

**EARLYPAY LIMITED**  
**ABN: 88 098 952 277**  
**AND CONTROLLED ENTITIES**  
**FINANCIAL REPORT**  
**For the Year ended**  
**30 June 2021**

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## Annual General Meeting

The Annual General Meeting is to be held by virtual meeting on Thursday, 18<sup>th</sup> November 2021 at 3.00 pm.

## Corporate Information

Ealypay Limited's ("the Company") shares are quoted on the official list of the Australian Stock Exchange Limited. The ASX code for the Company's ordinary fully paid shares is "EPY".

## Registered Office and Principal

### Directors

Greg Riley – Non-Executive Chairperson, Director  
 Daniel Riley – Managing Director  
 Sue Healy - Non-executive Director  
 Geoff Sam - Non-executive Director  
 Ilkka Tales – Non-executive Director  
 Stephen White – Non-executive Director

### Place of Business

Level 11, 201 Miller Street,  
 North Sydney NSW 2060  
 Telephone: 1300 666 177  
 Facsimile: (02) 9267 4222  
 Internet: <https://www.earlypay.com.au/>

## Company Secretary

Steve Shin – Company Secretary

## Share Registry

Computershare Investor Services Pty Ltd  
 Level 3, 60 Carrington Street  
 Sydney NSW 2000  
 Telephone: 1300 787 272

## Other places of business

Level 10, 410 Queen Street, Brisbane QLD 4000  
 Level 13, 390 St Kilda Road, Melbourne VIC 3004

## Auditors

Pitcher Partners  
 Level 16, Tower 2 Darling Park  
 201 Sussex Street  
 Sydney NSW 2000

## Solicitors

HWL Ebsworth  
 Level 14,  
 264-278 George Street  
 Sydney NSW 2000

## Bankers

NAB Bank  
 255 George Street,  
 Sydney  
 NSW 2000

## Chairperson's Report

The Board of Earlypay has always believed that a strong resilient business that provides consistently growing shareholder value is the right strategy for our Company.

The 2021 financial year has reinforced this view in a number of ways.

Firstly, we had a challenging start to the year after eight months of corporate activity which left Earlypay with much catching up to do and months of uncertainty due to Covid-19.

Secondly, the ongoing threats of Covid-19.

Anomalously, the biggest challenge for Earlypay from Covid-19 wasn't the slowing economy, but the stimulus measures provided by Government. Our customers had less cashflow requirements as a result and our lending volumes reduced.

In spite of these challenges, our business has remained strongly profitable during this time and Earlypay continues to pay franked dividends to our shareholders, increasing the payout ratio to 60% of NPATA during the period.

Thirdly, and positively, in response to emerging developments in the fintech space, our business has undergone a fundamental change in the way we do business.

The acquisition of Skippr in H2 FY21, and our subsequent re-branding, heralded a shift from our traditional way of developing and managing our business to an improved, online strategy.

Our digital transformation has moved the emphasis from customer management to strong organic growth. The technology has allowed Earlypay to manage many more customers per employee, which in turn has allowed Earlypay to invest in a much larger and well-resourced sales team.

The technology provides an efficient interface for our broker channel and allows direct access to customers' financial data from cloud-based accounting platforms and other data sources. This has both enhanced our risk oversight and accelerated organic growth in new customers through a simplified and faster application and onboarding process.

Earlypay continues to invest in the continued development of this outstanding technology platform both to enhance our customers' online experience and engender the relationship between our broker intermediaries and our customers.

We have seen the impact of our initiatives in the fourth quarter, where revenue from our core Invoice Finance increased by 33% compared to the first quarter of FY21, with no material losses or defaults affecting our results.

Lastly, Earlypay is expanding both our product offering and target markets. The introduction of Trade Finance and the bundling of all our products provides existing and potential customers a more comprehensive and simpler solution.

Further, with strong finances and technological efficiencies, Earlypay is able to expand our market, both to smaller and larger businesses than has been possible historically.

Overall, these developments have given the Board confidence of significant growth in revenues and 40%+ NPATA growth in the 2022 financial year.

## Chairperson's Report (continued)

Our balance sheet remains strong with net tangible assets of \$46m (19c per share). Our financial structure is solid with improvements to funding structures during the year reducing average cost of funds by 100 basis points. Further, Earlypay enters FY22 with over \$130m of available funding (headroom) to facilitate our growth projections.

Together with our shareholders, executive and staff, Earlypay's Board looks forward to a strong and profitable 2022.

On behalf of the Board,

A handwritten signature in blue ink, appearing to read 'Greg Riley'.

Greg Riley  
Chairperson  
23<sup>rd</sup> September 2021

# Managing Director's Report

## Highlights

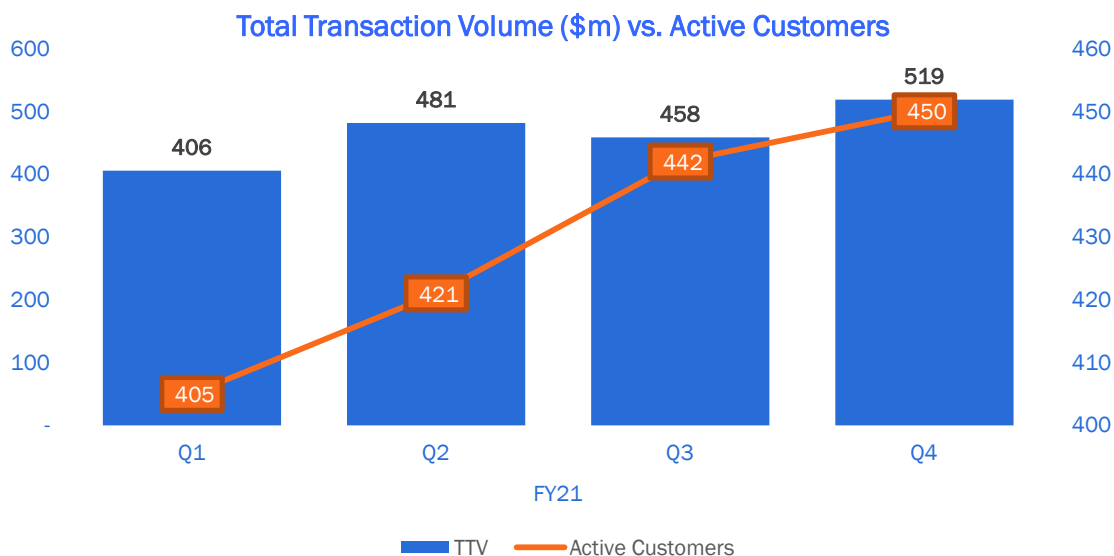
- NPAT of \$7,238,000 up 171% on pcp
- NPATA<sup>1</sup> of \$8,738,000 up 13% on pcp
- EBITDA of \$21,019,000 up 11% on pcp
- Final dividend of 1.3cps, taking FY21 dividend to 2.3cps fully franked (FY20: 1.75cps)
- H2'21 was a record half for earnings with significant growth in client numbers and revenue
- No material losses or defaults despite COVID-19

We are pleased to report a strong FY21 result, which shows significant organic growth through the period, backed by a healthy balance sheet and improvements to funding facilities. The strong results reflect substantial investment in the business' technology platform, which is driving record volumes that we expect to see continue. The FY21 NPAT result of \$7,238,000 is weighted toward H2 with \$4,455,000, a record result in the seasonally weaker half. This underlies the fundamental resilience of the business, with no defaults experienced throughout the period of COVID-19 and a substantial bounce-back in H2 positioning Earlypay ideally to continue its trajectory of growth ongoing.

## Invoice Finance

In FY21, the implementation of Earlypay's online strategy, together with expansion of the sales team, is driving strong organic growth in customer numbers. This growth has been achieved through both the expansion of addressable market, as well as a vast improvement in customer experience through the new online platform.

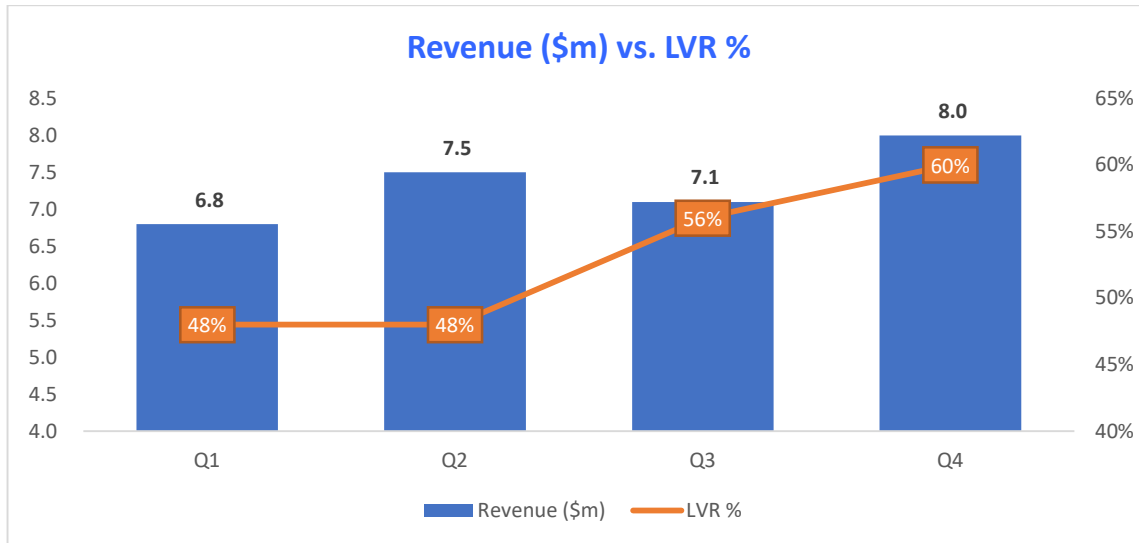
In Q1, transaction volumes were experiencing lows as a result of COVID-19 and the associated government stimulus for SMEs. From Q1, transaction volumes have reached new highs, with the business recording Total Transaction Volume (TTV) of \$1.9 Billion across FY21, up 9% on prior year (FY20: \$1.7 Billion). Notably, TTV in Q4'21 of \$0.5 Billion, exceeded previous quarterly records and is up 28% on Q1, driven primarily by organic growth in client numbers.



<sup>1</sup> FY21 Underlying NPATA includes \$1.5m adjustment for non-cash amortisation of acquired intangibles

Revenue followed a similar trend across FY21, with Q4 revenue increasing by 19% compared to Q1. This uplift has been driven by strong growth in client numbers and TTV, interest margin improvement as Government stimulus for SME's reduced, and utilisation (LVR) of client facilities returning to historic levels.

Current business volume, growth momentum and normalisation of key metrics indicates continued, stable uplift at all levels for Invoice Finance during FY22.



### Equipment Finance

Earlypay maintained a stable equipment finance book throughout the impacts of COVID-19 in FY21, increasing origination volumes in Q4 to return to growth as trading conditions stabilised. The Equipment Finance loan book is \$94,854,000 at 30 Jun'21, compared to \$91,851,000 at 31 Dec'20.

Earlypay experienced no material defaults or losses throughout the peak of COVID-19 and ageing in 30+ days is less than 1% at 30 Jun'21 reflecting Earlypay's limited exposure to industries and assets impacted by COVID-19.

Earlypay is prepared for an acceleration in origination volumes in FY22 as it mobilises its growing sales team of 30 to promote the product, noting demand for Equipment Finance is currently subdued in NSW/ VIC due to lockdown restrictions.

## Outlook

Following a strong finish to FY21 and with continued growth momentum into FY22, Earlypay anticipates growth in NPATA in excess of 40%.

### *Invoice Finance*

The key driver of earnings growth for FY22 is Invoice Finance, with:

- A significantly improved earnings base compared to the start of FY21
- A strong organic growth profile
- Margin improvement on FY21 is expected as key invoice metrics that influence revenue, including LVR and debtor days, continue to normalise toward long-term historical averages
- Earlypay is leveraging automation available through the online platform to generate efficiencies in service delivery, supporting growth on a stable cost base. Earlypay expects further improvement to margin as a result.

Further growth drivers for FY22 include expansion of Earlypay's Trade Finance and Equipment Finance offerings.

### *Trade Finance*

Earlypay is experiencing strong demand for its new Trade Finance product that supports SME clients in purchasing inventory. When the clients sell the final product to their customers, the loan converts to EPY's established Invoice Finance product. The Trade Finance product generates gross margin of 20%+.

In addition to earnings contribution, the new Trade Finance product is strategically important for Earlypay as it will support client retention, increase revenue and margin from existing clients, plus enhance Earlypay's competitive market position for new business.

Earlypay continues to progress a funding structure for Trade Finance and has balance sheet capacity for growth in the meantime, supported by a \$18,857,000 capital raise completed on 1st July 2021.

### *Equipment Finance*

Earlypay is prepared for an acceleration in origination volumes in FY22 as it mobilises its broader sales team to promote the product, however, notes that demand for Equipment Finance is likely to remain subdued particularly in NSW/VIC due to extended lock-down restrictions.

Earlypay's online platform has transformed traditional invoice finance into a fast and flexible working capital solution for SME's. Earlypay provides leading onboarding times for SME lending, real-time data for clients on funding availability, flexibility to fund some or all invoices and no limitations on frequency of drawdown requests, with all communication managed within the platform.

Earlypay's approach has significantly improved the growth profile for Invoice Finance and this product is expected to underpin 40%+ earnings growth for FY22.

Further growth opportunity exists with Trade Finance, with the recent launch of a new SME lending product that supports clients in purchasing inventory. Earlypay is experiencing strong demand for this product, and aside from the earnings benefit it brings through its 20%+ margin, the product also enhances our competitive offering which we expect to continue to grow client retention and acquisition.

The solidification of our balance sheet and funding facilities, together with investment in our product offering, has positioned Earlypay ideally for continued growth throughout FY22.

Sincerely,

A handwritten signature in purple ink, appearing to be 'D Riley'.

Daniel Riley  
Managing Director  
Sydney, 23<sup>rd</sup> September 2021



## Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Earlypay Limited ("EPY") and the entities it controlled at the end of or during the year ended 30 June 2021 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors

The following Directors were in office during the whole of the year and continue in office at the date of this report unless otherwise stated:

#### **Greg Riley**

*Qualifications:*

*Experience:*

Non-Executive Chairman

BSc, Dip ED, G Dip Ed Studies

Greg founded Earlypay in 2002 and the business was listed on the ASX in 2010. Since 2010 Greg has overseen the growth and transformation of the Group to a wider services business including invoice factoring, invoice discounting and equipment finance. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to the present. Outside Earlypay, Greg is a councillor on the Dungog Shire Council from 2017 to 2021.

*Other current directorship:* None

*Former directorships:* None

*Responsibilities:* Member of the Audit Committee, Nomination and Remuneration Committee, and Risk Committee.

*Shares:* 17,211,163 Ordinary Shares

#### **Daniel Riley**

*Qualifications:*

*Experience:*

Managing Director

BCom, CPA

Daniel is a passionate supporter of SME's and understands that businesses need reliable and flexible funding solutions to support their growth. Daniel joined Earlypay in 2002 when the business was in its early development as a service provider to the recruitment industry and was appointed CEO in 2010. Operating under the name Earlypay, Daniel launched the invoice finance business in 2011 and an Equipment Finance offering in 2017. During this period Daniel has managed an accelerated growth program which includes \$250m+ in debt and equity raisings, the acquisition of four key competitors and the simplification of EPY's business structure through divestment of its historic business.

*Other current directorship:* None

*Former directorships:* None

*Shares & Options:* 2,150,181 Ordinary Shares and 10,000,000 Options

#### **Sue Healy**

*Qualifications:*

*Experience:*

Independent Non-Executive Director

Fellow RCSA, MAICD

Sue is an experienced Non-Executive Director, she is Chair of Health Talent previous Non-Executive Director of Ability Options & Olympus Solutions and has held previous Non-Executive Director roles with The Recruiting and Consulting Services Association, and other industry bodies. She was the founder and MD of a Talent and HR Consulting Business for 20 years. She has also held Executive Leadership roles with the two of the largest ASX listed human capital companies in Australia.

*Other current directorship:* None

*Former directorships:* None

*Responsibilities:* Chairperson of the Nomination and Remuneration Committee and Member of the Risk Committee.

*Shares:* 770,980 Ordinary Shares

## Directors' report (continued)

### Geoffrey Sam OAM

*Qualifications:*

*Experience:*

Independent Non-Executive Director

BCom (UNSW), MHA (UNSW), MA (Econ&SocStudies) (Manchester UK), FAICD

Geoff has held numerous successful ASX-listed independent board positions including Chairman & Independent Director of Money 3, Independent Director of Hutchison's Childcare Services and Managing Director of Nova Health. Prior to his appointments to ASX-listed companies, Geoffrey undertook numerous Chief Executive positions at Adelaide based hospitals. He is currently the Co-Founder and Director of HealtheCare Australia Pty Ltd, a privately owned health care company comprising a portfolio of 35 hospitals and a community nursing and rehabilitation business.

*Other current directorship:* Non-Executive Director of ParagonCare Ltd (since June 2016)

*Former directorships:* None

*Responsibilities:* Chairperson of the Audit Committee and Member of the Nomination and Remuneration Committee.

*Shares:* 2,314,490 ordinary shares

### Ilkka Tales

*Qualifications:*

*Experience:*

Non-Executive Director

BBus

Ilkka has worked with start-ups over 30 years accelerating the growth of these businesses in four industry sectors. Three have listed and the latest was a classified Unicorn. An expert at scaling and growth strategies. Ilkka has held senior global roles at Greensill, MyriadGroup AG and Philips. Ilkka is a recognised entrepreneur and sits on a number of private company boards.

*Other current directorship:* None

*Former directorships:* None

*Responsibilities:* Chairperson of the Risk Committee and Member of the Audit Committee.

*Shares:* 200,000

### Stephen White

*Qualifications:*

*Experience:*

Non-Executive Director – Appointed 19 November 2020

M.Mngt, GAICD

Steve has had over 30 years of experience in Investment Banking, including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. For 10 years he held a position as a Principal of a boutique risk advisory firm which concentrated on assisting C-suite executives to manage significant financial market risks. This experience is combined with significant Corporate Governance experience including as a Responsible Manager for a Wholesale Australian Financial Services Licence for 10 years. Steve continues to be engaged in providing advice and assistance to businesses across a number of industries. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from MGSM.

*Other current directorship:* Non-Executive Director of COG Financial Services Limited

*Former directorships:* None

*Responsibilities:* Member of the Risk Committee.

*Shares:* Nil

## Directors' report (continued)

### Company Secretary

#### Steve Shin

*Qualifications:*

*Experience:*

Company Secretary

B Com, Chartered Accountant ANZ

Steve joined Earlypay as Chief Financial Officer in April 2015, with over 19 years' experience in professional accounting including financial and management accounting, taxation, audit, due diligence, financial modelling, capital raising, debt raising and company secretarial. Prior to Earlypay, Steve held senior roles in Financial Services, Software as a Service (SaaS) and Streaming Entertainment ASX listed companies.

*Shares:*

Nil

### Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, 10 board meetings, 3 Audit committee meetings, 2 Risk committee meeting, and 1 Nomination and Remuneration Committee meetings were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee	
	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended	No. eligible to Attend	Attended
G. Riley	10	10	3	3	2	2	1	1
D. Riley	10	10	-	-	-	-	-	-
G. Sam	10	10	3	3	-	-	1	1
S. Healy	10	10	-	-	2	2	1	1
I. Tales	10	10	3	3	2	2	-	-
S. White	6	6	-	-	1	1	-	-

### Dividends paid during the year

Interim fully franked dividend

Final fully franked dividend

2021	2020
\$000's	\$000's
2,315	-
3,846	2,819
6,161	2,819

### Dividends declared after the reporting period

Since the end of the reporting period the directors have declared a final FY'21 dividend of 1.3 cents per share (FY'20: 1.75 cents)

3,612	3,846
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## Directors' report (continued)

### Share under option

Unissued ordinary shares of Earlypay Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under options	Exercise price of shares	Expiry date of the options
17 March 2017	10,000,000	0.27	9 March 2022

No option holder has any right under the options to participate in any other share issue of the group.

### Shares issued on exercise of options

No shares were issued during the reporting period or up to the date of this report on exercise of options.

### Corporate structure

Earlypay Limited is a listed public company, limited by shares, incorporated and domiciled in Australia. Earlypay Limited and controlled entities ("the Group") has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

### Nature of operations and principal activities

The Group's principal activity during the financial year was that of business finance solutions. There has been no significant change in the nature of these activities during the financial year.

### Corporate Governance

The Board endorses the ASX Corporate Governance Principles and Recommendations, 4th Edition. The Group has taken the opportunity to disclose its Corporate Governance Statement in the Corporate Governance section on the Earlypay website (<https://www.earlypay.com.au/investors/>). As required, the Group has also lodged the Corporate Governance Statement with the ASX.

### Environmental regulations

The Group's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Indemnifying officers or auditor

During the financial year, the Company paid a premium insuring all directors and officers against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such by an officer or auditor.

## Directors' report (continued)

### Review of Operations

The operations over the year resulted in an operating profit before tax of \$10,320,000 (2020: \$3,535,000). A review of the operations of the Group during the financial year and the results of those operations are included in the managing director's report.

### Financial Position

Net assets for the Group increased by 12% from \$52,390,000 to \$58,513,000. Key movements in statement of financial positions were:

- Trade receivables – debtor finance increased by 19% from \$167,665,000 to \$199,697,000 and trade payables – debtor finance decreased by 8% from \$88,745,000 to \$81,594,000. Client receivables increased by 50% from \$78,920,000 to \$118,103,000 due to increased invoice purchased volume and more funds drawn by clients compared to June 20. Funds advanced to clients as at end of June 2020 was 47% of trade receivables and June 21 was 59% of trade receivables.
- Finance lease receivables remained stable and decreased by 2% from \$95,068,000 to \$93,364,000.
- Intangible assets increased by 22% from \$25,531,000 to \$31,047,000 due to acquisition of The Invoice Exchange Pty Ltd ("Skippr").
- Other liabilities increased from \$331,000 to \$23,384,000. Other liabilities include capital raising of \$18,857,000 in June 2021 because the shares were issued on 1 July 2021. It also includes deferred consideration payable for Skippr acquisition.
- Total borrowings increased by 12% from \$183,924,000 to \$206,264,000 mainly due to increase in client receivables.

### Future developments, prospects and business strategies

Details of future developments, prospects and business strategies are set out in Managing Director's Report.

### Significant Changes in state of affairs

There have been no significant changes of affairs to report during the financial year, other than the acquisition of Skippr.

### After balance date events

The Group raised \$18.9m via an institutional placement (announced in ASX on 24 June 2021) and the Group issued 44,897,846 shares at an issue price of \$0.42 cents per share on 01 July 2021.

The Group has declared a Final Dividend of 1.3 cents per share, fully franked. The Group has a Dividend Reinvestment Plan ("DRP") in place, in which eligible shareholders may participate.

The Group is in the process of negotiating potential early repayment of existing long-term amortising facility with Greensil Capital (in administration).

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2021, of the Group; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2021, of the Group.

## Directors' report (continued)

### Remuneration report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Earlypay Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

### Remuneration Policy

The remuneration policy of Earlypay Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Earlypay Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board and if need be professional advice is sought from independent external consultants;
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators have been met;
- Incentives paid in the form of options or rights are intended to align the interests of the directors and the Company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The remuneration committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated Group's profits. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel received a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, chose to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Company and expensed. The Board's policy remunerates Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Non-Executive Directors receive fees and do not receive options or bonus payments.

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPI's targets areas the Board believes hold greater potential for the Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

The Board expects that the remuneration structure implemented will result in the Group being able to attract and retain the best executives to run the Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

#### Rights Plan

The Group's Rights Plan was approved by the shareholders on 25 June 2019. Executive KMP are invited to participate at the Board's discretion. There were no rights issued as at 30 June 2021.

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables:

#### (a) Directors' remuneration

Director	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2021</b>											
Daniel Riley	Managing Director	455,000	240,000	-	25,000	-	-	-	-	720,000	33
Greg Riley	Non-Executive Director	140,000	-	-	-	-	-	-	-	140,000	-
Sue Healy	Non-Executive Director	77,626	-	-	7,374	-	-	-	-	85,000	-
Ilkka Tales	Non-Executive Director	77,626	-	-	7,374	-	-	-	-	85,000	-
Geoff Sam	Non-Executive Director	77,626	-	-	7,374	-	-	-	-	85,000	-
Stephen White	Non-Executive Director	47,869	-	-	4,548	-	-	-	-	52,417	-
		875,747	240,000	-	51,670	-	-	-	-	1,167,417	21



## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### (a) Directors' remuneration (continued)

Director	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retire-ment benefits	Termin-ation benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2020</b>											
Daniel Riley	Managing Director	455,000	-	-	25,000	-	-	-	-	480,000	-
Greg Riley	Non-Executive Director	105,000	-	-	-	-	-	-	-	105,000	-
Sue Healy	Non-Executive Director	58,219	-	-	5,531	-	-	-	-	63,750	-
Ilkka Tales	Non-Executive Director	58,219	-	-	5,531	-	-	-	-	63,750	-
Geoff Sam	Non-Executive Director	58,219	-	-	5,531	-	-	-	-	63,750	-
		734,657	-	-	41,593	-	-	-	-	776,250	-

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### (b) Executives' remuneration

Executive	Position	Short-Term			Post-employment			Long-term	Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
2021 Steve Shin	CFO & Company Secretary	267,500	146,250	-	25,000	-	-	-	-	438,750	33
		267,500	146,250	-	25,000	-	-	-	-	438,750	33
2020 Mark Cleaver*  Steve Shin	Executive General Manager	323,076	-	-	35,234	-	224,413	-	-	582,723	-
	CFO & Company Secretary	260,000	-	-	25,000	-	-	-	-	285,000	-
		583,076	-	-	60,234	-	224,413	-	-	867,723	-

\*Appointed 1 November 2018 and Terminated 15 May 2020

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### Key Management Personnel Service Agreements (excludes non-executive directors)

Remuneration and other terms of employments for key management personnel are formalised in service agreements. The agreements provide for performance-related cash bonuses. Other major provisions of the agreements relating to remuneration are set out below:

Name	Term of Agreements	Base Salary Inc Super \$
Daniel Riley	Ongoing as from 1 October 2010	480,000
Steve Shin	Ongoing as from 30 March 2015	300,000

Mr D Riley's contract may be terminated early by either party with six months' notice, subject to termination payments at the discretion of the Remuneration Committee.

Mr S Shin's contract may be terminated early by either party with three months' notice, subject to termination payments at the discretion of the Remuneration Committee.

#### Performance Related Pay

The following table summarises the performance conditions for performance linked bonuses;

KMP	2021 Performance conditions
Daniel Riley - Managing Director	Maximum \$240,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets.
Steve Shin - CFO & Company Secretary	Maximum \$146,250 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets

#### Options

10,000,000 unlisted options were granted to Mr. Daniel Riley on 17th of March 2017 with an exercise price of \$0.27 and expiry date of 9th March 2022. No options over unissued ordinary shares were granted during or since the end of the financial year.

Name	Balance 1 July 2020	Granted during the year	Balance 30 June 2021	Number vested
Daniel Riley	10,000,000	-	10,000,000	10,000,000

Vested options are exercisable on 9th of March 2022 or on a trigger event.

Vesting conditions are continued employment at the date of vest of the options (service condition) and share price milestones (performance condition).

	Description of conditions	
	Share price	Number of options vesting
Performance condition: Share price milestone	Equal or greater than \$0.30	2,000,000
	Equal or greater than \$0.35	2,000,000
	Equal or greater than \$0.40	2,000,000
	Equal or greater than \$0.45	2,000,000
	Equal or greater than \$0.50	2,000,000

#### Director fees

All director fees are paid as salary except Mr Greg Riley whose director fees are paid to A. Riley and G.B. Riley Partnership.

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### Equity instrument disclosures relating to key management personnel

##### 2021

<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2020	Received as Remuneration	Additions/ (Disposals)/	Balance* 30 June 2021
Greg Riley	17,211,163	-	-	17,211,163
Daniel Riley	2,050,181	-	100,000	2,150,181
Geoff Sam	2,314,490	-	-	2,314,490
Sue Healy	656,980	-	114,000	770,980
Ilkka Tales	200,000	-	-	200,000
Stephen White	-	-	-	-
Steve Shin	-	-	-	-
	22,432,814	-	214,000	22,646,814

##### 2020

<i>No. of shares held by Key Management Personnel</i>	Balance 1 July 2019	Received as Remuneration	Additions/ (Disposals)/	Balance 30 June 2020
Greg Riley	17,211,163	-	-	17,211,163
Daniel Riley	1,889,761	-	160,420	2,050,181
Geoff Sam	1,912,600	-	401,890	2,314,490
Sue Healy	571,287	-	85,693	656,980
Ilkka Tales	-	-	200,000	200,000
Steve Shin	-	-	-	-
Mark Cleaver	-	-	-	-
	21,584,811	-	848,003	22,432,814

\*The Key Management shareholding as at 30 June 2021 were the same at the date of this report except for Geoff Sam who disposed of 300,000 shares and held 2,014,490 at the date of this report.

The following table shows the performance of the Group over the past five financial years in relation to key management personnel compensation paid:

Financial Year	KMP Short Term Incentives (TSI)	EBITDA (adjusted)	NPAT	Basic EPS	Diluted EPS	Net Equity	NTA per share	Dividends	Share price at Year end
	\$ 000's	\$ 000's	\$ 000's	Cents	Cents	\$ 000's	cents	\$ 000's	Cents
2017	351	13,106	2,529	1.92	1.80	16,415	2.96	1,315	30.5
2018	675	17,594	3,186	1.85	1.75	40,174	11.67	2,505	57.0
2019	499	20,380	8,400	4.19	3.99	44,799	14.52	4,832	46.0
2020	-	19,011	2,672	1.32	1.26	52,390	12.34	3,846	23.5
2021	387	21,019	7,238	3.18	3.05	58,513	11.79	5,927	50.0

## Directors' report (continued)

### Remuneration report (Audited) (continued)

#### Loans to related parties

The Company entered into an unsecured loan agreement with Mr. Daniel Riley to provide \$250,000 for the options issued on 17th of March 2017 at 5.65%. Loan and interest are repayable at earlier of when the options are exercised or on options expiry date 9th March 2022. The loan is accounted for as a share based payment in accordance with accounting standards. The fair value of the options at grant date was \$5,431.

*This concludes the Remuneration Report, which has been audited.*

#### Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2021 as required under section 307C of the Corporations Act 2001 has been received and is provided with this report.

#### Non-audit services

Pitcher Partners provided non-audit services during the year totalling \$42,200.

#### Proceedings on behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 23 of the Corporations Act 2001, unless otherwise specified.

#### ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191.

The Company is an entity to which ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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

A handwritten signature in purple ink, appearing to be 'D. Riley', with a long horizontal flourish extending to the right.

Daniel Riley  
Managing Director  
Sydney, 23<sup>rd</sup> September 2021

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS EARLYPAY LIMITED  
ABN 88 098 952 277**

In relation to the independent audit of Earlypay Limited for the year ended 30 June 2021, I declare that 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



**J GAVLJAK**  
Partner

**PITCHER PARTNERS**  
Sydney

23 September 2021

# Financial Report

## For the year ended 30 June 2021

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2021

		Consolidated Group	
		2021	2020
		*Restated	
	Note	\$ 000's	\$ 000's
<b>Revenue</b>	2	43,865	47,506
<b>Expenditure</b>			
Commission		(1,922)	(1,880)
Allowance for expected credit losses		730	(1,534)
Depreciation and amortisation expense	10,11,12	(758)	(816)
Amortisation – Customer Relationships	12	(1,500)	(1,550)
Employee benefits expense (direct employees)		(13,197)	(12,808)
Employee benefits expense (on-hire staff)		(178)	(3,965)
Finance costs - product related		(8,483)	(9,425)
Impairment of goodwill – Zenith Management Services Pty Ltd	12	-	(2,416)
Insurance		(1,747)	(2,091)
IT expenses		(1,250)	(1,117)
Legal expenses		(1,109)	(1,822)
Marketing		(365)	(425)
Trust expenses		(1,643)	(985)
Other expenses		(2,123)	(3,137)
<b>Total expenditure</b>		<b>(33,545)</b>	<b>(43,971)</b>
<b>Profit before Income Tax</b>		<b>10,320</b>	<b>3,535</b>
Income tax expense	5	(3,082)	(863)
<b>Profit for the year from continuing operations</b>		<b>7,238</b>	<b>2,672</b>
<b>Profit attributable to members of the parent entity</b>		<b>7,238</b>	<b>2,672</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>7,238</b>	<b>2,672</b>
<b>Earnings per Share:</b>			
Basic earnings per share (cents)	20	3.18	1.32
Diluted earnings per share (cents)	20	3.05	1.26

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group  
The accompanying notes to the financial statements are included on pages 28-67



# Consolidated Statement of Financial Position

## As at 30 June 2021

Consolidated Group			
		2021	2020
	Note	\$ 000's	*Restated \$ 000's
<b>Current Assets</b>			
Cash and cash equivalents	6	44,770	38,197
Trade receivables – debtor finance	7	199,697	167,665
Trade and other receivables	7	709	1,136
Finance lease receivables	8	11,190	10,457
Other assets	9	3,305	2,834
<b>Total Current Assets</b>		<b>259,671</b>	<b>220,289</b>
<b>Non-Current Assets</b>			
Finance lease receivables	8	82,174	84,611
Plant and equipment	10	213	418
Right of use assets	11	1,044	1,100
Deferred tax assets	5	2,281	3,034
Intangible assets	12	31,047	25,531
<b>Total Non-Current Assets</b>		<b>116,759</b>	<b>114,694</b>
<b>Total Assets</b>		<b>376,430</b>	<b>334,983</b>
<b>Current Liabilities</b>			
Trade payables – debtor finance	13	81,594	88,745
Trade payables	13	2,480	6,487
Other liabilities	14	23,384	331
Lease liabilities	15	629	548
Borrowings	16	112,857	62,066
Tax liabilities	5	1,750	890
Provision - employees	17	1,137	649
<b>Total Current Liabilities</b>		<b>223,831</b>	<b>159,716</b>
<b>Non-Current Liabilities</b>			
Borrowings	16	93,407	121,858
Provision - employees	17	165	234
Lease liabilities	15	514	785
<b>Total Non-Current Liabilities</b>		<b>94,086</b>	<b>122,877</b>
<b>Total Liabilities</b>		<b>317,917</b>	<b>282,593</b>
<b>Net Assets</b>		<b>58,513</b>	<b>52,390</b>
<b>Equity</b>			
Issued capital	18	52,773	47,727
Retained earnings	19	5,299	4,222
Reserves	19	441	441
<b>Total Equity</b>		<b>58,513</b>	<b>52,390</b>

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group  
The accompanying notes to the financial statements are included on pages 28-67

## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2021

		Share Capital	Reserves	Retained earnings	Total Equity
	Note	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Balance at 1 July 2019</b>		39,954	441	4,404	44,799
Adoption of AASB 16		-	-	(35)	(35)
<b>Restated balance at 1 July 2019</b>		39,954	441	4,369	44,764
Profit after income tax expense for the year		-	-	2,672	2,672
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	2,672	2,672
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	18	7,773	-	-	7,773
Dividends provided for or paid	21	-	-	(2,819)	(2,819)
<b>Balance at 30 June 2020*</b>		47,727	441	4,222	52,390
<b>Balance at 1 July 2020*</b>		47,727	441	4,222	52,390
Profit after income tax expense for the year		-	-	7,238	7,238
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	7,238	7,238
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	18	5,046	-	-	5,046
Dividends provided for or paid	21	-	-	(6,161)	(6,161)
<b>Balance at 30 June 2021</b>		52,773	441	5,299	58,513

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group  
The accompanying notes to the financial statements are included on pages 28-67

# Consolidated Statement of Cash Flows

## For the Year Ended 30 June 2021

		Consolidated Group	
		2021	2020
	Note	\$ 000's	\$ 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		53,290	54,032
Payments to suppliers and employees		(38,596)	(40,018)
Interest received		42	189
Finance costs		(8,456)	(9,079)
Income tax paid		(1,469)	(3,292)
<b>Net cash provided by operating activities</b>	22(b)	<u>4,811</u>	<u>1,832</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(59)	(24)
Payments for IT Development		(359)	(80)
(Payments to)/ Proceeds from client receivables		(36,526)	56,553
Proceeds from equipment lease receivables		3,167	19,389
Payment for subsidiaries, net of cash acquired	28	(3,948)	(7,669)
<b>Net cash (used in)/ provided by investing activities</b>		<u>(37,725)</u>	<u>68,169</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	14,18	23,905	7,773
Proceeds from borrowings	22(c)	57,483	-
Repayment of borrowings	22(c)	(35,168)	(57,607)
Repayment of lease liability		(572)	(233)
Dividends paid, net of reinvestment	18,21	(6,161)	(2,819)
<b>Net cash provided by/ (used in) financing activities</b>		<u>39,487</u>	<u>(52,886)</u>
Net increase in cash held		6,573	17,115
Cash at the beginning of the financial year		<u>38,197</u>	<u>21,082</u>
<b>Cash at the end of the financial year</b>	22(a)	<u>44,770</u>	<u>38,197</u>

The accompanying notes to the financial statements are included on pages 28-67

## Notes to the Financial Statements for the Year Ended 30 June 2021

### NOTE 1 Significant accounting policies

These consolidated financial statements and notes represent those of Earlypay Limited and controlled entities ("the Group"). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. Earlypay Limited is a listed public company limited by shares, incorporated, and domiciled in Australia. A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

#### **(a) Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events, and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. Except for cash-flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current asset, financial assets, and financial liabilities.

#### **(b) New Accounting Standards adopted by the Group**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and there has been no material impact. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. It is not expected that these will have material impact in future reporting periods.

#### **(c) Going Concern**

The financial report has been prepared on a going concern basis.

#### **(d) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 30 June 2021 and the results of all subsidiaries for the year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 25 to the financial statement.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(e) Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value. Acquisition related costs are expensed as incurred.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(f) Revenue**

##### *AASB 15 Revenue from Contracts with Customers*

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

##### **Revenue recognition**

The consolidated entity recognises revenue as follows:

##### *Other services - Revenue from contracts with customers*

Revenue from a contract to provide on-hire service is recognised over time as the on-hired employees work their hours.

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

##### *Finance and Equipment Finance*

Interest revenue is calculated and charged on the average outstanding loan or lease balance and recognised on an accrual basis using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Other revenue*

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

##### *Government incentive*

Government incentive relates to Jobkeeper payment programme announced by Federal Government.

Jobkeeper payment was recognised in the consolidated statement of Profit or Loss and Other Comprehensive Income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the payment is intended to compensate.

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

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(g) Income tax**

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

The charge of current income tax expense is based on profit for the year adjusted for non-assessable or disallowed items. Current tax liabilities/(assets) are 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 unused tax losses. Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) 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 entities 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.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(h) Financial instruments**

##### *Classification of financial assets*

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

##### *Initial recognition and measurement*

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

##### *Trade and other receivables*

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days. Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost. This is further discussed in the policies stated in Note 1(m) and (n).

##### *Debentures, government bonds and loans to related parties*

Debentures, government bonds and loans to related parties are debt instruments, and are classified (and measured) at amortised cost on the basis that:

- (a) they are held within a business model whose objective is achieved by the Group holding the financial asset to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### ***(i) Impairment of financial instruments***

##### *Impairment of financial assets*

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The Group applies AASB 9 to measuring the allowance for credit losses for trade receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables based on the lifetime expected credit losses of the instrument and credit impaired. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) breach of contract;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) in hardship

Financial assets that have been impaired by COVID-19 hardship have been separated from ordinary credit impaired.

Balances are written off, either partially or in full, against related allowance when there is no reasonable expectation of recovery. For all balances, write-off takes place only at the completion of collection procedures, or where it no longer becomes economical to continue attempts to recover. Subsequent recovers of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### ***(j) Impairment of non-financial assets***

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### ***(k) Intangibles***

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### **Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### **Trademarks**

Trademarks recognised by the Group have an indefinite useful life and are not amortised. The directors believe the useful life is indefinite based on the name acquired being synonymous with the business activity acquired and which is the main business of the Group.

Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 1 (j).

#### **Customer Relationships**

Customer relationships is carried at fair value at the date of acquisition less accumulated amortisation. The directors believe the useful life of customer relationships acquired for Cashflow Advantage, 180 Group, 1stCash were 2 years and Classic Funding Group was 3 years.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### ***(k) Intangibles (continued)***

*Software in relation to IT development:*

Software in relation to IT development is carried at cost less accumulated amortisation.

Software in relation to IT development is reported at cost value less GST and is amortised over its estimated useful economic life. The useful life of software varies depending on what the assets are and ranges from 18 months, being 66.67% amortisation, through to 5 years, being 20% amortisation.

#### ***(l) Cash and cash equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### ***(m) Trade receivables***

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for expected credit loss is made using simplified approach further outlined in Note 1(i) and Note 7. The amount of the expected credit loss is recognised in comprehensive income within other expenses. When a trade receivable for which allowance for expected credit loss had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in comprehensive income.

#### ***(n) Finance lease receivables – as lessor***

The Group has recognised loans secured against finance lease equipment. Equipment is owned by the customers and there is no residual or lump sum amounts at the end of the loan agreement. The Group recognises principal and interest receivable over the term of the loan at the beginning of the loan and the principal and interest is amortised according to each loan schedule as scheduled repayments are received. Impairment assessment of financial instruments is in accordance with the policy stated in Note 1(i).

#### ***(o) Plant and equipment***

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing balance or straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### (o) Plant and equipment (continued)

	Depreciation rate	Depreciation method
Motor vehicles	20-25%	Straight line
Office equipment	20-40%	Straight line and Diminishing value
Leasehold Improvements	20-40%	Straight line
Software	30-40%	Straight line
Low-value Pool	18.75-37.5%	Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each 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 (Note 1(j)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

#### (p) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated amortisation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

#### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### (r) Finance costs

Finance costs are recognised in the period in which they are incurred.

#### (s) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(s) Lease liabilities (continued)**

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

#### *Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

#### **(t) Employee benefits**

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

##### *(iii) Share-based payments*

Share-based compensation benefits may be provided to directors and employees. The fair value of shares or options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares/options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### **(u) Earnings per share**

##### *(i) Basic earnings per share*

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

##### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- a) The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- b) The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 1 Significant accounting policies (continued)

#### **(v) 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### **(w) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **(x) Rounding of Amounts**

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

#### **(y) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements 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 Group based on applying the expected credit loss model.

#### Key estimates

##### *(i) Impairment – General*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The discounted cash flow method has been used to arrive at the recoverable amount of goodwill in the financial statements. No impairment has been recognised in respect of goodwill at the end of the reporting period as the recoverable amount exceeds the carrying value.

#### Key judgments

##### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, group based on days overdue, and makes assumptions to allocate an overall expected credit loss for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 7 and 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 2 Revenue

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
<b>Revenue from continuing operations</b>		
<b>Services</b>		
Invoice Finance	28,319	30,754
Equipment Finance	13,999	11,467
Other services provided to customers	196	4,643
<b>Other revenue</b>		
Government incentive	1,309	453
Interest received – Other entities	42	189
<b>Total revenue</b>	<b>43,865</b>	<b>47,506</b>

### NOTE 3 Expenses

	Consolidated Group	
	2021	2020
	\$ 000's	*Restated \$ 000's
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation	758	816
Amortisation – Customer relationships	1,500	1,550
Finance costs expensed	8,483	9,425
Allowance for expected credit losses	(730)	1,534
Employee superannuation expense	809	986
Short-term lease expense	571	303

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 4 Segment Information

#### *Identification of reportable segments*

The Group is managed primarily on the basis of 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; and
- Any external regulatory requirements.

#### *Types of products and services by segment*

- (i) **Invoice Finance**  
Refers to 'factoring' or 'debtor 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.

#### *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 and operating 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 Inter-segment transactions.
- (c) **Segment assets**  
Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.
- (d) **Segment liabilities**  
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.
- (e) **Unallocated items**  
The following items of revenue and expenses 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
  - Interest costs and interest income
  - Depreciation and amortisation



## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 4 Segment Information (continued)

	Invoice Finance	Equipment Finance	Other services	Corporate	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<i>Year ended 30 June 2021</i>					
<i>Invoice Purchased</i>	1,863,793				
Total segment revenue	29,372	14,126	325	-	43,823
EBITDA (adjusted)	14,208	8,574	(21)	(1,742)	21,019

	Invoice Finance	Equipment Finance	Other services	Corporate	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<i>Year ended 30 June 2020</i>					
<i>Invoice Purchased</i>	1,709,533				
Total segment revenue	31,144	11,467	4,705	-	47,316
EBITDA (adjusted)	14,411	5,685	547	(1,632)	19,011

The Board assesses the performance of the operating segments based on a measure of EBITDA (adjusted). 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 EBITDA (adjusted) to operating profit before income tax is provided as follows:

	Consolidated Group 2021	2020 *Restated
	\$ 000's	\$ 000's
Adjusted profit before income tax	21,019	19,011
Depreciation and amortisation	(758)	(816)
Amortisation – Customer Relations	(1,500)	(1,550)
Interest costs	(8,483)	(9,425)
Interest income	42	189
Goodwill Impairment	-	(2,416)
Corporate Activity	-	(929)
Restructuring Costs	-	(529)
Operating Profit before income tax from continuing operations	10,320	3,535

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 4 Segment Information (continued)

#### Segment assets

The nature of the business is such that assets are used across all segments therefore cannot be identified as relating to a specific segment. The net book value of assets is \$376.0m (2020: \$335.0m) per the consolidated statement of financial position. All assets are based in Australia.

#### Segment liabilities

The nature of the business is such that liabilities cannot be identified as relating to a specific segment. The net value of liabilities is \$318.0m (2020: \$283.0m) per the consolidated statement of financial position.

#### Major customers

The Group has number of customers to which it provides both products and services. The most significant single external customer represents 2.06% of external revenue (2020: 6.80%). The next most significant client accounts for 1.57% (2020: 2.89%) of external revenue. All revenue attributable to external customers was generated in Australia.

### NOTE 5 Income Tax Expense

		Consolidated Group	
		2021	2020
		\$ 000's	\$ 000's
(a)	<i>The components of tax expense comprise:</i>		
	Current tax	(2,329)	(2,040)
	Deferred tax	(753)	697
	Prior year adjustments	-	480
	Income Tax Expense	(3,082)	(863)
(b)	<i>The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:</i>		
	Prima facie tax payable on profit from ordinary activities before income tax at 26.0% (2020: 27.5%)	(2,683)	(1,247)
	Add tax effect of:		
	Other (non-allowable)/ deductible items	(399)	(96)
	Prior year adjustments	-	480
	Income tax benefit (expense)	(3,082)	(863)
	The applicable weighted average tax rates are as follows:	29.86%	24.41%
(c)	<i>Deferred taxation</i>		
	The balance comprises temporary differences attributable to:		
	Allowance for expected credit losses	1,381	2,267
	Provision for employee entitlements	338	243
	Accrued Expenditure	223	275
	Other	339	249
	Total deferred tax assets	2,281	3,034
(d)	Income Tax Payable	1,750	890

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 6 Cash and cash equivalents

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Cash at bank and in hand	44,770	38,197
	<u>44,770</u>	<u>38,197</u>

### NOTE 7 Trade receivables

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Trade receivables – debtor finance	203,518	172,953
Less: Allowance for expected credit losses	(3,821)	(5,288)
	<u>199,697</u>	<u>167,665</u>
Trade receivables – other	-	28
Less: Allowance for expected credit losses	-	-
	<u>-</u>	<u>28</u>
Other receivables	709	1,108
Trade and Other receivables	<u>709</u>	<u>1,136</u>

### Client Receivables

Trade receivables – debtor finance	203,518	172,953
Less: Trade payables – debtor finance	(81,594)	(88,745)
Client Receivables	<u>121,924</u>	<u>84,208</u>
Less: Allowance for expected credit losses	(3,821)	(5,288)
Net Client Receivables	<u>118,103</u>	<u>78,920</u>

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 7 Trade receivables (continued)

#### Trade receivables – Debtor finance

Receivables from Debtor Finance are invoices purchased from clients. These invoices have various payment terms, but majority of the invoices have 30 day terms. On average, invoices are paid within 42 days.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Opening balance	5,288	5,197
Net remeasurement of allowance	267	1,675
Receivables written off during the year as uncollectable	(1,711)	(1,420)
Decrease from origination or acquisition of receivables	(23)	(164)
Closing balance	3,821	5,288

The following table provides information about the risk profile of Trade receivables - debtor finance:

#### Credit risk profile of receivables from clients

	Expected credit loss rate		Carrying amount		Allowance for ECL	
	2021	2020	2021	2020	2021	2020
	%	%	\$	\$	\$	\$
Not overdue	0.0%	0.0%	79,387,355	84,196,981	-	-
Less than 30 days overdue	0.0%	0.0%	80,141,699	52,153,202	-	-
30 - 90 days overdue	0.0%	0.0%	28,231,839	17,804,522	-	-
Over 90 days overdue	6.3%	5.6%	10,946,202	12,718,880	685,092	708,414
Credit Impaired	65.2%	75.3%	4,811,762	6,079,610	3,136,475	4,579,763
			203,518,857	172,953,195	3,821,567	5,288,177

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 7 Trade receivables (continued)

For Debtor Finance division, the Group advances up to 80% of invoices purchased that are less than 90 days past the due date. If the invoices go past 90 days, the invoices are either reassigned back to the client and the funds are clawed back or clients must sell new invoices to the Group. The Group ensures that the invoice purchased from clients have a good spread of debtors and if there is concentration issue, the Group ensures that there is trade credit insurance in place. Generally, the Group sees minimal or no risk in collecting invoices that are less than 90 days old from the due date.

Key risks that the Group is exposed to are fraud and invoice disputes. Invoices that are over 90 days are mainly from clients that have committed a fraud (including mis-banking) or have invoice disputes from end debtors.

The Group also maintains a risk register for individual clients that have issues repaying the advanced funds. The Group performs a stress test of each individual client's circumstances, and the stress test amount is recognised as credit impaired in the account.

### NOTE 8 Finance lease receivables

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Current:		
Finance lease receivables	15,245	14,586
Allowance for expected credit losses	(212)	(343)
Unamortised loan brokerage fees	336	291
Unamortised loan transaction fees	(450)	(503)
Unamortised interest receivable	(3,729)	(3,574)
Total Current	11,190	10,457
Non-Current:		
Finance lease receivables	98,925	102,471
Allowance for expected credit losses	(1,278)	(2,611)
Unamortised loan brokerage fees	664	598
Unamortised loan transaction fees	(2,784)	(4,407)
Unamortised interest receivable	(13,353)	(11,440)
Total Non-Current	82,174	84,611
Grand Total	93,364	95,068

### Impairment of finance lease receivables

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Opening balance	2,954	486
Net remeasurement of allowance	(1,183)	(336)
Receivables written off during the year as uncollectable	(728)	(237)
Additional provisions recognised	447	3,041
Closing balance	1,490	2,954

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 8 Finance lease receivables (continued)

The following table provides information about the risk profile of lease receivables:

#### Credit risk profile of receivables from customers

	Expected credit loss rate		Carrying amount		Allowance for ECL	
	2021	2020	2021	2020	2021	2020
	%	%	\$	\$	\$	\$
Not overdue	0.7%	0.7%	112,012,573	109,715,616	754,258	713,139
Less than 30 days overdue	1.5%	1.8%	61,239	451,822	941	8,240
30 - 60 days overdue	7.3%	6.4%	19,221	315,025	1,403	20,229
60 - 90 days overdue	11.6%	12.1%	11,549	62,822	1,343	7,582
Over 90 days overdue	24.7%	20.7%	123,316	387,652	30,411	80,426
Credit Impaired	37.7%	22.9%	1,805,653	3,713,684	680,229	850,891
Hardship	15.4%	52.8%	136,667	2,411,795	21,031	1,273,586
			114,170,218	117,058,416	1,489,616	2,954,093

### NOTE 9 Other Assets

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
CURRENT:		
Prepayments	2,396	2,073
Accrued Income	479	337
Advances	16	17
Deposits Paid	414	407
Total	3,305	2,834

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 10 Plant & Equipment

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Leased motor vehicles		
At cost	49	49
Accumulated depreciation	(25)	(16)
	24	33
Software & Office equipment		
At cost	2,350	2,290
Accumulated depreciation	(2,206)	(2,010)
	144	280
Leasehold Improvements		
At cost	538	534
Accumulated depreciation	(498)	(434)
	40	100
Low-value pool		
At cost	20	13
Accumulated depreciation	(15)	(8)
	5	5
Total Plant & Equipment	213	418

	Consolidated Group				
	Leased Motor Vehicles	Computer & Office Equipment	Leasehold Improvements	Low-value Pool	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
2021 Consolidated:					
Balance at the beginning of the financial year	33	280	100	5	418
Additions	-	60	4	7	71
Depreciation	(9)	(196)	(64)	(7)	(276)
Carrying amount at the end of the financial year	24	144	40	5	213
2020 Consolidated:					
Balance at the beginning of the financial year	43	195	150	11	399
Additions	-	22	1	1	24
Acquired on business combination	-	233	-	-	233
Depreciation	(10)	(170)	(51)	(7)	(238)
Carrying amount at the end of the financial year	33	280	100	5	418

## Notes to the Financial Statements for the year ended 30 June 2021

### Note 11 Right of use asset

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Land and buildings: right-of-use	1,999	1,617
Less: Accumulated depreciation	(955)	(517)
	<u>1,044</u>	<u>1,100</u>

Additions to the right-of-use assets during the year were \$383,000 (2020: \$700,000) during the year.

The consolidated entity leases land and buildings for its offices under agreements of between four to six years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

		Consolidated Group	
		2021	2020
		\$ 000's	*Restated \$ 000's
<b>NOTE 12 Intangible Assets</b>			
Goodwill:			
Opening net book balance		19,885	12,890
Acquired on business combination	28	6,721	9,411
Impairment of goodwill - Zenith Management Services Pty Ltd		-	(2,416)
Adjustment to prior year acquisition during the measurement period		(11)	-
Net book value		<u>26,595</u>	<u>19,885</u>
Trademarks:			
Opening net book balance		2,125	2,125
Acquired on business combination	28	3	-
Net book value		<u>2,128</u>	<u>2,125</u>
Customer Relationships:			
Opening balance		3,500	5,050
Amortisation		(1,500)	(1,550)
Net book value		<u>2,000</u>	<u>3,500</u>
Software Development:			
Opening net book balance		21	2
Capitalised during the year		359	80
Amortisation		(56)	(61)
Net book value		<u>324</u>	<u>21</u>
Total		<u>31,047</u>	<u>25,531</u>

\* Identified from the Purchase Price Allocation exercise completed 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.

The comparative statement of profit or loss and other comprehensive income for the year ended 30 June 2021 was adjusted for the amortisation of customer relationships for \$1,000,000. 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.



## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 12 Intangible Assets (continued)

Intangible assets have been tested for impairment at 30 June 2021 resulting no impairment loss (2020: \$2,416,000). 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 Zenith Management Services Pty Ltd in Financial Year 2010 with goodwill amounting to \$2,416,000 has been written off in Financial Year 2020.
- 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 trademark 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 with goodwill amounting to \$5,288,000 less \$1,650,000 customer relationships identified from PPA exercise;
- The acquisition of Classic Funding Group in Financial Year 2020 with goodwill amounting to \$13,911,000 less \$4,500,000 customer relationships identified from PPA exercise; and
- The acquisition of The Invoice Exchange Pty Ltd in Financial Year 2021 amounted to goodwill of \$6,721,000.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 12 Intangible Assets (continued)

#### (a) Impairment tests for goodwill, trademark and customer relationships

Goodwill, trademark and customer relationships acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated Group	
	2021	2020
	\$ 000's	*Restated \$ 000's
Invoice Finance	21,604	15,182
Equipment Finance	9,119	10,328
	<u>30,723</u>	<u>25,510</u>

*\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group*

The recoverable amount of the consolidated entity's goodwill and trademark has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for all divisions:

- 8.0% (2020: 8.0%) discount rate;
- 2.5% (2020: 2.5%) per annum projected EBITDA growth rate;
- 2.5% (2020: 2.5%) per annum terminal EBITDA growth rate.

The discount rate of 8.0% reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the Group, the risk-free rate, and the volatility of the share price relative to market movements.

#### (b) Impairment Charge

Intangible assets have been tested for impairment at 30 June 2021 resulting 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 not recognised an impairment of goodwill. If the estimated cost of capital used in determining the discount rate for goodwill and trademarks had been 20%, the Group would not have to recognise an impairment of goodwill and trademark.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 13 Trade and Other Payables

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
<b>Trade payables</b>		
CURRENT:		
Unsecured liabilities		
Trade payables – Debtor finance	81,594	88,745
Total	81,594	88,745
Trade payables	2,480	2,768
Sundry payables and accrued expenses	-	3,719
Total	2,480	6,487
Grand Total	84,074	95,232

### NOTE 14 Other Liabilities

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
CURRENT:		
Unsecured liabilities	4,527	331
Placement ( <i>Issue of 44,897,846 shares at an issue price of \$0.42 on 01 July 2021</i> )*	18,857	-
	23,384	331

\* \$18,857,000 cash received on or before 30 June 2021 and 44,897,846 shares issued on 01 July 2021

### NOTE 15 Lease liabilities

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
CURRENT:		
Lease liability	629	548
	629	548
NON-CURRENT:		
Lease liability	514	785
	514	785

#### *Non-cancellable leases*

The lease liabilities comprise of the following leases:

The property lease at Brisbane expires on 31 October 2023 (extended further 2 years on 29 June 2021). It is a 5 year lease plus 2 year extension with rent payable monthly in advance. Rental provisions with the lease agreement requires the minimum lease payments to increase by 3.5% per annum.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 15 Lease liabilities (continued)

The property lease at North Sydney expires on 31 December 2022. It is a 5 year lease with rent payable monthly in advance. Rental provisions with the lease agreement requires the minimum lease payments to increase by 4% per annum.

The property lease at Melbourne expires on 29 April 2024. It is a 3 years lease with rent repayable monthly in advance. Rental provisions with the lease agreement requires the minimum lease payments to increase by 3.0% per annum.

### NOTE 16 Borrowings

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
<b>CURRENT:</b>		
<i>Unsecured</i>		
Unsecured Loans – Insurance (a)	1,500	1,618
<b>Total</b>	<b>1,500</b>	<b>1,618</b>
<i>Secured</i>		
Overdraft facility (b)	2,365	463
Receivables Financing Facility – Bank (c)	89,520	34,882
Receivables Financing Facility – Non-Bank (d)	19,472	-
Senior Secured Corporate Bond (e)	-	25,103
<b>Total</b>	<b>111,357</b>	<b>60,448</b>
<b>Total Current</b>	<b>112,857</b>	<b>62,066</b>
<b>NON-CURRENT:</b>		
<i>Unsecured</i>		
Unsecured Corporate Bond (f)	19,877	19,749
<b>Total</b>	<b>19,877</b>	<b>19,749</b>
<i>Secured</i>		
Receivables Financing Facility – Non-Bank (d)	-	16,627
Securitised warehouse facility (c)	73,530	85,482
<b>Total Non-Current</b>	<b>93,407</b>	<b>121,858</b>
<b>Total</b>	<b>206,264</b>	<b>183,924</b>

#### (a) *Unsecured Loans – Insurance*

In June 2021, Earlypay entered into \$1,600,000 insurance premium funding arrangement. The arrangement has fixed interest rate of 1.45% p.a. payable monthly in arrears to May 2022.

#### (b) *Overdraft and Securitised Warehouse Facilities*

The overdraft facility has limit of \$4,000,000 (2020: \$4,000,000) of which \$2,400,000 (2020: \$500,000) was used as at 30 June 2021. The warehouse facilities have a limit of \$140,000,000 (2020: \$133,300,000) for equipment finance and \$51,500,000 (2020: \$46,700,000) for receivable finance. Combined facilities have an average interest rate of 4.06% (2020: 4.03%). The facilities are reviewed annually. The used portion of the facilities amounted to \$67,400,000 (2020: \$75,000,000) for equipment finance and \$6,100,000 (2020: \$10,000,000) for receivable finance as at 30 June 2021.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 16 Borrowings (continued)

#### (c) *Receivable Financing Facility - Bank*

In April 2021, facility limit increased from \$75,000,000 to \$100,000,000. The average interest rate for the period was 3.6%. The facility is reviewed annually. The used portion of the facility amounted to \$89,500,000 (2020: \$68,200,000) and unused portion of \$10,500,000 (2020: \$6,800,000) as at 30 June 2021.

#### (d) *Receivables Financing Facility – Non-Bank*

In February 2021, receivables financing facility with a non-bank entity increased from \$20,600,000 to \$29,600,000. The average interest rate was 7.6% and payable monthly in arrears.

#### (e) *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.

#### (f) *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.

#### (b) *Receivables Financing Facility – Non-Bank*

In February 2021, receivables financing facility with a non-bank entity increased from \$20,600,000 to \$29,600,000. The average interest rate was 7.6% and payable monthly in arrears.

### Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 23.

### NOTE 17 Provision for employee benefits

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
CURRENT:		
Employee benefits	1,137	649
NON-CURRENT:		
Employee benefits	165	234

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 18 Contributed Equity

	Date	Consolidated Group	
		No.	\$ 000's
Balance at beginning of financial year	01 Jul 19	201,378,988	39,954
Shares issued or under issue during the year:			
Ordinary shares @ 48 cents from Rights issue	08 Oct 19	15,831,764	7,599
Share issue from Dividend Reinvestment Plan	05 Dec 19	361,305	174
Balance at end of financial year	30 Jun 20	217,572,057	47,727
Balance at beginning of financial year	01 Jul 20	217,572,057	47,727
Shares issued or under issue during the year:			
Ordinary shares @ 34 cents from acquisition of Skippr invoice finance	15 Sep 20	2,192,341	750
Share issue from Dividend Reinvestment Plan	07 Oct 20	1,053,732	346
Ordinary shares @ 32.8 cents from placement of DRP shortfall	06 Nov 20	10,671,424	3,500
Share issue from Dividend Reinvestment Plan	08 Apr 21	1,458,951	623
Less: transaction costs arising from share issues			(173)
Balance at end of financial year	30 Jun 21	232,948,505	52,773

### Capital risk management

The Group and the parent entity's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt and capital includes ordinary share capital, corporate bonds, and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements. This strategy is to ensure that the Group's gearing ratio remains under 90%. The gearing ratios for the year ended 30 June 2021 and 30 June 2020 are as follows:

	Consolidated Group	
	2021	2020 *Restated
	\$ 000's	\$ 000's
<b>Gearing Ratios</b>		
Total borrowings	206,264	183,924
Less: Cash and cash equivalents	(44,770)	(38,197)
Net debt	161,494	145,727
Total equity	58,424	52,390
Total capital	219,918	198,117
Gearing ratio	73.43%	73.56%

\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 19 Reserves and Retained Earnings

	Consolidated Group	
	2021 \$ 000's	2020 *Restated \$ 000's
<b>Reserves and Retained Earnings</b>		
Retained earnings	5,299	4,222
General Reserves	441	441
	<u>5,740</u>	<u>4,663</u>

*\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group*

### NOTE 20 Earnings per share

	Consolidated Group	
	2021 Cents per Share	2020 *Restated Cents per Share
Basic earnings per share	3.18	1.32
Diluted earnings per share	3.05	1.26

*\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group*

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Consolidated Group	
	2021 \$000's	2020 *Restated \$000's
Earnings		
Continuing operations	7,238	2,672
Earnings used in calculating of dilutive EPS	<u>7,238</u>	<u>2,672</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares	227,301,470	202,136,606
Weighted average number of dilutive options on issue	10,000,000	10,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>237,301,470</u>	<u>212,136,606</u>

Earnings used in the calculation of basic earnings per share are net profit after tax.

*\*Refer to Note 12 regarding finalisation of the purchase price allocation for acquisition of Classic Funding Group*

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 21 Dividends

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
Fully Franked Declared FY2020 Final Dividend – 1.75 cents (FY2019: 1.40 cents)	3,846	2,819
Fully Franked Paid FY2021 Interim Dividend – 1.0 cent (FY2020: n/a)	2,315	-
Total	6,161	2,819

In addition to the above dividends, since the end of the year, the Directors have declared a 1.30 cents per share fully franked dividend (FY2020: 1.75 cents per share fully franked) which has not been recognised as a liability at the end of the financial year:

3,612      3,846

Franking Credits

7,094      8,265

The above amounts represent the balance of the franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from the payment of dividends recognised as a liability at the reporting date.



## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 22 Cash flow information

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
(a) <i>Reconciliation of cash</i>		
Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	44,770	38,197
	<u>44,770</u>	<u>38,197</u>
(b) <i>Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities</i>		
Profit from ordinary activities after related income tax	7,149	3,701
Depreciation and amortisation of non-current assets	2,269	1,366
Impairment of goodwill - Zenith	-	2,416
Changes in assets and liability, net of effect of purchases of subsidiaries;		
Decrease in receivables	428	612
Decrease in other current assets	(485)	(1,671)
Increase/ (decrease) in deferred tax assets	753	(372)
Increase/(decrease) in provisions	388	(379)
Decrease in trade and other payables	(10,862)	(2,384)
Increase in other liabilities	4,195	283
Increase in borrowings	27	346
Increase/ (decrease) in Income tax payable	949	(2,086)
Net cash from operating activities	<u>4,811</u>	<u>1,832</u>

### (c) *Changes in liabilities arising from financing activities*

	Cash changes	
	2020	2021
	\$ 000's	\$ 000's
Receivables Financing Facility	34,882	54,638
Unsecured Loans	1,618	(117)
Senior Secured Bond	25,000	(25,000)
Unsecured corporate Bond	20,000	-
Receivables Financing Facility - Non-Bank	16,627	2,845
Securitised warehouse facility	85,945	(10,051)
	<u>184,072</u>	<u>206,387</u>

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 23 Financial Risk Management

The Risk Committee has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The risk management committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

The Group's overall risk management strategy is to ensure that financial targets are met, while minimising potential adverse effects on financial performance relating to current and future cash flow requirements.

The Group's financial instruments consist mainly of deposit with banks, accounts receivable, investments, and trade and other payables and borrowings.

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
The total for each category of financial instruments, excluding assets held for sale, measured in accordance with accounting policies to these financial statements, are as follows:		
<i>Financial Assets</i>		
Cash and cash equivalents	44,770	38,197
Trade and other receivables	200,406	168,801
Finance lease receivables	93,364	95,068
Other current assets	3,305	407
	<u>341,845</u>	<u>302,473</u>
<i>Financial liabilities</i>		
Trade and other payables	84,074	95,232
Borrowings - variable	184,764	162,305
Borrowings - fixed	21,500	21,618
Lease liabilities	1,143	1,333
	<u>291,481</u>	<u>280,488</u>

#### (a) Market risk

##### Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

All of the Group's debts are on floating rate basis except Unsecured Corporate Bond and Unsecured Loan - Insurance which have fixed rates. The Group's debts are primarily used for finance division and equipment finance division. Interest rate risk for equipment finance division is mitigated through interest swaps and interest rate risk for the finance division can be mitigated by passing on the increase in interest rate to the customers.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 23 Financial Risk Management (continued)

#### *Sensitivity Analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the interest rate that management considers to be reasonably possible. These sensitivities assume that the movement in interest rate is independent of other variables.

<i>Sensitivity Analysis</i>	<b>Consolidated Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000's</b>	<b>\$000's</b>
<i>Financial Assets</i>		
<i>Cash and cash equivalents</i>	44,770	38,197
<i>Financial liabilities</i>		
<i>Borrowings - variable</i>	(184,764)	(162,305)
<i>Net</i>	<u>(139,994)</u>	<u>(124,108)</u>
 +/- 1% in interest rate		
Equity	+/- 0.980	+/- 1.738
Profit	+/- 1.400	+/- 2.482

For assets and liabilities, the net fair value approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

#### *(b) Credit risk*

Credit risk arises predominantly from receivables from customers and also from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted. If customers are independently rated, these ratings are used. If there is no independent rating for customers, the Group's risk controls assess the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 23 Financial Risk Management (continued)

#### (b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date, excluding any amounts recoverable under the Group's credit insurance, which is not able to be reliably estimated, is the carrying amount of the financial assets summarised in the following table. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparties default rates.

	Consolidated Group	
	2021	2020
	\$ 000's	\$ 000's
<i>Trade receivables</i>		
Counterparties with external credit rating (Moody's)		
AAA Federal government departments and instrumentalities	1,663	3,736
Counterparties without external credit rating	292,248	260,133
Total trade receivables	293,911	263,869
<i>Cash at bank and short-term bank deposits</i>		
AA-	44,770	38,197

To further minimise the credit risk for outstanding receivables from customers, the Group ensures that:

- 50% of ledger purchased from new customers are checked and validated with the end debtors.
- 20% of new invoices purchased from existing customers are checked and validated with the end debtors.
- Collections team chase overdue invoices to make sure invoices are paid on time.
- 60% of receivables in Invoice Finance division have trade credit insurance in place. Trade credit insurance will pay 90% of the receivable value when it is claimed.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 23 Financial Risk Management (continued)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational and financing activities;
- Ensuring that adequate capital raising activities are undertaken;
- Maintaining a reputable credit profile; and
- Investing surplus cash only with major financial institutions.

Please refer to Note 16 for more details on borrowings.

The following tables reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments:

	Weighted average interest rate	0 to 12 Months \$ 000's	1 to 5 years \$ 000's	More than 5 years \$ 000's	Carrying value \$ 000's
<i>As at 30 June 2021</i>					
Trade and other payables	N/A	84,074	-	-	84,074
Borrowings	4.24%	112,857	93,407	-	206,264
Lease Liabilities	2.93%	615	528	-	1,143
Total financial liabilities		197,546	93,935	-	291,481
		0 to 12 Months \$ 000's	1 to 5 years \$ 000's	More than 5 years \$ 000's	Carrying value \$ 000's
<i>As at 30 June 2020</i>					
Trade and other payables	N/A	95,232	-	-	95,232
Borrowings	5.24%	78,693	105,231	-	183,924
Lease Liabilities	4.07%	548	785	-	1,333
Total financial liabilities		174,473	106,016	-	280,489

#### Fair value estimation

The carrying amounts of trade receivables, payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The fair value of non-current borrowings approximates the carrying amount, as the impact of any discounting is not significant.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 24 Contingent liabilities

There are 3 rental guarantees in total of \$403,000 relating to the property at Miller Street, Queen Street and St Kilda Road. The guarantee amount is payable if lease terms regarding the property are broken.

### NOTE 25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1(d).

		2021	2020
	Country of Incorporation	%	%
Ultimate Parent Entity			
Earlypay Limited	Australia		
Controlled Entities			
CMLPayroll Pty Limited	Australia	100%	100%
Zenith Management Services Group Pty Limited	Australia	100%	100%
Lester Payroll Services Pty Limited	Australia	100%	100%
Lester Associates Good Migration Pty Limited	Australia	100%	100%
Lester Associates Business Services Pty Limited	Australia	100%	100%
LesterPlus Pty Limited	Australia	100%	100%
Cashflow Finance Australia Pty Limited	Australia	100%	100%
Cashflow Advantage Pty Limited	Australia	100%	100%
180 Group Pty Limited	Australia	100%	100%
180 Capital Funding Pty Limited	Australia	100%	100%
1 <sup>st</sup> Cash Pty Limited	Australia	100%	100%
Classic Funding Group Pty Ltd	Australia	100%	100%
Classic Cash Flow Solutions Pty Ltd	Australia	100%	100%
Classic Clean Energy Finance Pty Ltd	Australia	100%	100%
Classic Finance Pty Ltd	Australia	100%	100%
The Leasing Centre Pty Ltd	Australia	100%	100%
CF Management Services Pty Ltd	Australia	100%	100%
Classic Receivable Finance Trust	Australia	100%	100%
Classic Equipment Finance Trust	Australia	100%	100%
The Invoice Exchange Pty Ltd	Australia	100%	-

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 25 Subsidiaries (continued)

#### *Deed of Cross Guarantee*

A deed of cross guarantee between CMLPayroll Pty Ltd and Earlypay Limited was entered into during the 2015 financial year. Cashflow Finance Australia Pty Limited also entered the closed group during 2019 financial year.

A relief was obtained from preparing financial statements for CMLPayroll Pty Ltd and Cashflow Finance Australia Pty Limited under ASIC Class Order 2016/785. Under the deed, Earlypay Limited, CML Payroll Pty Ltd and Cashflow Finance Australia Pty Limited guarantee the debts of each other and are the members of the closed group. Earlypay Limited, CMLPayroll Pty Ltd and Cashflow Finance Australia Pty Limited are the only parties to the deed of cross guarantee. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the closed group is set out below:

	Closed Group	
	2021 \$000's	2020 \$000's
<b>Financial information in relation to:</b>		
(i) Statement of profit or loss and other comprehensive income:		
Profit before income tax	14,311	2,929
Income tax expense	(2,203)	(406)
Profit after income tax	12,108	2,523
Profit attributable to members of the parent entity	12,108	2,523
(ii) Statement of financial position:		
CURRENT ASSETS		
Cash and cash equivalents	36,415	27,935
Trade and other receivables	176,107	127,777
Other current assets	8,756	13,503
TOTAL CURRENT ASSETS	221,278	169,215
NON-CURRENT ASSETS		
Property, plant, and equipment	187	269
Intangible assets	30,678	26,126
Deferred tax assets	1,958	2,711
TOTAL NON-CURRENT ASSETS	32,823	29,106
TOTAL ASSETS	254,101	198,321
CURRENT LIABILITIES		
Trade and other payables	60,988	61,189
Tax liabilities	740	758
Borrowings	91,021	61,603
Other liabilities	23,383	331
Lease liability	615	548
Short-term provisions	915	564
TOTAL CURRENT LIABILITIES	177,662	124,993

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 25 Subsidiaries (continued)

	Closed Group	
	2021	2020
	\$'000's	\$'000's
NON-CURRENT LIABILITIES		
Long-term borrowings	39,350	36,375
Long-term provisions	132	119
Lease liability	528	786
Other liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	40,010	37,280
TOTAL LIABILITIES	217,672	162,273
NET ASSETS	36,429	36,048
EQUITY		
Issued capital	52,773	47,726
Reserves	441	441
Retained earnings/(accumulated losses)	(16,785)	(12,119)
	36,429	36,048

### NOTE 26 Parent Entity Disclosures

	Consolidated Group	
	2021	2020
	\$ '000's	\$ '000's
The individual financial statements for the parent entity show the following aggregate amounts:		
<i>Statement of Financial Position</i>		
Current assets	27,426	26,401
Non-current assets	149,831	93,991
Total assets	177,257	120,392
Current liabilities	115,792	64,430
Non-current liabilities	39,518	36,842
Total liabilities	155,310	101,272
Net Assets	21,947	19,120
Shareholders' equity		
Contributed equity	52,770	47,726
Retained losses	(30,824)	(28,606)
Total equity	21,946	19,120
Net Profit/ (Loss) for the year after tax	4,942	(5,969)
Total Comprehensive Income/ (Loss)	4,942	(5,969)

The Parent Entity, Cashflow Finance Pty Limited and CMLPayroll Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.



## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 27 Business Combinations

#### a) Acquisition in the current year

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 \$273,000 and profit after tax of \$3,000 for the period from 19 August 2020 to 30 June 2021. If the acquisition occurred on 1 July 2020 the full year contributions would have been revenues of \$464k and loss after tax of \$412k.

	Note	Fair Value \$000's
Cash		712
Trade receivables – debtor finance		2,707
Trademarks	12	3
Other assets		25
Trade payables		(19)
Trade payables – debtor finance		(1,754)
Borrowings (to fund trade receivables)		(1,864)
Employee liabilities		(31)
Net tangible liabilities assumed		(221)
Goodwill / other identifiable assets to be allocated prior to the completion of acquisition accounting	12	6,721
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.

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 27 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 for tax purposes.

#### b) Acquisition for the prior year

On 1 November 2019, Earlypay Limited acquired 100% of the ordinary shares of Classic Funding Group Pty Ltd ("CFG") for the total consideration of \$10.7m, which includes Goodwill, plus loan book funding of circa \$128.0m.

The acquisition has accelerated the Group's strategy to gain market share in Invoice Discounting and Equipment Finance. The acquisition has increased the Group's Invoice Discounting and Equipment Finance Funds Advanced by ~5x. The addition of CFG's client base and experienced staff brings forward the Group's strategy to build volume in Invoice Discounting and improved funding structure within the CFG Equipment Finance division and brings forward the Group's plan to transition to significantly cheaper funding for its Equipment Finance product.

	Note	Fair Value
		\$000's
Cash and cash equivalents		3,331
Trade receivables – debtor finance		57,886
Trade and other receivables		95
Finance lease receivables		99,309
Unamortised interest receivable		(3,329)
Property, plant & equipment		233
Other assets		554
Trade payables – debtor finance		(27,476)
Trade payables		(2,954)
Borrowings (to fund trade and finance lease receivables)		(128,214)
Employee liabilities		(427)
Other Liabilities		(2,271)
Net tangible liabilities assumed		(3,263)

## Notes to the Financial Statements for the year ended 30 June 2021

### NOTE 27 Business Combinations (continued)

Goodwill / other identifiable assets to be allocated prior to the completion of acquisition accounting	12	13,911
Total purchase consideration		<u>10,648</u>
Representing:		
Cash paid to vendor		11,000
Receivable from Vendor		<u>(352)</u>
Total purchase consideration		<u>10,648</u>
Acquisition costs expensed to profit and loss		<u>44</u>
Net consideration used		<u>10,692</u>

The acquired business contributed revenue of \$9.0m and profit after tax of \$0.3m for the period from 1 November 2019 to 30 June 2020. If the acquisition occurred on 1 July 2019 the full year contributions would have been revenues of \$14.3m and loss after tax of \$0.4m.

Initial purchase consideration for Classic Funding Group was \$11.0m. However, due to adjustments identified post acquisition, total purchase consideration has been decreased to \$10.6m. There is \$1.1m held in the Group's solicitor's trust account and once the vendor agrees with the adjustments identified, the variance amount will be refunded to the Group.

At the time provisional accounting was adopted, however on completion of the PPA process it was determined that of the \$13,911K identified above – that \$4,500k related to customer relationships and \$9,411k related to goodwill.

### NOTE 28 Subsequent Event

The Group raised \$18.9m via an institutional placement (announced on the ASX on 24 June 2021) and the Group issued 44,897,846 shares at an issue price of \$0.42 cents per share on 01 July 2021.

The Group has declared a Final Dividend of 1.3 cents per share, fully franked. The Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate.

The Group is in the process of negotiating potential early repayment of existing long-term amortising facility with Greensil Capital (in administration).

## Directors' Declaration

In accordance with a resolution of the Directors of Earlypay Limited the Directors of the Company declare that:

1. The financial statements and notes as set out on pages 24-67 are in accordance with the *Corporations Act 2001*; and
  - a. Comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financials Reporting Standards (IFRS); and
  - b. Give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated Group.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

At the date of this Declaration, there are reasonable grounds to believe that the companies which are party to this Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to be virtue of the Deed.

A handwritten signature in purple ink, appearing to read 'Daniel Riley'.

Daniel Riley

Managing Director

Sydney 23<sup>rd</sup> September 2021

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF EARLYPAY LIMITED  
ABN 88 098 952 277**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Earlypay Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Earlypay Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the 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 report.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How our audit addressed the matter</b>
<b>Existence and Recoverability of Trade and Finance Lease Receivables</b> <b>Refer to Note 7 Trade Receivables and Note 8 Finance Lease Receivables</b>	
<p>We focused our audit effort on the existence and recoverability of the Group's trade receivables and finance lease receivables as they represent the largest assets and most significant drivers of the Group's Net Assets.</p> <p>As at 30 June 2021 the Group had trade receivables of \$199.7 million and finance lease receivables of \$93.4 million.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and evaluating the design and operating effectiveness of controls in the assessment process for determining the recoverability of trade receivables, including the evaluation and testing of the Group's controls for trade receivables and finance lease receivables;</li> <li>• Assessing management's methodology for determining the provision for the allowance for expected credit losses to ensure it in accordance with AASB 9 <i>Financial Instruments</i>;</li> <li>• Assessing the completeness of clients identified as being subject to the allowance for expected credit losses;</li> <li>• Obtaining independent debtor confirmations;</li> <li>• Vouching year end receivable balances to subsequent receipts; and</li> <li>• Assessing the adequacy of disclosures in the financial statements.</li> </ul>

*Key Audit Matters (Continued)*

<b>Key Audit Matter</b>	<b>How our audit addressed the matter</b>
<b>Acquisition Accounting</b> <b>Refer to Note 12 Intangible Assets</b>	
<p>During the 2021 financial year, the Group acquired Skippr Invoice Finance. The accounting for this business combination resulted in the initial recognition of goodwill of \$6.7 million.</p> <p>At 30 June 2021 the consolidated statement of financial position of the Group includes goodwill amounting to \$26.6 million subject to annual impairment testing.</p> <p>In assessing impairment of intangible assets, management have estimated value in use for each Cash Generating Unit (CGU).</p> <p>The value in use model for impairment includes significant management judgement in respect of assumptions and estimates including discount rates and estimated future cash flows.</p> <p>This is considered a key audit matter due to the inherent subjectivity involved in assessing potential impairment and the significance of intangibles to the financial report.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and evaluating the design and operating effectiveness of controls in respect to acquisition accounting;</li> <li>• Examining the asset purchase agreement to identify intangible assets acquired based on our understanding of the business acquired;</li> <li>• Reviewing goodwill calculation based on our understanding of the acquired business;</li> <li>• Assessing management's determination of CGUs based on our understanding of the nature of the Group's business and the economic environment;</li> <li>• Reviewing and challenging judgements by management in respect of the key assumptions and estimates, including discount rates and estimated future cash flows;</li> <li>• Testing the mathematical accuracy of the value in use model; and</li> <li>• Considering the adequacy of the financial report disclosures in Note 12 and confirming that the correct accounting treatment has been applied.</li> </ul>

### Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the matter
<b>Accuracy and Existence of Debtor and Equipment Finance Revenue</b> <b>Refer to Note 1 Significant Accounting Policies and Note 2 Revenue</b>	
<p>We focused our audit effort on the accuracy and existence of debtor and equipment finance revenue as it represents the most significant driver of the Group's profits.</p> <p>As at 30 June 2021 the Group had generated \$28.3 million of debtor revenue and \$14.0 million of equipment finance revenue.</p> <p>Revenue recognition is significant to our audit as the Group may incorrectly account for fees and interest potentially leading to incorrect revenue recognition.</p> <p>Significant judgements are required by management in assessing the recognition of revenue across the various revenue streams in accordance with the relevant accounting standards.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and evaluating the design and operating effectiveness of controls in the assessment process for determining the amount of revenue earned, including the application of AASB 15 <i>Revenue from Contracts with Customers</i>;</li> <li>• Selecting a sample of debtor and equipment finance contracts, reviewing the contract to identify the facts and circumstances that indicate that all performance obligations have been satisfied;</li> <li>• Obtaining audit evidence for the facts and circumstances identified in the debtor and equipment finance contracts; and</li> <li>• Reviewing the appropriateness of the disclosures in regards to revenue recognition.</li> </ul>

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 14 to 21 of the Directors' Report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Earlypay Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The Directors of Earlypay Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**JOHN GAVLJAK**  
Partner

23 September 2021



**PITCHER PARTNERS**  
Sydney

## Additional Information for Publicly Listed Companies

### Statement of quoted securities as at 31 August 2021

- There are 2,016 shareholders holding a total of 277,846,351 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 68,67% of the total issued shares on issue.
- Voting rights for ordinary shares are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

Distribution of quoted securities as at 31 August 2021	Range of holding	No. of holders
	1 - 1,000	116
Ordinary fully paid shares	1,001 - 5,000	517
	5,001 - 10,000	356
There are 123 shareholders holding less than a marketable parcel.	10,001 - 100,000	811
	100,001 - and over	216
	<b>Total holders</b>	<b>2,016</b>

Substantial shareholdings as at 31 August 2021	Total relevant interest notified	% of total voting rights
<b>Ordinary shareholder</b>		
CONSOLIDATED OPERATIONS GROUP	38,654,976	13.91
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	37,615,086	13.54
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,552,615	7.04
CITICORP NOMINEES PTY LIMITED	13,849,580	4.98

### On-market buy-backs

There is no on-market buy back currently in place in relation to the securities of the Company.

### Restricted securities

There are no restricted securities on issue by the Company.

## Additional Information for Publicly Listed Companies

### Top Twenty Shareholders as at 31 August 2021

Rank	Shareholder name	No of Shares	% of ordinary shares on issue
1	CONSOLIDATED OPERATIONS GROUP	38,654,976	13.91
2	FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	37,615,086	13.54
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,552,615	7.04
4	CITICORP NOMINEES PTY LIMITED	13,849,580	4.98
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,648,394	4.91
6	G & A RILEY INVESTMENTS PTY LIMITED <GREG & ANN RILEY SMSF P A/C>	10,491,803	3.78
7	MR JAMES BEESON + MRS ESTHER BEESON <THE BEESON FAMILY A/C>	9,866,631	3.55
8	UBS NOMINEES PTY LTD	8,447,682	3.04
9	WESTLAWN FINANCE LIMITED	7,450,070	2.68
10	G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	5,449,595	1.96
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,018,832	1.45
12	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	3,650,033	1.31
13	THE BEESON SUPER FUND PTY LTD <THE BEESON SUPER FUND A/C>	3,511,252	1.26
14	JAMPLAT PTY LTD	2,800,000	1.01
15	ONE FUND SERVICES LTD <SANDON CAPITAL ACTIVIST A/C>	2,539,604	0.91
16	GUERRILLA NOMINEES PTY LTD <TOOTH RETIREMENT PLAN A/C>	2,141,176	0.77
17	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,017,865	0.73
18	NATIONAL NOMINEES LIMITED	1,907,379	0.69
19	VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	1,880,000	0.68
20	ITOKA PTY LTD <PM SUPERANNUATION FUND A/C>	1,300,000	0.47
		190,792,573	68.67