Novatti Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Novatti Group Limited
ACN:	606 556 183
Reporting period:	For the half-year ended 31 December 2015
Previous period:	Not Applicable

2. Results for announcement to the market

				$
Revenues from ordinary activities	-	-	to	3,012,122
Loss from ordinary activities after tax attributable to the owners of Novatti Group Limited	-	-	to	(1,425,416)
Loss for the half-year attributable to the owners of Novatti Group Limited	-	-	to	(1,425,416)

Dividends

In respect of the 31 December 2015 year, there have been no dividends paid nor provided for.

Comments

Novatti Group Limited was incorporated on June 6 2015. On September 28 2015 Novatti Group Limited entered into a Share Purchase Agreement with the equity holders of Novatti Pty Ltd to acquire, via a share for share scrip rollover, all the shares in Novatti Pty Ltd. Therefore this Appendix 4D is the first financial report for Novatti Group Limited and as such there are no comparative results.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,425,416.

Subsequent event

Novatti Group Limited successfully listed on the Australian Stock Exchange on January 18, 2016. The listing was successful in issuing 35,000,000 shares at $0.20 and raised $7,000,000.00. As the shares to the offer were allotted January 12, 2016, the Trade and other receivables and Trade and other payables within the Statement of financial position reflect cash receivable of $7,000,000.00.

This is the Group's first ASX report subsequent to listing on 18 January 2016. The Group remains committed to carrying out its strategy, as detailed in its December 2015 Prospectus.

The financial position of the consolidated entity is very strong with excellent liquidity and no debt.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.99	-

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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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%	-	(8,361)	-
ATX Malaysia	50.00%	-	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			(8,361)	-
Income tax on operating activities			-	-

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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.

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8. Attachments

Details of attachments (if any):

The Interim Report of Novatti Group Limited for the half-year ended 31 December 2015 is attached.

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9. Signed

Signed ___________________________________ Date: 17 February 2016

Peter Pawlowitch
Chairman
Melbourne

Novatti Group Limited

ACN 606 556 183

Interim Report – 31 December 2015

Novatti Group Limited
Directors' report
For the half-year ended 31 December 2015

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 2015.

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 (appointed 12 October 2015)	Managing Director and Chief Executive Officer
Brandon Munro (appointed 12 October 2015)	Non Executive Director
Peter Pawlowitsch (appointed 19 June 2015)	Non Executive Chairman

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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

Novatti Group Limited was incorporated on June 6 2015. On September 28 2015 Novatti Group Limited entered into a Share Purchase Agreement with the equity holders of Novatti Pty Ltd to acquire, via a share for share scrip rollover, all the shares in Novatti Pty Ltd. This Appendix 4D is the first financial report for Novatti Group Limited and as such there are no comparative results.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,425,416.

The Group has no debt.

Significant changes in the state of affairs

Novatti Group Limited listed on the ASX on January 18, 2016 and this is the Group’s first financial report to shareholders, as an ASX listed entity.

Novatti Group Limited raised $7,000,000.00 by issuing 35,000,000 shares at $0.20. As the shares to the offer were allotted January 12, 2016, the Trade and other receivables and Trade and other payables within the Statement of financial position reflect cash receivable of $7,000,000.00.

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

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.

Novatti Group Limited
Directors' report
For the half-year 31 December 2015

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

Peter Pawlowitsch
Chairman

17 February 2016
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 year ended 31 December 2015 there have been:

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

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

William Buck

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

J. C. Luckins
Director

Dated this 17th day of February 2016

CHARTERED ACCOUNTANTS & ADVISORS

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Contents

General information

The financial statements cover Novatti Group Limited as a consolidated entity consisting of Novatti Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the 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	Principal place of business
Level 1, 6 Thelma Street West Perth WA 6005	Level 1, Legacy House 293 Swanson 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 17 February 2016.

Novatti Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $
Revenue	3	2,074,196
Other income	3	937,926
		3,012,122
Expenses		
Cost of sales		(1,345,987)
Employee benefits		(2,551,287)
Depreciation and amortisation		(6,465)
Occupancy		(49,993)
Finance charges		(23,385)
Foreign currency translation (losses)/gains		44,692
Travel expenses		(137,541)
Marketing expenses		(64,180)
Data Management Expenses		(19,066)
Joint venture result	4	(8,361)
Other expenses		(179,655)
Loss before income tax expense		(1,329,106)
Income tax expense		(96,310)
Loss after income tax expense for the half-year		(1,425,416)
Other comprehensive income		
Total comprehensive income for the half-year		(1,425,416)
Loss for the half-year is attributable to:		
Non-controlling interest		-
Owners of Novatti Group Limited		(1,425,416)
		(1,425,416)
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest		-
Owners of Novatti Group Limited		(1,425,416)
		(1,425,416)
		Cents
Basic loss per share		(5.62)
Diluted loss per share		(4.91)
Loss per share		(2.70)

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

Novatti Group Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $
Assets		
Current assets		
Cash and cash equivalents		212,243
Trade and other receivables	5	8,620,727
Financial assets		31,376
Other		705,969
Total current assets		9,570,315
Non-current assets		
Investments accounted for using the equity method	4 a	42,619
Property, plant and equipment	6	20,440
Other		137,171
Total non-current assets		200,230
Total assets		9,770,545
Liabilities		
Current liabilities		
Trade and other payables	5	9,025,725
Employee benefits		210,068
Total current liabilities		9,235,793
Non-current liabilities		
Employee benefits		10,786
Total non-current liabilities		10,786
Total liabilities		9,246,579
Net assets		523,966
Equity		
Issued capital	7	5,319,659
Reserves	7	53,159
Retained profits		(4,848,852)
Total equity		523,966

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

Novatti Group Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2015	-	-	-	-
Acquisition of Novatti Pty Ltd by Novatti Group Limited on September 28 2015.	3,458,122	-	(3,423,436)	34,686
Loss after income tax expense for the half-year	-	-	(1,425,416)	(1,425,416)
Total comprehensive income for the half-year	3,458,122	-	(4,848,852)	(1,390,730)
Transactions with owners in their capacity as owners:				
Shares issued during the period	1,861,537	-	-	1,861,537
Options issued	-	53,159	-	53,159
Balance at 31 December 2015	5,319,659	53,159	(4,848,852)	523,966

Novatti Group Limited was incorporated on June 6 2015. On September 28 2015 Novatti Group Limited entered into a Share Purchase Agreement with the equity holders of Novatti Pty Ltd to acquire, via a share for share scrip rollover, all the shares in Novatti Pty Ltd. Therefore this Appendix 4D is the first financial report for Novatti Group Limited and as such there are no comparative results.

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

Novatti Group Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $
Cash flows from operating activities		
Receipts from customers		2,520,458
Payments to suppliers and employees		(3,259,186)
Interest received		1,247
Interest paid		(23,385)
Net cash used in operating activities		(760,866)
Cash flows from investing activities		
Joint Venture High Impact Corp. - Loan		(21,235)
Joint Venture Novatti (Malaysia) Sdn Bhd - Investment		(16,457)
Payments for property, plant and equipment		(17,612)
Net cash used in investing activities		(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 increase/(decrease) in cash and cash equivalents		(142,658)
Cash and cash equivalents at the beginning of the financial half-year		310,209
Effects of exchange rate changes on cash and cash equivalents		44,692
Cash and cash equivalents at the end of the financial half-year		212,243

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Novatti Group Limited has prepared these financial statements using Australian Accounting Standards and their related pronouncements. These financial statements are for the first financial period reported in accordance with Australian Accounting Standards.

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 reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of Preparation

The condensed 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. All amounts are presented in Australian dollars, unless otherwise noted.

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

For the six months ended 31 December 2015, Novatti Group Limited generated a Net Loss After Tax (NLAT) of $1,425,416. Net cash outflow from operating activities was $760,866. As at 31 December 2015 Novatti has a net asset position of $523,966.

The Group successfully listed on the Australian Stock Exchange on January 18 2016. It received the funds from its listing, $7,000,000, on 12 January 2016. The Group is debt free and as at the date of the report, having considered the above factors, the Directors believe that the consolidated entity continues to be a going concern.

Principals of Consolidation

These are the financial statements of Novatti Group Limited (the company) and its controlled entities (the Group) as at 31 December 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.

Note 1. Significant accounting policies (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 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.

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.

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

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

Note 1. Significant accounting policies (continued)

(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 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.

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

Note 1. Significant accounting policies (continued)

(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

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.

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.

Note 1. Significant accounting policies (continued)

(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.

(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.

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 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.

Note 1. Significant accounting policies (continued)

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.

(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 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 corporate 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.

(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

Note 1. Significant accounting policies (continued)

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.

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.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating business segments: Novatti, Flexewallet and TransferBridge. 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. There is no aggregation of operating segments.

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.
Flexewallet	offers a cost-effective option to consumers for low value international transfers for purposeful remittances.
TransferBridge	provides a comprehensive global network that interconnects emerging payment platforms, remittance operators, financial institutions, retailers, utilities and all types of telecommunication operators.

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

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Novatti Group Limited
Notes to the financial statements
31 December 2015

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2015	Novatti $	Flexewallet $	TransferBridge $	Novatti Group Limited $	Intersegment eliminations /unallocated $	Total $
Revenue						
Sales to external customers	1,974,951	95,862	3,383	-	-	2,074,196
Intersegment sales	-	-	-	-	-	-
Total sales revenue	1,974,951	95,862	3,383	-	-	2,074,196
Other revenue	937,926	-	-	-	-	937,926
Total revenue	2,912,876	95,862	3,383	-	-	3,012,122
EBITDA	(1,004,829)	(214,324)	(28,192)	(53,159)	-	(1,300,504)
Depreciation and amortisation						(6,464)
Interest revenue						1,247
Finance costs						(23,385)
Profit before income tax expense						(1,329,106)
Income tax expense						(96,310)
Profit after income tax expense						(1,425,416)
Segment Assets	1,810,717	95,020	12,355	7,699,527	-	9,617,619
Segment Liabilities	1,718,574	88,568	(2,023)	7,288,534	-	9,093,653
Employee Benefits	2,368,066	124,136	5,926	53,159	-	2,551,287
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 2015 $
Sales revenue	
Licence Income	1,616,862
Maintenance and support	457,334
	2,074,196
Other income	
Interest	1,247
Research and development	936,679
	937,926
Revenue	3,012,122

Note 4. Share of profits of associates accounted for using the equity method

	Consolidated 31 Dec 2015 $
Share of profit/(loss) – High Impact	(8,361)
Share of profit/(loss) – ATX Malaysia	-
	(8,361)

Note 4 a. Investments accounted for using the equity method

	Consolidated 31 Dec 2015 $
High Impact	26,693
ATX Malaysia	15,926
	42,619

Note 5. Trade and other receivables and Trade and other payables

Novatti Group Limited raised $7,000,000.00 by issuing 35,000,000 shares at $0.20. As the shares to the offer were allotted January 12, 2016, the Trade and other receivables and Trade and other payables within the Statement of financial position reflect cash receivable of $7,000,000.00.

Note 6. Non-current assets – Property plant and equipment

	Plant and equipment at cost $	Fixtures and Fittings at cost $	Leasehold Fixtures and Fittings at cost $	Total $
Gross carrying amount				
Balance 1 July 2015	**-**	**-**	**-**	**-**
Acquisition of Novatti Pty Ltd assets by Novatti Group Limited on September 28 2015	**395,469**	**18,133**	**2,330**	**415,932**
Additions	15,000	1,811	801	17,612
Disposals	-	-	-	-
Balance 31 December 2015	**410,469**	**19,944**	**3,131**	**433,544**
Accumulated depreciation and impairment				
Balance 1 July 2015	**(386,176)**	**(18,133)**	**(2,330)**	**(406,639)**
Depreciation expense	(6,369)	(30)	(66)	(6,465)
Balance 31 December 2015	**(392,545)**	**(18,163)**	**(2,396)**	**(413,104)**
Net book value				
As at 1 July 2015	9,293	-	-	9,293
Balance 31 December 2015	**17,924**	**1,781**	**735**	**20,440**

Note 7. Issued capital and contributed equity

	31 Dec 2015 $
Issued and paid-up capital	
52,883,826 Fully paid ordinary shares	5,319,659
Closing Balance	**5,319,659**

Note 7.1 Ordinary Shares **Ordinary shares**	**No.**	**31 Dec 2015 $**
Opening Balance	-	-
Incorporation of Novatti Group Limited on 19 June 2015.	1,250,000	125
Novatti Group Limited acquired all the shares in Novatti Pty Ltd on a script for script basis on 28 September 2015.	40,000,000	3,458,122
Loans provided by Novatti Group Limited directors, Peter Cook, Brandon Munro and Peter Pawlowitsch to Novatti Pty Ltd converted into shares within Novatti Group Limited at $0.16 per share on 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 Limited at $0.16 per share on 31 October 2015.	3,555,206	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 on 31 October 2015.	2,391,120	382,579
Issue of shares at $0.16 per share as Pre IPO capital received by Novatti Group Limited on 23 November 2015.	2,562,500	410,000
Closing Balance	**52,883,826**	**5,319,659**

Novatti Group Limited was incorporated on 19 June 2015 and it became a public company limited by shares on 13 November 2015.

Shareholders in Novatti Pty Ltd were offered shares in Novatti Group Limited as a scrip for scrip rollover on 28 September 2015.

On January 18, 2016, the Company listed on the Australian Stock Exchange by the issuance of 35,000,000 shares a $0.20 each from an Initial Public Offering (IPO). Shares were allotted on January 12 2016.

Note 7.2
Options

Grant Date	Vesting Date	Expiry Date	Exercise price	Bal at start	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
27 Nov 15	12 Nov 15	30 Jun 19	$0.20	-	13,750,000	-	-	13,750,000	13,750,000
27 Nov 15	1 Jul 16	30 Jun 19	$0.20	-	1,150,000	-	-	1,150,000	-
27 Nov 15	1 Jul 17	30 Jun 19	$0.20	-	1,150,000	-	-	1,150,000	-
27 Nov 15	1 Jul 18	30 Jun 19	$0.20	-	1,150,000	-	-	1,150,000	-
Total					**17,200,000**	**-**	**-**	**17,200,000**	**13,750,000**
Weighted Average Exercise Price					**$0.20**			**$0.20**	**$0.20**

Entitlement

The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder. If the Options are subject to vesting, where the relevant person is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder.

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 7.3 Performance Shares

The following is a summary of the terms and conditions of the Performance Shares.

(a) **Performance Shares**

Each Performance Share is a share in the capital of the Company.

(b) **Conversion into Ordinary Shares**

Each Performance Share is convertible into one Ordinary Share, upon the following milestones being achieved:

Milestone	No. Performance Shares converted
Milestone 1 Upon the Company achieving $3.5 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (**2015/16**), specifically excluding invoiced revenues arising directly or indirectly from (1) Transferbridge Pty Ltd ACN 168 010 802, (2) Flexewallet Pty Ltd ACN 164 657 032 and (3) the contract (if any) that triggers the achievement of Milestone 4.	5,000,000
Milestone 2 Upon the Company achieving $4 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (**2015/16**), specifically excluding invoiced revenues arising directly or indirectly from (1) Transferbridge Pty Ltd ACN 168 010 802, (2) Flexewallet Pty Ltd ACN 164 657 032.	5,000,000
Milestone 3 Upon the Company achieving $5 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (**2015/16**), specifically excluding invoiced revenues arising directly or indirectly from (1) Transferbridge Pty Ltd ACN 168 010 802, (2) Flexewallet Pty Ltd ACN 164 657 032.	5,000,000
Milestone 4 Subject to Milestone 4 not being achieved, upon the Company achieving $7 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (**2015/16**), specifically excluding invoiced revenues arising directly or indirectly from (1) Transferbridge Pty Ltd ACN 168 010 802 and (2) Flexewallet Pty Ltd ACN 164 657 032 but including net transaction fees arising from those companies.	5,000,000

The Performance Shares shall not convert to Ordinary Shares until such time as the milestones referred to above have been satisfied. If the milestones are not achieved, or not achieved within the expiry dates, the Performance Shares for a particular tranche will be redeemed by the Company for a total nominal sum of $1.00.

Note 8. Contingent liabilities

No provision has been provided within these accounts.

Note 9. Related Parties

Parent and ultimate controlling party

Novatti Group Ltd was incorporated on June 19 2015 to acquire all the shares in Novatti Pty Ltd. The Shares in Novatti Pty Ltd were acquired on a scrip for scrip basis.

Transactions with key management personnel

Loans from Directors:

Novatti Pty Ltd entered into $500,000 of convertible loans with Peter Cook, Brandon Munro and Peter Pawlowitsch. The convertible loans were convertible into ordinary shares in Novatti Group Limited with a face value conversion at $0.16 per share. Interest chargeable by the Directors for the provision of the loans was charged at 6% calculated daily with the principle loan value convertible into shares. On 31 October 2015, the total $500,000 convertible loans on issue were converted into 3,125,000 ordinary shares.

Current and non-current liabilities to a Director:

$250,000 in non-current liabilities and $132,579 in trade payables within Novatti Pty Ltd to Coomar Pty Ltd, outstanding as at 30 June 2015, was assigned to Corangamite Pty Ltd in accordance with a Deed of Assignment of Debt dated 31 October 2015 between the two parties. This debt was subsequently settled through the issue of 2,391,120 ordinary shares at $0.16 each to Coomar Pty Ltd. Coomar Pty Ltd and Corangamite Pty Ltd are associated with Peter Cook.

Director Related Services:

Gyoen Pty Ltd, an entity associated with Peter Pawlowitsch, provided services to Novatti Group Limited in respect of project managing the Group’s Initial Public Offering. The fee for this service was $38,500 GST inclusive.

Caprodite Transaction Execution Pty Ltd, an entity associated with Brandon Munro, provided services to Novatti Group Limited in respect of project managing the Group’s Initial Public Offering. The fee for this service was $17,600 GST inclusive.

Note 10. Key Management Personnel Compensation

Peter Cook
Managing Director and Chief Executive Officer

The remuneration comprises:

(A) a base salary of $273,750 per annum (including statutory superannuation);

(B) 5 million Options each exercisable at $0.20 on or before 30 June 2019, on the same terms and conditions as Options issued to the other Directors which have already been granted; and

(C) a performance bonus of up to $219,000 (including statutory superannuation), payable in the discretion of the Board taking into account the extent to which the executive achieves specified targets to be agreed by the parties in good faith from time to time, which for the 2015/16 financial year include the following financial targets:

(1) Novatti achieving sales revenue (not including revenue arising directly or indirectly from either TransferBridge or Flexewallet) of $5,000,000 for the financial year ending 30 June 2016;

(2) the Flexepin business achieving contracted distribution in five countries (inclusive of Australia and Canada) by 30 June 2016; and

(3) The TransferBridge and Flexepin business units achieving combined transaction turnover for the financial year ending 30 June 2016 of $25 million (where the transaction turnover must earn a net transaction fee of at least 0.5% to qualify).

Alan Munday
Group Chief Operating Officer

The remuneration comprises:

(A) a base salary of $220,000 per annum (including statutory superannuation);

(B) 750,000 Options, each exercisable at $0.20 on or before 30 June 2019, vesting over three equal tranches on 1 July in 2016, 2017 and 2018, if the employment has not terminated by the relevant date, on the same terms and conditions as Options issued to the Directors; and

(C) a discretionary performance bonus of up to $80,000 (including statutory superannuation) payable upon achieving certain specified targets to be agreed by the parties in good faith from time to time, which for the 2015/16 financial year include the following targets:

(1) Novatti achieving sales revenue (not including revenue arising directly or indirectly from either TransferBridge or Flexewallet) of $5,000,000 for the financial year ending 30 June 2016;

(2) the Flexepin business establishing business operations frameworks and procedures, and establishing an operational ecosystem in Australia and Canada by 30 June 2016; and

(3) Novatti (Malaysia) implementing the operational platform in support of at least three projects of the joint venture partner, ATX (Malaysia) Sdn Bhd, by 30 June 2016,

and otherwise generally on the recommendation of the Managing Director.

Note 10. Key Management Personnel Compensation (continued)

Steven Stamboultgis
Chief Financial Officer

The remuneration comprises:

(A) a base salary of $180,000 per annum (including statutory superannuation); and
(B) 600,000 Options, each exercisable at $0.20 on or before 30 June 2019, vesting over three equal tranches on 1 July in 2016, 2017 and 2018, if the employment has not terminated by the relevant date, on the same terms and conditions as Options issued to the Directors.

Note 11. Commitments	**31 December 2015**
Lease commitments-operating	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	90,911
One to five years	95,456
More than five years	-
Total minimum payments	**186,367**

Note 12. Events after the reporting period

Novatti Group Limited successfully listed on the ASX in 18 January 2016. It raised 35,000,000 shares via an IPO at $0.20 per share with the shares allotted on January 12 2016.

There no other matters or circumstances that have arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. AASB 1: First Time Adoption of Australian Accounting Standards

Novatti Group Limited has prepared these financial statements using Australian Accounting Standards and their related pronouncements. As these financial statements are for the first financial period reported in accordance with Australian Accounting Standards, it is necessary to explain how the transition to Australian Accounting Standards affected the previously reported financial position and financial performance since 1 July 2015.

In accordance with the Accounting Standard AASB 1: First-Time Adoption of Australian Accounting Standards, the:

A. Reconciliation of balances previously reported to its balances under Australian Accounting Standards (AASB) (i) Reconciliation of Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June2015. There were no effects to the Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2015.
B. Reconciliation of Statement of Financial Position at the Date of Transition to AASB: 1 July 2015 There were no effects to the Statement of Financial Position at the date of transition to AASB on 1 July 2015.
C. Reconciliation of Statement of Cash Flows for the year ended 30 June 2015 There were no effects to the Statement of Cash Flows for the year ended 30 June 2015.

Note 14. Business Combinations

Novatti Group Limited was incorporated on June 6 2015. On September 28 2015 Novatti Group Limited entered into a Share Purchase Agreement with the equity holders of Novatti Pty Ltd to acquire, via a share for share scrip rollover, all the shares in Novatti Pty Ltd.

Details of the business combination are as follows:

	$'000s
Fair Value of consideration transferred	**3,458**
Recognised amounts of identifiable assets	
Cash and cash equivalents	373
Receivables	947
Other assets	10
Total current assets	**1,330**
Investment	46
Property plant & equipment	19
Other non current assets	186
Total non current assets	**251**
Payables	(1,680)
Loans	(872)
Employee benefits	(203)
Total current liabilities	(2,755)
Employee benefits	(9)
Total non current liabilities	**(9)**
Consideration paid in cash	-

Note 15. 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.

Novatti Group Limited
Directors' declaration
For the half year ended 31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 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

P. Pawlowitsch

Peter Pawlowitsch
Chairman

17 February 2016
Melbourne

William Buck

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novatti Group Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 1 to 27, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 consolidated entity's financial position as at 31 December 2015 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 AND CONTROLLED ENTITIES (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 on pages 1 to 27 is not in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Novatti Group Limited for the half year ended 31 December 2015 included on Novatti Group Limited's web site. The company's directors are responsible for the integrity of the Novatti Group Limited's web site. We have not been engaged to report on the integrity of the Novatti Group Limited's web site. The auditor's review report refers only to the half year 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 reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

William Buck

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

J. C. Luckins
Director

Dated this 17th day of February 2016