APPENDIX 4D

Earlypay Limited (Formally CML Group Limited)

ABN: 88 098 952 277

Interim Report
For the Half Year ended 31 December 2020

Current Reporting Period
Six months to 31 December 2020

Previous Corresponding Period
Six months to 31 December 2019

Appendix 4D

Half Year Report

Half Year ended 31 December 2020
(Previous corresponding period half year ended 31 December 2019)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

$A'000s

Revenue from ordinary activities	**Down**	**13%**	**to**	**$21,782**
Profit from ordinary activities after tax attributable to members	**Up**	**128%**	**to**	**$2,783**
Profit after tax attributable to members	**Up**	**128%**	**to**	**$2,783**
Adjusted profit after tax attributable to members	**Down**	**23%**	**to**	**$3,533**

DIVIDENDS

	Consolidated Group	
	31 Dec 2020 $ 000's	**31 Dec 2019 $ 000's**
Dividends paid or provided for during the period:		
Final 2020 fully-franked ordinary dividend of 1.75 cents (2019: 1.40 cents) per share franked at the tax rate of 30% (2019: 30%)	3,846	2,819

Dividends (distributions)	Amount per security	Franked amount per security	Record date	Payment date
Final dividend 30 June 2020 (previous year)	1.75 cents	100%	16 September 2020	7 October 2020
Interim dividend 31 December 2020	1.00 cents	100%	18 March 2021	8 April 2021

Net profit after tax includes $750,000 of non-cash item relating to amortisation of customer relationship from purchase of Classic Funding Group. On an adjusted basis, Earlypay's Net profit after tax for the period is $3,533,000, down 23% on the corresponding period last year (1H'20: $4,597,000).

DIRECTORS' REPORT

The directors of Earlypay Limited ("Earlypay" or "the Company") submit herewith the financial report of the consolidated entity for the half year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the company during or since the end of the half year are:
Greg Riley – Non-Executive Chairman
Daniel Riley – Managing Director
Sue Healy – Non-Executive Director
Geoff Sam OAM – Non-Executive Director
Ilkka Tales – Non-Executive Director
Stephen White – Non-Executive Director (Appointed: 19 November 2020)

Steve Shin - Company Secretary

Principal activities

The consolidated entity's principal activities during the half year were that of financial services.

During the period, Earlypay acquired 100% of the ordinary shares in The Invoice Exchange ("Skippr") for the initial payment of $2,250,000 via a mix of cash and ordinary shares issued, with earn-out structure over next 2.5 years to a maximum transaction price of $6,500,000 if all earn-out hurdles are achieved.

Review of operations

Earlypay is pleased to report a strong Half Year 2021 result, with key highlights as follows;

- Increase in new client volumes (up 19% between Q1 & Q2) contributed to a record month in December with Total Transaction Volume ("TTV") of $171m.
- EBITDA of $9,829,000 down slightly on 1H'20 of $10,180,000.
- NPAT of $2,783,000 versus $1,223,000 in previous corresponding period ("pcp").
- NPATA of $3,533,000 after adjusting for non-cash amortisation versus $4,597,000 in pcp.
- EPS* (based on NPATA) of 1.6 cps (1H'20 0.6 cps),
- Interim dividend of 1.0 cps (1H'20 n/a)
- $41,000,000 of expensive funding retired/replaced reducing interest costs by ~$1,500,000 p/a, with full benefit expected to be realised in 2H'21.

Financial performance
The Company delivered a creditable financial performance in 1H'21 given the external factors related to the pandemic affecting the SME market, with indicators clearly pointing to a recovery across most metrics heading into the second half. The resilience of Earlypay's business model was again highlighted with the business having no material defaults or losses throughout the peak of the COVID downturn.

Invoice Finance
2Q'21 saw a recovery in Invoice Finance volumes and revenue from COVID-lows, with a 19% increase in TTV compared to Q1. Growth momentum has continued into 2H'21 and is expected to build through the period as government stimulus measures wind back and impact on working capital for SME's.

Equipment Finance
Demand for Equipment Finance has been steady with the equipment loan book standing at $91,851,000 as at 31 December 2020. Equipment Finance revenue is up 85% on pcp, which was largely driven by the acquisition of Classic Funding in 2H'20.

Balance Sheet
The retirement / roll off from expensive legacy funding arrangements, including $16,000,000 of mezzanine funding in its warehouse facilities and a $25,000,000 bond took place in Q2'21. It is anticipated this will see annual interest costs reduced by $1,500,000 in 2H'21.

As at 31 December 2020, there was a surplus in net current assets to net current liability of $56,347,000 (30 June 2020: $60,573,000).

Refer to note 9 in the financial statements for more details of the consolidated entities borrowings.

Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations Instrument 2016/191. Accordingly, certain amounts in the financial statements and directors' report have been rounded where appropriate to the nearest $1,000 unless otherwise specified.

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year is provided with this report.

This report is signed in accordance with a resolution of the Board of Directors.

Daniel Riley
Managing Director
25th February 2021

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Auditor's Independence Declaration
To the Directors of Earlypay Limited
ABN 88 098 952 277

In relation to the independent auditor's review of Earlypay Limited and its Controlled Entities for the half year ended 31 December 2020, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Earlypay Limited and the entities it controlled during the period.

John Gavljak
Partner

Pitcher Partners
Sydney

25 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Group 31 Dec 2020 $ 000's	 31 Dec 2019 *Restated $ 000's
Revenue	3	21,782	24,895
Expenditure			
Allowance for expected credit losses		1	(193)
Commission		(903)	(944)
Depreciation and amortisation*	4	(1,101)	(1,025)
Employee - direct employees		(6,690)	(6,408)
Employee - on-hire staff		(178)	(3,156)
Finance costs		(4,512)	(4,249)
Insurance		(935)	(1,028)
Legal		(542)	(1,066)
Marketing		(114)	(267)
IT		(610)	(459)
Impairment of goodwill – Zenith Management Services Pty Ltd		-	(2,416)
Trust expenses - Warehouse		(864)	(184)
Other		(1,085)	(1,284)
Total expenditure		(17,533)	(22,679)
Profit before Income Tax		4,249	2,216
Income tax expense		(1,466)	(993)
Profit for the half year		2,783	1,223
Profit attributable to members of the parent entity		2,783	1,223
Other comprehensive income		-	-
Total comprehensive income for the period		2,783	1,223
Earnings per Share:			
Basic earnings per share (cents)		1.25	0.60
Diluted earnings per share (cents)		1.20	0.57

* Refer to Note 8 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Group	
		31 Dec 2020	30 June 2020
			*Restated
		$000's	$000's
CURRENT ASSETS			
Cash and cash equivalents	5	22,675	38,197
Trade receivables – debtor finance	6	199,194	167,665
Trade and other receivables	6	1,147	1,136
Finance lease receivables	7	10,473	10,457
Other current assets		2,055	2,834
TOTAL CURRENT ASSETS		235,544	220,289
NON-CURRENT ASSETS			
Finance lease receivable	7	78,529	84,611
Plant and equipment		310	418
Right of use asset		663	1,100
Deferred tax assets		2,876	3,034
Intangible assets*	8	31,381	25,531
TOTAL NON-CURRENT ASSETS		113,759	114,694
TOTAL ASSETS		349,303	334,983
CURRENT LIABILITIES			
Trade payables – debtor finance	6	98,398	88,745
Trade payables		8,186	6,487
Other current liabilities		559	331
Current lease liability		540	548
Current tax liabilities		1,356	890
Borrowings	9	69,169	62,066
Provisions - employees		989	649
TOTAL CURRENT LIABILITIES		179,197	159,716
NON-CURRENT LIABILITIES			
Borrowings	9	113,809	121,858
Non-current lease liability		303	785
Provisions - employees		233	234
TOTAL NON-CURRENT LIABILITIES		114,345	122,877
TOTAL LIABILITIES		293,542	282,593
NET ASSETS		55,761	52,390
EQUITY			
Issued capital	10	52,161	47,727
Retained profits		3,159	4,222
General reserve		441	441
TOTAL EQUITY		55,761	52,390

* Refer to Note 8 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		Share Capital	Reserves	Accumulated Profit	Total Equity
		$ 000's	$ 000's	$ 000's	$ 000's
Balance at 1 July 2019		39,954	441	4,369	44,764
Total comprehensive income		-	-	1,223	1,223
Transactions with owners in their capacity as owners: -					
Dividend paid or provided for the period	15	-	-	(2,819)	(2,819)
Issue of Ordinary Shares	10	7,773	-	-	7,773
Restated Balance at 31 December 2019*		47,727	441	2,773	50,941
Restated Balance at 1 July 2020*		**47,727**	**441**	**4,222**	**52,390**
Total comprehensive income		-	-	2,783	2,783
Transactions with owners in their capacity as owners: -					
Dividend paid or provided for the period	15	-	-	(3,846)	(3,846)
Issue of Ordinary Shares	10	4,434	-	-	4,434
Balance at 31 December 2020		52,161	441	3,159	55,761

* Refer to Note 8 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		Consolidated Group	
	Note	31 Dec 2020 $ 000's	31 Dec 2019 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		24,162	27,069
Payments to suppliers and employees		(16,268)	(20,015)
Interest received		33	261
Finance costs		(4,551)	(5,159)
Income tax paid		(842)	(1,042)
Net cash provided by operating activities		**2,534**	**1,114**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(15)	(11)
Payments for IT development		(110)	(80)
(Payments to) / Proceeds from client receivables		(20,750)	1,253
Proceeds from equipment lease receivables		6,170	2,336
Payment for subsidiary, net of cash acquired	12	(1,536)	(11,000)
Net cash used in investing activities		**(16,241)**	**(7,502)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		-	17,058
Repayment of borrowings		(2,131)	(8,614)
Repayment of lease liability		(272)	(240)
Proceeds from issue of shares		4,434	7,772
Dividends paid		(3,846)	(2,819)
Net cash (used in)/ provided by financing activities		**(1,815)**	**13,157**
Net (decrease)/ increase in cash held		(15,522)	6,769
Cash at the beginning of the half year		38,197	24,413
Cash at the end of the half year	5	**22,675**	**31,182**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

With effect from 21 November 2020, the name of the Group was changed from CML Group Limited to Earlypay Limited.

Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. This interim financial report is intended to provide users with an update on the latest annual financial statements of Earlypay Limited and its controlled entities (referred to as “the consolidated group” or “the Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half year. Earlypay Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 25th February 2021.

Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s 2020 annual financial report for the financial year ended 30 June 2020.

Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2020 annual report.

Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations Instrument 2016/191. Accordingly, certain amounts in the financial statements have been rounded off where appropriate to the nearest $1,000, unless otherwise specified.

2. OPERATING SEGMENTS

Identification of reportable segments

The Group is managed primarily based on product category and service offerings as the diversification of the Group’s operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following: -

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or services;
- any external regulatory requirements.

Types of products and services by segment

(i) Finance
Refers to ‘factoring’ or ‘invoice finance’ which provides an advance payment of up to 80% of a client’s invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.

(ii) Equipment Finance
Refers to equipment finance for both new and old equipment. This includes sale-back of owned or partially owned equipment, private sales and mid-term refinancing.

(iii) Other Services
Refers to employment solutions including labour sourcing and project management.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions
There are no material inter-segment transactions.

(c) Segment assets / liabilities
The nature of the business is such that assets and liabilities are used across all segments and cannot be identified as relating to a specific segment. Therefore, assets and liabilities are not allocated, and segment details of assets and liabilities are not provided to the chief operating decision marker.

(d) Unallocated items
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense
- Deferred tax assets and liabilities
- Intangible assets
- Interest costs and interest income
- Depreciation and amortisation

Segment performance

(e) Segment information

	Invoice Finance	**Equipment Finance**	**Other services**	**Unallocated/ Corporate**	**Total**
Six months ended 31 December 2020	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
Invoice Purchased	*886,893*	-	-	-	*886,893*
Segment revenue	14,210	7,214	205	153	21,782
Adjusted Profit/(Loss) before income tax from continuing operations	6,512	4,156	(21)	(818)	9,829

	Finance	**Equipment Finance**	**Other services**	**Unallocated/ Corporate**	**Total**
Six months ended 31 December 2019	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
Invoice Purchased	*910,314*	-	-	-	*910,314*
Segment revenue	17,144	3,889	3,730	132	24,895
Adjusted Profit/(Loss) before income tax from continuing operations	8,634	1,968	479	(901)	10,180

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

(e) Segment information - continued

The Board assesses the performance of the operating segments based on a measure of adjusted profit before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains / (losses) on financial instruments. Interest income and expenditure are also not allocated to segments. A reconciliation of adjusted profit before income tax to profit before income tax is provided as follows: -

	31 Dec 2020	31 Dec 2019
		*Restated
	$000's	$000's
Adjusted profit before income tax from continuing operations	9,829	10,180
Depreciation and amortisation	(351)	(362)
Amortisation – customer relationships	(750)	(663)
Impairment of goodwill	-	(2,416)
Interest costs	(4,512)	(4,249)
Interest income	33	133
Merger and acquisition related costs – CFG and COG	-	(407)
Profit before income tax from continuing operations	4,249	2,216

3. REVENUE

	31 Dec 2020	31 Dec 2019
	$000's	$000's
Revenue from continuing operations		
Services		
Invoice Finance	13,158	17,014
Equipment Finance	7,087	4,019
Other services provided to customers	195	3,729
Other revenue		
Government incentive - Jobkeeper	1,309	-
Interest received	33	133
Total revenue	21,782	24,895

NOTES TO THE FINANCIAL STATEMENTS

4. DEPRECIATION AND AMORTISATION

	31 Dec 2020	31 Dec 2019 *Restated
	$000's	$000's
Depreciation and amortisation expense	(131)	(128)
Amortisation – leases	(220)	(234)
Amortisation - customer relationships	(750)	(663)
Total	(1,101)	(1,025)

5. CASH AND CASH EQUIVALENTS

	31 Dec 2020	30 June 2020
	$ 000's	$ 000's
Cash at bank and on hand	22,675	38,197
Total	22,675	38,197

6. TRADE RECEIVABLES

	31 Dec 2020	30 Jun 2020
	$ 000's	$ 000's
Trade receivables – debtor finance	204,549	172,953
Less: Allowance for expected credit losses	(5,355)	(5,288)
	199,194	167,665
Trade receivables	25	28
Other receivables	1,122	1,108
Total trade and other receivables	1,147	1,136
Client Receivables		
Trade receivables – debtor finance	204,549	172,953
Less: Trade payables – debtor finance	(98,398)	(88,745)
Client Receivables	106,151	84,208
Less: Allowance for expected credit losses	(5,355)	(5,288)
Net Client Receivables	100,796	78,920

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE LEASE RECEIVABLES

	31 Dec 2020	30 Jun 2020
	$000's	$000's
Current:		
Finance lease receivables	14,259	14,586
Allowance for expected credit losses	(349)	(343)
Unamortised loan brokerage fees	301	291
Unamortised loan transaction fees	(451)	(503)
Unamortised interest receivable	(3,287)	(3,574)
Total Current	10,473	10,457
Non-Current:		
Finance lease receivables	95,927	102,471
Allowance for expected credit losses	(2,500)	(2,611)
Unamortised loan brokerage fees	492	598
Unamortised loan transaction fees	(3,400)	(4,407)
Unamortised interest receivable	(11,990)	(11,440)
Total Non-Current	78,529	84,611
Total	89,002	95,068

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Note	31 Dec 2020	30 Jun 2020
			*Restated
		$000's	$000's
Goodwill:			
Opening net book balance		19,885	12,890
Acquired on business combination	12	6,507	13,911
Impairment of goodwill attributed to Zenith Management Services Pty Ltd		-	(2,416)
Adjustment to prior year acquisition during the measurement period*		(13)	(4,500)
Net book value		26,379	19,885
Trademarks:			
Opening net book balance		2,125	2,125
Acquired on business combination	12	3	-
Net book value		2,128	2,125
Customer relationships:			
Opening net book balance		3,500	550
Adjustment to prior year acquisition during the measurement period*		-	4,500
Amortisation		(750)	(1,550)
Net book value		2,750	3,500
Software development:			
Opening net book balance		21	2
Capitalised during the period		111	80
Amortisation		(8)	(61)
Net book value		124	21
Total		31,381	25,531

The comparative statement of profit or loss and other comprehensive income for the half year ended 31 December 2020 was adjusted for the amortisation of customer relationships for $1,750,000. This is as a result of the subsequent identification of the intangible assets following the finalisation of the purchase price allocation for the acquisition of Classic Funding Group.

* Identified from the Purchase Price Allocation exercise complete in December 2020 was a $4,500,000 prior period adjustment of goodwill, reclassified to customer relationship. All comparatives and statements have been restated as a result.

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS - continued

Intangible assets, other than goodwill and trademarks, have finite useful lives ranging from 18 months to 5 years. Amortisation is calculated according to the estimated remaining economic useful life of the asset.

Goodwill and trademarks have an indefinite life.

Goodwill, customer relationships and trademarks are comprised of:

- The acquisition of an independent contractors Agreement from Lex Brown with goodwill amounting to $175,000;
- The acquisition of Cash Flow Finance Australia Pty Ltd in Financial Year 2015 with goodwill amounting to $2,125,000;
- The acquisition of Cashflow Advantage Pty Ltd in Financial Year 2016 with goodwill amounting to $2,727,000 less $700,000 customer relationships identified from PPA exercise;
- The acquisition of 180 Group Pty Ltd in Financial Year 2016 with goodwill amounting to $6,334,000 less $1,700,000 customer relationships identified from PPA exercise;
- The acquisition of 1st Cash Pty Ltd in Financial Year 2018 amounted to goodwill of $5,288,000 less $1,650,000 customer relationships identified from PPA exercise;
- The acquisition of Classic Funding Group in Financial Year 2020 amounted to goodwill of $12,199,000 less $4,500,000 customer relationship identified from PPA exercise; and
- The acquisition of The Invoice Exchange Pty. Ltd in Financial Year 2021 amounted to goodwill of $6,507,000 (preliminary accounting).

(a) Impairment tests for goodwill and trademarks

The recoverable amount of goodwill and trademarks is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5 year period. The growth rate does not exceed the long-term average growth rate for the business in which the business operates.

The growth rate used is considered reasonable based on industry trends. The value in use calculations are based on budgeted results for the 2021 and actual results for the 2020 financial years.

Growth Rate		Discount Rate	
Dec 2020	June 2020	Dec 2020	June 2020
%	%	%	%
2.5	2.5	8.0	8.0

(b) Impairment Charge

Intangible assets with indefinite useful life have been tested for impairment at 31 December 2020 resulting in no impairment charge. No indicators of impairment were identified for finite life intangible assets.

(c) Impact of possible changes in key assumptions

If there was no budgeted growth rate, the Group would have recognised an impairment of goodwill.

The Group would not have to recognise an impairment of goodwill and trademarks even if the estimated cost of capital used in determining the discount rate for goodwill and trademarks had been at 20%.

NOTES TO THE FINANCIAL STATEMENTS

9. BORROWINGS

	31 Dec 2020	30 Jun 2020
	$000's	$000's
CURRENT		
Unsecured:		
Unsecured Loans – Insurance (a)	528	1,618
Total	528	1,618
Secured:		
Overdraft facility (e)	418	463
Receivables Financing Facility – Bank (b)	68,223	34,882
Senior Secured Corporate Bond (c)	-	25,103
Total	68,641	60,448
Total current	69,169	62,066
NON-CURRENT		
Unsecured:		
Unsecured Corporate Bond (d)	19,812	19,749
Total	19,812	19,749
Secured:		
Securitised warehouse facility (e)	80,079	85,482
Receivables Financing Facility – Non-Bank (f)	13,918	16,627
Total	93,997	102,109
Total non-current	113,809	121,858

(a) Unsecured Loans – Insurance
In June 2020, Earlypay entered into $1,800,000 insurance premium funding arrangement. The arrangement has fixed interest rate of 1.45% p.a. payable monthly in arrears to May 2021.

(b) Receivable Financing Facility - Bank
In December 2020, facility limit increased from $60,000,000 to $75,000,000. The average interest rate for the period was 2.8%. The facility is reviewed annually. The used portion of the facility amounted to $68,200,000 (2019: $69,800,000) and unused portion of $6,800,000 (2019: $70,200,000) at 31 December 2020.

(c) Senior Secured Corporate Bond
In May 2015, Earlypay raised $25,000,000 by issuing a Senior Secured Corporate Bond at a floating coupon rate of 5.4% per annum plus the 30-day Bank Bill Swap Rate, payable monthly in arrears to May 2020. From May 2020, the rate increased to 7.0% per annum plus the 30-day Bank Bill Swap Rate, payable monthly in arrears to May 2021. Senior Secured Corporate Bond was repaid early in full on 18th of December 2020.

(d) Unsecured Corporate Bond
In May 2018, Earlypay raised $20,000,000 by issuing an unsecured Corporate Bond. The Unsecured Corporate Bond has fixed interest rate of 7.95% p.a. payable quarterly in arrears. The Bond has a maturity date of 30 May 2022.

NOTES TO THE FINANCIAL STATEMENTS

9. BORROWINGS – continued

(e) Overdraft and Securitised Warehouse Facilities

In November 2019, Earlypay acquired overdraft and securitised warehouse facilities with an institutional bank and mezzanine funders through acquisition of Classic Funding Group. The overdraft facility has limit of $4,000,000 of which $400,000 was used as at 31 December 20. The warehouse facilities have a limit of $133,300,000 for equipment finance and $46,700,000 for receivable finance. Combined facilities have an average interest rate of 4.2%. The facilities are reviewed annually. The used portion of the facilities amounted to $72,800,000 (2019: $95,000,000) for equipment finance and $7,200,000 (2019: $19,000,000) for receivable finance as at 31 December 2020.

(f) Receivables Financing Facility – Non-Bank

In October 2019, Earlypay entered into $20,600,000 receivables financing facility with a non-bank entity at an average 7.6% interest rate and payable monthly in arrears.

10. CONTRIBUTED EQUITY

	31 Dec 2020	**30 Jun 2020**	**31 Dec 2020**	**30 Jun 2020**
	No.	No.	**$000's**	**$000's**
Balance at beginning of the period	217,572,057	201,378,988	47,727	39,954
Shares issued or under issue during the period				
Ordinary shares @ 34 cents from placement	2,192,341	-	750	-
Ordinary shares @ 32 cents from right issue	-	15,831,764	-	7,599
Share issue from dividend reinvestment plan	11,725,156	361,305	3,846	174
Capital raising costs	-	-	(162)	-
Total	231,489,554	217,572,057	52,161	47,727

11. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The Group has gained 100% control of following entities during the period:

- The Invoice Exchange Pty Ltd

12. BUSINESS COMBINATIONS

On 18 August 2020, Earlypay Limited acquired 100% of the ordinary shares of The Invoice Exchange Pty. Ltd. ("Skippr") for the total consideration of $6,500,000, which includes Goodwill, plus loan book funding of circa $2,921,000.

Skippr is an easy to use online platform providing invoice finance solutions to SME's. The platform integrates seamlessly with major accounting software to monitor, approve and reconcile invoices. Skippr platform now provides Earlypay with this capability to improve client retention through a better and more automated user experience for Earlypay's larger existing and new clients.

The acquisition has brought forward Earlypay's planned technology enhancement roadmap and development by approximately two years.

The acquired business contributed revenue of $126,000 and loss after tax of $36,000 for the period from 19 August 2020 to 31 December 2020.

	Note	Fair Value
		$000's
Cash		714
Trade receivables – debtor finance		2,921
Trademarks	8	3
Other assets		23
Trade payables		(19)
Trade payables – debtor finance		(1,754)
Borrowings (to fund trade receivables)		(1,864)
Employee liabilities		(31)
Net tangible liabilities assumed		(7)
Goodwill / other identifiable assets to be allocated prior to the completion of acquisition accounting	8	6,507
Total purchase consideration		6,500
Representing:		
Cash paid to vendor		1,500
Shares issued		750
Contingent (deferred) consideration		4,250
Total purchase consideration		6,500
Acquisition costs expensed to profit and loss		8
Net consideration used		6,508

2,192,341 shares were issued as part of the consideration transferred at a price of $0.3421, which was based on the agreed price at the date of the business combination.

12. BUSINESS COMBINATIONS - continued

Initial payment for Skippr invoice finance was $2,250,000 via a mix of cash and ordinary shares, with earn-out structure over next 2.5 years to a maximum transaction price of $6,500,000 if all earn-out hurdles are achieved. Contingent consideration amount (earn-out) is calculated based on weighted funds in use over time from 31 December 20 to 31 December 22. Because the future weighted funds in use cannot be accurately estimated, maximum amount of $4,250,000 has been recognised in purchase consideration. The goodwill arising from the acquisition comprises of the acquired loan book, skilled staff, better customer experience and efficiency gains in operations through the Skippr platform.

Contractual amounts
The fair value of trade receivables equals the contractual amounts due.

Due to the timing of the acquisitions, provisional amounts have been used in accounting for the business combinations. Provisional amounts recognised will be adjusted retrospectively during the measurement period which will end as soon as possible and not more than one year from the acquisition date, the maximum allowed under the standard. Goodwill is not expected to be deductible tax purposes.

13. EARNINGS PER SHARE

	31 Dec 2020	31 Dec 2019
	$000's	**$000's**
Profit after income tax attributable to the owners of Earlypay	2,783	1,223
	Cents	**Cents**
Basic earnings per share	1.25	0.60
Diluted earnings per share	1.20	0.57
	No.	**No.**
Weighted average number of ordinary shares in calculating basic earnings per share	222,524	203,086
Adjustments for calculations of diluted earnings per share:		
Options over ordinary shares	10,000	10,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	232,524	213,086

14. NET TANGIBLE ASSET BACKING

	31 Dec 2020	30 Jun 2020
Net tangible asset backing per ordinary security (cents)	10.53	12.34

NOTES TO THE FINANCIAL STATEMENTS

15. DIVIDENDS

	31 Dec 2020 $ 000's	31 Dec 2019 $ 000's
Dividends paid or provided for during the period:		
Final 2020 fully franked ordinary dividend of 1.75 cents (2019: 1.40 cents) per share franked at the tax rate of 30% (2019: 30%)	3,846	2,819

16. EVENTS SUBSEQUENT TO REPORTING DATE

The Group has declared an Interim Dividend of 1.00 cents per share, fully franked. The Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate.

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 31 December 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2020, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2020, of the Group.

17. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

18. FAIR VALUE

There are no assets or liabilities measured at fair value. The carrying amounts of cash and cash equivalents, trade and other receivables, other current assets, trade other payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The carrying value of non-current borrowings from senior secured corporate bond approximates the fair value as it has variable interest rate that are at market rates.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Earlypay, the directors of the company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date.

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

Daniel Riley
Managing Director

Sydney, 25th February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Earlypay Limited
ABN 88 098 952 277

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Earlypay Limited ("the Company") and its Controlled Entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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.

PITCHER PARTNERS

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Pitcher Partners

John Gavljak
Partner

Pitcher Partners
Sydney

25 February 2021