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 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

	2016 **$**	**2015** **$**	**Change** **%**
Revenues from ordinary activities	2,434,798	3,004,202	(18.95)
Loss from ordinary activities after tax attributable to the owners of Novatti Group Limited	(1,895,046)	(1,650,291)	(14.83)
Loss for the half-year attributable to the owners of Novatti Group Limited	(1,895,046)	(1,650,291)	(14.83)

Dividends

In respect of the half-year ended 31 December 2016, there have been no dividends paid nor provided for.

Corporate and Financial Overview

Novatti's cash holding as at 31 December 2016 of $2.6M puts the Company in a good position to build on the progress that has been achieved in 2016.

Novatti is focussed on further building its business development pipeline and to strongly increase the proportion of recurring and transaction revenues within the revenue mix.

Subsequent event

The Company has evaluated events up to the filing date of these interim financial statements and determined that no subsequent event activity required disclosure.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.03	0.05

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not Applicable

6. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Reporting period %	Previous period %	Reporting period $	Previous period $
High Impact	50.00%	50.00%	-	(8,361)
ATX Malaysia	50.00%	50.00%	(3,647)	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			(3,647)	(8,361)

7. 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.

8. Attachments

Details of attachments (if any):

The Interim Report of Novatti Group Limited for the half-year ended 31 December 2016 is attached.

9. Signed

Date: 23 February 2017

Signed ______________________________

Peter Pawlowitsch
Chairman
Melbourne

Novatti Group Limited

ACN 606 556 183

Interim Report – 31 December 2016

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General information

These 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 are:

Registered office

Level 1,
6 Thelma Street
West Perth WA 6005

Principal place of business

Level 1,
Legacy House
293 Swanston 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 23 February 2017.

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Novatti Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Name	**Office**
Peter Samuel Cook	Managing Director and Chief Executive Officer
Brandon Munro	Non-Executive Director
Peter Pawlowitsch	Non-Executive Chairman
Kenneth Lai	Non-Executive Director
Paul Burton	Non-Executive Director

Principal activities

The principal continuing activities of the consolidated entity consisted of:

Marketing the Novatti Platform to telecommunications companies, financial institutions and alternative payment system providers for enterprise or SaaS/PaaS sales. The Group has deployed the Novatti Platform into its controlled subsidiaries TransferBridge and Flexewallet (Flexepin) and its joint ventures of Monisend and Novatti (Malaysia), where the platform generates income on a transactional basis.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $1,895,046. Prior year loss for the same period was $1,650,291. The increase in losses are a result of greater activities for sales and an increase in technical staff in order to deliver and complete customer projects. Novatti Group Limited incurred additional costs as a listed entity for this half-year ended 31 December 2016, compared with the same period of half-year ended 31 December 2015.

Operating overview

During the half year ended 31 December 2016, Novatti has increased its business development activities in the primary functional areas of:

- Financial technology sales
- Compliance services
- Transaction processing on its own Flexepin and TransferBridge networks
- China Payments merchant services.

This focus on business development has led to increased business in all areas and a much stronger sales pipeline.

Financial technology sales

Increased business development has led to two major upgrades of existing client networks that are planned to be delivered by 31 March 2017, along with an enhanced sales funnel, the Group is confident of good success in the remainder of FY17.

Compliance services

Flexewallet continues to be successful in growing its compliance services revenues. As a result of this growth there are now four Authorised Representatives of the licence from which the consolidated entity receives recurring revenues.

Transaction processing – Flexepin & TransferBridge

The Flexepin product of Flexewallet continues to grow, with an encouraging uptake of its vouchers in Australia and Canada through existing and new merchants.

The strong interest from Bitcoin merchants in the Flexepin solution is providing the consolidated entity with the opportunity to grow its recurring revenue stream as a growing number of customers of these Bitcoin merchants are opting to use the Flexepin vouchers to purchase Bitcoin. Growth in other merchant categories such as e-commerce merchants continues.

The consolidated entity successfully integrated its TransferBridge platform with emerging global e-wallet and e-payment provider Zapper Marketing Limited (Zapper) during the quarter, providing another avenue of expansion into high-growth transaction-based revenue markets

China payment merchant services

In December 2016, Flexewallet Pty Ltd signed an agreement with payment service aggregator, LatiPay enabling the consolidated entity to expand its payment service to cover Australian e-commerce and trade payments from China through 19 Chinese banks in Australia and leading Chinese digital wallets WeChat Pay, AliPay, JD Pay.

LatiPay is an award winning New Zealand-based payment service aggregator owned by Latitude Technologies. The distribution and integration partnership agreement provides consolidated entity with the tools and collateral to on board Australian businesses to a platform where online retailers and exporters will be able to accept and request payments in real-time directly from 19 major banks and the leading Chinese digital wallets.

The agreements give the consolidated entity a significant stronghold into large and growing transaction markets, which include:

- In-store retail payments by Chinese tourists and students
- Online e-commerce payments by Chinese consumers directly from China
- Payments for business-to-business trade payments and direct invoicing for Australian exporters

The Chinese tourism market alone presents a significant opportunity for consolidated entity. Chinese tourists are expected to surpass New Zealand visitors as the largest inbound arrivals market to Australia in 2017. Chinese tourists already make up the largest spending segment of Australia's inbound tourism market, spending a total of $9 billion in the 12 months to September 2016, a growth rate of 18% on the previous corresponding period.

This growth in Chinese visitors and spending is expected to continue at a rapid rate. China is expected to contribute 43% of the growth in inbound arrivals to Australia between 2014/15 and 2024/25 and 60% growth in terms of expenditure[1].

[1] https://www.tra.gov.au/documents/forecasts/Tourism_Forecasts_2016.pdf

Corporate and Financial Overview

The consolidated entity's cash holding as at 31 December 2016 of $2,639,097 puts the consolidated entity in a good position to build on what has been achieved in 2016.

The consolidated entity is focussed on further building its business development pipeline and to strongly increase the proportion of recurring and transaction revenues within the revenue mix.

The consolidated entity has no debt.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year ended 31 December 2016.

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 on the following page.

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

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Peter Pawlowitsch
Chairman

23 February 2017

Melbourne

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 2016 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

J. C. Luckins
Director

Dated this 23rd day of February, 2017

CHARTERED ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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Statement of Profit & Loss and Other Comprehensive Income

For the half year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $	Consolidated 31 Dec 2015 $
Revenue	3	1,086,965	2,066,276
Other income	3	1,347,833	937,926
		2,434,798	3,004,202
Expenses	4		
Cost of sales		(321,671)	(1,338,067)
Employee benefits		(3,279,386)	(2,551,287)
Depreciation and amortisation		(14,660)	(6,465)
Occupancy		(73,674)	(49,993)
Finance charges		(5,972)	(23,385)
Foreign currency translation gains		16,148	44,692
Deemed consideration on Reverse Acquisition that is not a Business		-	(224,875)
Travel expenses		(168,130)	(137,541)
Marketing expenses		(71,188)	(64,180)
Data management expenses		(41,362)	(19,066)
Share of net loss of joint ventures accounted for using the equity method		(3,519)	(8,361)
Other expenses		(366,430)	(179,655)
Loss before income tax expense		(1,895,046)	(1,553,981)
Income tax expense		-	(96,310)
Loss after income tax expense for the half-year		(1,895,046)	(1,650,291)
Other comprehensive income		-	-
Total comprehensive income for the half-year		(1,895,046)	(1,650,291)
Loss for the half-year is attributable to:			
Owners of Novatti Group Limited		(1,895,046)	(1,650,291)
		(1,895,046)	(1,650,291)
Total comprehensive income for the half-year is attributable to:			
Owners of Novatti Group Limited		(1,895,046)	(1,650,291)
		Cents	**Cents**
Basic and Diluted loss per share		(2.09)	(6.51)

Statement of Financial Position

For the half year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $	Consolidated 30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents	5	2,639,097	4,725,649
Trade and other receivables		1,513,034	1,541,958
Financial assets		32,216	31,837
Other		105,954	52,580
Total current assets		4,290,301	6,352,024
Non-current assets			
Investments accounted for using the equity method		9,120	14,901
Property, plant and equipment		32,049	46,357
Total non-current assets		41,169	61,258
Total assets		4,331,470	6,413,282
Liabilities			
Current liabilities			
Trade and other payables		1,432,595	1,878,719
Employee benefits		229,690	261,259
Total current liabilities		1,662,285	2,139,978
Non-current liabilities			
Employee benefits		14,654	9,542
Total non-current liabilities		14,654	9,542
Total liabilities		1,676,939	2,149,520
Net assets		2,654,531	4,263,762
Equity			
Issued capital	7	11,940,604	11,940,604
Reserves		1,000,129	714,314
Accumulated losses		(10,286,202)	(8,391,156)
Total equity		2,654,531	4,263,762

Statement of Changes in Equity

For the half-year ended 31 December 2016

Consolidated	Note	Issued capital $	Options reserves	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016		11,940,604	713,465	849	(8,391,156)	4,263,762
Loss after income tax expense for the half-year		-	-	-	(1,895,046)	(1,895,046)
Total comprehensive income for the half-year		-	-	-	(1,895,046)	(1,895,046)
Options issued		-	284,177	-	-	284,177
Foreign Currency Translation Reserve		-	-	1,638	-	1,638
Balance at 31 December 2016		11,940,604	997,642	2,487	(10,286,202)	2,654,531

On 16 September 2016 as announced on the ASX, 5,000,000 Performance Shares vested in accordance with the terms and conditions as set within clause 13.2 of the 8 December 2015 Replacement Prospectus. The value of these Performance Shares of $200,000 (5 million shares at 4 cents per share) has been transferred from the Performance Share Equity account to Issued Capital of the Group. There is no change in the net value of Share Equity for Novatti Group Limited as at 31 December 2016, as the activity of this transaction is eliminated on consolidation.

For the half-year ended 31 December 2015

Consolidated	Notes	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Total equity at 1 July 2015 (Novatti Pty Ltd)		3,458,122	-	(3,423,436)	34,686
Deemed consideration on Reverse Acquisition that is not a Business		225,000	-	-	225,000
Loss after income tax expense for the half-year		225,000	-	(1,650,291)	(1,425,291)
Total comprehensive income for the half-year		3,683,122	-	(5,073,727)	(1,390,605)
Transactions with owners in their capacity as owners:					
Shares issued during the period		1,861,412	-	-	1,861,412
Options issued		-	53,159	-	53,159
Balance at 31 December 2015		5,544,534	53,159	(5,073,727)	523,966

Statement of Cash Flows

For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $	Consolidated 31 Dec 2015 $
Cash flows from operating activities			
Receipts from customers		2,125,607	2,520,458
Payments to suppliers and employees		(5,518,012)	(3,162,876)
Interest received		23,504	1,247
Interest paid		(5,972)	(23,385)
Research and Development rebate received		1,320,099	-
Income Tax Paid		-	(96,310)
Net cash used in operating activities		(2,054,774)	(760,866)
Cash flows from investing activities			
Investment in Joint Venture High Impact Corp. - Loan		-	(21,235)
Investment in Joint Venture Novatti (Malaysia) Sdn Bhd - Investment		-	(16,457)
Proceeds from the disposal of property, plant and equipment		2,100	-
Payments for property, plant and equipment		(2,200)	(17,612)
Net cash used in investing activities		(100)	(55,304)
Cash flows from financing activities			
Repayment of borrowings		-	(359,707)
Proceeds from share issue		-	1,219,126
Equity raising costs for Initial Public Offering		-	(185,907)
Net cash from financing activities		-	673,512
Net decrease in cash and cash equivalents		(2,054,874)	(142,658)
Cash and cash equivalents at the beginning of the financial half-year		4,725,649	310,209
Effects of exchange rate changes on cash and cash equivalents		(31,678)	44,692
Cash and cash equivalents at the end of the financial half-year		2,639,097	212,243

Notes to the appendix 4D Financial Statements

Note 1. Significant accounting policies

The half-year financial report is a general purpose financial report that covers the consolidated position of Novatti Group Limited (the 'legal parent') and controlled entities for the period ended 31 December 2016.

This half year financial report does not include all the notes of the type usually included in the annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2016 and any public announcements made by Novatti Group Ltd during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The financial report for this half-year is prepared in accordance with the same accounting policies, methods and computations as those used in the financial report for the year ended 30 June 2016.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

New, revised or amending accounting standards and interpretations adopted

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

Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information from that previously made available.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the interim reporting period ended 31 December 2016.

The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below:

AASB 9 financial instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 Financial Instruments: Recognition and Measurement. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in OCI. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an Expected Credit Loss ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

Based on the Group's preliminary assessment, there will be no material impact on the transactions and balances recognised in the financial statements when this standard is first adopted for the year ended 30 June 2018.

AASB 15 revenue from contracts with customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfill a contract with a customer.

The Group is yet to undertake a detailed assessment of the impact of capital AASB 15. However, based on the Group's preliminary assessment, this standard is not expected to have a material impact on the transactions and balances in the financial statements when it is first adopted for the year 30 June 2019.

AASB 16 leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right- of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The previous accounting model for leases required lessees and lessors to classify their leases as either finances leases or operating leases and account for those two types of leases differently. That model was criticised for failing to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions. In particular, it did not require lessees to recognise assets and liabilities arising from operating leases. Accordingly, the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to develop a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

The Group is yet to undertake a detailed assessment of the impact AASB 16. However, based on the Group's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted in the year ended 30 June 2020.

Basis of preparation

This condensed financial report has 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'.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The consolidated entity derived the following revenue for the provisions of its services:

Platform sales

Deployment and the support of specialist mobile and alternative payment technology. There are two primary components, the recognition of revenue on the completion and delivery of agreed milestones and the revenue recognised for ongoing maintenance and support.

Transaction sales

Included within transaction sales are:

- Fees for software as a service
- Fees for the facilitation of remittance top up vouchers

Interest

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

Other revenue

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

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

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

Cash and cash equivalents include cash held in trust for remittance top up voucher services. Receipts from top up voucher distributors are recognised as (cash) “Receipts from Customers” whilst remittances to merchants for top up vouchers are recognised as (cash) “Payments to suppliers (and employees)”.

Issued capital
Ordinary shares are classified as equity.

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

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

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

Note 2. Operating segments
Identification of reportable operating segments
The Group is organised into three operating business segments: (A) Novatti Platform, incorporating enterprise sales and Maintenance & Support via the Novatti Platform, (B) Transaction Services incorporating Flexewallet Pty Ltd, Pty Ltd and Flexe Payments Ltd and (C) Novatti Group Limited is the legal parent that holds the financial assets for the Group. These operating business segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (‘CODM’)) in assessing performance and in determining the allocation of resources.

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

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

Novatti

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

Transaction services

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

Flexewallet and Flexe Payments: Offers customers an alternative payment method in the form of a prepaid cash voucher. Vouchers can be used for a multitude of payment methods such as prepaid account top-ups and for secure online payment of goods and services. Vouchers are available in a variety of currencies and locations globally.

Intersegment transactions

Intersegment transactions were made at cost. Intersegment transactions are eliminated on consolidation.

Intersegment loans

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

The following tables present information for reportable operating segments for the half year ended 31 December 2016 and 31 December 2015:

Consolidated – 31 December 2016	**Novatti Platform $**	**Transaction Services $**	**Novatti Group Limited $**	**Intersegment eliminations $**	**Total $**
Revenue					
Sales to external customers	1,030,600	56,365	-	-	1,086,965
Intersegment sales					
Total sales revenue	1,030,600	56,365	-	-	1,086,965
Other revenue	1,320,351	3,600	-		1,323,951
Total revenue	2,172,999	59,965	-		2,410,916
EBITDA	(607,772)	(722,280)	(568,244)	-	(1,898,296)
Depreciation and amortisation					(14,660)
Interest revenue					23,882
Finance costs					(5,972)
Profit before income tax expense					(1,895,046)
Income tax expense					-
Profit after income tax expense					(1,895,046)
Segment Assets	3,018,475	(100,024)	1,411,056	1,963	4,331,470
Segment Liabilities	1,328,076	247,573	101,290	-	1,676,939
Employee Benefits	2,322,909	579,021	377,456	-	3,279,386
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefits assets, rights under insurance contracts)	-	-	-	-	-

Consolidated – 31 December 2015	**Novatti Platform $**	**Transaction Services $**	**Novatti Group Limited $**	**Intersegment eliminations $**	**Total $**
Revenue					
Sales to external customers	1,974,951	91,325	-	-	2,066,276
Intersegment sales	-	-	-	-	-
Total sales revenue	1,974,951	91,325	-	-	2,066,276
Other revenue	936,679	-	-	-	936,679
Total revenue	2,912,877	91,325	-	-	3,002,955
EBITDA	(1,004,829)	(242,516)	(53,159)	(224,875)	(1,525,378)
Depreciation and amortisation	-	-	-	-	(6,465)
Interest revenue	-	-	-	-	1,247
Finance costs	-	-	-	-	(23,385)
Profit before income tax expense	-	-	-	-	(1,553,981)
Income tax expense	-	-	-	-	(96,310)
Profit after income tax expense	-	-	-	-	(1,650,291)
Segment Assets	1,934,738	473,835	4,006,106	(1,397)	6,413,282
Segment Liabilities	1,552,800	535,240	61,480	-	2,149,520
Employee Benefits	4,698,976	506,145	381,994	-	5,587,115
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefits assets, rights under insurance contracts)	-	-	-	-	-

Note 3. Revenue

	Consolidated 31 Dec 2016 $	Consolidated 31 Dec 2015 $
Sales revenue		
Transaction Services	115,740	90,939
Maintenance and support	573,897	457,334
Licence Income	397,328	1,518,003
	1,086,965	2,066,276
Other income		
Interest	23,882	1,247
Research and development	1,320,099	936,679
Other Income	3,852	
	1,347,833	937,926
Revenue	2,434,798	3,004,202

Note 4. Expenses

	Consolidated 2016 $	Consolidated 2015 $
Profit before income tax includes the following specific expenses:		
Cost of sales	321,671	1,338,067
Finance costs		
Finance costs expensed	5,972	23,385
Share-based payments expense		
Share-based payments expense (Options)	284,177	53,159
Superannuation expense		
Defined contribution superannuation expense	139,435	111,523

Note 5. Current assets – cash and cash equivalents

	Consolidated Dec 2016 $	Consolidated Jun 2016 $
Cash and Cash Equivalents	2,639,097	4,329,344
Cash and Cash Equivalents held on trust under Flexewallet's CAPS1 program. These funds are distributed under instructions within 24 hours.	-	396,305
Balance as per statement of cash flows	2,639,097	4,725,649

Note 6. Net Position of Transaction Services Business – Funds in Trust

This amounts displayed in the tables below represent the net balance of client monies held in trust that is payable/receivable in the Statement of Financial Position in relation to the transaction services business of Novatti Group Limited.

Flexepin

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Cash and Cash Equivalents held in trust	1	126,913	30,661
Accounts Receivable		32,647	20,819
Accrued Revenue - Flexepin		34,527	15,716
Accounts Payable		(132,104)	(43,425)
Accrued Expenses - Flexepin		(58,133)	(26,787)
		3,850	3,016

TransferBridge

	Note	Consolidated 31 Dec 2016 $	Consolidated 30 Jun 2016 $
Cash and Cash Equivalents held in trust	1	16,191	-
Accounts Receivable		13,886	-
E-Wallet Remittance Balance		15,424	2,132
Accrued Expenses – TransferBridge Remittance		(20,787)	-
		24,714	2,132

Note 7. Issued capital and contributed equity

	31 Dec 2016 $	30 June 2016 $
Issued and paid-up capital		
92,883,826 Fully paid ordinary shares – 31 December 2016*	11,940,604	-
87,883,826 Fully paid ordinary shares – 30 June 2016	-	11,940,604
Closing Balance	11,940,604	11,940,604

*On 6th of September 2016 as announced on the ASX, 5,000,000 Performance Shares vested and were converted into ordinary paying shares in accordance with the terms and conditions as set within 13.2 of the 8th December 2015 Replacement Prospectus.

Note 7.1 ordinary shares

Ordinary shares	No.	31 Dec 2016 $	No.	30 June 2016 $
Opening Balance.			338,760	3,458,122
Beginning of the period 1 July 2016	87,883,826	11,940,604		
Incorporation of Novatti Group Ltd – Issued capital pre-acquisition	-	-	1,250,000	-
Novatti Group Ltd acquired all the shares in Novatti Pty Ltd on a scrip for scrip basis on 28 September 2015	-	-	40,000,000	-
Novatti Pty Ltd shares eliminated on completion of reverse acquisition that is not a Business 28 September 2015	-	-	(338,760)	-
Deemed Consideration on reverse acquisition that is not a Business, 28 September 2015	-	-	-	225,000
Loans provided by Novatti Group Ltd directors, Peter Cook, Brandon Munro and Peter Pawlowitsch to Novatti Pty Ltd converted into shares within Novatti Group Limited at $0.16 per share, 31 October 2015	-	-	3,125,000	500,000
Loan provided by Novatti Pty Ltd shareholder to Novatti Pty Ltd converted into shares within Novatti Group Ltd at $0.16 per share, 31 October 2015	-	-	3555,206	568,833
$250,000 in non-current liabilities and $132,579 in trade payables to director related Coomar Pty Ltd outstanding as at 30 June 2015 was assigned to director related Corangamite Pty Ltd in accordance with a Deed of Assignment of Debt dated 31 October 2015 between the two parties and was converted to equity at $0.16 per share			2,391,120	382,579
Issue of shares at $0.16 per share as Pre IPO capital received by Novatti Group Ltd on the 23 November 2015	-	-	2,562,500	410,000
Issue of 35 million Shares from IPO at $0.20 per share	-	-	35,000,000	7,000,000
Capital Raising Costs	-	-	-	(603,930)
Performance Shares issued on the 28 September 2015 vested on 16 September 2016, as announced on the ASX. The value of these Performance Shares of $200,000 (5 million shares at 4 cents per share) has been transferred from the Performance Share Equity account to Issued Capital of the Group. There is no change in the net value of Share Equity for Novatti Group Limited as at 31 December 2016, as the activity of this transaction is eliminated on consolidation.	5,000,000	-	-	-
			-	-
Closing Balance	92,883,826	11,940,604	87,883,826	11,940,604

Shares issued on exercise

Shares issued on exercise of the Options will rank equally with the other issued Shares.

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

There are no participation rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

The fair value of the options are valued at "grant date" using the Black-Scholes model.

Note 7.2 performance shares

Outcome of milestone events

For the 2015/2016 financial year, Novatti Pty Ltd achieved invoiced or invoiceable revenue greater than $3.5 million but less than $4.0 million.

As announced to the ASX on 16 September 2016, 5,000,000 Performance Shares vested in accordance with the Terms and Conditions set out within 13.2 of 8 of December 2015 Replacement Prospectus.

Milestones two, three and four have not been satisfied and so the Performance Shares have been redeemed by the Company for a total nominal sum of $1.00.

Note 8. Contingent liabilities

At 31 December 2016, there are no known material contingent liabilities.

Note 9. Related parties

No material related party transactions have occurred during the interim financial reporting period ended 31 December 2016.

Note 10. Events after the reporting period

There are no matters or circumstances that have arisen since 31 December 2016 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 11. Fair value measurement

The net fair value of financial assets and liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 2016 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

23 February 2017

Melbourne

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NOVATTI GROUP LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novatti Group Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2016 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.

As the auditor of Novatti Group Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NOVATTI GROUP LIMITED (CONT)

Conclusion
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 company's financial position as at 31 December 2016 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.

William Buck

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

J. C. Luckins
Director

Dated this 23rd date of February 2017