

APPENDIX 4D

Earlypay Limited

ABN: 88 098 952 277

Interim Report

For the Half Year ended 31 December 2021

Current Reporting Period

Six months to 31 December 2021

Previous Corresponding Period

Six months to 31 December 2020

Appendix 4D

Half Year Report

Half Year ended 31 December 2021
(Previous corresponding period half year ended 31 December 2020)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A'000s

| | | | | |
|---|----|------|----|----------|
| Revenue from ordinary activities | Up | 24% | to | \$27,116 |
| Profit from ordinary activities after tax attributable to members | Up | 150% | to | \$6,954 |
| Profit after tax attributable to members | Up | 150% | to | \$6,954 |
| Adjusted profit after tax attributable to members | Up | 118% | to | \$7,704 |

DIVIDENDS

Consolidated Group

31 Dec 2021 31 Dec 2020
\$ 000's \$ 000's

Dividends paid or provided for during the period:

Final 2021 fully franked ordinary dividend of 1.30 cents (2020: 1.75 cents)
per share franked at the tax rate of 25% (2020: 27.5%)

3,612 3,846

| Dividends (distributions) | Amount per security | Franked amount per security | Record date | Payment date |
|---|---------------------|-----------------------------|-------------------|----------------|
| Final dividend 30 June 2021 (previous year) | 1.30 cents | 100% | 16 September 2021 | 7 October 2021 |
| Interim dividend 31 December 2021 | 1.40 cents | 100% | 17 March 2022 | 7 April 2022 |

Net profit after tax includes \$750,000 of non-cash item relating to amortisation of customer relationship from purchase of Classic Funding Group. On an adjusted profit after tax, Earlypay's Net profit after tax for the period is \$7,704,000, up 118% on the corresponding period last year (1H'21: \$3,533,000).

DIRECTORS' REPORT

The directors of Earlypay Limited ("Earlypay" or "the Group") submit herewith the financial report of the consolidated entity for the half year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the Group during or since the end of the half year are:

Greg Riley – Non-Executive Chairman
Daniel Riley – Managing Director
Sue Healy – Non-Executive Director
Geoff Sam OAM – Non-Executive Director
Ilkka Tales – Non-Executive Director
Stephen White – Non-Executive Director
James Beeson – Executive Director (Appointed: 29 July 2021)

Steve Shin - Company Secretary

Principal activities

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

Review of operations

Earlypay is pleased to report a strong Half Year 2022 result, with key highlights as follows;

- Revenue of \$27,116,000 up 24% on previous corresponding period ("pcp"). (H1 2021 \$21,782,000.)
- EBITDA of \$12,709,000 up 29% on pcp. (H1 2021 \$9,829,000.)
- NPAT of \$6,954,000 up 150% on pcp. (H1 2021 \$2,783,000.)
- NPATA of \$7,704,000 after adjusting and adding back for non-cash amortisation of \$750,000 up 118% on pcp. (H1 2021 \$3,533,000.)
- EPS (based on NPATA) of 2.8 cps (H1 2021 1.6 cps.)
- Interim dividend of 1.4 cps fully franked up 40% on pcp. (H1 2021 1.0 cps.)

Invoice Finance

In H1, transaction volumes have reached record highs, with the business recording Total Transaction Volume ("TTV") of \$1.2bn, up 35% on pcp (H1 2021: \$886.9m). TTV was driven primarily by organic growth in client numbers.

Revenue followed a similar trend, with H1 revenue increasing by 41% compared to pcp. This uplift has been driven by:

- Growth in new client numbers and TTV
- Increase in interest income on improved utilisation (LVR) of client facilities
- The Earlypay platform, which continues to drive efficiencies in on-boarding and servicing SME clients

Current business volume and growth momentum indicates continued uptrend in Invoice Finance during the remainder of FY22.

Equipment Finance

Growth has resumed in the Equipment Finance division as EPY expands origination volumes supported by the improved economic outlook post lockdowns.

- H1 origination volume of \$44.2m was sharply up on H1 2021 volume of \$18.3m, which resulted in the loan book increasing to \$108.1m at 31 Dec 2021 from \$94.3m at 30 Sept 2021.

Balance Sheet

Improvements to existing facilities

Earlypay received increases in existing warehouse facilities in May 2021 and Nov 2021 to accommodate loan book growth.

New facilities

A new warehouse facility commenced in Dec 2021 to support growth in Equipment Finance.

Earlypay also issued a new 4-year corporate bond at sub-7% in Nov 2021 to support growth in the new Trade Finance product.

As at 31 December 2021, there was a surplus in net current assets to net current liability of \$77,340,000 (30 June 2021: \$39,273,000).

Refer to note 8 in the financial statements for more details of the consolidated entities borrowings.

DIRECTORS' REPORT – continued

Risks

Australia is currently experiencing increasing inflation, with the cost of key inputs and labour set to rise through 2022 for many SME's. While inflation can be positive for Earlypay, as SME's increase prices and the value of invoices presented for funding increase, there is also a risk that if SME's fail to adjust pricing to reflect increasing business costs, margins may compress placing strain on SME's and increasing the risk of business failure.

Earlypay notes that economic forecasts anticipate interest rates to increase during 2022, which will impact on funding costs with the majority of Earlypay's facilities structured as a fixed margin + BBSW.

In the Invoice Finance division, client contracts are on variable rates, allowing adjustment in-line with interest rate changes, which protects Earlypay from margin compression in the case of interest rate increases.

In the Equipment Finance division, mitigation is available to Earlypay through increase in charge rates to clients on new originations. While Earlypay has not yet implemented price changes, it is a market expectation this will happen, as multiple Equipment Finance lenders have already adjusted their rate cards.

Outlook

The beginning of H2, historically impacted by holiday seasonality, has started ahead of expectations with robust trading volumes from SME clients and continued high utilisation rate of Invoice Finance facilities. The strong start to H2 supports a further increase to FY22 guidance to \$15m+ NPATA. This is Earlypay's third upgrade to earnings guidance for FY22, reflecting the strong momentum in the business.

Dividend policy, in the absence of any material acquisitions, 60% of NPATA, indicating a final dividend of at least 1.8cps fully franked (3.2cps for FY vs 2.3cps pc)

Rounding of Amounts

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

Auditor's Declaration

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

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

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

Daniel Riley
Managing Director
24th February 2022

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

In relation to the independent auditor's review of Earlypay Limited and its Controlled Entities for the half-year ended 31 December 2021, 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 period.



John Gavljak
Partner

Pitcher Partners
Sydney

24 February 2022

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

| | | Consolidated Group | |
|--|-------------|---------------------------|--------------------|
| | | 31 Dec 2021 | 31 Dec 2020 |
| | Note | \$ 000's | \$ 000's |
| Revenue and other income | 3 | 27,116 | 21,782 |
| Expenditure | | | |
| Allowance for expected credit losses | | (716) | 1 |
| Commission | | (1,375) | (903) |
| Depreciation and amortisation | 4 | (1,054) | (1,101) |
| Employee - direct employees | | (7,537) | (6,690) |
| Employee - on-hire staff | | - | (178) |
| Finance costs | | (3,711) | (4,512) |
| Insurance | | (917) | (935) |
| Legal | | (621) | (542) |
| Marketing | | (313) | (114) |
| IT | | (660) | (610) |
| Trust expenses – Warehouse | | (781) | (864) |
| Other | | (1,476) | (1,085) |
| Total expenditure | | (19,161) | (17,533) |
| Profit before Income Tax | | 7,955 | 4,249 |
| Income tax expense | | (1,001) | (1,466) |
| Profit for the half year | | 6,954 | 2,783 |
| Profit attributable to members of the parent entity | | 6,954 | 2,783 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 6,954 | 2,783 |
| Earnings per Share: | | | |
| Basic earnings per share (cents) | 11 | 2.49 | 1.25 |
| Diluted earnings per share (cents) | 11 | 2.45 | 1.20 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2021

| | | Consolidated Group | |
|--------------------------------------|------|--------------------|----------------|
| | Note | 31 Dec 2021 | Restated* |
| | | \$000's | 30 June 2021 |
| | | | \$000's |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 25,008 | 44,770 |
| Trade receivables – debtor finance | 6 | 275,223 | 199,697 |
| Trade and other receivables | 6 | 775 | 709 |
| Finance lease receivables | 7 | 35,618 | 34,500 |
| Other current assets | | 2,581 | 3,305 |
| TOTAL CURRENT ASSETS | | 339,205 | 282,981 |
| NON-CURRENT ASSETS | | | |
| Finance lease receivable | 7 | 72,505 | 58,864 |
| Plant and equipment | | 283 | 213 |
| Right of use asset | | 803 | 1,044 |
| Deferred tax assets | | 2,951 | 2,281 |
| Intangible assets | | 30,440 | 31,047 |
| TOTAL NON-CURRENT ASSETS | | 106,982 | 93,449 |
| TOTAL ASSETS | | 446,187 | 376,430 |
| CURRENT LIABILITIES | | | |
| Trade payables – debtor finance | 6 | 116,618 | 81,594 |
| Trade payables | | 2,958 | 2,480 |
| Other liabilities | | 3,875 | 23,384 |
| Lease liability | | 605 | 629 |
| Borrowings | 8 | 135,001 | 132,734 |
| Tax liabilities | | 1,621 | 1,750 |
| Provisions – employees | | 1,187 | 1,137 |
| TOTAL CURRENT LIABILITIES | | 261,865 | 243,708 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 8 | 103,110 | 73,530 |
| Provisions – employees | | 213 | 165 |
| Lease liability | | 245 | 514 |
| TOTAL NON-CURRENT LIABILITIES | | 103,568 | 74,209 |
| TOTAL LIABILITIES | | 365,433 | 317,917 |
| NET ASSETS | | 80,754 | 58,513 |
| EQUITY | | | |
| Issued capital | 9 | 71,672 | 52,773 |
| Retained profits | | 8,641 | 5,299 |
| General reserve | | 441 | 441 |
| TOTAL EQUITY | | 80,754 | 58,513 |

The accompanying notes form part of these financial statements.

*Please refer to Note 1(a)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2021

| | | Share Capital | Reserves | Accumulated Profit | Total Equity |
|--|----|--------------------------|-----------------|-------------------------------|-------------------------|
| | | \$ 000's | \$ 000's | \$ 000's | \$ 000's |
| Balance at 1 July 2020 | | 47,727 | 441 | 4,222 | 52,390 |
| Profit for the half year | | - | - | 2,783 | 2,783 |
| Other comprehensive income for the half year | | - | - | - | - |
| Transactions with owners: | | | | | |
| Dividend paid or provided for the period | 13 | - | - | (3,846) | (3,846) |
| Issue of Ordinary Shares | | 4,434 | - | - | 4,434 |
| Balance at 31 December 2020 | | 52,161 | 441 | 3,159 | 55,761 |
| Balance at 1 July 2021 | | 52,773 | 441 | 5,299 | 58,513 |
| Profit for the half year | | - | - | 6,954 | 6,954 |
| Other comprehensive income for the half year | | - | - | - | - |
| Transactions with owners: | | | | | |
| Dividend paid or provided for the period | 13 | - | - | (3,612) | (3,612) |
| Issue of Ordinary Shares | 9 | 18,899 | - | - | 18,899 |
| Balance at 31 December 2021 | | 71,672 | 441 | 8,641 | 80,754 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

| | | Consolidated Group | |
|---|------|--------------------|-----------------|
| | Note | 31 Dec 2021 | Restated* |
| | | \$ 000's | 31 Dec 2020 |
| | | | \$ 000's |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 15,640 | 14,676 |
| Interest received from customers | | 12,820 | 9,486 |
| Payments to suppliers and employees | | (13,809) | (16,268) |
| Interest received | | 11 | 33 |
| Finance costs | | (3,643) | (4,551) |
| Income tax paid | | (1,801) | (842) |
| Net cash provided by operating activities | | 9,218 | 2,534 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | | (56) | (15) |
| Payments for IT development | | (220) | (110) |
| Payments to client receivables | | (40,962) | (20,750) |
| (Payment to)/ proceeds from equipment lease receivables | | (15,012) | 6,170 |
| Payment for subsidiary, net of cash acquired | 14 | (604) | (1,536) |
| Net cash used in investing activities | | (56,854) | (16,241) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 74,529 | - |
| Repayment of borrowings | | (42,750) | (2,131) |
| Repayment of lease liability | | (293) | (272) |
| Proceeds from issue of shares | | - | 4,434 |
| Dividends paid | | (3,612) | (3,846) |
| Net cash (used in)/ provided by financing activities | | 27,874 | (1,815) |
| Net decrease in cash held | | (19,762) | (15,522) |
| Cash at the beginning of the half year | | 44,770 | 38,197 |
| Cash at the end of the half year | 5 | 25,008 | 22,675 |

The accompanying notes form part of these financial statements.
*Please refer to Note 1(a)

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. This interim financial report is intended to provide users with an update on the latest annual financial statements of Earlypay Limited and its controlled entities (referred to as “the consolidated group” or “the Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half year. Earlypay Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 24th February 2022.

Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s 2021 annual financial report for the financial year ended 30 June 2021.

Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2021 annual report.

Rounding of Amounts

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

(a) Prior year comparative restatement

During the period, Earlypay has made the following prior period reclassification adjustments within the statement of financial position and statement of cash flows:

1. Reclassification of \$19,877,000 unsecured corporate bond from non-current borrowing to current borrowing on the statement of financial position. As announced to the ASX market on the 23 November 2021, Earlypay noted a classification error in relation to their \$19,877,000 bond. The bond was incorrectly classified as non-current in the statement of financial position as at 30 June 2021. As a result of this restatement, total current liabilities were restated from \$112,857,000 to \$132,734,000 and total non-current liabilities were restated from \$93,407,000 to \$73,530,000. Total liabilities remain unchanged at \$317,917,000 as at 30 June 2021.
2. Reclassification of \$23,310,000 finance lease receivables from non-current to current. During the period, Earlypay reassessed the classification of finance lease receivables and has determined that it would be more appropriate that \$23,310,000 of finance lease receivables be reclassified from non-current to current on the statement of financial position as at 30 June 2021. As a result of this restatement, total current assets were restated from \$259,671,000 to \$282,981,000 and total non-current assets were restated from \$116,759,000 to \$93,449,000. Total assets remain unchanged at \$376,430,000 as at 30 June 2021.
3. Reclassification of \$9,486,000 from receipts from customers to interest received from customers on the statement of cashflow as at 31 December 2020, in accordance with *AASB 107 Statement of Cash Flows*.

(b) Revenue

Revenue recognition

The consolidated entity recognises revenue as follows:

Invoice Finance and Equipment Finance – Interest revenue

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.

Invoice Finance Revenue

Invoice Finance Revenue which consists of administration charge, minimum administrative charge, advance fees, establishment fees and other Invoice Finance service-related charges are recognised as income at a point in time as they accrue and are earned.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Equipment Finance Revenue

Equipment Finance Revenue which consists of establishment fees, payout fees and other Equipment Finance service-related charges are recognised as income at a point in time as they accrue and are earned.

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.

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).

2. OPERATING SEGMENTS

Identification of reportable segments

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

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

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

Types of products and services by segment

(i) Finance

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

Types of products and services by segment – continued

(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 decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

There are no material inter-segment transactions.

(c) Unallocated items

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS – continued

(d) Segment information

| | Invoice Finance | Equipment Finance | Other services | Unallocated/ Corporate | Total |
|---|--------------------|----------------------|-------------------|---------------------------|-----------|
| Six months ended 31 December 2021 | \$ 000's | \$ 000's | \$ 000's | \$ 000's | \$ 000's |
| <i>Invoice Purchased</i> | 1,198,217 | - | - | - | 1,198,217 |
| Segment revenue | 18,581 | 7,753 | - | 771 | 27,105 |
| Adjusted Profit/(Loss) before income tax from continuing operations | 8,969 | 3,923 | - | (183) | 12,709 |
| Assets | 275,223 | 108,123 | - | 62,841 | 446,187 |
| Liabilities | 116,618 | - | - | 248,815 | 365,433 |
| Net | 158,605 | 108,123 | - | (185,974) | 80,754 |
| | Finance | Equipment Finance | Other services | Unallocated/ Corporate | Total |
| Six months ended 31 December 2020 | \$ 000's | \$ 000's | \$ 000's | \$ 000's | \$ 000's |
| <i>Invoice Purchased</i> | 886,893 | - | - | - | 886,893 |
| Segment revenue | 14,210 | 7,214 | 205 | 120 | 21,749 |
| Adjusted Profit/(Loss) before income tax from continuing operations | 6,512 | 4,156 | (21) | (818) | 9,829 |
| Assets | 199,194 | 89,002 | - | 61,107 | 349,303 |
| Liabilities | 98,398 | - | - | 195,144 | 293,542 |
| Net | 100,796 | 89,002 | - | (134,037) | 55,761 |

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

| | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| | \$000's | \$000's |
| Adjusted profit before income tax from continuing operations | 12,709 | 9,829 |
| Depreciation and amortisation | (304) | (351) |
| Amortisation – customer relationships | (750) | (750) |
| Interest costs | (3,711) | (4,512) |
| Interest income | 11 | 33 |
| Profit before income tax from continuing operations | 7,955 | 4,249 |

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

| | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| | \$000's | \$000's |
| Revenue from continuing operations | | |
| Services | | |
| Invoice Finance | 11,370 | 8,990 |
| Invoice Finance – Interest Income | 7,211 | 4,168 |
| Equipment Finance | 2,144 | 1,769 |
| Equipment Finance – Interest Income | 5,609 | 5,318 |
| Other services – Revenue from contracts with customers | - | 195 |
| Other income | | |
| Foreign currency loss on translation | (5) | - |
| Rebate from funding facility | 776 | - |
| Government incentive - Jobkeeper | - | 1,309 |
| Interest received | 11 | 33 |
| Total revenue and other income | 27,116 | 21,782 |

4. DEPRECIATION AND AMORTISATION

| | 31 Dec 2021 | 31 Dec 2020 |
|---------------------------------------|-------------|-------------|
| | \$000's | \$000's |
| Depreciation and amortisation expense | (63) | (131) |
| Amortisation – leases | (241) | (220) |
| Amortisation - customer relationships | (750) | (750) |
| Total | (1,054) | (1,101) |

5. CASH AND CASH EQUIVALENTS

| | 31 Dec 2021 | 30 June 2021 |
|--------------------------|-------------|--------------|
| | \$ 000's | \$ 000's |
| Cash at bank and on hand | 25,008 | 44,770 |
| Total | 25,008 | 44,770 |

NOTES TO THE FINANCIAL STATEMENTS

6. TRADE RECEIVABLES

| | 31 Dec 2021 | 30 Jun 2021 |
|--|-------------|-------------|
| | \$ 000's | \$ 000's |
| Trade receivables – debtor finance | 279,504 | 203,518 |
| Less: Allowance for expected credit losses | (4,281) | (3,821) |
| Total | 275,223 | 199,697 |
| Other receivables | 775 | 709 |
| Total | 775 | 709 |

Client Receivables

| | | |
|--|-----------|----------|
| Trade receivables – debtor finance | 279,504 | 203,518 |
| Less: Trade payables – debtor finance | (116,618) | (81,594) |
| Client Receivables | 162,886 | 121,924 |
| Less: Allowance for expected credit losses | (4,281) | (3,821) |
| Net Client Receivables | 158,605 | 118,103 |

7. FINANCE LEASE RECEIVABLES

| | 31 Dec 2021 | Restated* 30 Jun 2021 |
|--------------------------------------|-------------|--------------------------|
| | \$000's | \$000's |
| Current: | | |
| Finance lease receivables | 44,475 | 43,073 |
| Allowance for expected credit losses | (572) | (538) |
| Unamortised loan brokerage fees | 880 | 336 |
| Unamortised loan transaction fees | (1,039) | (1,218) |
| Unamortised interest receivable | (8,126) | (7,153) |
| Total Current | 35,618 | 34,500 |
| Non-Current: | | |
| Finance lease receivables | 87,187 | 71,097 |
| Allowance for expected credit losses | (1,171) | (951) |
| Unamortised loan brokerage fees | 890 | 664 |
| Unamortised loan transaction fees | (2,249) | (2,016) |
| Unamortised interest receivable | (12,152) | (9,930) |
| Total Non-Current | 72,505 | 58,864 |
| Total | 108,123 | 93,364 |

*Please refer to Note 1(a)

NOTES TO THE FINANCIAL STATEMENTS

8. BORROWINGS

| | Average interest rate % | Facility limit \$000's | Maturity | 31 Dec 2021 \$000's | Restated* 30 Jun 2021 \$000's |
|--|-------------------------------|------------------------------|----------------|------------------------|-------------------------------------|
| CURRENT | | | | | |
| Unsecured: | | | | | |
| Unsecured Loans – Insurance | 1.45% | - | May 2022 | 500 | 1,500 |
| Unsecured Corporate Bond* | 7.95% | - | May 2022 | 10,480 | 19,877 |
| Total | | | | 10,980 | 21,377 |
| Secured: | | | | | |
| Securitised Debtor Finance warehouse facility – A note and Overdraft | 2.22% | 35,000 | September 2022 | 4,818 | 2,365 |
| Receivables Financing Facility – Bank | 2.52% | 125,000 | April 2022 | 119,203 | 89,520 |
| Receivables Financing Facility – Non-Bank | - | - | - | - | 19,472 |
| Total | | | | 124,021 | 111,357 |
| Total current | | | | 135,001 | 132,734 |
| NON-CURRENT | | | | | |
| Unsecured: | | | | | |
| Unsecured Corporate Bond no. 2 | 6.57% | - | December 2025 | 16,496 | - |
| Total | | | | 16,496 | - |
| Secured: | | | | | |
| Securitised Equipment Finance warehouse facility – A note | 2.18% | 120,000 | June 2026 | 58,264 | 54,065 |
| Securitised Equipment Finance warehouse facility – B note | 7.45% | 15,000 | May 2029 | 14,528 | 13,364 |
| Securitised Debtor Finance warehouse facility – A note and Overdraft | - | - | - | - | 3,500 |
| Securitised Debtor Finance warehouse facility – B note | - | - | - | - | 2,601 |
| Receivables Financing Facility – Non-Bank | 5.85% | 25,000 | February 2027 | 13,822 | - |
| Total | | | | 86,614 | 73,530 |
| Total non-current | | | | 103,110 | 73,530 |

*Please refer to Note 1(a)

NOTES TO THE FINANCIAL STATEMENTS

9. CONTRIBUTED EQUITY

| | 31 Dec 2021 | 30 Jun 2021 | 31 Dec 2021 | 30 Jun 2021 |
|---|-------------|-------------|-------------|-------------|
| | No. | No. | \$000's | \$000's |
| Balance at beginning of the period | 232,948,505 | 217,572,057 | 52,773 | 47,727 |
| Shares issued or under issue during the period | | | | |
| Ordinary shares @ 34.0 cents from acquisition of Skippr invoice finance | - | 2,192,341 | - | 750 |
| Ordinary shares @ 32.8 cents from placement of DRP shortfall | | 10,671,424 | | 3,500 |
| Ordinary shares @ 42.0 cents from placement on 01 July 2021 | 44,897,846 | - | 18,857 | - |
| Exercise of employee options on 02 December 2021 | 1,800,000 | - | - | - |
| Share issue from dividend reinvestment plan | 1,821,485 | 2,512,683 | 770 | 969 |
| Capital raising costs | - | - | (728) | (173) |
| Total movement for the period | 48,519,331 | 15,376,448 | 18,899 | 5,046 |
| Balance at end of the period | 281,467,836 | 232,948,505 | 71,672 | 52,773 |

10. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The Group remained unchanged during the period.

11. EARNINGS PER SHARE

| | 31 Dec 2021 | 31 Dec 2020 |
|---|--------------|--------------|
| | \$000's | \$000's |
| Profit after income tax attributable to the owners of Earlypay | 6,954 | 2,783 |
| | Cents | Cents |
| Basic earnings per share | 2.49 | 1.25 |
| Diluted earnings per share | 2.45 | 1.20 |
| | No. | No. |
| Weighted average number of ordinary shares in calculating basic earnings per share | 278,727 | 222,524 |
| Adjustments for calculations of diluted earnings per share: | | |
| Options over ordinary shares | 5,000 | 10,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 283,727 | 232,524 |

NOTES TO THE FINANCIAL STATEMENTS

12. NET TANGIBLE ASSET BACKING

| | 31 Dec 2021 | 30 Jun 2021 |
|--|-------------|-------------|
| Net tangible asset backing per ordinary security (cents) | 17.88 | 11.79 |

13. DIVIDENDS

| | 31 Dec 2021 \$ 000's | 31 Dec 2020 \$ 000's |
|--|-------------------------|-------------------------|
| Dividends paid or provided for during the period: | | |
| Final 2021 fully franked ordinary dividend of 1.30 cents (2020: 1.75 cents) per share franked at the tax rate of 25% (2020: 27.5%) | 3,612 | 3,846 |

14. BUSINESS COMBINATIONS

The cash outflow in relation to "Payment for subsidiary" relates to the earn-out fee payment of \$604K in relation to the acquisition of The Invoice Exchange Pty Ltd ("Skippr") on 18 August 2020 in the prior financial year. The full details in relation to this acquisition are disclosed in the 30 June 2021 annual financial report in Note 28.

15. EVENTS SUBSEQUENT TO REPORTING DATE

The Group has declared an Interim Dividend of 1.40 cents per share, fully franked. The Group has a Dividend Reinvestment Plan (DRP) in place, in which eligible shareholders may participate.

Except as disclosed above, there has been no other matter or circumstance, which has arisen since 31 December 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2021, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2021, of the Group.

16. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

17. FAIR VALUE

There are no assets or liabilities measured at fair value. The carrying amounts of cash and cash equivalents, trade and other receivables, other current assets, trade other payables and current borrowings approximates their fair values due to their short-term nature. The carrying value of non-current borrowings from securitised debtor finance warehouse facility and receivables financing facility approximates the fair value as it has variable interest rates that are at market rates.

DIRECTORS' DECLARATION

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

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:

- a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Earlypay will be able to pay its debts as and when they become due and payable.

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

Daniel Riley
Managing Director

Sydney, 24th February 2022

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**Independent Auditor's Review Report
To the Members of Earlypay Limited
ABN 88 098 952 277**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Earlypay Limited ("the Company") and its Controlled Entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) Giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



John Gavljak
Partner



Pitcher Partners
Sydney

24 February 2022