti Billpay: Enables processing of payments from Asian wallets, including bill payments for international and local university and college students.
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 ('RADI') 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 digital and physical prepaid, gift and debit cards for a variety of fintechs and commercial enterprises.
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 2023, the consolidated entity did not transact with any single customer that individually represented more than 10% of revenues (30 June 2022: nil).

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Note 4. Operating segments (continued)

Operating segment information

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	ATX Payments	Issuing	Total
Consolidated - 30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	4,406	2,148	2,591	20,850	-	5,564	3,421	38,980
Total revenue	<u>4,406</u>	<u>2,148</u>	<u>2,591</u>	<u>20,850</u>	<u>-</u>	<u>5,564</u>	<u>3,421</u>	<u>38,980</u>
Segment EBITDA	<u>2,944</u>	<u>(2,797)</u>	<u>(5,066)</u>	<u>2,632</u>	<u>(3,508)</u>	<u>(1,287)</u>	<u>(1,409)</u>	<u>(8,491)</u>
Corporate EBITDA								(14,944)
Depreciation and amortisation								(2,211)
Interest revenue								668
Finance costs								(1,382)
Other taxes								(181)
Loss before income tax expense								<u>(26,541)</u>
Income tax expense								(4)
Loss after income tax expense								<u>(26,545)</u>
Assets								
Segment assets	<u>4,972</u>	<u>1,838</u>	<u>2,764</u>	<u>64,997</u>	<u>5,669</u>	<u>9,903</u>	<u>38,648</u>	<u>128,791</u>
Corporate assets								<u>16,844</u>
Total assets								<u>145,635</u>
Liabilities								
Segment liabilities	<u>6,063</u>	<u>619</u>	<u>1,011</u>	<u>67,435</u>	<u>314</u>	<u>5,292</u>	<u>37,326</u>	<u>118,060</u>
Corporate liabilities								<u>12,099</u>
Total liabilities								<u>130,159</u>

Novatti Group Limited
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Note 4. Operating segments (continued)

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	ATX Payments	Issuing	Total
Consolidated - 30 June 2022	\$'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
Total revenue	<u>3,876</u>	<u>2,439</u>	<u>868</u>	<u>17,946</u>	<u>-</u>	<u>1,625</u>	<u>5,801</u>	<u>32,555</u>
Segment EBITDA	<u>2,551</u>	<u>(2,995)</u>	<u>(3,205)</u>	<u>2,547</u>	<u>(2,404)</u>	<u>(2,586)</u>	<u>(54)</u>	<u>(6,146)</u>
Corporate EBITDA								(7,866)
Depreciation and amortisation								(1,853)
Interest revenue								34
Finance costs								(725)
Other taxes								(54)
Loss before income tax expense								<u>(16,610)</u>
Income tax expense								(17)
Loss after income tax expense								<u>(16,627)</u>
Assets								
Segment assets	5,535	2,640	889	44,657	72	17,174	10,160	81,127
Corporate assets								29,868
Total assets								<u>110,995</u>
Liabilities								
Segment liabilities	5,644	955	790	43,607	499	16,835	3,909	72,239
Corporate liabilities								2,115
Total liabilities								<u>74,354</u>

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

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Note 4. Operating segments (continued)

	Sales to external customers 30 June 2023 \$'000	Sales to external customers 30 June 2022 \$'000	Geographica I non-current assets 30 June 2023 \$'000	Geographica I non-current assets 30 June 2022 \$'000
Australia	9,714	7,604	24,837	35,951
Malta	7,063	3,265	-	-
Malaysia	5,626	7,316	1,259	7,195
Brazil	5,719	5,564	-	-
United States	2,797	2,069	-	-
United Arab Emirates	2,540	3	-	-
Netherlands	1,727	-	-	-
New Zealand	1,192	-	-	-
Gibraltar	523	2,140	-	-
Channel Island	183	1,515	-	-
Others	1,895	3,079	-	-
	38,979	32,555	26,096	43,146

Note 5. Revenue

30 June 2023

	Timing of revenue recognition Services provided at point in time \$	Timing of revenue recognition Services provided over time \$	Consolidated 30 June 2023 \$
Sales revenue			
Technology	2,324	2,082	4,406
Business Automation	19	2,129	2,148
Acquiring	2,591	-	2,591
Alternative Payments	20,847	-	20,847
Banking Services	-	-	-
ATX Payments	5,564	-	5,564
Issuing	3,423	-	3,423
	34,768	4,211	38,979

Novatti Group Limited
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Note 5. Revenue (continued)

30 June 2022	Timing of revenue recognition Services provided at point in time \$	Timing of revenue recognition Services provided over time \$	Consolidated 30 June 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>

Note 6. Other income

	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
Government grants	1,921	256
Dividends	13,511	1,126
Interest	668	34
Other	216	399
Other income	<u>16,316</u>	<u>1,815</u>

During the year ended 30 June 2023, the Company received dividend with franking credit rate of 60% from the investment in Reckon Limited (note 10) of \$13,511,000 (30 June 2022: \$1,126,000, franking credit rate of 100%).

Note 7. Client hosting fees and other direct services

	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
Settlement services	4,250	5,932
Tokenised technology commission	2,191	2,422
Issuing costs related to program management and Visa	1,546	1,307
Voucher top up, payment and distribution costs associated with the Malaysian subsidiary	4,108	4,976
Cross border settlement costs	1,559	1,697
Hosting and other direct services	7,077	2,594
	<u>20,731</u>	<u>18,928</u>

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Note 8. Trade and other receivables

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	6,573	5,703
Less: Allowance for expected credit losses	<u>(1,506)</u>	<u>(221)</u>
	<u>5,067</u>	<u>5,482</u>
Contract assets	<u>2,681</u>	<u>2,940</u>
	<u><u>7,748</u></u>	<u><u>8,422</u></u>

Allowance for expected credit losses

The consolidated entity has recognised additional provision of \$1,285,000 (30 June 2022: \$166,000) in statement of profit or loss and other comprehensive income in respect of the expected credit losses for the year ended 30 June 2023.

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

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

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	3,174	4,802	-	-
0 to 3 months overdue	8%	-	1,815	153	(152)	-
Over 3 months overdue	85%	30%	<u>1,584</u>	<u>748</u>	<u>(1,354)</u>	<u>(221)</u>
			<u><u>6,573</u></u>	<u><u>5,703</u></u>	<u><u>(1,506)</u></u>	<u><u>(221)</u></u>

Note 9. Financial assets - funds in trust

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current assets</i>		
Settlement funds*	41,800	27,441
Remittance funds*	12,644	7,947
Client visa funds*	<u>38,000</u>	<u>17,052</u>
	<u><u>92,444</u></u>	<u><u>52,440</u></u>

* Refer to note 14 Settlement, Remittance and Client visa funds payable

Novatti Group Limited
Notes to the consolidated financial statements
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Note 10. Other investments at fair value through profit and loss

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Investment in Slice Payments	-	452
Investment in Rent Pay Pty Ltd	250	250
Investment in Reckon Limited	11,597	27,022
	<u>11,847</u>	<u>27,724</u>

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. As at 30 June 2023, the fair value of Slice Payments decreased to nil.

The Reckon Limited shares were originally acquired at \$1.00 per share. As at 30 June 2023 the value of those shares declined to \$0.52 per share, contributing to a fair valuation loss of \$15,425,000. The group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

During the period the Company recognised dividend income of \$13,511,000 from its strategic stake in Reckon Limited.

Note 11. Right-of-use assets

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Buildings - right-of-use	2,772	2,761
Less: Accumulated amortisation	(1,263)	(971)
	<u>1,509</u>	<u>1,790</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 2021	1,933
Additions	165
Additions through business combinations	70
Amortisation expense	(378)
Balance at 30 June 2022	1,790
Additions	-
Amortisation expense	(281)
Balance at 30 June 2023	<u>1,509</u>

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Note 12. Intangible assets

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Brand Asset	4,973	4,973
Less: Accumulated amortisation	(939)	(470)
	<u>4,034</u>	<u>4,503</u>
Intellectual property - at cost	2,861	2,588
Less: Accumulated amortisation	(1,271)	(991)
	<u>1,590</u>	<u>1,597</u>
Customer Lists	3,789	3,789
Less: Accumulated amortisation	(2,351)	(1,830)
	<u>1,438</u>	<u>1,959</u>
Licences	475	475
Less: Accumulated amortisation	(261)	(166)
	<u>214</u>	<u>309</u>
Other intellectual property	53	51
Product development	1,643	1,643
Less: Accumulated amortisation	(1,068)	(740)
	<u>575</u>	<u>903</u>
	<u>7,904</u>	<u>9,322</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	Brand Asset \$'000	Intellectual Property \$'000	Customer Lists \$'000	Licences \$'000	Other Intangible Assets \$'000	Product Development \$'000	Total \$'000
Balance at 1 July 2021	395	500	2,413	404	46	1,233	4,991
Additions	-	158	-	-	-	-	158
Additions through business combinations	4,405	1,105	-	-	5	-	5,515
Exchange differences	-	(15)	170	-	-	-	155
Amortisation expense	(297)	(151)	(624)	(95)	-	(330)	(1,497)
Balance at 30 June 2022	4,503	1,597	1,959	309	51	903	9,322
Additions	-	273	-	-	-	-	273
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	80	-	2	-	82
Amortisation expense	(469)	(280)	(601)	(95)	-	(328)	(1,773)
Balance at 30 June 2023	<u>4,034</u>	<u>1,590</u>	<u>1,438</u>	<u>214</u>	<u>53</u>	<u>575</u>	<u>7,904</u>

Note 13. Trade and other payables

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	8,062	6,969
Sundry creditors and accrued expenses	13,720	8,201
Deferred consideration related to ATX acquisition	638	1,012
Income tax payable	-	39
	<u>22,420</u>	<u>16,221</u>
<i>Non-current liabilities</i>		
Deferred consideration related to ATX acquisition	-	117
Other payables to ATX	-	138
	<u>-</u>	<u>255</u>
	<u>22,420</u>	<u>16,476</u>

Note 14. Settlement, remittance and visa funds payable

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Settlement funds payable*	41,746	27,441
Remittance funds payable*	12,622	7,947
Client visa funds payable*	37,261	16,674
	<u>91,629</u>	<u>52,062</u>

*Client Funds held for Settlement, Remittance and Visa, refer to note 9 - Financial assets - funds in trust.

Note 15. Borrowings

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Non-current liabilities</i>		
Bonds	<u>10,500</u>	<u>-</u>

On 15 August 2022, the Company completed a \$10.5 million corporate bond issue to support growth in core payment processing business and capital for proposed banking business. The bonds are secured over all of the assets and undertakings of the consolidated entity other than IBOA Group Holdings Pty Ltd and its controlled subsidiaries; and are issued for a fixed term of five years from the date funds are received by Company, with interest at 90-day BBSW plus 650bps, interest settled quarterly and there are no equity conversion features with respect to this bond.

Transaction costs recognised in the profit and loss for the issuance of bonds was \$392,000.

Refer to following table for the summary of significant terms and conditions of the bond:

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Note 15. Borrowings (continued)

- Financial Covenant: the senior secured and unsecured debt of the Company and the entities it controls does not exceed A\$12,000,000
- Reckon Holding: the Company continues maintaining a direct holding of at least 19.88% of total ordinary shares in Reckon Limited
- Reckon Dividend: the Company the pay all ordinary dividends and other distributions and proceeds received from or in connection with the Reckon Holding or any Replacement Shares (if applicable) into a designated bank account with restricted access provided to the Company for withdrawals

There was no breach to the terms and conditions during the year and as at 30 June 2023.

Refer to note 23 for further information on financial instruments.

Note 16. Lease liabilities

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Office lease liabilities for Melbourne, United Kingdom, Malta and Malaysia	271	273
<i>Non-current liabilities</i>		
Office lease liabilities for Melbourne, United Kingdom, Malta and Malaysia	1,575	1,829
	1,846	2,102

Refer to note 23 for further information on financial instruments.

Note 17. Contract liabilities

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	286	798

Reconciliation of the values at the beginning and end of the current and previous financial year:

	Contract liabilities	
	30 June 2023	30 June 2022
	\$	\$
Opening balance	798	876
Amounts billed in advance (ex GST)	3,695	2,707
Less: revenue recognised over a period of time	(4,207)	(2,785)
	286	798

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Note 18. Employee benefits

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	1,261	1,469
Long service leave	526	490
Provision for employee-related costs*	1,551	-
	<u>3,338</u>	<u>1,959</u>
<i>Non-current liabilities</i>		
Long service leave	140	138
Provision for employee-related costs*	-	779
	<u>140</u>	<u>917</u>
	<u><u>3,478</u></u>	<u><u>2,876</u></u>

The provision for employee-related costs relates to the earn-out milestone payments to ATX executive staff on achieving agreed Gross Revenue targets for financial year ending 31 December 2023. Directors have considered the agreed targets and have determined the liability recognised on the acquisition is reasonable.

As at 30 June 2023, the provision for employee-related costs included the unpaid portions for the payment for the calendar year ended 31 December 2022.

Note 19. Issued capital

	Consolidated			
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>338,656,542</u>	<u>335,297,521</u>	<u>90,686</u>	<u>89,336</u>

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Note 19. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 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	1 July 2022	335,297,521	89,336
Issue of shares to employees	30 September 2022	1,228,000	221
Issue of shares on exercise of options	30 November 2022	1,069,869	330
Issue of shares on exercise of options	13 December 2022	145,905	90
Issue of shares on exercise of options	20 December 2022	690,247	678
Issue of shares in lieu of consultancy fees	11 May 2023	225,000	31
Balance	30 June 2023	<u>338,656,542</u>	<u>90,686</u>

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 2023	30 June 2022
	\$'000	\$'000
Foreign currency reserve	381	620
Share-based payments reserve	5,020	4,361
	<u>5,401</u>	<u>4,981</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. Non-controlling interest

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Issued capital	3,100	-
Accumulated losses	(235)	-
	<u>2,865</u>	<u>-</u>

During the period, the Company finalised a Series A equity round for IBOA Group Holdings Pty Limited (IBOA Group), which heads the Company's dedicated banking division and is parent entity of the Bank, as part of securing a restricted banking licence. Through this funding round, the Company made an additional \$5m investment. In addition, sophisticated investors contributed \$3.1m for a total of \$8m dollars in this funding round, through issuing shares of IBOA Group to the investor. The Company consequently retained a 91% interest in IBOA Group. The aggregate \$8m in new funding under this round will enable the Bank to launch and build its business.

Note 22. Dividends

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

Note 23. 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.

Principal financial instruments

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

Note 23. Financial instruments (continued)

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

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 23. 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 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
CAD	713	449	(454)	(334)
USD	1,687	969	(427)	(275)
EUR	71,748	39,206	(2,097)	(1,572)
GBP	3	5	(70)	(141)
NZD	16,570	8,034	(18)	(6)
MYR	3,092	1,560	(1,108)	(2,703)
	<u>93,813</u>	<u>50,223</u>	<u>(4,174)</u>	<u>(5,031)</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 2023. 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 2023	% change	AUD strengthened		AUD weakened	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
CAD	5%	(12)	-	14	-
USD	5%	(60)	-	66	-
EUR	5%	(3,317)	-	3,666	-
GBP	5%	3	-	(4)	-
NZD	5%	(788)	-	871	-
MYR	5%	(94)	-	104	-
		<u>(4,268)</u>	<u>-</u>	<u>4,717</u>	<u>-</u>

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

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Note 23. Financial instruments (continued)

If the fair value of investments increased by 10% this would have increased total comprehensive income for the Group by \$1,184,700. 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 2023	Level 1	Level 2	Level 3	Total
Assets	\$'000	\$'000	\$'000	\$
Shares in listed entities	11,597	-	-	11,597
Shares in unlisted entities	-	250	-	250
	<u>11,597</u>	<u>250</u>	<u>-</u>	<u>11,847</u>

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>

Reconciliation	30 June 2023	30 June 2022
	\$'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	27,724	1,030
Additions	-	22,517
Revaluation increments	-	4,505
Revaluation decrements	(15,877)	(328)
Closing fair value	<u>11,847</u>	<u>27,724</u>

The investments in shares in unlisted entities are Level 2, with the derivation of their value from the last available public information for trading in the shares of those investments at arms-length terms.

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 2023, the financial liabilities of the Group include:

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Note 23. Financial instruments (continued)

- 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 16 for a summary of the outstanding lease liabilities
- Bonds. Refer to note 15 for details.

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 2023	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	-	22,420	-	-	-	22,420
<i>Interest-bearing - variable</i>						
Bonds	9.66%	-	-	10,500	-	10,500
<i>Interest-bearing - fixed rate</i>						
Lease liabilities	5.21%	271	300	1,275	-	1,846
Total non-derivatives		22,691	300	11,775	-	34,766

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

Fair value of financial instruments

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

Note 24. 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)
Killian Murphy (Non-Executive Director) (appointed on 13 October 2022)
Abigail Cheadle (Non-Executive Director) (resigned on 28 December 2022)

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Note 24. 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:

Mark Healy	(Chief Executive Officer appointed 15 June 2023)
Alan Munday	(Group Chief Operating Officer)
Steven Stamboultgis	(Company Secretary) (resigned as Chief Financial Officer effective 31 March 2023)
Dharshini Mendez	(Chief Financial Officer) (appointed as Chief Financial Officer on 3 April 2023)

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 2023	30 June 2022
	\$	\$
Short-term employee benefits	1,048,954	1,117,196
Post-employment benefits	80,938	82,995
Long-term benefits	23,915	21,257
Share-based payments	1,895,232	1,067,779
	<u>3,049,039</u>	<u>2,289,227</u>

Note 25. 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 2023	30 June 2022
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	<u>170,500</u>	<u>98,500</u>
<i>Other services - William Buck</i>		
Taxation and compliance services	17,600	71,560
Other matters	<u>36,500</u>	<u>6,070</u>
	<u>54,100</u>	<u>77,630</u>
	<u>224,600</u>	<u>176,130</u>

Note 26. 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 Principal License; b) the Currency Cloud float; and c) Visa Collateral.

As a Principal License holder for Visa Prepaid/Debit Issuing, Novatti can provide services to clients for both Visa BIN Sponsorship and Visa Program Management. Visa requires the member to maintain a Collateral account which is held in trust at a Visa nominated to settle all debts to merchants and any monies owed to issuers and their Visa Prepaid cardholders.

In addition, Novatti requires BIN Sponsors and/or Program Manager mandates, as part of the client contract, that the client maintains a minimum of their 6 days Visa Settlement total in a bank account (held in Trust For the client) with the Visa Settlement Bank (Australia ANZ and NZ ASB). This assures that the Visa daily settlement process is, and can be funded by the client directly.

Alternatively, if a client does not agree to maintaining a float account Novatti will Direct Debit from the client's nominated corporate bank account to directly fund settlement daily. If this method is agreed the client is required to deposit a Security Deposit to an In-Trust-For (ITF) account with Novatti.

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 2023 and 30 June 2022.

Note 27. 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 24 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 2023 (30 June 2022: USD 24,462 (AUD 35,509)). 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.

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Note 28. 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 2023	30 June 2022
	\$'000	\$'000
Profit/(loss) after income tax	(7,958)	253
Total comprehensive income	(7,958)	253

Statement of financial position

	Parent	
	30 June 2023	30 June 2022
	\$'000	\$'000
Total current assets	84,985	48,122
Total assets	127,528	100,308
Total current liabilities	36,340	14,335
Total liabilities	82,820	14,335
Net assets	<u>44,708</u>	<u>85,973</u>
Equity		
Issued capital	90,686	92,853
Foreign currency reserve	534	534
Share-based payments reserve	5,538	4,361
Accumulated losses	(52,050)	(11,775)
Total equity	<u>44,708</u>	<u>85,973</u>

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 2023, this totalled \$83,010 (2022: \$83,010). No other prepaid deposit exist.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 (2022: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 (2022: 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.

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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 2023 %	30 June 2022 %
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%
IBOA Group Holdings Pty Ltd *	Australia	90.7%	100.0%
International Bank of Australia Pty Limited **	Australia	90.7%	100.0%
Intella Payments Pty Ltd ***	Australia	49.0%	100.0%
UAB Novtec Global	Lithuania	-	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%	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%	100.0%
Novatti Global Services Pty Ltd	Australia	100.0%	100.0%
Emavilis Holdings Limited	Cyprus	100.0%	100.0%
Nisaki Holding Limited	Cyprus	100.0%	100.0%
China Payments Services Pty Ltd	Australia	100.0%	100.0%
Novatti Singapore Services Pte Ltd	Singapore	100.0%	100.0%
AUDC Pty Ltd	Australia	100.0%	100.0%
Novatti Transactions and Technology International Ltd	Cyprus	65.0%	65.0%
Flexewallet Pty Ltd	Australia	100.0%	100.0%
Flexewallet (NZ) Ltd	New Zealand	100.0%	100.0%
Novatti (Malaysia) Sdn Bhd	Malaysia	100.0%	-

* Formerly known as Novatti B Holding Company Pty Ltd

** Formerly known as Novatti IBA Pty Ltd

*** Formerly known as Novatti Billing Solutions Pty Ltd

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2023

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

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Loss after income tax expense for the year	(26,545)	(16,627)
Adjustments for:		
Depreciation and amortisation	2,211	1,853
Write off of property, plant and equipment	-	127
Share-based payments	2,265	1,902
Unrealised foreign exchange (gain) / loss	69	(432)
(Gain) / loss on convertible notes	-	(729)
Bad debt expense	1,285	279
Equity investments received for services rendered	-	(249)
Non-cash finance charges	144	113
Gain on investments at fair value through profit or loss	15,877	(3,302)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	32	(2,995)
Decrease in inventories	-	27
Increase in prepayments	(203)	-
Increase in trade and other payables	6,207	6,333
Decrease in provision for income tax	(39)	(13)
Increase in employee benefits	602	634
(Decrease)/increase in contract liabilities	(512)	47
Net cash from/(used in) operating activities	<u>1,393</u>	<u>(13,032)</u>

Note 32. Loss per share

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Loss after income tax	(26,545)	(16,627)
Non-controlling interest	235	-
Loss after income tax attributable to the owners of Novatti Group Limited	<u>(26,310)</u>	<u>(16,627)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>337,310,860</u>	<u>325,048,215</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>337,310,860</u>	<u>325,048,215</u>
	Cents	Cents
Basic loss per share	(7.800)	(5.115)
Diluted loss per share	(7.800)	(5.115)

As at 30 June 2023, the Group has 56,743,184 unlisted options on issue (30 June 2022: 43,181,668). 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

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2023

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 2023 were calculated based on the Black-Scholes model or 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.

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Grant date	Expiry date	Service / Market conditions	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	Market	\$0.19	3,666,668	-	(3,666,668)	-	-
25/11/2019	30/11/2023	Market	\$0.20	3,000,000	-	-	-	3,000,000
19/12/2019	19/12/2022	Service	\$0.20	4,262,500	-	(2,985,000)	(1,277,500)	-
10/07/2020	10/07/2023	Service	\$0.20	850,000	-	-	(100,000)	750,000
10/07/2020	01/03/2024	Service	\$0.20	441,667	-	-	(66,667)	375,000
10/07/2020	01/03/2025	Service	\$0.20	441,667	-	-	(66,667)	375,000
10/07/2020	01/03/2026	Service	\$0.20	66,666	-	-	(66,666)	-
10/07/2020	31/12/2022	Service	\$0.20	3,200,000	-	(3,200,000)	-	-
26/10/2020	26/10/2023	Service	\$0.30	1,000,000	-	-	-	1,000,000
25/11/2020	30/11/2024	Market	\$0.27	2,500,000	-	-	-	2,500,000
22/12/2020	22/12/2023	None	\$0.28	3,200,000	-	-	(500,000)	2,700,000
22/12/2020	14/10/2023	Service	\$0.30	2,000,000	-	-	-	2,000,000
08/02/2021	08/02/2024	Service	\$0.30	200,000	-	-	-	200,000
05/04/2021	05/04/2024	Service	\$0.30	300,000	-	-	-	300,000
07/04/2021	07/04/2024	Service	\$0.60	100,000	-	-	-	100,000
05/05/2021	05/05/2024	Service	\$0.75	100,000	-	-	-	100,000
31/05/2021	31/05/2024	Service	\$0.75	400,000	-	-	-	400,000
15/10/2021	15/10/2024	Service	\$0.50	1,100,000	-	-	(299,998)	800,002
15/10/2021	15/10/2024	Service	\$0.75	1,500,000	-	-	(100,000)	1,400,000
20/12/2021	30/11/2025	Market	\$0.45	8,500,000	-	-	(1,500,000)	7,000,000
25/01/2022	25/01/2025	Service	\$0.33	600,000	-	-	(300,000)	300,000
05/04/2022	19/04/2025	Service	\$0.35	2,575,000	-	-	(200,000)	2,375,000
06/07/2022	06/07/2025	Service	\$0.25	-	833,333	-	-	833,333
06/07/2022	06/07/2025	Service	\$0.16	-	1,666,667	-	-	1,666,667
30/09/2022	30/06/2026	None	\$0.25	-	1,000,000	-	-	1,000,000
23/11/2023	30/11/2026	Market	\$0.20	-	15,000,000	-	(2,000,000)	13,000,000
13/12/2022	30/06/2026	None	\$0.25	-	250,000	-	-	250,000
17/04/2023	17/04/2026	Service	\$0.18	-	1,500,000	-	-	1,500,000
	30/06/2027	Market/	\$0.20	-	-	-	-	-
13/06/2023		Service		-	6,750,000	-	-	6,750,000
13/06/2023	30/06/2027	Service	\$0.00	-	5,568,182	-	-	5,568,182
				<u>40,004,168</u>	<u>32,568,182</u>	<u>(9,851,668)</u>	<u>(6,477,498)</u>	<u>56,243,184</u>
Weighted average exercise price				\$0.319	\$0.166	\$0.199	\$0.296	\$0.255

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.49 years (2022: 1.82 years).

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2023

Note 33. Share-based payments (continued)

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
06/07/2022	06/07/2025	\$0.185	\$0.250	85.00%	-	3.45%	\$0.091
06/07/2022	06/07/2025	\$0.185	\$0.157	85.00%	-	3.45%	\$0.111
30/09/2022	30/06/2026	\$0.175	\$0.250	85.00%	-	3.69%	\$0.066
23/11/2022	30/11/2026	\$0.270	\$0.200	85.00%	-	3.38%	\$0.135
23/11/2022	30/11/2026	\$0.270	\$0.200	85.00%	-	3.38%	\$0.137
23/11/2022	30/11/2026	\$0.270	\$0.200	85.00%	-	3.38%	\$0.141
13/12/2022	30/06/2026	\$0.230	\$0.250	85.00%	-	3.56%	\$0.053
17/04/2023	17/04/2026	\$0.165	\$0.180	85.00%	-	3.24%	\$0.089
13/06/2023	30/06/2027	\$0.120	\$0.200	85.00%	-	3.80%	\$0.046
13/06/2023	30/06/2027	\$0.120	\$0.200	85.00%	-	3.80%	\$0.039
13/06/2023	30/06/2027	\$0.120	\$0.200	85.00%	-	3.80%	\$0.033
13/06/2023	30/06/2027	\$0.120	\$0.200	85.00%	-	3.90%	\$0.064
13/06/2023	30/06/2027	\$0.120	\$0.000	85.00%	-	3.90%	\$0.120

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:

30 June 2023		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
15/11/2019	30/10/2022	\$0.25	1,465,000	-	-	(1,465,000)	-
18/02/2020	30/10/2022	\$0.25	1,112,500	-	-	(1,112,500)	-
			<u>2,577,500</u>	<u>-</u>	<u>-</u>	<u>(2,577,500)</u>	<u>-</u>
30 June 2022		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
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>

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:

Novatti Group Limited
Notes to the consolidated financial statements
30 June 2023

Note 33. Share-based payments (continued)

30 June 2023		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
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>600,000</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>500,000</u>

30 June 2022		Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
Grant date	Expiry date						
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>

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Novatti Group Limited
Directors' declaration
30 June 2023

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 2023 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

28 September 2023

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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 2023, 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 2023 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which states that the Group incurred a net loss after tax of \$26,783,000 and net cash inflows from operations of \$1,393,000 for the year ended 30 June 2023. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that the following matters described below to be the key audit matters to be communicated in our report:

REVENUE RECOGNITION	
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 revenue within the following operating segments:</p> <ul style="list-style-type: none"> – Technology; – Business Automation; – Acquiring; – Alternative Payments; – Issuing; and – ATX Payments. <p>Each revenue stream requires a bespoke revenue recognition model to ensure that revenue is only recognised:</p> <ol style="list-style-type: none"> a) when a performance milestone is achieved; b) can be reliably measured; and c) 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>This matter was considered a Key Audit Matter due to the complexity of revenue arrangements and judgement involved when estimating the progress towards milestones.</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 and <i>AASB 15 Revenue from Contracts with Customers</i>; – 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; – Analytically reviewing the reasonableness of accrued revenue and billings-in-advance accounts. <p>We also assessed the appropriateness of disclosures attached to revenues, particularly those mandatorily required by the Australian Accounting Standard, <i>AASB 15 Revenue from Contracts with Customers</i>.</p>
SHARE BASED PAYMENTS	
Area of focus – Note 33	How our audit addressed it
<p>As disclosed in note 33, the Group currently has options issued to employees, key management personnel and other contracting parties through share-based payment arrangements in accordance with <i>AASB 2 Share-based Payment</i>.</p> <p>These options include both market and non-market vesting criteria, including:</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Agreeing the material terms and conditions of any new share-based payment arrangement to plan documentation; – Examining the share-based payment arrangements to determine the appropriateness of identifying each share-

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- Service (employment) conditions;
- Market-based performance conditions; and
- Other non-market performance conditions.

The valuation of such options requires significant judgement and expertise, particularly in determining the likelihood of achieving the market-based conditions and satisfying all non-vesting conditions.

The Group engages independent specialists to appraise the fair value of its share-based payment arrangements that involve market-based conditions and assessment of satisfying non-vesting conditions.

The Group recognises a vesting charge apportioned over the service condition, over the assessed vesting period if there is a market condition or based on management's assessment of the likelihood of other non-market conditions.

This matter was considered a Key Audit Matter due to the complexity of arrangements and judgement applied in valuing the share-based payments.

based payment arrangement, including assessment of the grant date;

- Examining the appropriateness of the amortisation model for accruing share-based payment expense to the profit or loss over the vesting period;
- Assessing support for likely outcome of vesting conditions used to value share-based payments;
- Assessing support for satisfaction of achieving non-vesting conditions which are not market conditions; and
- Assessed the competence and qualification of management's specialist.

We also assessed the adequacy of disclosures in relation to the share options in the Remuneration Report and notes to the financial report.

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 2023 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 2023.

In our opinion, the Remuneration Report of Novatti Group Limited, for the year ended 30 June 2023, 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, 28 September 2023

Novatti Group Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 13 September 2023.

	Number of holders of ordinary shares	Number of ordinary shares	% of ordinary shares
Ordinary shares			
1 to 1,000	205	120,226	0.04
1,001 to 5,000	1,204	3,454,614	1.02
5,001 to 10,000	628	5,083,513	1.50
10,001 to 100,000	1,322	47,109,531	13.91
100,001 and over	376	282,888,658	83.53
	<u>3,735</u>	<u>338,656,542</u>	<u>100.00</u>
Holding less than a marketable parcel	729	1,027	0.30
	Number of holders of unquoted options	Number of unquoted options	% of unquoted options
Unquoted options			
10,001 to 100,000	16	1,450,000	3.34
100,001 and over	29	42,025,000	96.66
	<u>45</u>	<u>43,475,000</u>	<u>100.00</u>

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Novatti Group Limited
Shareholder information
30 June 2023

Equity security holders

Twenty largest quoted equity security holders

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

	13 September 2023	% of total ordinary shares issued
	Number of ordinary shares held	
1. BRAYTER LIMITED	46,631,507	13.77
2. CITICORP NOMINEES PTY LIMITED	15,625,918	4.61
3. CORANGAMITE PTY LTD (LAKE CORANGAMITE A/C)	13,174,571	3.89
4. XIADI CHEN	12,500,000	3.69
5. MADAM QING LI	10,407,452	3.07
6. MR ZHIYU NING	4,430,000	1.31
7. MR FREEMAN XIN WANG (AFU FAMILY A/C)	4,111,904	1.21
8. PORTMAN TRADING PTY LTD	3,909,092	1.15
9. BROADGATE INVESTMENTS PTY LTD	3,909,091	1.15
10. EMERSION SOFTWARE SYSTEMS PTY LTD	3,700,620	1.09
11. JINGTIAN LI	3,571,428	1.05
12. BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	3,548,327	1.05
13. DASISTAS PTY LTD (DASISTAS SUPER FUND A/C)	3,427,802	1.01
14. BLOCKGROVE PTY LTD (NIELS HOUSE FAMILY A/C)	3,000,000	0.89
15. MS MARA LABBROZZI	2,920,000	0.86
16. SASHI KUMAR A/L A KOVINDSAMY	2,867,236	0.85
17. NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	2,733,509	0.81
18. MR HUITONG SONG	2,580,000	0.76
19. KONGS ACCOUNTING & TAXATION PTY LTD	2,523,000	0.75
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,316,587	0.68
	147,888,044	43.65

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

There are no substantial holders in the Company.

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.

Novatti Group Limited
Shareholder information
30 June 2023

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.

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Novatti

- +61 3 9011 8490
- www.novatti.com
- Level 3, 461 Bourke St
Melbourne, Victoria
AUSTRALIA 3000

Novatti Group Ltd
ABN 98 606 556 183

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