# Novatti Pty Ltd
# and its controlled entities

ABN 44 100 681 758

## Financial Statements

For the Year Ended 30 June 2015

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Directors' Report

Your directors present their report, together with the financial statements of Novatti Pty Ltd (the "Company") and Novatti Pty Ltd and its controlled entities (the "Group") for the year ended 30 June 2015.

### Directors

The names of the directors in office at any time during, or since the end of, the year are:

Peter Samuel Cook (Appointed 14 June 2002)
Ashley Head (Appointed 20 July 2012)
Paul Burton (Appointed 20 July 2012)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Review of Operations

A review of the operations of the Group during the financial year and the results of those operations found that during the year, the company continued to engage in its principle activity, the results of which are disclosed in the attached financial statements.

### Operating Results

The loss of the Group during the financial year after providing for income tax amounted to $944,173 (2014: $981,397).

### Principal Activity and Significant Changes in State of Affairs and Likely Developments

Novatti enables telecommunication operators, banking, and alternative payment network service providers to extend their product portfolio – taking robust, integrated payments services to your consumer market faster and more cost-effectively.

On 26 June 2015, Novatti Pty Ltd purchased all the shares in Flexewallet Pty Ltd. Flexewallet Pty Ltd was a business owned by three related party entities of Novatti Pty Ltd. Flexewallet Pty Ltd is registered with AUSTRAC and has an Australian Financial Services Licence, number 448 066. The consideration for the purchase was a debt for equity swap. There was no cash exchanged in the purchase.

There were no other significant changes in the nature of the activities of the Group during the financial year. The directors anticipate that the company will continue these principal activities for the foreseeable future.

### Events Subsequent to the End of the Reporting Period

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

### Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the

Commonwealth or of a State or Territory.

### Dividends

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

### Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Indemnification of Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the company.

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors:

..........................................................

**Peter Samuel Cook**
Director

Dated this 21st September, 2015

William Buck

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2015 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

**Jeffrey C. Luckins**
Director
Dated this 21st day of September, 2015

**CHARTERED ACCOUNTANTS & ADVISORS**

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**williambuck.com**

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015

| | Note | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|---|
| Sales revenue | | **2,398,022** | 2,126,620 | **2,392,278** | 2,126,560 |
| Other income | 2 | **722,072** | 507,651 | **722,072** | 507,651 |
| | | **3,120,094** | 2,634,271 | **3,114,350** | 2,634,211 |
| Cost of sales | | **(393,802)** | (249,872) | **(393,739)** | (249,755) |
| Other employee benefits | | **(2,976,068)** | (2,402,444) | **(2,969,090)** | (2,385,832) |
| Depreciation and amortisation | | **(79,757)** | (311,663) | **(79,757)** | (311,663) |
| Occupancy | | **(99,192)** | (99,838) | **(99,192)** | (99,838) |
| Finance charges | | **(4,388)** | (6,824) | **(3,768)** | (6,724) |
| Foreign currency translation (losses)/gains | | **102,828** | (7,976) | **101,870** | (7,913) |
| Travel | | **(113,023)** | (101,575) | **(113,023)** | (101,575) |
| Marketing | | **(83,595)** | (96,889) | **(83,181)** | (95,069) |
| Data management expenses | | **(103,398)** | (15,892) | **(103,398)** | (15,892) |
| Joint Venture result | | **(20,594)** | (84,193) | **(20,594)** | (84,193) |
| Other expenses | | **(221,752)** | (238,502) | **(225,257)** | (259,089) |
| **Profit / (loss) before income tax** | | **(872,647)** | (981,397) | **(874,779)** | (962,331) |
| Income tax (expense) / benefit | 3 | **(71,526)** | - | **(71,526)** | - |
| **Net profit from continuing operations** | | **(944,173)** | (981,397) | **(946,305)** | (962,331) |
| Profit / (loss) for the year from discontinued operation after tax | | **-** | - | **-** | - |
| **Net profit for the year** | | **(944,173)** | (981,397) | **(946,305)** | (962,331) |
| Other comprehensive income that may be subsequently reclassified to the profit or loss – foreign currency gain/(loss) arising on translation of foreign operation | | **-** | - | **-** | - |
| **Total comprehensive income / (loss)** | | **(944,173)** | (981,397) | **(946,305)** | (962,331) |

The accompanying notes form part of these financial statements

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Statement of Financial Position
As at 30 June 2015

| | Note | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 4 | **279,284** | 368,429 | **171,007** | 365,540 |
| Trade and other receivables | 5 | **1,065,167** | 876,954 | **1,080,952** | 896,254 |
| Financial assets | 6 | **30,925** | 72,197 | **30,925** | 72,197 |
| Other assets | 7 | **264,619** | 2,640 | **261,280** | 424 |
| **Total Current Assets** | | **1,639,995** | 1,320,220 | **1,544,164** | 1,334,415 |
| **Non-current Assets** | | | | | |
| Property, plant and equipment | 8 | **9,293** | 8,633 | **9,293** | 8,633 |
| Intangible assets | 9 | **-** | 72,875 | **-** | 72,875 |
| Other non current assets | 10 | **140,542** | 390,061 | **526,108** | 396,181 |
| **Total Non-current Assets** | | **149,835** | 471,569 | **535,401** | 477,689 |
| **Total Assets** | | **1,789,830** | 1,791,789 | **2,079,565** | 1,812,104 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 11 | **972,548** | 313,238 | **868,232** | 314,487 |
| Employee benefits | 12 | **164,505** | 163,372 | **164,505** | 163,372 |
| Borrowings | 13 | **359,707** | 82,872 | **492,721** | 82,872 |
| **Total Current Liabilities** | | **1,496,760** | 559,482 | **1,525,458** | 560,731 |
| **Non-current Liabilities** | | | | | |
| Employee benefits | 12 | **8,384** | 9,345 | **8,384** | 9,345 |
| Other non current liabilities | 11 | **250,000** | - | **250,000** | - |
| **Total Non-current Liabilities** | | **258,384** | 9,345 | **258,384** | 9,345 |
| **Total Liabilities** | | **1,755,144** | 568,827 | **1,783,842** | 570,076 |
| **NET ASSETS** | | **34,686** | 1,222,962 | **295,723** | 1,242,028 |
| **EQUITY** | | | | | |
| Issued capital | 14 | **3,458,122** | 3,458,122 | **3,458,122** | 3,458,122 |
| Retained earnings / (accumulated losses) | | **(3,423,436)** | (2,235,160) | **(3,162,399)** | (2,216,094) |
| **Total Equity** | | **34,686** | 1,222,962 | **295,723** | 1,242,028 |

The accompanying notes form part of these financial statements

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Statement of Changes in Equity
For the Year Ended 30 June 2015

| The Group | Issued Capital $ | Retained Earnings / (Accumulated Losses) $ | Total $ |
|---|---|---|---|
| **2015** | | | |
| **Opening Balance** | **3,458,122** | **(2,235,160)** | **1,222,962** |
| *Comprehensive income* | | | |
| Loss for the year | - | (944,173) | (944,173) |
| Loss on Flexewallet from acquisition date | - | (135,794) | (135,794) |
| Retained losses on Flexewallet at the date of acquisition | - | (108,309) | (108,309) |
| Other comprehensive income | - | - | - |
| *Total comprehensive income* | - | (1,188,276) | (1,188,276) |
| **Balance at 30 June 2015** | **3,458,122** | **(3,423,436)** | **34,686** |

| | | | |
|---|---|---|---|
| **The Group** | | | |
| **2014** | | | |
| **Opening Balance** | **3,458,122** | **(1,253,763)** | **2,204,359** |
| *Comprehensive income* | | | |
| Loss for the year | - | (981,397) | (981,397) |
| *Total comprehensive income* | - | (981,397) | (981,397) |
| **Balance at 30 June 2014** | **3,458,122** | **(2,235,160)** | **1,222,962** |

The accompanying notes form part of these financial statements

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Statement of Changes in Equity
For the Year Ended 30 June 2015

| The Parent | Issued Capital $ | Retained Earnings / (Accumulated Losses) $ | Total $ |
|---|---|---|---|
| **2015** | | | |
| **Opening Balance** | **3,458,122** | **(2,216,094)** | **1,242,028** |
| *Comprehensive income* | | | |
| Loss for the year | - | (946,305) | (946,305) |
| Other comprehensive income | - | - | - |
| *Total comprehensive income* | - | (946,305) | (946,305) |
| **Balance at 30 June 2015** | **3,458,122** | **(3,162,399)** | **295,723** |

| The Parent | Issued Capital $ | Retained Earnings / (Accumulated Losses) $ | Total $ |
|---|---|---|---|
| **2014** | | | |
| **Opening Balance** | **3,458,122** | **(1,253,763)** | **2,204,359** |
| *Comprehensive income* | | | |
| Loss for the year | - | (962,331) | (962,331) |
| *Total comprehensive income* | - | (962,331) | (962,331) |
| **Balance at 30 June 2014** | **3,458,122** | **(2,216,094)** | **1,242,028** |

The accompanying notes form part of these financial statements

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Statement of Cash Flows
For the Year Ended 30 June 2015

| | Note | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|---|
| **Cash from operating activities:** | | | | | |
| Receipts from customers | | **2,845,398** | 2,435,717 | **2,597,862** | 2,412,453 |
| Payments to suppliers and employees | | **(3,334,645)** | (3,323,912) | **(3,105,414)** | (3,303,637) |
| Interest received | | **11,054** | 28,904 | **6,222** | 28,904 |
| Interest paid | | **(4,388)** | (6,824) | **(3,768)** | (6,724) |
| **Net cash provided by operating activities** | | **(482,581)** | (866,115) | **(505,098)** | (869,004) |
| **Cash flows from investing activities:** | | | | | |
| Acquisition of property, plant and equipment | | **(7,542)** | (12,392) | **(7,542)** | (12,392) |
| Repayment of loan to related entity | | - | - | **(82,872)** | - |
| **Net cash provided by / (used in) investing activities** | | **(7,542)** | (12,392) | **(90,414)** | (12,392) |
| **Cash flows from financing activities:** | | | | | |
| Loans from related parties | | **359,707** | (245,047) | **359,707** | (245,047) |
| **Net cash provided by / (used in) financing activities** | | **359,707** | (245,047) | **359,707** | (245,047) |
| **Net increase / (decrease) in cash held** | | **(130,416)** | (1,123,554) | **(235,805)** | (1,126,443) |
| **Cash at the beginning of financial year** | | **440,626** | 1,564,180 | **437,737** | 1,564,180 |
| Effect of exchange rate fluctuations on cash held | | - | - | - | - |
| **Cash at end of financial year** | | **310,210** | 440,626 | **201,932** | 437,737 |

The accompanying notes form part of these financial statements

## 1 Statement of Significant Accounting Policies

### General information

The consolidated financial statements and notes represent those of Novatti Pty Ltd and controlled entities (the "Group").

The separate financial statements of the parent entity, Novatti Pty Ltd, have also been presented within this financial report as permitted by the Corporations Act 2001.

### Basis of Preparation

The directors have prepared the financial statements on the basis that the Group is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

### Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding the fact that for the year ended 30 June 2015 the company generated a loss of $946,305 (2014: loss of $962,331) and incurred net cash outflows from operations of $505,098 (2014: outflows of $869,004). As at 30 June 2015 the company had net assets of $295,723 (2014: $1,242,028) and positive working capital of $18,706 (2014: positive working capital of $773,684). Further for the year ended 30 June 2015 the group generated a loss of $944,173 (2014: loss of $981,397) and incurred net cash outflows from operations of $482,581 (2014: outflows of $866,115). As at 30 June 2015 the group had net assets of $34,686 (2014: $1,222,962) and positive working capital of $143,235 (2014: positive working capital of $760,738).

The directors are confident of the ability of the company and the group to continue as a going concern. In arriving at this position, the directors have given consideration to the following aspects and developments in the company and the group's position:

- *Capital raising*

The directors plan to raise additional equity capital to finance the continued operating and capital requirements of the company. Amounts raised will be used to further develop the company and the group's products and for other working capital purposes. While the Company will extend its best efforts to raise additional capital to fund all operations for a period of at least 12 months from the date of this report, the directors can provide no assurances that the company will be able to raise such sufficient funds.

- *Amounts payable to related parties*

The company and the group required strong support from associated entities and shareholders to fund operations during the year. The company and the group's current borrowings as at 30 June 2015 are loans from shareholders and associated entities.

### 1 Statement of Significant Accounting Policies (*continued)*

#### Going Concern (*continued)*

In addition a significant portion of the company and the group's total trade payables as at 30 June 2015 represent amounts payables to shareholders. The shareholders have further agreed not to call upon these amounts for a period of at least 12 months from the date of this report.

- *Positive cash flow forecasts*

Notwithstanding that during the year ended 30 June 2015, the company and the group required strong working capital support from associated entities and shareholders to fund its ongoing operations, the directors have reviewed cash flow forecasts which have been prepared to consider a period of at least 12 months from the date of signing of this report and have a reasonable expectation that the company and the group will generate sufficient cash inflows to support operational expenditures and contractual commitments.

The directors are confident that the company has taken the necessary steps to ensure that it has sufficient cash flows to meet commitments for a period of at least 12 months from the date of this report. Therefore, the financial statements have been prepared on the basis that the company and the group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

#### Principals of Consolidation

These are the financial statements of Novatti Pty Ltd (the company) and its controlled entities (the Group) as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a controlled entity begins when the Group obtains control over the controlled entity and ceases when the Group loses control of the controlled entity. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the controlled entity.

**1 Statement of Significant Accounting Policies (*continued)***

**Principals of Consolidation (*continued)***

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

— De-recognises the assets (including goodwill) and liabilities of the subsidiary

— De-recognises the carrying amount of any non-controlling interests

— De-recognises the cumulative translation differences recorded in equity

— Recognises the fair value of the consideration received

— Recognises the fair value of any investment retained

— Recognises any surplus or deficit in profit or loss

— Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

*Goodwill*

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method)*. In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

## 1 Statement of Significant Accounting Policies *(continued)*

*Goodwill (continued)*

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Refer to Note 1(d) for information on the goodwill impairment test.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

### (a) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entity where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## 1 Statement of Significant Accounting Policies *(continued)*

### (a) Income Tax *(continued)*

*Tax Consolidation*

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

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

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### (b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on an average cost basis.

### (c) Property, plant and equipment

*Property*

Freehold land and buildings are carried at costs less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

*Plant and equipment*

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

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

1 Statement of Significant Accounting Policies *(continued)*

(c) **Property, plant and equipment** ***(continued)***

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

*Depreciation*

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

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

| | |
|---|---|
| Leasehold improvements | 2 years |
| Property and equipment | 1 - 12 years |
| Fixtures and Fittings | 1 - 12 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss statement in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) **Intangible assets**

*Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which is relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current period are as follows:

- Research and Development 5 years

Amortisation methods, useful lives and residual lives are reviewed at each reporting date and adjusted if appropriate.

### 1 Statement of Significant Accounting Policies *(continued)*

#### (e) Financial Instruments

*Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

*Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

## 1 Statement of Significant Accounting Policies (continued)

### (f) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

### (g) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

### (h) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (j) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1 **Statement of Significant Accounting Policies *(continued)***

**(k) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

**(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

*Provision for doubtful debts*

The directors have reviewed the carrying amount of the trade receivables during the financial year and determined that the trade receivables will be recoverable. Refer to note 5.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovation or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of intangible assets other than goodwill*

The Group tests annually or more frequently if events or changes in circumstances indicate impairment whether intangible assets other than goodwill have suffered any impairment. If an impairment trigger exists, the recoverable amount of the assets is determined. This require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

# Novatti Pty Ltd
# and its controlled entities
ABN 44 100 681 758

## Notes to the Financial Statements
For the Year Ended 30 June 2015

### 2 Profit before income tax

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| a) Other income | | | | |
| - Interest income | **11,054** | 28,904 | **6,222** | 28,904 |
| - Research & Development refund | **701,362** | 436,877 | **701,362** | 436,877 |
| - Other | **14,487** | 41,870 | **14,487** | 41,870 |
| . | **726,903** | 507,651 | **722,071** | 507,651 |
| b) Significant expenses | | | | |
| The following significant expense items are relevant in explaining the financial performance: | | | | |
| - Cost of sales | **393,802** | 249,872 | **393,739** | 249,557 |
| - Employee benefits expenses | **2,976,068** | 2,402,444 | **2,969,090** | 2,385,832 |
| - Depreciation and amortisation | **79,757** | 311,663 | **79,757** | 311,663 |

### 3 Income tax expense / (benefit)

| | | | | |
|---|---|---|---|---|
| Current tax expense | - | - | - | - |
| Deferred tax benefit | - | - | - | - |
| | - | - | - | - |

### 4 Cash and cash equivalents

| | | | | |
|---|---|---|---|---|
| Cash at bank and in hand | **279,284** | 368,429 | **171,007** | 365,540 |
| | **279,284** | 368,429 | **171,007** | 365,540 |

### 5 Trade and other receivables

| | | | | |
|---|---|---|---|---|
| CURRENT | | | | |
| Trade and other receivables | **665,167** | 774,329 | **680,952** | 793,629 |
| Other receivables | **400,000** | 102,625 | **400,000** | 102,625 |
| | **1,065,167** | 876,954 | **1,080,952** | 896,254 |

### 6 Financial assets

| | | | | |
|---|---|---|---|---|
| Term deposits | **30,925** | 72,197 | **30,925** | 72,197 |
| | **30,925** | 72,197 | **30,925** | 72,197 |

### 7 Other assets

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Deposits | **4,895** | 2,640 | **1,556** | 424 |
| Bank Guarantee | **259,724** | - | **259,724** | - |
| | **264,619** | 2,640 | **261,280** | 424 |

### 8 Property, plant and equipment

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Plant and equipment at cost | **397,799** | 390,258 | **397,799** | 390,258 |
| Less accumulated depreciation | **(388,506)** | (381,625) | **(388,506)** | (381,625) |
| | **9,293** | 8,633 | **9,293** | 8,633 |
| Fixtures and Fittings at cost | **18,133** | 18,133 | **18,133** | 18,133 |
| Less accumulated depreciation | **(18,133)** | (18,133) | **(18,133)** | (18,133) |
| | **-** | - | **-** | - |
| Total property, plant and equipment | **9,293** | 8,633 | **9,293** | 8,633 |

### 9 Intangible assets

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Research and Development | **1,787,110** | 1,787,110 | **1,787,110** | 1,787,110 |
| Less accumulated amortisation | **(1,787,110)** | (1,714,235) | **(1,787,110)** | (1,714,235) |
| Total intangible assets | **-** | 72,875 | **-** | 72,875 |

### 10 Other non current assets

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Loan to TransferBridge Pty Ltd | **-** | - | **57,547** | - |
| Shareholder Loans | **-** | 327,919 | **-** | 327,919 |
| Investment in Joint Venture | **24,331** | - | **24,331** | - |
| Loan – JV Partner | **116,211** | 62,142 | **116,211** | 62,142 |
| Investment - other | **-** | - | **-** | 6,020 |
| Shares in TransferBridge Pty Ltd | **-** | - | **100** | 100 |
| Shares in Flexewallet Pty Ltd | **-** | - | **327,919** | - |
| Other non current assets | **140,542** | 390,061 | **526,108** | 396,181 |

### 11 Trade and other payables-Current

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Trade payable and other liabilities | **438,811** | 72,293 | **429,326** | 72,293 |
| Sundry creditors and accruals | **408,516** | 179,846 | **312,985** | 181,095 |
| Unearned revenue | **125,921** | 61,099 | **125,921** | 61,099 |
| | **972,548** | 313,238 | **868,232** | 314,487 |

### 11 Trade and other payables-Non Current

| | | | | |
|---|---|---|---|---|
| Trade payable and other liabilities | **250,000** | - | **250,000** | - |

### 12 Employee benefits

| | | | | |
|---|---|---|---|---|
| CURRENT | | | | |
| Employee provisions | **164,505** | 163,372 | **164,505** | 163,372 |
| | **164,505** | 163,372 | **164,505** | 163,372 |
| NON-CURRENT | | | | |
| Employee provisions | **8,384** | 9,345 | **8,384** | 9,345 |
| | **8,384** | 9,345 | **8,384** | 9,345 |

### 13 Borrowings

| | | | | |
|---|---|---|---|---|
| Loan from associates | **100,000** | - | **100,000** | - |
| Loan from Flexewallet Pty Ltd | - | 82,872 | **133,014** | 82,872 |
| Loan from Shareholder | **259,707** | - | **259,707** | - |
| | **359,707** | 82,872 | **492,721** | 82,872 |

### 14 Issued capital

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| 3,458,112 fully paid ordinary shares (2013: 3,458,112) | **3,458,112** | 3,458,112 | **3,458,112** | 3,458,112 |

The company does not have authorised share capital or par value in respect of its issued shares. All issued shares are fully paid.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### 15 Events subsequent to the end of the reporting period

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group.

### 16 Capital and leasing commitments

| | The Group 2015 $ | The Group 2014 $ | The Parent 2015 $ | The Parent 2014 $ |
|---|---|---|---|---|
| Minimum payments for operating leases | | | | |
| Less than 12 months | **89,532** | 94,046 | **89,532** | 94,046 |
| Between 12 months and 5 years | **94,009** | 183,541 | **94,009** | 183,541 |
| More than 5 years | | | | |
| Total minimum lease payments | **183,541** | 277,587 | **183,541** | 277,587 |

The Group leases various offices, technical and office equipment under non-cancellable operating leases expiring within 1 to 6 years. The leases have varying terms, escalation clauses and renewable rights. On renewal, the terms of the leases are renegotiated.

### 17 Contingent liabilities

A potential contingent liability may exist in respect to a service provider. The Company, in these fiscal year 2015 statutory accounts, has provided for what it believes to be an adequate amount to relieve its liability.

### 18 Group entities

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| | | 2015 | 2014 |
| Parent entity | | | |
| Novatti Pty Ltd | Australia | | |
| Significant subsidiaries | | | |
| Flexwallet Pty Ltd | Australia | 100 | - |
| TransferBridge Pty Ltd | Australia | 100 | 100 |
| (TransferBridge incorporated February 12, 2014) | | | |
| (Flexewallet Pty Ltd acquired June 26, 2015) | | | |

* Percentage of voting power in proportion to ownership

### 19 Business Combination

Flexewallet Pty Ltd

On June 26, 2015, Novatti Pty Ltd acquired 100% of Flexewallet Pty Ltd, a business owned by three related party entities of Novatti Pty Ltd. The primary reason for the acquisition was strategic, as Flexewallet is licensed to utilise the Novatti billing platform.

The purchase consideration of $327,919 was paid for as a debt for equity swap, there was no cash costs incurred in the transaction.

The fair value of the identifiable assets and liabilities of Flexewallet Pty Ltd at the date of acquisition were as follows:

| | Recognised on acquisition $ | Carrying Value $ |
|---|---|---|
| Cash and cash equivalents | 103,694 | 103,694 |
| Trade and other receivables | 136,531 | 136,531 |
| **Total** | **240,225** | **240,225** |
| Trade and other payables | (102,266) | (102,266) |
| **Total** | **(102,266)** | **(102,286)** |
| **Fair value of identifiable net assets acquired** | **139,959** | **137,959** |

There were no direct costs in respect of the acquisition.

# Novatti Pty Ltd
# and its controlled entities
ABN

## Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

.........................................................

Director

Dated this 21st September, 2015

William Buck

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVATTI PTY LTD AND CONTROLLED ENTITIES

**Report on the Financial Report**

We have audited the accompanying financial report on pages 6 to 25, being a special purpose financial report of Novatti Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view, and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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


CHARTERED ACCOUNTANTS & ADVISORS

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William Buck

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVATTI PTY LTD AND CONTROLLED ENTITIES (CONT)**

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

*Auditor's Opinion*
In our opinion the financial report of Novatti Pty Ltd on pages 6 to 25 is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

*Emphasis of Matter*
Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of $946,305, and generated net cash outflows of $505,098 during the year ended 30 June 2015. The consolidated entity also incurred a net loss of $944,173, and generated net cash outflows of $482,581 during the year ended 30 June 2015. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company and the consolidated entity's ability to continue as a going concern and therefore the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

*Basis of Accounting*
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

*Matters Relating to the Electronic Presentation of the Audited Financial Report*
This auditor's report relates to the financial report of Novatti Pty Ltd for the year ended 30 June 2015 included on Novatti Pty Ltd's web site. The company's directors are responsible for the integrity of the Novatti Pty Ltd's web site. We have not been engaged to report on the integrity of the Novatti Pty Ltd's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

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

**Jeffrey C. Luckins**
Director
Dated this 21st day of September, 2015