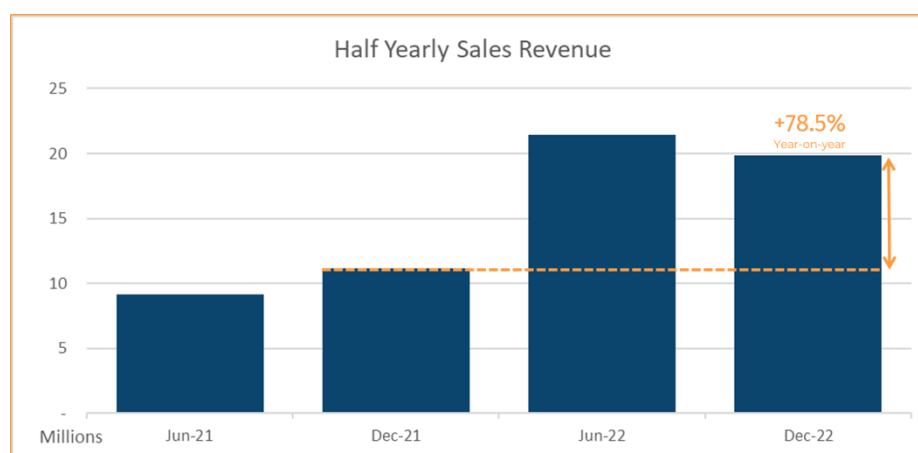


## Strong growth in Acquiring and Alternative Payments provides future revenue platform

### Highlights



- \$19.9m Sales revenue – up 78.5% against H122
- \$11.6m Alternative Payments revenue – up 59.8% against H122
- \$1m Acquiring revenue – up 743% against H122
- \$25.7m cash available at end of first half to assist in continuing growth phase

### Commentary

**Novatti Group Limited (ASX:NOV) (Novatti or Company)**, a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its half yearly performance for FY23.

Commenting on the results, Novatti Managing Director, Peter Cook, said:

The last half saw Novatti's business hit a number of significant growth milestones. Most notably, sales revenue increased overall by 78.5% to \$19.9m year-on-year with positive performance particularly in the Acquiring and Alternative Payments businesses.

Ongoing investment in our Technology, Licenses, Partnerships and People ecosystem will position the Group well to execute Novatti's next growth chapter and deliver on our commitment to be a globally-recognised end-to-end payments provider.

Our Acquiring business continues to go from strength-to-strength both in terms of growth as well as increased capabilities and customer offerings. Our solutions enable businesses to accept payments through credit and debit cards, direct debits to various digital wallets including Amex, UnionPay, Alipay and WeChat Pay.

Deploying our own in-store, online and mobile solutions in the Acquiring space is an approach we have adopted to allow for greater margins. This business is therefore expected to have an increasing impact on Novatti's performance, growth and margin contribution going forward.

With an extensive roadmap of plans, the Company has already introduced offerings such as:

- Card Not Present eCommerce with shopping cart options and a variety of payment options
- 100% **protection from fraudulent chargebacks** reducing risks to businesses through a partnership with Riskified.
- Integrating acquiring solutions into the products of leading accounting software provider, **Reckon Limited**, enabling payments to take place directly through issued invoices.
- Card Present services including:
  - **Novatti Tap2Pay** solution which was recently launched in partnership with global card payment systems innovator, MYPINPAD, to enable payments on Android devices without the need for additional hardware.
  - Working with point of sale network provider **DataMesh** to extend the offering to potentially many thousands of retailers and businesses.

After years of investment and development, the **International Bank of Australia (IBOA)** finally launched in November, having been granted a restricted banking licence by Australia's banking regulator, APRA. The 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. No time has been wasted in building the Bank's customer base since launching, having held discussions with more than 50 potential channel partners such as migration, travel and education agencies. The Bank also strengthened its core capabilities by appointing a Chief Risk Officer, auditor and its own core banking provider which are all important milestones in its pursuit of an unrestricted banking licence.

As part of the Bank securing its restricted banking licence, Novatti also finalised a Series A equity round for IBOA Group Holdings Pty Ltd (IBOA Group), which heads Novatti's dedicated banking division and is parent entity of the Bank. Through this funding round, Novatti made an additional \$5 million investment, consequently retaining a 91% interest in IBOA Group. The aggregate \$8 million in new funding under this round will enable the Bank to launch and build its business.

We are pleased to confirm dividend income of \$13.5m following on from our 19.9% interest in **Reckon Limited**, an Australian software company providing desktop and cloud-based accounting software to its 117k+ cloud-based users comprised of both personal users and businesses including accountants and bookkeepers. This brings total dividends received since acquiring this strategic stake in 2021 to \$14.6m.

Novatti's new stablecoin, **AUDD**, which is 1:1 fiat-backed was successfully launched in November 2022. AUDD aims to be a high governance and compliant digital asset. It has been designed to offer a seamless payment experience for those looking to send currency or remittances with near-instant settlement, creating great value for businesses who need to transact on this scale. The launch of AUDD has again highlighted how Novatti can leverage its global payments ecosystem to quickly and efficiently commercialise new products to drive revenue growth.

**Ends**

This announcement has been approved for release to the ASX by Peter Cook, Managing Director.

**About Novatti Group Limited (ASX:NOV)**

Novatti is a leading fintech that 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. Solutions include acquiring, billing, issuing, processing and banking (via International Bank of Australia Pty Ltd (IBOA) under a Restricted Authorised Deposit-taking Institution licence).

Novatti invites investors to keep up-to-date with company news, events and industry research by joining the Novatti mailing list at <https://www.novatti.com/subscribe>

Investors can view all Novatti announcements and join the discussion at Novatti's Investor Community Hub at <https://announcements.novatti.com/>

**For further information, contact:**

Peter Cook  
Managing Director  
Novatti Group Limited  
[peter.cook@novatti.com](mailto:peter.cook@novatti.com)

**Novatti Group Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

|                   |  |
|-------------------|--|
| Name of entity:   | Novatti Group Limited                    |
| ACN:              | 606 556 183                              |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period:  | For the half-year ended 31 December 2021 |

**2. Results for announcement to the market**

|   |    |          | <b>\$'000</b> |
|---|----|----------|---------------|
| Revenues from ordinary activities   | up | 78.5% to | 19,851        |
| Loss from ordinary activities after tax attributable to the owners of Novatti Group Limited | up | 29.6% to | (12,862)      |
| Loss for the half-year attributable to the owners of Novatti Group Limited                  | up | 29.6% to | (12,862)      |

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$12,862,000 (31 December 2021: \$9,923,000).

Despite the challenges of COVID-19, the Group's revenue increased by 78.5% to \$19,851,000 (31 December 2021: \$11,121,000). The Group's underlying EBITDA\* changed from a \$5,902,000, loss in the prior half year to a loss of \$7,708,000, reflecting an increased loss of \$1,806,000.

|   | <b>31 December<br/>2022<br/>\$'000</b> | <b>31 December<br/>2021<br/>\$'000</b> | <b>Change<br/>\$'000</b> | <b>Change<br/>%</b> |
|---|--|--|--------------------------|---------------------|
| <b>Net loss from operations</b>                                   | (12,920)                               | (9,923)                                | (2,997)                  | 30%                 |
| Interest income   | (175)                                  | (19)                                   | (156)                    | 821%                |
| Depreciation and amortisation                                     | 1,101                                  | 750                                    | 351                      | 47%                 |
| Finance charges   | 1,191                                  | 513                                    | 678                      | 132%                |
| Indirect tax expenses   | 126                                    | 83                                     | 43                       | 52%                 |
| <b>EBITDA</b>   | <u>(10,677)</u>                        | <u>(8,596)</u>                         | <u>(2,081)</u>           |                     |
| Add back/(less):  |  |  |                          |                     |
| Vesting of share-based payments                                   | 2,248                                  | 1,317                                  | 931                      | 71%                 |
| Loss on investments held at fair value through profit or loss     | 13,963                                 | 1,575                                  | 12,388                   | 787%                |
| Gain on embedded derivative                                       | -                                      | (729)                                  | 729                      | (100%)              |
| Dividend income   | (13,511)                               | -                                      | (13,511)                 | -                   |
| Non-operating add back of expenses relating to corporate activity | <u>269</u>                             | <u>531</u>                             | <u>(262)</u>             | <u>(49%)</u>        |
| <b>Underlying EBITDA*</b>   | <u><u>(7,708)</u></u>                  | <u><u>(5,902)</u></u>                  | <u><u>(1,806)</u></u>    |                     |

During the half the consolidated entity continued to deliver on its strategy of long-term growth in our business. The consolidated entity continues to invest in the ecosystem of Technology, Licences, Partnerships and People as we transition from the development phase to a monetisation phase, whilst obtaining a banking license, the details of which are presented in the "Significant changes in the state of affairs" in the Directors' Report.

**Novatti Group Limited**  
**Appendix 4D**  
**Half-year report**

This Appendix 4D is to be read in conjunction with the 2022 Annual Report, the 31 December 2022 Half Year Report and the accompanying announcement and presentation.

The net asset position decreased by \$7,793,000 to \$28,848,000 as at 31 December 2022 (30 June 2022: \$36,614,000), with \$25,721,000 held in cash and cash equivalents.

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

---

**3. Net tangible assets**

|   | <b>Reporting<br/>period<br/>Cents</b> | <b>Previous<br/>period<br/>Cents</b> |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>6.06</u>                           | <u>8.24</u>                          |

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

| Name of associate / joint venture   | Reporting entity's percentage holding |                   | Contribution to profit/(loss) (where material) |                        |
|---|---------------------------------------|-------------------|--|------------------------|
|   | Reporting period %                    | Previous period % | Reporting period \$'000                        | Previous period \$'000 |
| High Impact   | 50.00%                                | 50.00%            | -  | -                      |
| Novatti (Malaysia) Sdn Bhd  | 50.00%                                | 50.00%            | 23   | 7                      |
| Lifepay Pty Ltd   | 25.00%                                | 25.00%            | -  | -                      |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> |                                       |                   |  |                        |
| Profit/(loss) from ordinary activities before income tax  |                                       |                   | 23   | 7                      |

**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

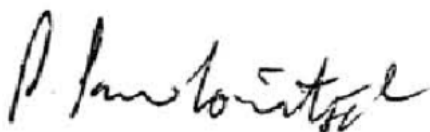
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

**11. Attachments**

*Details of attachments (if any):*

The Interim Report of Novatti Group Limited for the half-year ended 31 December 2022 is attached.

**12. Signed**



Signed \_\_\_\_\_

Date: 28 February 2023

Peter Pawlowitsch  
Chairman

# **Novatti Group Limited**

**ACN 606 556 183**

**Interim Report - 31 December 2022**

**Novatti Group Limited**  
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**31 December 2022**

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**Novatti Group Limited**  
**Corporate directory**  
**31 December 2022**

|   |   |
|---|---|
| Directors   | Peter Pawlowitsch (Non-Executive Chairman)<br>Peter Cook (Managing Director and Chief Executive Officer)<br>Kenneth Lai (Non-Executive Director)<br>Abigail Cheadle (Non-Executive Director) resigned 28 December 2022<br>Killian Murphy (Non-Executive Director) appointed 13 October 2022 |
| Joint company secretaries                         | Ian Hobson<br>Steven Stamboultgis   |
| Registered office and principal place of business | Level 3<br>461 Bourke Street<br>Melbourne VIC 3000<br>+61 3 9011 8490   |
| Share register                                    | Automic Registry Services<br>Level 5, 191 St Georges Terrace<br>Perth WA 6000<br>+61 8 9324 2099  |
| Auditor   | William Buck<br>Level 20<br>181 William Street<br>Melbourne VIC 3000  |
| Solicitors  | Milcor Legal<br>Level 1<br>6 Thelma Street<br>West Perth WA 6005  |
| Bankers   | ANZ<br>388 Collins Street<br>Melbourne VIC 3000   |
| Stock exchange listing                            | Novatti Group Limited securities are listed on the Australian Securities Exchange (ASX code: NOV)   |
| Website   | <a href="http://www.novatti.com">www.novatti.com</a>  |
| Corporate Governance Statement                    | <a href="http://www.novatti.com/corporate-governance">www.novatti.com/corporate-governance</a>  |
| Australian Financial Services Licence             | AFSL No.448066  |
| New Zealand Financial Services Provider           | FSP613789   |
| Financial Conduct Authority                       | FCA No. 900631 as an appointed representative of CFS-ZIPP Ltd (FCA No. 900027) for issuance of e-money products   |

**Novatti Group Limited**  
**Directors' report**  
**31 December 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Novatti Group Limited (referred to hereafter as the 'Company', 'Novatti' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

**Directors**

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

Peter Pawlowitsch (Non-Executive Chairman)  
Peter Cook (Managing Director and Chief Executive Officer)  
Kenneth Lai (Non-Executive Director)  
Abigail Cheadle (Non-Executive Director) resigned 28 December 2022  
Killian Murphy (Non-Executive Director) appointed 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 Group has also received a restricted banking licence from APRA.

**Dividends**

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

**Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$12,862,000 (31 December 2021: \$9,923,000).

Despite the challenges of COVID-19, the Group's revenue increased by 78.5% to \$19,851,000 (31 December 2021: \$11,121,000). The Group's underlying EBITDA\* changed from a \$5,902,000, loss in the prior half year to a loss of \$7,708,000 reflecting an increased loss of \$1,806,000.

During the half the consolidated entity continued to deliver on its strategy of long-term growth in our business. The consolidated entity continues to invest in the ecosystem of Technology, Licences, Partnerships and People as we transition from the development phase to a monetisation phase. This is particularly so in the newer business segments of the business, being Acquiring & Issuing.

This Interim Report for the half year ending 31 December 2022 is to be read in conjunction with the 2022 Annual Report.

The first half of FY23 saw Novatti deliver two consecutive quarters of strong revenue growth, with 77.2% year-on-year growth in half year sales revenue to more than \$19.7 million. Total half year revenue and other income also reached \$34.8 million, including a special dividend received from our investment in Reckon of \$12.8 million.

The Company's revenue growth continues to benefit from its largely transactional base, enabling it to be easily scaled. For example, the Company's Alternative payments business grew 59% to \$11.6m (2021: \$7.3m) for the first half.

A core focus during the first half of FY23 period was delivering on the Company's growth strategy. This included:

**Novatti Group Limited**  
**Directors' report**  
**31 December 2022**

- launching its new stablecoin (AUDD), a 1:1 fiat-backed stablecoin that will provide a seamless payment experience, enabling users to send currency or remittances globally with near-instant settlement, on 1 November 2022;
- the Company has worked extensively to deploy its own acquiring solution which will be able to achieve greater margins. In line with deploying its own full acquiring solution, the Company is bringing through an extensive roadmap of features including Card Not Present eCommerce with multiple shopping carts, "risk" guaranteed services, Card Present services and mobile Point of Sale services;
- a partnership was announced with MYPINPAD, a global innovator in card payment systems. Through this innovative partnership, the Company will now be able to offer a "tap and pay" solution for businesses using only an Android phone or tablet and without the need for any additional hardware;
- in November, the Company launched the International Bank of Australia. This followed the granting of a restricted banking licence by Australia's banking regulator, APRA. 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, a sophisticated investor contributed \$3m for a total of \$8m dollars in this funding round.
- the granting of the restricted banking licence is a very significant milestone in the delivery of the Company's long term strategy and followed several years of investment and development. A key focus for the Bank will be partnering with fintechs who need an innovative and nimble payments banking partner. The Bank will leverage best in class digital technologies to enable the seamless end-to-end movement of money. In addition, the Bank will also seek to prioritise the underserved migrant sector.

During the period the Company recognised dividend income of \$13.5m from its strategic stake in Reckon Limited. This brings total dividends received since acquiring this strategic stake in 2021 to \$14.6m, while the Company's 19.9% interest in Reckon remains in place.

|   | 31 December<br>2022<br>\$'000 | 31 December<br>2021<br>\$'000 | Change<br>\$'000 | Change<br>% |
|---|-------------------------------|-------------------------------|------------------|-------------|
| <b>Net loss from operations</b>                                   | (12,920)                      | (9,923)                       | (2,997)          | 30%         |
| Less:   |                               |                               |                  |             |
| Interest income   | (175)                         | (19)                          | (156)            | 821%        |
| Add back:   |                               |                               |                  |             |
| Depreciation and amortisation                                     | 1,101                         | 750                           | 351              | 47%         |
| Finance charges   | 1,191                         | 513                           | 678              | 132%        |
| Indirect tax expenses   | 126                           | 83                            | 43               | 52%         |
| <b>EBITDA</b>   | (10,677)                      | (8,596)                       | (2,081)          | 24%         |
| Add back/(less):  |                               |                               |                  |             |
| Vesting of share-based payments                                   | 2,248                         | 1,317                         | 931              | 71%         |
| Loss on investments held at fair value through profit or loss     | 13,963                        | 1,575                         | 12,388           | 787%        |
| Gain on embedded derivative                                       | -                             | (729)                         | 729              | (100%)      |
| Dividend income   | (13,511)                      | -                             | (13,511)         | -           |
| Non-operating add back of expenses relating to corporate activity | 269                           | 531                           | (262)            | (49%)       |
| <b>Underlying EBITDA*</b>   | (7,708)                       | (5,902)                       | (1,806)          | 31%         |

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

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 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 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.

**Novatti Group Limited**  
**Directors' report**  
**31 December 2022**

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, a sophisticated investor contributed \$3m for a total of \$8m dollars in this funding round. 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.

The net asset position decreased by \$7,793,000 to \$28,848,000 as at 31 December 2022 (30 June 2022: \$36,641,000), with \$25,721,000 held in cash and cash equivalents.

The impact of Coronavirus (COVID-19) pandemic and the Ukrainian conflict is ongoing and while there have been mixed financial and operational impacts for the Group up to 31 December 2022, it is not practical to estimate the potential impact, positive or negative, after the reporting date.

**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;
- 875,000 fully paid ordinary shares issued upon a cashless exercise of 145,905 options over fully paid ordinary shares to employees; and
- 5,310,000 fully paid ordinary shares issued upon a cashless exercise of 690,247 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 bonds are secured and are 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 Group 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.

**Matters subsequent to the end of the financial half-year**

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

On 23 January 2023, the consolidated entity 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.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**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.

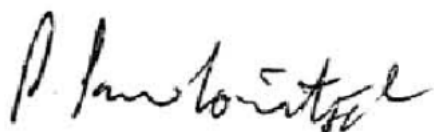
**Auditor's independence declaration**

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.

**Novatti Group Limited**  
**Directors' report**  
**31 December 2022**

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'P. Pawlowitsch', written in a cursive style.

-----  
Peter Pawlowitsch  
Chairman

28 February 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 half-year ended 31 December 2022 there have been:

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

William Buck

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

A handwritten signature in black ink, appearing to read "N. S. Benbow".

**N. S. Benbow**  
Director  
Melbourne, 28 February 2023

**Novatti Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2022**

|  |             | <b>Consolidated</b>                    |  |
|--|-------------|--|--|
|  | <b>Note</b> | <b>31 December<br/>2022<br/>\$'000</b> | <b>31 December<br/>2021<br/>\$'000</b> |
| <b>Revenue</b>   | 4           | 19,851                                 | 11,121                                 |
| Other income   | 5           | 14,942                                 | 1,216                                  |
| <b>Expenses</b>  |             |  |  |
| Administrative and corporate costs   |             | (2,178)                                | (1,809)                                |
| Client hosting fees and other direct services  |             | (10,954)                               | (4,910)                                |
| Employee benefits  |             | (14,582)                               | (12,511)                               |
| Foreign currency gains   |             | 564                                    | 257                                    |
| Marketing and selling expenses   |             | (372)                                  | (153)                                  |
| Data management expenses   |             | (1,749)                                | (394)                                  |
| Loss on investments at fair value through profit or loss   |             | (13,963)                               | (1,575)                                |
| Share-based payments   |             | (2,209)                                | (1,036)                                |
| Share of net profit of joint ventures accounted for using the equity method                      |             | 23                                     | 7                                      |
| Gain on embedded derivative - convertible note facility into Novatti Group Ltd the parent entity |             | -                                      | 729                                    |
| Depreciation and amortisation expense  |             | (1,101)                                | (750)                                  |
| Finance costs  |             | (1,191)                                | (54)                                   |
| <b>Loss before income tax expense</b>  |             | (12,919)                               | (9,862)                                |
| Income tax expense   |             | (1)                                    | (61)                                   |
| <b>Loss after income tax expense for the half-year</b>   |             | (12,920)                               | (9,923)                                |
| <b>Other comprehensive income</b>  |             |  |  |
| <i>Items that may be reclassified subsequently to profit or loss</i>                             |             |  |  |
| Foreign currency translation   |             | (24)                                   | (4)                                    |
| Other comprehensive income for the half-year, net of tax   |             | (24)                                   | (4)                                    |
| <b>Total comprehensive income for the half-year</b>  |             | (12,944)                               | (9,927)                                |
| Loss for the half-year is attributable to:   |             |  |  |
| Non-controlling interest   |             | (58)                                   | -                                      |
| Owners of Novatti Group Limited  |             | (12,862)                               | (9,923)                                |
|  |             | (12,920)                               | (9,923)                                |
| Total comprehensive income for the half-year is attributable to:                                 |             |  |  |
| Non-controlling interest   |             | (58)                                   | -                                      |
| Owners of Novatti Group Limited  |             | (12,886)                               | (9,927)                                |
|  |             | (12,944)                               | (9,927)                                |
|  |             | <b>Cents</b>                           | <b>Cents</b>                           |
| Basic earnings per share   | 13          | (3.82)                                 | (3.14)                                 |
| Diluted earnings per share   | 13          | (3.82)                                 | (3.14)                                 |

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

**Novatti Group Limited**  
**Statement of financial position**  
**As at 31 December 2022**

|  |             | <b>Consolidated</b>                    |                                |
|--|-------------|--|--------------------------------|
|  | <b>Note</b> | <b>31 December<br/>2022<br/>\$'000</b> | <b>30 June 2022<br/>\$'000</b> |
| <b>Assets</b>  |             |  |                                |
| <b>Current assets</b>                                      |             |  |                                |
| Cash and cash equivalents                                  |             | 25,721                                 | 6,059                          |
| Trade and other receivables                                |             | 8,541                                  | 8,422                          |
| Financial assets - funds in trust                          | 6           | 82,567                                 | 52,440                         |
| Other current assets                                       |             | 1,348                                  | 928                            |
| <b>Total current assets</b>                                |             | <u>118,177</u>                         | <u>67,849</u>                  |
| <b>Non-current assets</b>                                  |             |  |                                |
| Investments accounted for using the equity method          |             | 101                                    | 77                             |
| Other investments at fair value through profit and loss    | 7           | 13,761                                 | 27,724                         |
| Plant and equipment  |             | 468                                    | 529                            |
| Right-of-use assets  |             | 1,648                                  | 1,790                          |
| Intangible assets  |             | 8,650                                  | 9,322                          |
| Deposits   | 11          | 5,361                                  | 3,704                          |
| <b>Total non-current assets</b>                            |             | <u>29,989</u>                          | <u>43,146</u>                  |
| <b>Total assets</b>  |             | <u>148,166</u>                         | <u>110,995</u>                 |
| <b>Liabilities</b>   |             |  |                                |
| <b>Current liabilities</b>                                 |             |  |                                |
| Trade and other payables                                   |             | 20,270                                 | 16,221                         |
| Settlement and remittance funds payable                    | 8           | 81,900                                 | 52,062                         |
| Lease liabilities  |             | 279                                    | 273                            |
| Unearned revenue   |             | 663                                    | 798                            |
| Convertible note facilities                                |             | -                                      | 40                             |
| Employee benefits  |             | 3,153                                  | 1,959                          |
| <b>Total current liabilities</b>                           |             | <u>106,265</u>                         | <u>71,353</u>                  |
| <b>Non-current liabilities</b>                             |             |  |                                |
| Borrowings   | 9           | 10,500                                 | -                              |
| Lease liabilities  |             | 1,681                                  | 1,829                          |
| Employee benefits  |             | 721                                    | 917                            |
| Other non-current liabilities                              |             | 151                                    | 255                            |
| <b>Total non-current liabilities</b>                       |             | <u>13,053</u>                          | <u>3,001</u>                   |
| <b>Total liabilities</b>                                   |             | <u>119,318</u>                         | <u>74,354</u>                  |
| <b>Net assets</b>  |             | <u>28,848</u>                          | <u>36,641</u>                  |
| <b>Equity</b>  |             |  |                                |
| Issued capital   | 10          | 90,655                                 | 89,336                         |
| Reserves   |             | 5,519                                  | 4,981                          |
| Accumulated losses   |             | (70,268)                               | (57,676)                       |
| Equity attributable to the owners of Novatti Group Limited |             | 25,906                                 | 36,641                         |
| Non-controlling interest                                   |             | 2,942                                  | -                              |
| <b>Total equity</b>  |             | <u>28,848</u>                          | <u>36,641</u>                  |

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



**Novatti Group Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2022**

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Equity settled<br/>share-based<br/>payments<br/>reserve<br/>\$'000</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Non-<br/>Controlling<br/>Interests<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|----------------------------------|---|--|--|--|--------------------------------|
| Balance at 1 July 2021   | 44,144                           | 3,226   | 577  | (41,018)                                 | 1,969  | 8,898                          |
| Loss after income tax expense<br>for the half-year   | -                                | -   | -  | (9,923)                                  | -  | (9,923)                        |
| Other comprehensive income<br>for the half-year, net of tax  | -                                | -   | (4)  | -  | -  | (4)                            |
| Total comprehensive income for<br>the half-year  | -                                | -   | (4)  | (9,923)                                  | -  | (9,927)                        |
| <i>Transactions with owners in<br/>their capacity as owners:</i>   |                                  |   |  |  |  |                                |
| Contributions of equity, net of<br>transaction costs   | 38,029                           | -   | -  | -  | -  | 38,029                         |
| Equity settled share based<br>payments   | -                                | 1,483   | -  | -  | -  | 1,483                          |
| Issue of shares on exercise of<br>equity settled share based<br>payment rights   | 2,549                            | (656)   | -  | -  | -  | 1,893                          |
| Issue of shares on conversion of<br>convertible notes and exercise<br>of bonus options held by<br>convertible note holders | 3,354                            | (1)   | -  | -  | -  | 3,353                          |
| Reacquisition of equity in IBOA<br>Group Holdings Pty Limited<br>formerly owned by BC Invest                               | -                                | -   | -  | (31)                                     | (1,969)  | (2,000)                        |
| Balance at 31 December 2021  | <u>88,076</u>                    | <u>4,052</u>  | <u>573</u>   | <u>(50,972)</u>                          | <u>-</u>   | <u>41,729</u>                  |

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

**Novatti Group Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2022**

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Equity settled<br/>share-based<br/>payments<br/>reserve<br/>\$'000</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Non-<br/>Controlling<br/>Interests<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|----------------------------------|---|--|--|--|--------------------------------|
| Balance at 1 July 2022   | 89,336                           | 4,361   | 620  | (57,676)                                 | -  | 36,641                         |
| Loss after income tax expense<br>for the half-year                             | -                                | -   | -  | (12,862)                                 | (58)   | (12,920)                       |
| Other comprehensive income<br>for the half-year, net of tax                    | -                                | -   | (24)   | -  | -  | (24)                           |
| Total comprehensive income for<br>the half-year                                | -                                | -   | (24)   | (12,862)                                 | (58)   | (12,944)                       |
| Issue of shares on exercise of<br>equity settled share based<br>payment rights | 1,319                            | (1,098)   | -  | -  | -  | 221                            |
| Equity settled share based<br>payments   | -                                | 2,326   | -  | -  | -  | 2,326                          |
| Equity settled share based<br>payments which lapsed during<br>the period       | -                                | (666)   | -  | 270                                      | -  | (396)                          |
| External Investor ownership in<br>subsidiary                                   | -                                | -   | -  | -  | 3,000  | 3,000                          |
| Balance at 31 December 2022  | <u>90,655</u>                    | <u>4,923</u>  | <u>596</u>   | <u>(70,268)</u>                          | <u>2,942</u>   | <u>28,848</u>                  |

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

**Novatti Group Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2022**

|  | Note | Consolidated                  |                               |
|--|------|-------------------------------|-------------------------------|
|  |      | 31 December<br>2022<br>\$'000 | 31 December<br>2021<br>\$'000 |
| <b>Cash flows from operating activities</b>  |      |                               |                               |
| Receipts from customers (inclusive of GST)   |      | 38,545                        | 25,017                        |
| Payments to suppliers and employees (inclusive of GST)   |      | (43,536)                      | (31,973)                      |
| Interest received  |      | 198                           | 19                            |
| Dividends received   |      | 13,511                        | 676                           |
| Receipt of Government Stimulus   |      | 1,051                         | 256                           |
| Interest and other finance costs paid  |      | (659)                         | (528)                         |
| Income taxes paid  |      | (19)                          | -                             |
| Net cash from/(used in) operating activities   |      | 9,091                         | (6,533)                       |
| <b>Cash flows from investing activities</b>  |      |                               |                               |
| Payment for acquisition of investment partnership/business   |      | -                             | (22,517)                      |
| Deposit for ATX acquisition  |      | -                             | (3,149)                       |
| Payments for plant and equipment   |      | (26)                          | (103)                         |
| Payments for intangible assets   |      | (182)                         | (84)                          |
| Payments for security deposits   |      | (1,573)                       | (555)                         |
| Acquisition of equity in IBOA Group Holdings Pty Limited (formally Novatti B Holdings Pty Ltd) formerly owned by BC Invest |      | -                             | (2,000)                       |
| Net cash used in investing activities  |      | (1,781)                       | (28,408)                      |
| <b>Cash flows from financing activities</b>  |      |                               |                               |
| Proceeds from issue of shares  |      | -                             | 40,246                        |
| Proceeds from the issue of shares into IBOA Group Holdings Pty Limited   |      | 3,000                         | -                             |
| Proceeds from exercise of share options  | 10   | -                             | 1,619                         |
| Proceeds from conversion of convertible notes  | 10   | -                             | 2                             |
| Proceeds from borrowings   |      | 10,500                        | -                             |
| Borrowings transaction costs   |      | (392)                         | -                             |
| Share issue transaction costs  | 10   | -                             | (2,220)                       |
| Repayment of borrowings  |      | (40)                          | (639)                         |
| Repayment of lease liabilities   |      | (152)                         | (129)                         |
| Net cash from financing activities   |      | 12,916                        | 38,879                        |
| Net increase in cash and cash equivalents  |      | 20,226                        | 3,938                         |
| Cash and cash equivalents at the beginning of the financial half-year  |      | 6,059                         | 8,798                         |
| Effects of exchange rate changes on cash and cash equivalents  |      | (564)                         | 258                           |
| Cash and cash equivalents at the end of the financial half-year  |      | 25,721                        | 12,994                        |

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

### **Note 1. General information**

The financial statements cover Novatti Group Limited as a consolidated entity consisting of Novatti Group Limited and the entities it controlled at the end of, or during, the half-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 February 2023.

### **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

### **Note 3. Operating segments**

#### *Identification of reportable operating segments*

The Group is organised into seven 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 IBOA Group Holdings Pty Limited (formally 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

**Note 3. Operating segments (continued)**

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.

|                      |  |
|----------------------|--|
| Technology           | Platform: Develops, deploys and supports specialised mobile and alternate payment technology, primarily through the deployment of the Novatti Platform.<br><br>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 payments online for e-commerce with a strong focus on mobile point-of-sales as key growth area.  |
| Alternative payments | 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. |
| Banking services     | International Bank of Australia Pty Limited, on approval as a Restricted Authorised Deposit-Taking Institution ('RADI') or its banking licence by APRA, will offer new banking services to Australian customers with a focus on the migrant demographic.   |
| Issuing              | Vasco Pay Pty Ltd and Novatti Group Ltd: Provides a payment system centred around reloadable prepaid cards that meets the needs and wants of international and local university and college students.  |
| ATX payments         | ATX Fintech Holding Sdn Bhd: Provides large, established payments network across Malaysia, including 30k+ touch points   |

*Intersegment transactions*

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

*Intersegment receivables, payables and loans*

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

*Major customers*

During the half-year ended 31 December 2022, 35.77% (31 December 2021: 48.62%) of the consolidated entity's external revenue was derived from sales to customers as follows:

|            | Consolidated<br>31 December<br>2022<br>% | Consolidated<br>31 December<br>2021<br>% |
|------------|--|--|
| Customer A | 22.99%                                   | 17.49%                                   |
| Customer B | 12.78%                                   | 15.82%                                   |
| Customer C | -  | 15.31%                                   |
|            | 35.77%                                   | 48.62%                                   |

**Novatti Group Limited**  
**Notes to the financial statements**  
**31 December 2022**

**Note 3. Operating segments (continued)**

*Operating segment information*

|  | Technology   | Business Automation | Acquiring      | Alternative Payments | Banking Services | ATX payments | Issuing        | Corporate       | Total           |
|--|--------------|---------------------|----------------|----------------------|------------------|--------------|----------------|-----------------|-----------------|
| Consolidated - 31 December 2022                | \$'000       | \$'000              | \$'000         | \$'000               | \$'000           | \$'000       | \$'000         | \$'000          | \$'000          |
| <b>Revenue</b>                                 |              |                     |                |                      |                  |              |                |                 |                 |
| Sales to external customers                    | 2,029        | 1,069               | 995            | 11,610               | -                | 3,026        | 1,122          | -               | 19,851          |
| Other revenue                                  | -            | -                   | -              | -                    | -                | -            | -              | 14,767          | 14,767          |
| <b>Total revenue</b>                           | <b>2,029</b> | <b>1,069</b>        | <b>995</b>     | <b>11,610</b>        | <b>-</b>         | <b>3,026</b> | <b>1,122</b>   | <b>14,767</b>   | <b>34,618</b>   |
| <b>EBITDA</b>                                  | 1,283        | (1,749)             | (2,824)        | 2,441                | (465)            | (259)        | (1,275)        | (7,829)         | (10,677)        |
| Depreciation and amortisation                  | -            | -                   | -              | -                    | -                | -            | -              | (1,101)         | (1,101)         |
| Interest income                                | -            | -                   | -              | -                    | -                | -            | -              | 175             | 175             |
| Finance costs                                  | -            | -                   | -              | -                    | -                | -            | -              | (1,191)         | (1,191)         |
| Other taxes                                    | -            | -                   | -              | -                    | -                | -            | -              | (125)           | (125)           |
| <b>Profit/(loss) before income tax expense</b> | <b>1,283</b> | <b>(1,749)</b>      | <b>(2,824)</b> | <b>2,441</b>         | <b>(465)</b>     | <b>(259)</b> | <b>(1,275)</b> | <b>(10,071)</b> | <b>(12,919)</b> |
| Income tax benefit                             |              |                     |                |                      |                  |              |                |                 | (1)             |
| <b>Profit after income tax benefit</b>         |              |                     |                |                      |                  |              |                |                 | <b>(12,920)</b> |

|  | Technology   | Business Automation | Acquiring      | Alternative Payments | Banking Services | Issuing        | Corporate      | Total          |
|--|--------------|---------------------|----------------|----------------------|------------------|----------------|----------------|----------------|
| Consolidated - 31 December 2021                | \$'000       | \$'000              | \$'000         | \$'000               | \$'000           | \$'000         | \$'000         | \$'000         |
| <b>Revenue</b>                                 |              |                     |                |                      |                  |                |                |                |
| Sales to external customers                    | 1,900        | 1,158               | 118            | 7,266                | -                | 679            | -              | 11,121         |
| Other revenue                                  | -            | -                   | -              | -                    | -                | -              | 1,197          | 1,197          |
| <b>Total revenue</b>                           | <b>1,900</b> | <b>1,158</b>        | <b>118</b>     | <b>7,266</b>         | <b>-</b>         | <b>679</b>     | <b>1,197</b>   | <b>12,318</b>  |
| <b>EBITDA</b>                                  | 1,137        | (1,190)             | (1,357)        | 1,254                | (1,149)          | (1,130)        | (6,161)        | (8,596)        |
| Depreciation and amortisation                  | -            | -                   | -              | -                    | -                | -              | (750)          | (750)          |
| Interest revenue                               | -            | -                   | -              | -                    | -                | -              | 19             | 19             |
| Other taxes                                    | -            | -                   | -              | -                    | -                | -              | (22)           | (22)           |
| Finance costs                                  | -            | -                   | -              | -                    | -                | -              | (513)          | (513)          |
| <b>Profit/(loss) before income tax expense</b> | <b>1,137</b> | <b>(1,190)</b>      | <b>(1,357)</b> | <b>1,254</b>         | <b>(1,149)</b>   | <b>(1,130)</b> | <b>(7,427)</b> | <b>(9,862)</b> |
| Income tax expense                             |              |                     |                |                      |                  |                |                | (61)           |
| <b>Loss after income tax expense</b>           |              |                     |                |                      |                  |                |                | <b>(9,923)</b> |

For the breakdown of operating segment revenue into disaggregated revenue components, refer to note 4.

Note 4. Revenue

|                         | Timing of<br>revenue<br>recognition<br>Services<br>provided at<br>point in time<br>\$'000 | Timing of<br>revenue<br>recognition<br>Services<br>provided<br>over time<br>\$'000 | Total<br>\$'000                               |
|-------------------------|---|--|---|
| <b>31 December 2022</b> |   |  |   |
| <b>Sales revenue:</b>   |   |  |   |
| Technology              | 994   | 1,035  | 2,029   |
| Business automation     | 1   | 1,067  | 1,068   |
| Acquiring               | 995   | -  | 995   |
| Alternative payments    | 11,610  | -  | 11,610  |
| Banking services        | 1   | -  | 1   |
| Issuing                 | 1,122   | -  | 1,122   |
| ATX payments            | 3,026   | -  | 3,026   |
|                         | <u>17,749</u>   | <u>2,102</u>   | <u>19,851</u>                                 |
|                         |   |  |   |
|                         | Timing of<br>revenue<br>recognition<br>Services<br>provided at<br>point in time<br>\$'000 | Timing of<br>revenue<br>recognition<br>Services<br>provided<br>over time<br>\$'000 | Consolidated<br>31 December<br>2021<br>\$'000 |
| <b>31 December 2021</b> |   |  |   |
| <b>Sales revenue:</b>   |   |  |   |
| Technology              | 1,137   | 763  | 1,900   |
| Business Automation     | -   | 1,158  | 1,158   |
| Acquiring               | -   | 118  | 118   |
| Alternative Payments    | 7,266   | -  | 7,266   |
| Banking Services        | 1   | -  | 1   |
| Issuing                 | 679   | -  | 679   |
|                         | <u>9,083</u>  | <u>2,039</u>   | <u>11,122</u>                                 |

Note 5. Other income

|                   | Consolidated                  |                               |
|-------------------|-------------------------------|-------------------------------|
|                   | 31 December<br>2022<br>\$'000 | 31 December<br>2021<br>\$'000 |
| Government grants | 1,051                         | 256                           |
| Dividends         | 13,511                        | 676                           |
| Interest          | 175                           | 19                            |
| Other             | 205                           | 265                           |
|                   | <u>14,942</u>                 | <u>1,216</u>                  |
| Other income      |                               |                               |

**Note 6. Current assets - financial assets - funds in trust**

|                   | Consolidated                  |                        |
|-------------------|-------------------------------|------------------------|
|                   | 31 December<br>2022<br>\$'000 | 30 June 2022<br>\$'000 |
| Settlement funds* | 47,116                        | 27,441                 |
| Remittance funds* | 8,035                         | 7,947                  |
| Client visa funds | 27,416                        | 17,052                 |
|                   | 82,567                        | 52,440                 |
|                   | 82,567                        | 52,440                 |

\* Refer to note 8 Current liabilities – Settlement and Remittance funds payable

**Note 7. Non-current assets - other investments at fair value through profit and loss**

|  | Consolidated                  |                        |
|--|-------------------------------|------------------------|
|  | 31 December<br>2022<br>\$'000 | 30 June 2022<br>\$'000 |
| Investment in Slice Payments - at cost                 | 452                           | 452                    |
| Fair value decrements for investment in Slice Payments | (452)                         | -                      |
| Investment in Rent Pay Pty Ltd                         | 250                           | 250                    |
| Investment in Reckon Limited                           | 13,511                        | 27,022                 |
|  | 13,761                        | 27,724                 |
|  | 13,761                        | 27,724                 |

For all of these investments, the directors consider that the Company has less than a significant influence. Accordingly, they are all held at fair value through profit or loss. The investments in Slice Payments and Rent Pay Pty Ltd are Level 2 valuation investments as they are unlisted, with the derivation of their value from the last available public information for trading in the shares of those investments at arms-length terms. The investment in Reckon Limited is a Level 1 investment, being that it is quoted on the Australian Securities Exchange. The Reckon Limited shares were originally acquired at \$1.00 per share. As at 31 December 2022 the value of those shares declined to \$0.60 per share, contributing to a fair valuation loss of \$13,963,000.

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 \$13.5m from its strategic stake in Reckon Limited, bringing total dividends received since acquiring this strategic stake in 2021 to \$14.6m.



**Note 8. Current liabilities - settlement and remittance funds payable**

|                           | Consolidated                  |                        |
|---------------------------|-------------------------------|------------------------|
|                           | 31 December<br>2022<br>\$'000 | 30 June 2022<br>\$'000 |
| Settlement funds payable* | 46,116                        | 27,441                 |
| Remittance funds payable* | 8,368                         | 7,947                  |
| Client visa funds payable | 27,416                        | 16,674                 |
|                           | 81,900                        | 52,062                 |
|                           | 81,900                        | 52,062                 |

\*Client Funds held for Settlement and Remittance, refer to note 6.

**Note 9. Non-current liabilities - borrowings**

|       | Consolidated                  |                        |
|-------|-------------------------------|------------------------|
|       | 31 December<br>2022<br>\$'000 | 30 June 2022<br>\$'000 |
| Bonds | 10,500                        | -                      |
|       | 10,500                        | -                      |
|       | 10,500                        | -                      |

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 and are issued for a fixed term of five years from the date funds are received by Novatti, with interest at 90-day BBSW plus 650bps, interest settled quarterly and there are no equity conversion features with respect to this bond.

**Note 10. Equity - issued capital**

|                              | Consolidated                  |                        |                               |                        |
|------------------------------|-------------------------------|------------------------|-------------------------------|------------------------|
|                              | 31 December<br>2022<br>Shares | 30 June 2022<br>Shares | 31 December<br>2022<br>\$'000 | 30 June 2022<br>\$'000 |
| Ordinary shares - fully paid | 338,431,542                   | 335,297,521            | 90,655                        | 89,336                 |
|                              | 338,431,542                   | 335,297,521            | 90,655                        | 89,336                 |
|                              | 338,431,542                   | 335,297,521            | 90,655                        | 89,336                 |

*Movements in ordinary share capital*

| Details                                | Date              | Shares      | \$'000 |
|--|-------------------|-------------|--------|
| 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    |
|  |                   | 690,247     | 678    |
| Balance                                | 31 December 2022  | 338,431,542 | 90,655 |
|  |                   | 338,431,542 | 90,655 |

*Ordinary shares*

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

**Note 10. Equity - issued capital (continued)**

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

*Share buy-back*

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

**Note 11. Contingent liabilities**

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

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

The consolidated entity had no other contingent liabilities as at 31 December 2022 and 30 June 2022.

**Note 12. Events after the reporting period**

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

On 23 January 2023, the consolidated entity 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.

The consolidated entity's application was submitted in collaboration with Royal Melbourne Institute of Technology, Hashkloud Pty Ltd, Thankq solutions Pty Ltd and Swyftx Pty Ltd. The total project value is \$6.1m which covers the cash and kind commitments by the collaboration partners, with government funding back to the collaboration partners of \$2.3m. The project runs from 5 Jan 2023 to 30 Nov 2025. The first \$830k is due for reimbursement by 30 June 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 13. Earnings per share**

|   | <b>Consolidated</b>         |                             |
|---|-----------------------------|-----------------------------|
|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|   | <b>\$'000</b>               | <b>\$'000</b>               |
| Loss after income tax   | (12,920)                    | (9,923)                     |
| Non-controlling interest  | 58                          | -                           |
| Loss after income tax attributable to the owners of Novatti Group Limited                 | <u>(12,862)</u>             | <u>(9,923)</u>              |
|   | <b>Number</b>               | <b>Number</b>               |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>336,296,100</u>          | <u>315,823,793</u>          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>336,296,100</u>          | <u>315,823,793</u>          |

**Note 13. Earnings per share (continued)**

|                            | <b>Cents</b> | <b>Cents</b> |
|----------------------------|--------------|--------------|
| Basic earnings per share   | (3.82)       | (3.14)       |
| Diluted earnings per share | (3.82)       | (3.14)       |

As at 31 December 2022, the Group has 42,125,000 unlisted options on issue. These options are considered to be non-dilutive both as the Group incurred a loss for the reporting period and the average share price during the reporting period was below the exercise prices of the respective options.

**Note 14. Share-based payments**

**Options issued under employee share option plan**

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 in the current financial half-year were calculated based on the Binomial model method of calculation for share-based payments.

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

**Novatti Group Limited**  
**Notes to the financial statements**  
**31 December 2022**

**Note 14. Share-based payments (continued)**

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

31 December  
2022

| Grant date                      | Expiry date | Exercise price | Balance at the start of the half-year | Granted    | Exercised   | Expired/forfeited/other | Balance at the end of the half-year |
|---------------------------------|-------------|----------------|---------------------------------------|------------|-------------|-------------------------|-------------------------------------|
| 27/11/2018                      | 30/11/2022  | \$0.190        | 3,666,668                             | -          | (3,666,668) | -                       | -                                   |
| 25/11/2019                      | 30/11/2023  | \$0.200        | 3,000,000                             | -          | -           | -                       | 3,000,000                           |
| 19/12/2019                      | 19/12/2022  | \$0.200        | 4,262,500                             | -          | (2,985,000) | (1,277,500)             | -                                   |
| 10/07/2020                      | 10/07/2023  | \$0.200        | 850,000                               | -          | -           | -                       | 850,000                             |
| 10/07/2020                      | 01/03/2024  | \$0.200        | 441,667                               | -          | -           | -                       | 441,667                             |
| 10/07/2020                      | 01/03/2025  | \$0.200        | 441,667                               | -          | -           | -                       | 441,667                             |
| 10/07/2020                      | 01/03/2026  | \$0.200        | 66,666                                | -          | -           | -                       | 66,666                              |
| 10/07/2020                      | 31/12/2022  | \$0.200        | 3,200,000                             | -          | (3,200,000) | -                       | -                                   |
| 26/10/2020                      | 26/10/2023  | \$0.300        | 1,000,000                             | -          | -           | -                       | 1,000,000                           |
| 25/11/2020                      | 30/11/2024  | \$0.270        | 2,500,000                             | -          | -           | -                       | 2,500,000                           |
| 22/12/2020                      | 22/12/2023  | \$0.275        | 3,200,000                             | -          | -           | -                       | 3,200,000                           |
| 22/12/2020                      | 14/10/2023  | \$0.300        | 2,000,000                             | -          | -           | -                       | 2,000,000                           |
| 05/05/2021                      | 05/05/2024  | \$0.750        | 100,000                               | -          | -           | -                       | 100,000                             |
| 08/02/2021                      | 08/02/2024  | \$0.300        | 200,000                               | -          | -           | -                       | 200,000                             |
| 07/04/2021                      | 07/04/2024  | \$0.600        | 100,000                               | -          | -           | -                       | 100,000                             |
| 05/04/2021                      | 05/04/2024  | \$0.300        | 300,000                               | -          | -           | -                       | 300,000                             |
| 31/05/2021                      | 31/05/2024  | \$0.750        | 400,000                               | -          | -           | -                       | 400,000                             |
| 15/10/2021                      | 15/10/2024  | \$0.495        | 1,300,000                             | -          | -           | -                       | 1,300,000                           |
| 15/10/2021                      | 15/10/2024  | \$0.750        | 1,300,000                             | -          | -           | -                       | 1,300,000                           |
| 20/12/2021                      | 30/11/2025  | \$0.450        | 8,500,000                             | -          | -           | (1,500,000)             | 7,000,000                           |
| 25/01/2022                      | 25/01/2025  | \$0.326        | 600,000                               | -          | -           | -                       | 600,000                             |
| 05/04/2022                      | 19/04/2025  | \$0.350        | 2,575,000                             | -          | -           | -                       | 2,575,000                           |
| 30/09/2022                      | 30/06/2026  | \$0.250        | -                                     | 1,000,000  | -           | -                       | 1,000,000                           |
| 13/12/2022                      | 30/11/2026  | \$0.200        | -                                     | 15,000,000 | -           | (2,000,000)             | 13,000,000                          |
| 13/12/2022                      | 30/06/2026  | \$0.250        | -                                     | 250,000    | -           | -                       | 250,000                             |
|                                 |             |                | 40,004,168                            | 16,250,000 | (9,851,668) | (4,777,500)             | 41,625,000                          |
| Weighted average exercise price |             |                | \$0.318                               | \$0.250    | \$0.196     | \$0.707                 | \$0.340                             |

For the options granted during the current financial half-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 |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 30/09/2022 | 30/06/2026  | \$0.175                   | \$0.250        | 80.00%              | -              | 3.69%                   | \$0.066                  |
| 13/12/2022 | 30/06/2026  | \$0.160                   | \$0.200        | 80.00%              | -              | 3.56%                   | \$0.053                  |
| 13/12/2022 | 30/11/2026  | \$0.160                   | \$0.200        | 80.00%              | -              | 3.56%                   | \$0.141                  |
| 13/12/2022 | 30/11/2026  | \$0.160                   | \$0.200        | 80.00%              | -              | 3.56%                   | \$0.137                  |
| 13/12/2022 | 30/11/2026  | \$0.160                   | \$0.200        | 80.00%              | -              | 3.56%                   | \$0.135                  |

**Bonus options issued for convertible notes**

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

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

**Novatti Group Limited**  
**Notes to the financial statements**  
**31 December 2022**

**Note 14. Share-based payments (continued)**

| 31 December 2022 |             | Exercise price | Balance at the start of the half-year | Granted  | Exercised       | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------------|-------------|----------------|---------------------------------------|----------|-----------------|---------------------------|-------------------------------------|
| Grant date       | Expiry date |                |                                       |          |                 |                           |                                     |
| 15/11/2019       | 30/10/2022  | \$0.250        | 1,465,000                             | -        | -               | (1,465,000)               | -                                   |
| 18/02/2020       | 30/10/2022  | \$0.250        | 1,112,500                             | -        | -               | (1,112,500)               | -                                   |
|                  |             |                | <u>2,577,500</u>                      | <u>-</u> | <u>-</u>        | <u>(2,577,500)</u>        | <u>-</u>                            |
| 31 December 2021 |             | Exercise price | Balance at the start of the half-year | Granted  | Exercised       | Expired/ forfeited/ other | Balance at the end of the half-year |
| Grant date       | Expiry date |                |                                       |          |                 |                           |                                     |
| 15/11/2019       | 30/10/2022  | \$0.250        | 1,475,000                             | -        | (10,000)        | -                         | 1,465,000                           |
| 18/02/2020       | 30/10/2022  | \$0.250        | 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:

| 31 December 2022 |             | Exercise price | Balance at the start of the half-year | Granted          | Exercised          | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------------|-------------|----------------|---------------------------------------|------------------|--------------------|---------------------------|-------------------------------------|
| Grant date       | Expiry date |                |                                       |                  |                    |                           |                                     |
| 01/10/2021       | 31/12/2022  | \$0.600        | 100,000                               | -                | -                  | (100,000)                 | -                                   |
| 01/10/2021       | 31/12/2023  | \$0.660        | 500,000                               | -                | -                  | -                         | 500,000                             |
|                  |             |                | <u>600,000</u>                        | <u>-</u>         | <u>-</u>           | <u>(100,000)</u>          | <u>500,000</u>                      |
| 31 December 2021 |             | Exercise price | Balance at the start of the half-year | Granted          | Exercised          | Expired/ forfeited/ other | Balance at the end of the half-year |
| Grant date       | Expiry date |                |                                       |                  |                    |                           |                                     |
| 15/09/2020       | 31/12/2021  | \$0.250        | 5,200,000                             | -                | (5,200,000)        | -                         | -                                   |
| 01/10/2021       | 30/06/2022  | \$0.300        | -                                     | 500,000          | -                  | -                         | 500,000                             |
| 01/10/2021       | 31/12/2022  | \$0.600        | -                                     | 100,000          | -                  | -                         | 100,000                             |
| 01/10/2021       | 31/12/2023  | \$0.660        | -                                     | 500,000          | -                  | -                         | 500,000                             |
|                  |             |                | <u>5,200,000</u>                      | <u>1,100,000</u> | <u>(5,200,000)</u> | <u>-</u>                  | <u>1,100,000</u>                    |

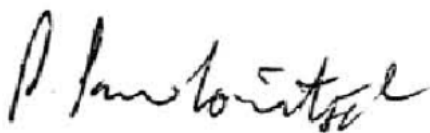
**Novatti Group Limited**  
**Directors' declaration**  
**31 December 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



-----  
Peter Pawlowitsch  
Chairman

28 February 2023



## Novatti Group Limited Independent auditor's review report

### REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

#### Conclusion

We have reviewed the accompanying half-year financial report of Novatti Group Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the consolidated group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the consolidated 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Responsibility of Management for the Financial Report

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



## Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads "William Buck".

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

A handwritten signature in black ink that reads "N. S. Benbow".

**N. S. Benbow**  
Director  
Melbourne, 28 February 2023