

# Appendix 4E

## Preliminary Final Report – Results for Announcement to the Market

### Name of entity

NOVATTI GROUP LIMITED

ABN: 98 606 556 183

### 1. Reporting period:

Report for the financial year ended: 30 June 2019

Previous corresponding period is the financial year ended: 30 June 2018

### 2. Results for announcement to the market, (item 2):

Revenue from ordinary activities (item 2.1) up 40% to	\$8,890,402
Net Loss before income tax expense down 138% to	(\$4,924,554)
Loss from ordinary activities after tax attributable to members (item 2.2) down 139% to	(\$4,954,313)
Net Loss for the period attributable to members (item 2.3)	(\$4,954,313)

Dividends (item 2.4)	Amount per security	Franked amount per
Interim dividend	- cents	- cents
Final dividend	- cents	- cents
Record date for determining entitlements to the dividend (item 2.5)		

There have been no dividends paid nor provided for as at 30 June 2019 (item 2.6).

### 3. Statement of Comprehensive Income

Refer attached Appendix A

### 4. Statement of Financial Position

Refer attached Appendix A

### 5. Statement of Changes in Equity

Refer attached Appendix A

### 6. Statement of Cash Flows

Refer attached Appendix A

7. Dividends (item 7):

	Date of payment	Total amount of dividend
Interim dividend-year ended 30 June 2019	N/A	\$0.00
Final dividend-year ended 30 June 2018	N/A	\$0.00

Amount per security

	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
Total dividend: Current Year	- cents	- cents	- cents
Total dividend: Previous Year	- cents	- cents	- cents

8. Details of dividend or distribution reinvestment plans in operation are described below (item 8):

Not applicable.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan Not applicable.

9. Statement of retained earnings (item 9)

Consolidated Entity	2019	2018
Balance at the beginning of the year	(\$15,177,919)	(\$13,108,885)
<b>Net profit (loss) attributable to members of the parent entity</b>	(\$4,954,313)	(\$2,069,034)
Adjustment on introduction to Australian Equivalent to IFRS	-	-
Total available for appropriation	-	-
Dividends paid	-	-
Lapsing of Options	-	-
<b>Balance at end of year</b>	(\$20,132,232)	(\$15,177,919)

10. Net tangible assets per security (item 10)

	2019	2018
Net tangible asset backing per ordinary security	\$0.04	\$0.06

11. Details of entities over which control has been gained or lost during the period: (item 11)

Control gained over entities/acquisitions

Name of entities	Date(s) of gain of control
Name of entities (or group of entities)	N/A
Date control gained	N/A
Contribution of the entity to the reporting entity's profit from ordinary activities before income tax during the period	N/A
Profit from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period	N/A

Loss of control of entities/disposals

Name of entities	Date(s) of gain of control
Not applicable	

## 12. Details of associates and joint venture entities (item 12)

Name of associate or joint venture entity (item 12.1)	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting Period	Previous Period	Reporting Period	Previous Period
	%	%	\$	\$
High Impact	50%	50%	-	-
ATX Malaysia	50%	50%	(\$40)	(\$224)
<b>Group's aggregate share of associates and joint venture entities' loss where material – (Item 12.2)</b>			(\$40)	(\$224)

### Results:

The consolidated Net Loss After Tax (NLAT) attributable to members of the company was (\$4,954,313). The prior year NLAT was (\$2,069,034).

The Group's net asset position was \$6,123,057, (30 June 2018, \$8,749,151). The Group had \$1,806,924 in cash and cash equivalents, (30 June 2018, \$4,509,142).

### Significant change in the state of affairs:

#### Share Placements.

On 29 March 2019, Novatti Group Limited announced the placement of 9,286,381 shares to sophisticated investors. This successfully raised \$1.95M.

#### After balance date events:

The Group received its FY2019 Research and Development rebate of \$461,372 on 10 July 2019.

No other matters or circumstances have arisen since end of the financial year which significantly affect or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### Dividend recommended, declared or paid:

The Company has not recommended, declared or paid a dividend in respect of the financial year.

Detail significant information relating to the entity's financial performance and financial position.

## 13. This item relates to foreign entities and is not applicable to the company (item 13)

## 14. Commentary on the results for the period (item 14).

The Company and its controlled entities made a full year net loss of \$4,954,313 after tax. Total consolidated revenue and other income for this period is \$8,890,402.

Basic earnings/(loss) per share for this period is (3.09) and (30 June 2018, (1.53)).

## 15. Audit of the financial report (item 15)

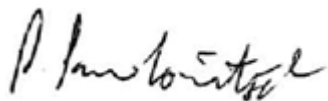
The preliminary financial statements are currently in the process of being audited by the Group's independent auditor. Consequently, no audit opinion is expressed.

16. Are the audited accounts subject to review and are subject to dispute or qualification? (item 16)

The Directors do not anticipate material changes to the results presented in this Appendix 4E and preliminary financial report compared with the full audited annual report to be released by 30 September 2019.

Sign here:

Date: 30 August 2019



Peter Pawlowitsch  
Chairman

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## Appendix A

### Preliminary statement of profit & loss and other comprehensive income

For the year ended 30 June 2019

	<b>Consolidated 2019</b>	<b>Consolidated 2018</b>
	<b>\$</b>	<b>\$</b>
Revenue	8,416,464	5,421,432
Other income	473,938	942,252
<b>Total Revenue</b>	<b>8,890,402</b>	<b>6,363,684</b>
<b>Expenses</b>		
Client hosting fees and other direct services	(1,879,065)	(741,864)
Employee benefits	(7,684,661)	(5,244,607)
Depreciation and amortisation expense	(389,337)	(290,663)
Occupancy	(336,365)	(191,736)
Finance charges	(75,664)	(22,433)
Foreign currency translation (losses)/gains	(248,644)	75,750
Travel expenses	(478,069)	(370,048)
Marketing and selling expenses	(602,196)	(346,872)
Insurance	(157,977)	(88,032)
Data management expenses	(226,394)	(102,399)
Share of net profit of joint ventures accounted for using the equity method	(40)	(224)
Withholding tax not claimable	(37,850)	(8,576)
VAT not claimable	(177,395)	(53,022)
Accounting fees	(160,167)	(128,738)
Due diligence costs	(497,853)	(235,229)
Public company running costs	(246,957)	(339,114)
Other expenses	(616,322)	(344,911)
<b>Loss before income tax expense</b>	<b>(4,924,554)</b>	<b>(2,069,034)</b>
Income tax expense	(29,759)	-
<b>Loss after income tax expense for the year attributable to owners</b>	<b>(4,954,313)</b>	<b>(2,069,034)</b>
Other comprehensive income:		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign exchange translation differences	102,049	471,892
<b>Total comprehensive income for the year attributable to owners</b>	<b>(4,852,264)</b>	<b>(1,597,142)</b>
	<b>2019</b>	<b>2018</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(3.09)	(1.53)

Appendix A

Preliminary statement of financial position

As at 30 June 2019

	Consolidated 2019 \$	Consolidated 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,806,924	4,509,142
Trade and other receivables	4,287,947	4,155,983
Financial assets – funds in trust	3,754,633	2,210,873
Other current assets	612,511	162,450
<b>Total current assets</b>	<u>10,462,015</u>	<u>11,038,448</u>
<b>Non-current assets</b>		
Investments accounted for using the equity method	5,224	4,969
Other investments	800,000	-
Plant and equipment	623,124	142,507
Intangible assets	4,645,343	3,236,191
<b>Total non-current assets</b>	<u>6,073,691</u>	<u>3,383,667</u>
<b>Total assets</b>	<u>16,535,706</u>	<u>14,422,115</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	4,630,872	2,419,725
Settlement and remittance funds payable	3,754,633	2,210,873
Unearned revenue	937,160	660,532
Loans	402,506	-
Employee benefits	508,095	358,067
<b>Total current liabilities</b>	<u>10,233,266</u>	<u>5,649,197</u>
<b>Non-current liabilities</b>		
Employee benefits	51,502	23,767
Lease incentive	127,881	-
<b>Total non-current liabilities</b>	<u>179,383</u>	<u>23,767</u>
<b>Total liabilities</b>	<u>10,412,649</u>	<u>5,672,964</u>
<b>Net assets</b>	<u>6,123,057</u>	<u>8,749,151</u>
<b>Equity</b>		
Issued capital	24,074,324	22,234,239
Reserves	2,180,965	1,692,831
Accumulated losses	(20,132,232)	(15,177,919)
<b>Total equity</b>	<u>6,123,057</u>	<u>8,749,151</u>

## Preliminary statement of changes in equity

For the year ended 30 June 2019

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Option reserves</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
<b>Balance at 1 July 2018</b>	22,234,239	1,265,108	427,723	(15,177,919)	8,749,151
Loss after income tax expense for the year	-	-	-	(4,954,313)	(4,954,313)
	22,234,239	1,265,108	427,723	(20,132,232)	3,794,838
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued during the period	1,840,085	-	-	-	1,840,085
Vesting of share based payments	-	386,085	-	-	386,085
Foreign exchange translation differences	-	-	102,049	-	102,049
<b>Balance at 30 June 2019</b>	<b>24,074,324</b>	<b>1,651,193</b>	<b>529,772</b>	<b>(20,132,232)</b>	<b>6,123,057</b>

For the year ended 30 June 2018

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Option reserves</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
<b>Balance at 1 July 2017</b>	14,296,835	1,128,479	(44,169)	(13,108,885)	2,272,260
Loss after income tax expense for the year				(2,069,034)	(2,069,034)
	14,296,835	1,128,479	(44,169)	(15,177,919)	203,226
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued during the period	7,937,404	-	-	-	7,937,404
Vesting of share based payments	-	136,629	-	-	136,629
Foreign exchange translation differences	-	-	471,892	-	471,892
<b>Balance at 30 June 2018</b>	<b>22,234,239</b>	<b>1,265,108</b>	<b>427,723</b>	<b>(15,177,919)</b>	<b>8,749,151</b>



## Preliminary statement of cash flows

For the year ended 30 June 2019

	<b>Consolidated 2019</b>	<b>Consolidated 2018</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	27,464,350	33,894,283
Payments to suppliers and employees (inclusive of GST)	(30,380,369)	(37,266,137)
Interest received	(35,496)	17,913
Receipt of research and development rebate	923,660	-
Interest and other finance costs paid	(75,665)	(22,433)
<b>Net cash used in operating activities</b>	<u>(2,103,520)</u>	<u>(3,376,374)</u>
<b>Cash flows from investing activities</b>		
Payment for acquisition of Vasco Pay Pty Ltd	-	(150,000)
Payment for acquisition of investment partnership	(200,000)	-
Joint Venture High Impact Corp - Loan	-	(11,257)
Loans to investment businesses	(200,000)	-
Proceeds from sale of plant and equipment	-	1,502
Receipts of adjustments from basis2 purchase in FY18	-	242,935
Payment for banking license	(1,662,628)	(208,840)
Payments for plant and equipment	(527,511)	(139,467)
<b>Net cash used in investing activities</b>	<u>(2,590,139)</u>	<u>(265,127)</u>
<b>Cash flows from financing activities</b>		
Loans from related parties	400,000	-
Proceeds from issue of shares	1,972,094	7,542,060
Share issue transaction costs	(132,009)	(121,312)
<b>Net cash provided from financing activities</b>	<u>2,240,085</u>	<u>7,420,748</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(2,453,574)	3,779,246
Cash and cash equivalents at the beginning of the financial year	4,509,142	654,146
Effects of exchange rate changes on cash and cash equivalents	(248,644)	75,750
<b>Cash and cash equivalents at the end of the financial year</b>	<u><u>1,806,924</u></u>	<u><u>4,509,142</u></u>

## Operating segments

### Identification of reportable operating segments

The Group is organised into five operating business segments: (A) Novatti Platform, incorporating enterprise sales and Maintenance & Support via the Novatti Platform, (B) Advanced Billing Solutions, incorporating basis2 operating under Novatti Incorporated (C) Transaction Services incorporating Flexewallet Pty Ltd, Flexepayments (South Africa) Pty Ltd, Flexe Payments Ltd, Vasco Pay Pty Ltd, (D) Banking, incorporating the banking services under Novatti B Holding Company Pty Ltd and (E) Novatti Group Limited, the legal parent that holds the financial assets for the Group. 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.

### Types of products and services

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

#### Novatti Platform

Develops, deploys and supports specialised mobile and alternate payment technology, primarily through the deployment of the Novatti Platform.

#### Advanced Billing Solutions

basis2 trading under Novatti Inc. provides a technologically advanced billing and CIS solution to service providers in the utilities industry.

#### Transaction Services

TransferBridge: Provides a comprehensive global network that interconnects emerging payment platforms, remittance operators, financial institutions, retailers, utilities and all types of telecommunication operators.

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.

Vasco Pay Pty Ltd: Provides a payment system centred around reloadable prepaid cards that meets the needs and wants of international and local university and college students.

#### Banking Services

Novatti B Holding Company Pty Ltd, on approval as a Restricted Authorised Deposit-Taking Institution (RADI) or its banking license by APRA, Novatti B Holding Company Pty Ltd will offer new banking services to Australian customers with a focus on the migrant demographic.

#### 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.

## Appendix A

### Operating segment information

	Platform	Billing Solutions	Transaction Services	Banking Services	Novatti Group Limited	Total
	\$	\$	\$		\$	\$
<b>Consolidated – 30 June 2019</b>						
Revenue						
Sales to external customers	2,289,873	2,224,146	3,902,445	-	-	8,416,464
Intersegment sales						
Total sales revenue	2,289,873	2,224,146	3,902,445	-	-	8,416,464
Other revenue	-	-	-	-	463,656	463,656
Total revenue	2,289,873	2,224,146	3,902,445	-	463,656	8,880,120
EBITDA	(1,771,002)	248,963	(1,793,756)	(66,231)	(872,562)	(4,254,588)
Depreciation and amortisation	(43,021)	(198,153)	(63,509)	-	(84,654)	(389,337)
Interest revenue	4,760	-	15	-	5,507	10,282
Finance costs	(29,637)	(795)	(39,508)	-	(5,724)	(75,664)
Other costs	(9,899)	(28,849)	(176,499)	-	-	(215,247)
Profit before income tax expense	(1,848,799)	21,166	(2,073,257)	(66,231)	(957,433)	(4,924,554)
Income tax expense	-	(29,759)	-	-	-	(29,759)
Profit after income tax expense	(1,848,799)	(8,593)	(2,073,257)	(66,231)	(957,433)	(4,954,313)
Segment assets	2,112,875	2,872,489	7,124,600	1,782,082	2,643,660	16,535,706
Segment liabilities	2,427,419	472,741	6,204,495	-	1,307,994	10,412,649
Employee benefits	4,678,844	42,287	2,397,542	-	565,988	7,684,661
<b>Additions to non-current assets (other than financial assets, deferred tax, post-employment benefits assets, rights under insurance contracts)</b>	518,568	-	8,942	1,662,628	-	2,190,138
Revenue from Australian customers is \$2,038,278 (FY18: \$1,161,589).						
Revenue from customers in other countries is \$6,378,186 (FY18: \$4,259,862).						
Revenue from a single customer in a country other than Australia is \$1,959,434 (FY18: \$675,914).						
<b>Consolidated – 30 June 2018</b>						
	Platform	Billing Solutions	Transaction Services		Novatti Group Limited	Total
	\$	\$	\$		\$	\$
Revenue						
Sales to external customers	2,062,654	1,580,475	1,778,303	-	-	5,421,432
Intersegment sales						
Total sales revenue	2,062,654	1,580,475	1,778,303	-	-	5,421,432
Other revenue	-	-	-	-	923,660	923,660
Total revenue	2,062,654	1,580,475	1,778,303	-	923,660	6,345,092
EBITDA	(1,502,842)	216,581	(32,234)		(394,417)	(1,712,912)
Depreciation and amortisation	(22,903)	(183,126)			(84,634)	(290,663)
Interest revenue					18,592	18,592
Finance costs	(19,106)	(698)	(1,773)		(856)	(22,433)
Other costs	(2,091)	(8,576)	(50,931)		(20)	(61,618)
Profit before income tax expense	(1,546,942)	24,181	(84,938)		(461,335)	(2,069,034)
Income tax expense						-
Profit after income tax expense	(1,546,942)	24,181	(84,938)		(461,335)	(2,069,034)
Segment assets	2,305,470	2,676,754	4,819,106		4,620,785	14,422,115
Segment liabilities	1,205,237	435,381	3,655,012		377,334	5,672,964
Employee benefits	3,785,823	30,930	1,025,623		402,231	5,224,607
<b>Additions to non-current assets (other than financial assets, deferred tax, post-employment benefits assets, rights under insurance contracts)</b>	348,307	-	-		567,630	915,937