EARLYPAY LIMITED

ABN: 88 098 952 277

AND CONTROLLED ENTITIES

FINANCIAL REPORT

For the Year ended

30 June 2022

Contents

Annual General Meeting

The Annual General Meeting is to be held by virtual meeting on Thursday, 17th November 2022 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".

Directors

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

Registered Office and Principal 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

ANZ Bank
242 Pitt Street, Sydney NSW 2000

Chairperson and Managing Director's Report

We are pleased to report an outstanding FY22 result, which shows material growth in the core Invoice and Trade Finance product coupled with a resumption of growth in Equipment Finance. The result was driven by record Invoice Finance Total Transaction Value ("TTV") and increased utilisation of proprietary technology to facilitate operating leverage of the business.

Earlypay's Invoice Finance offering is a robust form of SME lending well suited to rapid change in business trading conditions. The short tenor of loans, with invoices repaid in 35 days on average, combined with data available through the Earlypay platform, facilitates oversight of SME business performance and proactive management of advance rates and debtor limits to appropriately manage exposures.

With more and more SMEs looking for funding outside of the banks, Earlypay is clearly positioned as a leader and innovator in the small business finance sector. We anticipate a continuation of momentum through FY23 based on the current new business pipeline and favourable market conditions for the core Invoice Finance product.

FY22 Highlights

- Revenue of $53.8m up 23% on pcp (FY21 $43.9m)
- EBITDA of $27.3m up 30% on pcp (FY21 $22.0m)
- PBT of $15.3m up 48% on pcpc (FY21 $10.3m)
- PBTA[1] of $16.8m up 42% on pcp (FY21 $11.8m)
- NPAT of $13.2m up 83% on pcpc (FY21 $7.2m)
- NPATA[1] of $14.7m up 69% on pcp (FY21 $8.7m)
- Final dividend 1.8cps fully franked, taking full year dividends to 3.2cps, up 39% on pcp (FY21 2.3cps)

Invoice & Trade Finance

Earlypay achieved strong organic growth in the core Invoice & Trade Finance product through FY22.

- Invoice Finance Total Transaction Volume (TTV) of $2.42bn up 30% on pcp and revenue of $37.4m up 32% on pcp (FY21: $28.3m excl Jobkeeper $1.1m)
- Increase in operating margins with EBITDA margin on revenue of 52.7% (FY21: 48.3%)
- Commencement of warehouse facility for Trade Finance in Apr'22

Earlypay has reported strong organic growth in TTV, which continued through the seasonally weaker H2, establishing a strong commencing run rate for FY'23 exceeding $2.8B. Operating margins continue to improve, reflecting scalability and efficiency gain from the Earlypay platform.

Earlypay established a new $30 million Trade Finance funding warehouse in April 2022 to support continued growth in this product. Although this increased costs in Q4 through negative carry of undeployed cash, it provides a runway for growth and will be close to full utilisation in 1H'FY23.

[1] *Includes $1.5m adjustment for non-cash amortisation of acquired intangibles*

Chairperson and Managing Director's Report (continued)

Equipment Finance

Growth resumed in FY22 with the loan book increasing to $132m as at 30 June 2022, up 40% on pcp.

Growth was achieved by training Invoice Finance Business Development Managers to also identify Equipment Finance opportunities, effectively expanding the sales team with minimal increase to the cost base. The increase in loan book provides a significantly higher revenue base commencing FY23, however the growth rate for Equipment Finance is expected to slow as Earlypay targets margin improvement, cost management and cross-sell opportunities with Invoice Finance over top line growth.

Equipment Finance is generally offered only against primary and secondary assets with a good resale market and arrears remain very low, with less than 0.5% over 30 days as at 30 June 2022.

Trading Conditions

We are moving into economic conditions that are likely to add cost pressure to SME's through inflation and interest rates and may impact on the credit profile of SME's.

Earlypay's core service offering of Invoice Finance, is short-tenor, actively managed, asset backed (invoices) lending with significant credit enhancement through a conservative LVR. In short, this robust form of SME lending is an ideal working capital solution for SME's in an uncertain economic climate, when banks and other forms of SME lending will be tightening lending criteria.

Earlypay's views on interest rates, inflation and business failure, as they relate to Earlypay, are detailed below.

Interest rates

Earlypay notes that economic forecasts anticipate interest rates to continue to rise during FY23, 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, Earlypay utilises interest rate hedging in its primary Equipment Finance warehouse to reduce the impact of rising rates. The rate card for new transactions is updated regularly to maintain net interest margin through time.

Inflation

Australia is currently experiencing increasing inflation, with the cost of key inputs and labour set to rise through FY23 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.

Client attrition and replacement

In the event of an increase in business failures, Earlypay's primary business consideration is a corresponding increase in client attrition. The nature of Invoice Finance is to transfer exposure from the SME borrower to the customer of the borrower, by "purchasing" eligible invoices and advancing up to 80%. There is significant credit enhancement through this process, so in the event of business failure by the SME borrower, Earlypay expects to receive full collection of its exposure. Earlypay will need to replace attrition with new clients, but is confident of achieving this as we anticipate demand for Invoice Finance increasing as other lenders tighten credit criteria on other forms of business lending.

Chairperson and Managing Director's Report (continued)

Product Diversification and Funding
During FY22 Earlypay continued to develop its Trade Finance product, to support qualifying Invoice Finance clients with purchases of stock and inventory.

Offered in conjunction with Invoice Finance, Earlypay can offer a complete supply chain funding solution, which is assisting Earlypay to compete for larger transactions, particularly in the manufacturing industry.

Earlypay established a new $30 million Trade Finance funding warehouse in April 2022 to support continued growth in this product. Although this increased costs in Q4 through negative carry of undeployed cash, it provides a runway for growth and will be close to full utilisation in 1H'FY23.

Earlypay Board and Staff
Following 7 years in the role, Greg Riley retired as Chairman of Earlypay in August 2022. The Board and management thank Greg for his commitment and guidance. Over the last seven and a half years as Chairman, he has overseen the transformation of Earlypay from a human resources business into a strong growing financial services company. Over this period the Company has always been profitable and paid fully franked dividends which has seen substantial shareholder value created. He leaves the business in great shape to begin its next phase of accelerated growth.

We are fortunate to have an experienced and motivated team, with fresh ideas for Earlypay to retain its competitive edge and continue to drive earnings growth. The Board thanks the staff at Earlypay for their commitment to achieving exceptional outcomes for the business and shareholders.

Outlook
We anticipate a continuation of organic growth momentum through FY23 based on the current new business pipeline and favourable market conditions for the core Invoice Finance product.

Earlypay will commence FY23 on firm footing, with Invoice Finance TTV in July 2022 of $240m (July 2021: $183m), indicating an annual run rate commencing FY23 exceeding $2.8B. This commencing run rate is already up 17% on FY22 TTV, before factoring in any organic growth.

Sincerely,

Geoff Sam Chairman	Daniel Riley Managing Director

Sydney, 21st September 2022

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 2022 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	Non-Executive Director – Resigned as Chairman 25 August 2022
Qualifications:	BSc, Dip ED, G Dip Ed Studies
Experience:	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 finance, trade finance and equipment finance. Greg was Managing Director from 2002 until late 2010, Director until November 2014 and Chairman to August 2022.
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	Managing Director
Qualifications:	BCom, CPA
Experience:	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 & Rights:	6,000,181 Ordinary Shares and 637,056 Rights

Sue Healy	Independent Non-Executive Director
Qualifications:	Fellow RCSA, MAICD
Experience:	Sue is an experienced Non-Executive Director, she is Chair of Talent Quarter & Health Talent, and previously Deputy Chair & 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	Independent Non-Executive Chairman – Appointed as Chairman on 25 August 2022
Qualifications:	BCom (UNSW), MHA (UNSW), MA (Econ&SocStudies) (Manchester UK), FAICD
Experience:	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:	2,077,064 Ordinary shares

Ilkka Tales	Independent Non-Executive Director
Qualifications:	BBus
Experience:	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:	300,000 Ordinary Shares

Stephen White	Non-Executive Director
Qualifications:	M.Mngt, GAICD
Experience:	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)

James Beeson Executive Director – Appointed on 29 July 2021

Qualifications:	BCom, MAppFin, MBA, CPA, GAICD
Experience:	James is currently Chief Operating Officer at Earlypay after joining with the acquisition of Skippr where he was CEO. Prior to this, James was Managing Director and Head of EMEA Rates & Foreign Exchange in JP Morgan's Chief Investment Office in London. Throughout his career, James has managed a wide range of alternative investments, structured credit, global fixed income and currency portfolios for JP Morgan, Brevan Howard Asset Management and Citigroup in London, Hong Kong and Sydney.
Other current directorship:	None
Former directorships:	None
Responsibilities:	None
Shares & Rights:	15,562,453 Ordinary shares and 363,120 Rights

Company Secretary

Steve Shin Company Secretary

Qualifications:	B Com, Chartered Accountant ANZ
Experience:	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 & Rights:	Nil Ordinary shares and 382,236 Rights

Directors' report (continued)

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, 1 Risk committee meeting, and 1 Nomination and Remuneration Committee meeting 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	1	1	1	1
D. Riley	10	10	-	-	-	-	-	-
G. Sam	10	10	3	3	-	-	1	1
S. Healy	10	10	-	-	1	1	1	1
I. Tales	10	10	3	3	1	1	-	-
S. White	10	7	-	-	1	1	-	-
J. Beeson	9	8	-	-	-	-	-	-

	2022 $000's	2021 $000's
Dividends paid during the year		
Interim fully franked dividend	3,969	2,315
Final fully franked dividend	3,612	3,846
	7,581	6,161

Dividends declared after the reporting period

Since the end of the reporting period the directors have declared a final FY'22 dividend of 1.8 cents per share (FY'21: 1.3 cents)	5,168	3,612

Directors' report (continued)

Share under option

There were no unissued ordinary shares of Earlypay Limited under option at the date of this report.

Shares issued on exercise of options

The following ordinary shares of Earlypay Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Grant date	Share Issue Date	Amount paid per share	Number of shares issued
17 March 2017	2 Dec 2021	$0.27	1,800,000
17 March 2017	9 Feb 2022	$0.27	2,050,000

There are no amounts unpaid in relation to shares issued as a result of exercise of options.

Rights granted to directors and officers

	Issuing entity	Number of rights granted
Daniel Riley	Earlypay Limited	637,056
Steve Shin	Earlypay Limited	382,236
James Besson	Earlypay Limited	363,120

Unissued shares under rights

Unissued ordinary shares of Earlypay Limited under rights, at the date of the directors' report, are outlined in the following table:

Right grant date	Number of ordinary shares under option	Exercise price
19 Nov 21	1,382,412	Nil

Directors' report (continued)

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 $15,290,000 (2021: $10,320,000). 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 45% from $58,513,000 to $85,095,000. Key movements in statement of financial positions were:

- Trade receivables – debtor finance increased by 35% from $199,697,000 to $270,455,000 and trade payables – debtor finance increased by 33% from $81,594,000 to $108,300,000. Net client receivables increased by 37% from $118,103,000 to $162,155,000 due to increased invoice purchased volume and more funds drawn by clients compared to June 21. Funds advanced to clients as at end of June 2021 was 59% of trade receivables and June 22 was 60% of trade receivables.

- Finance lease receivables increased by 41% from $93,364,000 to $131,528,000.

- Total borrowings increased by 42% from $206,264,000 to $293,058,000 due to increase in client receivables and finance lease receivables.

- Other liabilities decreased by 98% from $23,384,000 to $352,000 as placement shares were issued on 1 July 21 and all Skippr earn-out fees were paid out during FY22.

- Issued Capital increased by 39% from $52,773,000 to $73,470,000 mainly due to share placement of $18,856,000 on 1 July 21 and issue of shares for acquisition of Skippr invoice finance business for $1,551,000.

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.

After balance date events

The Group has declared a Final Dividend of 1.8 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 30 June 2022 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2022, of the Group; or
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2022, 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 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. 1,382,412 rights were issued to KMP in FY22.

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			Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retire-ment benefits	Termin-ation benefits	LTI		
		$	$	$	$	$	$	$	$	%
2022										
Daniel Riley	*Managing Director*	472,500	87,500	-	27,500	-	-	61,095	648,595	23
*James Beeson**	*Executive Director*	245,202	49,875	-	29,508	-	-	34,824	359,409	24
Greg Riley	*Non-Executive Director*	140,000	-	-	-	-	-	-	140,000	-
Sue Healy	*Non-Executive Director*	77,273	-	-	7,727	-	-	-	85,000	-
Ilkka Tales	*Non-Executive Director*	77,273	-	-	7,727	-	-	-	85,000	-
Geoff Sam	*Non-Executive Director*	77,273	-	-	7,727	-	-	-	85,000	-
Stephen White	*Non-Executive Director*	77,273	-	-	7,727	-	-	-	85,000	-
		1,166,794	137,375	-	87,916	-	-	95,919	1,488,004	16

**Appointed on 29 Jul 2021*

Directors' report (continued)

Remuneration report (Audited) (continued)

(a) Directors' remuneration (continued)

Director	Position	Short-Term Salary fees $	Short-Term Cash bonus $	Short-Term Non-monetary $	Post-employment Super-annuation $	Post-employment Retire-ment benefits $	Post-employment Termin-ation benefits $	Share-based payments LTI $	TOTAL $	Total performance related %
2021										
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)

(b) Executives' remuneration

		Short-Term			Post-employment			Share-based payments	TOTAL	Total performance related
		Salary fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits	Termin-ation benefits	LTI		
Executive	Position	$	$	$	$	$	$	$	$	%
2022										
Steve Shin	*CFO & Company Secretary*	275,000	52,500	-	27,500	-	-	36,657	391,657	23
		275,000	52,500	-	27,500	-	-	36,657	391,657	23
2021										
Steve Shin	*CFO & Company Secretary*	267,500	146,250	-	25,000	-	-	-	438,750	33
		267,500	146,250	-	25,000	-	-	-	438,750	33

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	500,000
Steve Shin	Ongoing as from 30 March 2015	300,000
James Beeson	Ongoing as from 14 August 2020	285,000

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

Performance Related Pay

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

KMP	2022 Performance conditions
Daniel Riley - Managing Director	Maximum $125,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets.
Steve Shin – CFO & Company Secretary	Maximum $75,000 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets
James Beeson – COO	Maximum $71,250 on achievement of the KPIs set by the Remuneration Committee including EBITDA and NPAT targets

Minimum amount is nil for all KMP.

	Cash bonus paid / payable		Cash bonus forfeited	
Name	2022	2021	2022	2021
Executive Directors:				
Daniel Riley	70%	100%	30%	-
James Beeson	70%	-	30%	-
Other Key Management Personnel:				
Steve Shin	70%	100%	30%	-

Directors' report (continued)

Remuneration report (Audited) (continued)

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. Mr. Daniel Riley exercised 3,850,00 options which were issued for consideration of $1,135,750. At the same time, 6,150,000 options were bought back by the Company at market price less the exercise price. This buyback amounted to $1,135,750.

There are no amounts unpaid in relation to shares issued as a result of exercise of options as at 30 June 2022.

No options over unissued ordinary shares were granted during or since the end of the financial year.

Name	Balance 1 July 2021	Granted	Exercised	Bought back	Balance 30 June 2022	Number vested
Daniel Riley	10,000,000	-	(3,850,000)	(6,150,000)	-	10,000,000

The weighted average share price (at the exercise date) for share options exercised during the FY22 financial year was $0.48.

Name	Balance 1 July 2020	Granted	Exercised	Bought back	Balance 30 June 2021	Number vested
Daniel Riley	10,000,000	-	-	-	10,000,000	10,000,000

Vesting conditions were continued employment at the date of vest of the options (service condition) and share price milestones (performance condition). Vested options are exercisable on or before 9th of March 2022 or on a trigger event.

Directors' report (continued)

Remuneration report (Audited) (continued)

Long Term Incentive (LTI)

The Long Term Incentive is an annual performance rights plan to which executive KMP are invited to participate at the Board's discretion.

The plan was granted in the form of performance rights directly linked to the performance of the Company, the returns generated, and relative increases in shareholder wealth. This structure was used to ensure appropriate alignment to shareholder value over a specified timeframe.

The following table sets out the key features of the plans with specific references to each of the 2022 plan.

Features	Description
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.
Purpose	To motivate executives to achieve long term performance targets.
Opportunity	15-25% of fixed remuneration.
Dividends or share issues	No dividends are paid or accrued on unvested awards.
Performance criteria	The plan uses earnings per share growth, Absolute TSR and Return on Equity performance hurdles.

Performance Level	EPS Tranche 1	ATSR Tranche 2	ROE Tranche 3	Vesting % of Tranche
Threshold	5.0%	10.0%	13.5%	25%
Between Threshold & Target	5% to 7.5%	10% to 12%	13.5% to 14.5%	Pro-rata
Target	7.5%	12%	14.5%	50%
Between Target & Stretch	7.5% to 10%	12% to 18%	14.5% to 16.5%	Pro-rata
Stretch	10.0%	18%	>16.5%	100%
No. of Rights	907,538	907,538	907,537	

Performance period and vesting dates	July 21: 3 years (1 July 21 to 30 Jun 24). Vesting date is 1 October 2024.
Assessment, approval and payment	At the end of performance period, the remuneration & nomination committee assesses the relevant performance measures and determines the extent to which the awards should vest. Payment is made by the issuing or transfer of shares.
Change of control	Unless otherwise determined by the Board, in the event of a change of control including a takeover, the vesting conditions attached to the Tranche at the time of the Application will cease to apply and: a) unvested Performance Rights granted in the financial year of the change of Control will be assessed by the Board for vesting, b) all remaining unvested Performance Rights will vest if the change of control Share Price is greater than the price at the commencement of the measurement period and the change of control share price leading up to the change of control has a 20% premium to the price at the beginning of the measurement period, c) any unvested performance rights that do not vest pursuant to (a) and (b) will lapse, disposal restrictions applied to Restricted Shares by the Company will be lifted, including the removal of any company initiated CHESS holding lock, if applicable. However, shares may not be sold if the holder is in possession of "inside information".

Directors' report (continued)

Remuneration report (Audited) (continued)

Termination	Unvested Performance Rights held at the date of termination and granted in the first year of the measurement period, will be forfeited in the proportion that the remainder of the first year of the measurement period following the termination bears to the full first year of the measurement period, unless otherwise determined by the Board. All other unvested Performance Rights will be retained for possible vesting based on performance during the Measurement Period, to be assessed following the completion of the Measurement Period.
Claw back provisions	There are no specific provisions providing the capacity to claw back a component of remuneration in the event of a matter of significant concern.

Performance rights granted as compensation in the year to key management personnel

Performance Rights Granted	Number	Fair value of rights	Date	Financial Year Grants Vest	Values Yet to Vest $ Min (a)	Max (b)
Daniel Riley	637,056	0.392	19 Nov 21	2025	Nil	-
Steve Shin	382,236	0.392	19 Nov 21	2025	Nil	-
James Beeson	363,120	0.392	19 Nov 21	2025	Nil	-

Information about share rights held by directors and other key management personnel is outlined in the following table:

	Number of rights (vested and unvested) at 1 July 2021	Number of rights granted as remuneration during the year	Number of rights exercised during the year	Number of rights lapsed during the year	Number of rights (vested and unvested) at 30 June 2022
Daniel Riley	-	637,056	-	-	637,056
Steve Shin	-	382,236	-	-	382,236
James Besson	-	363,120	-	-	363,120

	Number of rights vested at 30 June 2022	Number of rights vested and exercisable at 30 June 2022	Number of options vested and unexercisable at 30 June 2022
Daniel Riley	-	-	-
Steve Shin	-	-	-
James Besson	-	-	-

Fair value of rights was calculated using volume weighted average share price at which the Company's shares were traded on ASX over the 20 trading days prior to the date for which the calculation is made less dividends calculated for measurement period.

a) The minimum value of the performance rights to vest is nil as the performance rights criteria may not be met and consequently the performance rights may not vest.
b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised.

Directors' report (continued)

Remuneration report (Audited) (continued)

Equity instrument disclosures relating to key management personnel

2022 *No. of shares held by Key Management Personnel*	Balance 1 July 2021	Received as Remuneration	Additions/ (Disposals)	Balance* 30 June 2022
Greg Riley	17,211,163	-	-	17,211,163
Daniel Riley**	2,150,181	-	3,850,000	6,000,181
Geoff Sam	2,314,490	-	(237,426)	2,077,064
Sue Healy	770,980	-	-	770,980
Ilkka Tales	200,000	-	100,000	300,000
Stephen White	-	-	-	-
James Beeson***	13,134,712	-	2,517,741	15,652,453
Steve Shin	-	-	-	-
	35,781,526	-	6,230,315	42,011,841

2021 *No. of shares held by Key Management Personnel*	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

All additions and disposals were made on-market and under normal terms and conditions, other than where stated below.

* There have been no changes in shareholdings disclosed above between 30 June 2022 and the date of this report.

** Daniel Riley received 3,850,000 shares from the exercise of options during the year for consideration of $1,135,750. Refer to Note 18 for further details.

*** James Beeson was appointed as Executive Director on 29 July 2021. The Group issued 3,052,196 shares on 14 June 2022 as part of final earn out payment for acquisition of The Invoice Exchange Pty Ltd. James Beeson acquired 2,517,741 shares from this issue.

Directors' report (continued)

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	Incentives	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
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
2022	322	27,288	13,223	4.70	4.66	85,095	18.18	9,137	49.0

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. Loan and interest are repayable at earlier of when the options are exercised or on options expiry date 9th March 2022. Interest rate for FY22 was 4.52% and Interest accrued for the year was $6,935. The loan and interest were fully repaid on 9th February 2022. The loan is accounted for as a share-based payment in accordance with accounting standards.

This concludes the Remuneration Report, which has been audited.

Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2022 as required under section 307C of the Corporations Act 2001 has been received and is provided with this report.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

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.

Directors' report (continued)

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.

Daniel Riley
Managing Director
Sydney, 21st September 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 audit of Earlypay Limited for the year ended 30 June 2022, 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.

John Gavljak
Partner

Pitcher Partners
Sydney

21 September 2022

Financial Report
For the year ended 30 June 2022

Contents of Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2022

	Note	2022	Restated* 2021
		Consolidated Group	
		$ 000's	$ 000's
Revenue	2	53,801	43,865
Expenditure			
Commissions		(2,878)	(1,922)
Allowance for expected credit losses		(557)	730
Depreciation and amortisation expense - other	3	(791)	(758)
Amortisation – Customer Relationships	12	(1,500)	(1,500)
Employee benefits expense (direct employees)		(14,508)	(13,197)
Employee benefits expense (on-hire staff)		-	(178)
Finance costs		(9,742)	(9,482)
Insurance		(1,849)	(1,747)
IT expenses		(1,248)	(1,250)
Legal expenses		(1,671)	(1,109)
Marketing		(506)	(365)
Trust expenses		(904)	(644)
Other expenses		(2,357)	(2,123)
Total expenditure	3	(38,511)	(33,545)
Profit before Income Tax		15,290	10,320
Income tax expense	5	(2,067)	(3,082)
Profit for the year from continuing operations		13,223	7,238
Profit attributable to members of the parent entity		13,223	7,238
Other comprehensive income		-	-
Total comprehensive income for the year		13,223	7,238
Earnings per Share:			
Basic earnings per share (cents)	20	4.70	3.18
Diluted earnings per share (cents)	20	4.66	3.05

*Please refer to Note 1(z)

The accompanying notes to the financial statements are included on pages 31-77

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Consolidated Group 2022 $ 000's	Restated* 2021 $ 000's
Current Assets			
Cash and cash equivalents	6	52,707	44,770
Trade receivables – debtor finance	7	270,455	199,697
Trade and other receivables – other	7	-	709
Finance lease receivables	8	38,398	34,500
Other assets	9	4,032	3,305
Total Current Assets		365,592	282,981
Non-Current Assets			
Finance lease receivables	8	93,130	58,864
Plant and equipment	10	272	213
Right of use assets	11	530	1,044
Deferred tax assets	5	3,382	2,281
Intangible assets	12	29,924	31,047
Total Non-Current Assets		127,238	93,449
Total Assets		492,830	376,430
Current Liabilities			
Trade payables – debtor finance	13	108,300	81,594
Trade payables	13	2,649	2,480
Other liabilities	14	352	23,384
Lease liabilities	15	452	629
Borrowings	16	142,474	132,734
Tax liabilities	5	1,331	1,750
Provision - employees	17	1,251	1,137
Total Current Liabilities		256,809	243,708
Non-Current Liabilities			
Borrowings	16	150,584	73,530
Provision - employees	17	232	165
Lease liabilities	15	110	514
Total Non-Current Liabilities		150,926	74,209
Total Liabilities		407,735	317,917
Net Assets		85,095	58,513
Equity			
Issued capital	18	73,470	52,773
Retained earnings		10,941	5,299
Reserves	19	684	441
Total Equity		85,095	58,513

*Please refer to Note 1(z)

The accompanying notes to the financial statements are included on pages 31-77

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2022

	Note	Share Capital	Reserves	Retained earnings	Total Equity
		$ 000's	$ 000's	$ 000's	$ 000's
Balance at 1 July 2020		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
Transactions with owners in their capacity as owners:					
Contributions of equity	18	5,219	-	-	5,219
Dividends provided for or paid	21	-	-	(6,161)	(6,161)
Transaction costs (net of tax)	18	(173)	-	-	(173)
Balance at 30 June 2021		52,773	441	5,299	58,513
Balance at 1 July 2021		52,773	441	5,299	58,513
Profit after income tax expense for the year		-	-	13,223	13,223
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	13,223	13,223
Transactions with owners in their capacity as owners:					
Contributions of equity	18	21,426	-	-	21,426
Dividends provided for or paid	21	-	-	(7,581)	(7,581)
Share-based payments	27	-	243	-	243
Transaction costs (net of tax)	18	(729)	-	-	(729)
Balance at 30 June 2022		73,470	684	10,941	85,095

The accompanying notes to the financial statements are included on pages 31-77

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	Consolidated Group 2022 $ 000's	Restated* 2021 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		28,813	27,727
Interest received from customers		27,199	21,306
Payments to suppliers and employees		(30,162)	(33,340)
Interest received - other		35	42
Finance costs		(9,620)	(9,455)
Income tax paid		(3,589)	(1,469)
Net cash provided by operating activities	22(b)	12,676	4,811
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(129)	(59)
Payments for IT Development		(602)	(359)
Net payments for client receivables		(42,933)	(36,526)
Net (payments for)/ proceeds from equipment lease receivables		(38,101)	3,167
Payment for subsidiaries, net of cash acquired	29	(2,462)	(3,948)
Net cash used in investing activities		(84,227)	(37,725)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment)/ Proceeds from issue of shares	18	(40)	22,936
Proceeds from borrowings	22(c)	134,614	57,483
Repayment of borrowings	22(c)	(47,943)	(35,168)
Repayment of lease liability	22(c)	(581)	(572)
Dividends paid, net of reinvestment	18,21	(6,562)	(5,192)
Net cash provided by financing activities		79,488	39,487
Net increase in cash held		7,937	6,573
Cash at the beginning of the financial year		44,770	38,197
Cash at the end of the financial year	22(a)	52,707	44,770

*Please refer to Note 1(z)

NOTE 1 Significant accounting policies

These consolidated financial statements and notes represent those of Earlypay Limited ("the Company") 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 the recognition and measurement 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 2022 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.

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. 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.

NOTE 1 Significant accounting policies (continued)

(f) 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 – Fee revenue – Revenue from contract with customers
Fee revenue which consists of administration charge, minimum administrative charge, advance fees and other Invoice Finance service-related charges are recognised as income at a point in time as they accrue and are earned.

Invoice Finance– Other revenue
Other revenue consists of establishment fees which are recognised over the life of the relevant contracts.

Equipment Finance – Fee revenue – Revenue from contract with customers
Fee revenue which consists of dishonour 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.

Equipment Finance – Other revenue
Other revenue consists of establishment fees and broker fees, which are recognised over the life of the relevant contracts.

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.

NOTE 1 Significant accounting policies (continued)

(f) Revenue (continued)

Other revenue includes a rebate from funding facility and government incentives, which are recognised when 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).

(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.

NOTE 1 Significant accounting policies (continued)

(h) Financial instruments

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.

Classification of financial assets

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.

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 in accordance with the relevant criteria in AASB 9.

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).

Borrowing

Where a borrowing contract contains an embedded interest rate swap that is closely related to the host (ie the original borrowing agreement), the derivative is not accounted for separately and the loan is measured at amortised cost using the swap interest rate.

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; and
(b) receivables from contracts with customers and contract assets.

The Group applies AASB 9 to measure the allowance for credit losses. Under AASB 9, 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. Where an asset is expected to mature in 12 months or less, the "12-month ECL" and the "lifetime ECL" have the same effective meaning and accordingly, lifetime ECLs are recognised for all trade receivables using the simplified approach.

Definition of a default

Critical to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. Default is a component of the Probability of Default ("PD"), changes in which lead to the identification of a significant increase in credit risk and PD is then a factor in the measurement of ECLs.

The Group's definition of default for this purpose is:

- a counterparty defaults on a payment due under a loan agreement and that payment is more than 120 days overdue, and
- the collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company; or
- a counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

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.

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.

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.

NOTE 1 Significant accounting policies (continued)

(o) Plant and equipment (continued)

The following estimated useful lives are used in the calculation of depreciation:

	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 year in which they are incurred.

NOTE 1 Significant accounting policies (continued)

(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.

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 the assumptions about the number of options that are expected to vest. For share-based payments with non-vesting conditions such conditions are taken into account when estimating the fair value of the equity instruments granted. 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 balance date for share-based payments with non-vesting conditions, as they occur after the vesting period, the expense is not revised subsequent to vesting. For other share-based payments with non-market vesting conditions the entity revises its estimate of the number of options/rights that are expected to vest and the expense is revised with a corresponding adjustment to equity.

NOTE 1 Significant accounting policies (continued)

(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.

(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 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.

NOTE 1 Significant accounting policies (continued)

(y) Critical Accounting Estimates and Judgments (continued)

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to Note 27 for further information.

Key judgments

(iii) 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, grouped 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, inflation, interest rates and forward-looking information that is available. The allowance for expected credit losses, as disclosed in notes 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.

(iv) Swap arrangement

In accounting for borrowings with interest rate swaps attached, management have made a key accounting judgement in determining that the swap arrangement is closely related to the host instrument and therefore accounted for these together and not separately.

(z) Prior year comparative restatements

During the year, Earlypay has made the following prior year reclassification adjustments within the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated 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 year, 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 $999,000 from Trust expenses to Finance costs. Finance costs from fixed interest loan being incorrectly classified as trust expenses. Total expenditure remains unchanged at $33,545,000.

4. Reclassification of $21,306,000 from receipts from customers to interest received from customers on the statement of cashflow as at 30 June 2021, in accordance with AASB 107 Statement of Cash Flows. Net cash provided by operating activities remain unchanged at $4,811,000 as at 30 June 2021.

5. Receipts from customers and payments to suppliers and employees have both been reduced by $4,257,000 because they were incorrectly overstated. Net cash provided by operating activities remain unchanged at $4,811,000 as at 30 June 2021.

6. Reclassification of $999,000 from payment to suppliers to finance costs, due to finance costs from fixed interest loan being incorrectly classified as trust expenses. Net cash provided by operating activities remain unchanged at $4,811,000 as at 30 June 2021.

NOTE 2 Revenue

	Consolidated Group 2022 $ 000's	Consolidated Group 2021 $ 000's
Revenue from continuing operations		
Services		
Invoice Finance – Revenue from contracts with customers	21,084	17,293
Invoice Finance – Interest Income	15,596	10,731
Invoice Finance – Other	673	295
Equipment Finance – Revenue from contracts with customers	2,312	1,781
Equipment Finance – Interest Income	11,436	10,421
Equipment Finance – Other	1,889	1,797
Other services provided to customers	-	196
Other revenue		
Government incentive	-	1,309
Rebate from funding facility	776	-
Interest received – Other entities	35	42
Total revenue	53,801	43,865

All revenue from contract with customers is recognised at a point in time once the service has been provided.

NOTE 3 Expenses

	Consolidated Group 2022 $ 000's	Consolidated Group 2021 $ 000's
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation - other		
- Plant & Equipment	52	276
- Right of use asset	514	426
- Software development	225	56
Amortisation – Customer relationships	1,500	1,500
Finance costs expensed from borrowing	9,705	9,474
Finance costs expensed from leasing activities	37	8
Allowance for expected credit losses	557	(730)
Employee superannuation expense	947	809
Short-term lease expense	581	571
Share-based payments expense	243	-

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*
Invoice Finance includes debtor finance and trade finance. Debtor finance 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. In conjunction with debtor finance, trade finance can be provided to eligible customers.

(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.

(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.

(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
- Other Interest costs and interest income
- Depreciation and amortisation

NOTE 4 Segment Information (continued)

	Invoice Finance and Trade	Equipment Finance	Other services	Corporate	Total
	$'000's	*$'000's*	*$'000's*	*$'000's*	*$'000's*
Year ended 30 June 2022					
Invoice Purchased	*2,415,205*				
Total segment revenue	37,353	15,637	-	776	53,766
EBITDA (adjusted)	19,703	9,624	-	(2,039)	27,288

	Invoice Finance and Trade	Equipment Finance	Other services	Corporate	Total
	$'000's	*$'000's*	*$'000's*	*$'000's*	*$'000's*
Year ended 30 June 2021					
Invoice Purchased	*1,863,793*				
Total segment revenue	29,372	14,126	325	-	43,823
EBITDA (adjusted)	14,208	9,573	(21)	(1,742)	22,018

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.

A reconciliation of EBITDA (adjusted) to operating profit before income tax is provided as follows:

	Consolidated Group 2022	2021
	$ 000's	$ 000's
Adjusted profit before income tax	27,288	22,018
Depreciation and amortisation	(791)	(758)
Amortisation – Customer Relations	(1,500)	(1,500)
Interest costs	(9,742)	(9,482)
Interest income	35	42
Operating Profit before income tax from continuing operations	15,290	10,320

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 $492.4m (2021: $376.4m) 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 $407.3m (2021: $317.9m) 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 2.23% of external revenue (2021: 2.06%). The next most significant client accounts for 1.50% (2021: 1.57%) of external revenue. All revenue attributable to external customers was generated in Australia.

NOTE 5 Income Tax Expense

		Consolidated Group	
		2022 $ 000's	2021 $ 000's
(a)	*The components of tax expense comprise:*		
	Current tax	(3,168)	(2,329)
	Deferred tax	1,101	(753)
	The components of tax expense comprise:	(2,067)	(3,082)
(b)	*The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:*		
	Prima facie tax payable on profit from ordinary activities before income tax at 30.0% (2021: 26.0%)	(4,587)	(2,683)
	Add tax effect of:		
	Other (non-allowable)/ deductible items	397	(399)
	Tax losses	894	-
	Adjustment recognised for prior periods	1,229	-
	Income tax benefit (expense)	(2,067)	(3,082)
	The applicable weighted average tax rates are as follows:	13.52%	29.86%

NOTE 5 Income Tax Expense (continued)

(c) Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss		
Allowance for expected credit losses	1,239	1,381
Provision for employees	539	408
Accrued Expenditure	204	224
Tax losses	894	-
Other	506	268
Total deferred tax assets	3,382	2,281
Movements:		
Opening balance	2,281	3,034
Credited/ (Debited) to profit or loss	1,101	(753)
Closing balance	3,382	2,281

(d) Income Tax Payable

Income Tax Payable	1,331	1,750

NOTE 6 Cash and cash equivalents

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Cash at bank and in hand	52,707	44,770
	52,707	44,770

NOTE 7 Trade receivables

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Trade receivables – debtor finance	273,158	203,518
Less: Allowance for expected credit losses	(2,703)	(3,821)
	270,455	199,697
Other receivables	-	709
Trade and Other receivables	-	709
Client Receivables		
Trade receivables – debtor finance	273,158	203,518
Less: Trade payables – debtor finance	(108,300)	(81,594)
Client Receivables	164,858	121,924
Less: Allowance for expected credit losses	(2,703)	(3,821)
Net Client Receivables	162,155	118,103

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 were paid within 38 days in FY22.

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	
	2022	2021
	$ 000's	$ 000's
Opening balance	3,821	5,288
Net remeasurement of allowance	106	244
Receivables written off during the year as uncollectable	(1,224)	(1,711)
Closing balance	2,703	3,821

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

2022	Expected credit loss rate	Carrying amount	Eligible Invoices	Allowance for ECL
	%	$ 000's	$ 000's	$ 000's
Not overdue	0.08%	133,561	128,206	107
Less than 30 days overdue	0.16%	86,625	81,646	129
30 - 60 days overdue	0.62%	17,296	16,497	104
60 - 90 days overdue	5.94%	7,131	2,446	145
90 - 120 days overdue	-	8,906	-	-
Over 120 days overdue	-	10,035	-	-
Credit Impaired	23.10%	9,604	-	2,218
		273,158	228,795	2,703

The ECL calculation methodology has been changed in FY22. The FY22 ECL has been prepared based on eligible invoices. Eligible invoices are invoices that are less than 90 days overdue and have no issues with the value of the invoice, collection of invoice and dispute with the invoice. The previous ECL calculation was based on total balances which included both eligible and ineligible invoices. The ECL calculation has been adjusted to exclude the ineligible invoices from the ECL calculations. All invoices over 90 days overdue were ineligible invoices. Ineligible invoices are non-funded invoices and hence no ECL calculation is required under the new ECL calculation methodology. When applying the new methodology to the prior period it was assessed that were no material adjustments required to the prior period.

NOTE 7 Trade receivables (continued)

2021	Expected credit loss rate	Carrying amount	Allowance for ECL
	%	$ 000's	$ 000's
Not overdue	0.00%	79,389	-
Less than 30 days overdue	0.00%	80,141	-
30 - 90 days overdue	0.00%	28,231	-
Over 90 days overdue	6.30%	10,946	685
Credit Impaired	65.20%	4,811	3,136
		203,518	3,821

The FY21 ECL calculation has been prepared based on receivables over 90 days overdue.

The Group advances up to 80% of eligible invoices for the Invoice Finance division. Eligible invoices are invoices that are less than 90 days overdue and have no issues with the value of the invoice, collection of invoice and dispute with the invoice. If the eligible invoices become ineligible invoices because they did not meet the eligible invoice criteria, it will reduce client's available funding. If the client is in an overfunded position, the client can either sell new invoices to increase their available funding or the Group can claw back the overfunded amount from the client. As the Group funds 80% of eligible invoices, there are sufficient headroom to recover the overfunded position from the client through the remaining 20% of the eligible invoices. The Group also 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. Key risks that the Group is exposed to are fraud and invoice disputes.

The Group 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.

Notes to the Financial Statements for the year ended 30 June 2022

NOTE 8 Finance lease receivables

	Consolidated Group	
		Restated*
	2022	2021
	$ 000's	$ 000's
Current:		
Finance lease receivables	49,080	43,073
Allowance for expected credit losses	(366)	(538)
Unamortised loan brokerage fees	827	336
Unamortised loan transaction fees	(858)	(1,218)
Unamortised interest receivable	(10,285)	(7,153)
Total Current	38,398	34,500
Non-Current:		
Finance lease receivables	111,005	71,097
Allowance for expected credit losses	(1,061)	(951)
Unamortised loan brokerage fees	2,413	664
Unamortised loan transaction fees	(3,250)	(2,016)
Unamortised interest receivable	(15,977)	(9,930)
Total Non-Current	93,130	58,864
Grand Total	131,528	93,364

*Please refer to Note 1(z)

Impairment of finance lease receivables

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Opening balance	1,490	2,954
Net remeasurement of allowance	(75)	(1,183)
Receivables written off during the year as uncollectable	(513)	(728)
Additional provisions recognised	525	446
Closing balance	1,427	1,489

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	
	2022	2021	2022	2021	2022	2021
	%	%	$	$	$	$
Not overdue	0.5%	0.7%	158,236,041	112,012,573	837,418	754,258
Less than 30 days overdue	1.7%	1.5%	56,818	61,239	959	941
30 - 60 days overdue	9.3%	7.3%	12,385	19,221	1,151	1,403
60 - 90 days overdue	16.6%	11.6%	4,448	11,549	739	1,343
Over 90 days overdue	27.0%	24.7%	33,887	123,316	9,154	30,411
Credit Impaired	33.2%	37.7%	1,742,212	1,805,653	578,374	680,229
Hardship	0.0%	15.4%	-	136,667	-	21,031
			160,085,791	114,170,218	1,427,795	1,489,616

NOTE 9 Other Assets

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
CURRENT:		
Prepayments	2,705	2,396
Accrued Income	819	479
Advances	106	16
Deposits Paid	402	414
Total	4,032	3,305

Notes to the Financial Statements for the year ended 30 June 2022

NOTE 10 Plant & Equipment

	Consolidated Group 2022 $ 000's	Consolidated Group 2021 $ 000's
Leased motor vehicles		
At cost	76	49
Accumulated depreciation	(8)	(25)
	68	24
Software & Office equipment		
At cost	2,385	2,350
Accumulated depreciation	(2,216)	(2,206)
	169	144
Leasehold Improvements		
At cost	553	538
Accumulated depreciation	(522)	(498)
	31	40
Low-value pool		
At cost	21	20
Accumulated depreciation	(17)	(15)
	4	5
Total Plant & Equipment	272	213

2022 Consolidated:	Leased Motor Vehicles	Computer & Office Equipment	Leasehold Improvements	Low-value Pool	Total
	Consolidated Group				
	$000's	$000's	$000's	$000's	$000's
Balance at the beginning of the financial year	24	144	40	5	213
Additions	76	46	15	1	138
Disposal or classified as held for sale	(27)	-	-	-	(27)
Depreciation	(5)	(21)	(24)	(2)	(52)
Carrying amount at the end of the financial year	68	169	31	4	272
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

Note 11 Right of use asset

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Land and buildings: right-of-use	2,717	1,999
Less: Accumulated depreciation	(2,187)	(955)
	530	1,044

Depreciation during the year was $514,000 (2021: $426,000) and additions to the right-of-use assets during the year were $718,000 (2021: $383,000) 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.

NOTE 12 Intangible Assets	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Goodwill:		
Opening net book balance	26,595	19,885
Acquired on business combination	-	6,721
Adjustment to prior year acquisition during the measurement period	-	(11)
Net book value	26,595	26,595
Trademarks:		
Opening net book balance	2,128	2,125
Acquired on business combination	-	3
Net book value	2,128	2,128
Customer Relationships:		
Opening balance	2,000	3,500
Amortisation	(1,500)	(1,500)
Net book value	500	2,000
Software Development:		
Opening net book balance	324	21
Capitalised during the year	602	359
Amortisation	(225)	(56)
Net book value	701	324
Total	29,924	31,047

NOTE 12 Intangible Assets (continued)

Intangible assets have been tested for impairment at 30 June 2022 resulting in no impairment loss (2021: nil). Intangible assets, other than goodwill and trademarks, have finite useful lives. For software development, amortisation period ranges from 1 to 3 years and for customer relationships, amortisation period ranges from 2 to 3 year. Amortisation is calculated according to the estimated remaining economic useful life of the asset.

Goodwill and trademarks have an indefinite life.

(a) Impairment tests for goodwill and trademark

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

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Invoice Finance	21,204	21,204
Equipment Finance	7,519	7,519
	28,723	28,723

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. Perpetual growth method is used to calculate a terminal value, which assumes the final year growth rate will continue indefinitely.

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:

- 10.0% (2021: 8.0%) discount rate;
- 2.5% (2021: 2.5%) per annum projected EBITDA growth rate; and
- 2.5% (2021: 2.5%) per annum terminal EBITDA growth rate.

The discount rate of 10.0% 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 with indefinite lives have been tested for impairment at 30 June 2022 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 2022

NOTE 13 Trade and Other Payables

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Trade payables		
CURRENT:		
Unsecured liabilities		
Trade payables – Debtor finance	108,300	81,594
Total	108,300	81,594
Trade payables - other	2,649	2,480
Total	2,649	2,480
Grand Total	110,949	84,074

NOTE 14 Other Liabilities

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
CURRENT:		
Unsecured liabilities	352	4,527
Placement (*Issue of 44,897,846 shares at an issue price of $0.42* on 01 July 2021)	-	18,857
	352	23,384

NOTE 15 Lease liabilities

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
CURRENT:		
Lease liability	452	629
	452	629
NON-CURRENT:		
Lease liability	110	514
	110	514

Non-cancellable leases
The lease liabilities comprise of the following leases:

The property lease at Brisbane expires on 31 October 2023. 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 2022

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 year 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

	Average interest rate %	Facility limit $000's	Maturity	30-Jun-22 $000's	Restated* 30-Jun-21 $000's
CURRENT					
Unsecured:					
Unsecured Loans – Insurance	1.59%	-	Mar 2023	1,534	1,500
Unsecured Corporate Bond	7.95%	-	May 2022	-	19,877
Total				1,534	21,377
Secured:					
Securitised Debtor Finance warehouse facility –Overdraft	-	-	-	(5)	2,365
Receivables Financing Facility – Bank	2.62%	200,000	April 2023	140,945	89,520
Receivables Financing Facility – Non-Bank	-	-	-	-	19,472
Total				140,940	111,357
Total current				142,474	132,734
NON-CURRENT					
Unsecured:					
Unsecured Corporate Bond no. 2	6.57%	-	December 2025	18,966	-
Total				18,966	-
Secured:					
Securitised Equipment Finance warehouse facility – A note	2.42%	120,000	June 2027	74,414	54,065
Securitised Equipment Finance warehouse facility – B note	5.80%	20,000	May 2029	19,506	13,364
Securitised Debtor Finance warehouse facility – A note	-	-	-	-	3,500
Securitised Debtor Finance warehouse facility – B note	-	-	-	-	2,601
Securitised Trade Finance warehouse facility – A note	6.72%	22,500	April 2026	19,124	-
Securitised Trade Finance warehouse facility – B note	8.72%	3,750	April 2026	2,642	-
Receivables Equipment Financing Facility – Non-Bank	5.85%	25,000	February 2027	15,932	-
Total				131,618	73,530
Total non-current				150,584	73,530

*Please refer to Note 1(z)

NOTE 16 Borrowings (continued)

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 - employees	Consolidated Group 2022 $ 000's	Consolidated Group 2021 $ 000's
CURRENT:		
Employee benefits	1,251	1,137
NON-CURRENT:		
Employee benefits	232	165

NOTE 18 Contributed Equity

	Date	Consolidated Group No.	Consolidated Group $ 000's
Balance at beginning of financial year	1-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	7-Oct-20	1,053,732	346
Ordinary shares @ 32.8 cents from placement of DRP shortfall	6-Nov-20	10,671,424	3,500
Share issue from Dividend Reinvestment Plan	8-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
Balance at beginning of financial year	1-Jul-21	232,948,505	52,773
Shares issued or under issue during the year:			
Ordinary shares @ 42 cents from Placement	1-Jul-21	44,897,846	18,856
Share issue from Dividend Reinvestment Plan	7-Oct-21	1,821,485	770
Exercise of options*	2-Dec-21	1,800,000	-
Exercise of options*	9-Feb-22	2,050,000	-
Share issue from Dividend Reinvestment Plan	7-Apr-22	561,102	249
Ordinary shares @ 42 cents from acquisition of Skippr invoice finance	14-Jun-22	3,052,196	1,551
Less: transaction costs arising from share issues		-	(729)
Balance at end of financial year	30-Jun-22	287,131,134	73,470

*Exercise of options
The options exercised by Mr. Daniel Riley were issued for consideration of $1,135,750. However, at the same time, 6,150,000 options outstanding by Mr. Daniel Riley were bought back by the Company at market price less the exercise price. This buyback amounted to $1,135,750.

NOTE 18 Contributed Equity (continued)

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 2022 and 30 June 2021 are as follows:

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Gearing Ratios		
Total borrowings	293,058	206,264
Less: Cash and cash equivalents	(52,707)	(44,770)
Net debt	240,351	161,494
Total equity	85,099	58,424
Total capital	325,450	219,918
Gearing ratio	73.85%	73.43%

NOTE 19 Reserves

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Reserves		
General Reserve	441	441
Share Based Payment Reserve	243	-
	684	441

The General Reserve is made up historical profits transferred from retained earnings that are preserved for future dividend payments.

The Share Based Payment Reserve is made up of share based payment expenses incurred during the year.

NOTE 20 Earnings per share

	Consolidated Group 2022 Cents per Share	Consolidated Group 2021 Cents per Share
Basic earnings per share	4.70	3.18
Diluted earnings per share	4.66	3.05

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

	Consolidated Group	
	2022	2021
	$000's	$000's
Earnings		
Continuing operations	13,223	7,238
Earnings used in calculating of dilutive EPS	13,223	7,238
	No.	No.
Weighted average number of ordinary shares	281,141,241	227,301,470
Weighted average number of dilutive options on issue	-	10,000,000
Weighted average number of dilutive performance rights on issue	2,722,613	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	283,863,854	237,301,470

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

NOTE 21 Dividends

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
Fully Franked Declared FY2021 Final Dividend – 1.30 cents (FY2020: 1.75 cents)	3,612	3,846
Fully Franked Paid FY2022 Interim Dividend – 1.40 cent (FY2021: 1.00 cents)	3,969	2,315
Total	7,581	6,161
In addition to the above dividends, since the end of the year, the Directors have declared a 1.80 cents per share fully franked dividend (FY2021: 1.30 cents per share fully franked) which has not been recognised as a liability at the end of the financial year:	5,168	3,612
Franking Credits	7,176	7,094

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.

NOTE 22 Cash flow information

		Consolidated Group	
		2022	2021
(a)	*Reconciliation of cash*	$ 000's	$ 000's
	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	52,707	44,770
		52,707	44,770
(b)	Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
	Profit from ordinary activities after related income tax	13,223	7,238
	Depreciation and amortisation of non-current assets	2,309	2,269
	Changes in assets and liability, net of effect of purchases of subsidiaries;		
	(Increase)/ Decrease in receivables	(6)	428
	Decrease in other current assets	(726)	(485)
	(Decrease)/ Increase in deferred tax assets	(686)	753
	Increase in provisions	424	388
	Decrease in trade and other payables	(986)	(10,951)
	(Decrease)/ Increase in other liabilities	(162)	4,195
	Increase in borrowings	122	27
	(Decrease)/ Increase in Income tax payable	(836)	949
	Net cash from operating activities	12,676	4,811

Note 22 Cash flow information (continued)

(c) Changes in liabilities arising from financing activities

Current year

	2021	Cash changes Financing cash flows	Non Cash changes	2022
	$ 000's	$ 000's	$ 000's	$ 000's
Borrowings				
Unsecured Loans – Insurance	1,500	34	-	1,534
Unsecured Corporate Bond	19,877	(20,000)	123	-
Securitised Debtor Finance warehouse facility – A note and Overdraft	2,365	(2,370)	-	(5)
Receivables Financing Facility – Bank	89,520	51,425	-	140,945
Receivables Financing Facility – Non-Bank	19,472	(19,472)	-	-
Unsecured Corporate Bond no. 2	-	18,966	-	18,966
Securitised Equipment Finance warehouse facility – A note	54,065	20,349	-	74,414
Securitised Equipment Finance warehouse facility – B note	13,364	6,142	-	19,506
Securitised Debtor Finance warehouse facility – A note and Overdraft	3,500	(3,500)	-	-
Securitised Debtor Finance warehouse facility – B note	2,601	(2,601)	-	-
Securitised Trade Finance warehouse facility – A note	-	19,124	-	19,124
Securitised Trade Finance warehouse facility – B note	-	2,642	-	2,642
Receivables Equipment Financing Facility – Non-Bank	-	15,932	-	15,932
Lease liabilities				
Lease liabilities	1,143	-	(562)	581
	207,407	86,671	(439)	293,639

(d) Non-cash investing and financing activities

		Consolidated Group	
		2022	2021
	Note	$ 000's	$ 000's
Dividend reinvestment plan	18	1,020	969
Shares issued	29	1,551	-

Note 22 Cash flow information (continued)

(c) Changes in liabilities arising from financing activities (continued)

Prior year

	2020	Cash changes Financing cash flows	Non Cash changes	2021
	$ 000's	$ 000's	$ 000's	$ 000's
Borrowings				
Unsecured Loans – Insurance	1,618	(118)	-	1,500
Unsecured Corporate Bond	20,000	-	(123)	19,877
Securitised Debtor Finance warehouse facility – A note and Overdraft	463	1,902	-	2,365
Senior Secured Bond	25,000	(25,000)	-	-
Receivables Financing Facility – Bank	34,882	54,638	-	89,520
Receivables Financing Facility – Non-Bank	16,479	2,845	148	19,472
Securitised Equipment Finance warehouse facility – A note	59,864	(5,799)	-	54,065
Securitised Equipment Finance warehouse facility – B note	14,767	(1,403)	-	13,364
Securitised Debtor Finance warehouse facility – A note and Overdraft	9,850	(6,350)	-	3,500
Securitised Debtor Finance warehouse facility – B note	1,001	1,600	-	2,601
Lease Liabilities				
Lease liabilities	1,333	-	(190)	1,143
	185,257	22,315	(165)	207,407

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 which includes market risk, credit risk and liquidity risk. 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, trade receivable and trade and other payables and borrowings.

	Consolidated Group	
	2022	2021
	$ 000's	$ 000's
The total for each category of financial instruments are as follows:		
Financial Assets		
Cash and cash equivalents	52,707	44,770
Trade and other receivables	270,455	200,406
Finance lease receivables	131,528	93,364
Other current assets	4,032	3,305
	458,722	341,845
Financial liabilities		
Trade and other payables	110,949	84,074
Borrowings - variable	197,604	127,200
Borrowings - fixed	95,454	79,064
Lease liabilities	562	1,143
	404,569	291,481

The above financial instruments are all held at amortised cost.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings. Interest rate risks can also arise if the Group funds a fixed rate receivables portfolio with variable rate debt or if we borrow at a fixed rate in anticipation of raising future fixed rate receivables in the future. Therefore, the Group ensures it has a balanced mix of variable rate borrowings and fixed rate borrowings to manage its interest rate exposure. Borrowings issued at variable rates expose the Group to cash flow interest rate risks. Therefore, some of the portfolio is fixed and this is mainly achieved through the use of swap arrangements as described below.

All of the Group's borrowings are on floating rate basis except Unsecured Loan – Insurance and the Secured Equipment Finance warehouse facilities - A note and B note 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.

NOTE 23 Financial Risk Management (continued)

The lender for Securitised Equipment Finance warehouse facility – A note requires Earlypay to enter into a back-to-back fixed rate swap on the same amortising balance. The minimum amount to be hedged by the swap is 75%. This 'stapling' arrangement means that Securitised Equipment Finance warehouse facility – A note funder only advances monies to Earlypay on a fixed rate basis. Any further exposures are managed through fixed rate corporate bonds with appropriate maturities.

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.

	Consolidated Group	
Sensitivity Analysis	2022	2021
	$000's	$000's
Financial Assets		
Cash and cash equivalents	52,707	44,770
Financial liabilities		
Borrowings - variable	(197,604)	(127,200)
Net	(144,897)	(82,430)
+/- 2% in interest rate		
Equity	+/- 2,029	+/- 577
Profit	+/- 2,029	+/- 577

Fair value
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.

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	
	2022	2021
	$ 000's	$ 000's
Trade receivables		
Counterparties with external credit rating (Moody's)		
AAA Federal government departments and instrumentalities	1,507	1,663
Counterparties without external credit rating	400,477	292,248
Total trade receivables	401,984	293,911
Cash at bank and short-term bank deposits		
AA-	52,707	44,770

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.

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.

	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
As at 30 June 2022					
Trade and other payables	N/A	110,949	-	-	110,949
Borrowings	4.04%	142,474	150,584	-	293,058
Lease Liabilities	2.93%	452	110	-	562
Total financial liabilities		253,875	150,694	-	404,569

		0 to 12 Months $ 000's	1 to 5 years $ 000's	More than 5 years $ 000's	Carrying value $ 000's
As at 30 June 2021					
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

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.

NOTE 24 Contingent liabilities

There are 3 rental guarantees in total of $403,000 relating to the properties at Miller Street North Sydney, Queen Street Brisbane and St Kilda Road Melbourne. 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).

	Country of Incorporation	2022 %	2021 %
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%
1st 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%	100%
Earlypay EST Pty Ltd	Australia	100%	-

NOTE 25 Subsidiaries (continued)

A relief was obtained from preparing financial statements for CML Payroll 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, CML Payroll 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, comprising the entities under the deed, is set out below:

		Closed Group	
		2022 $000's	2021 $000's
Financial information in relation to:			
(i)	Statement of profit or loss and other comprehensive income:		
	Profit before income tax	19,949	14,311
	Income tax expense	(570)	(2,203)
	Profit after income tax	19,379	12,108
	Profit attributable to members of the parent entity	19,379	12,108
(ii)	Statement of financial position:		
	CURRENT ASSETS		
	Cash and cash equivalents	26,669	36,415
	Trade and other receivables	268,802	176,107
	Other current assets	18,853	8,756
	TOTAL CURRENT ASSETS	314,324	221,278
	NON-CURRENT ASSETS		
	Property, plant, and equipment	197	187
	Intangible assets	29,191	30,678
	Deferred tax assets	2,643	1,958
	TOTAL NON-CURRENT ASSETS	32,031	32,823
	TOTAL ASSETS	346,355	254,101

NOTE 25 Subsidiaries (continued)

	2022 $000's	2021 $000's
CURRENT LIABILITIES		
Trade and other payables	92,842	60,988
Tax liabilities	(1,982)	740
Borrowings	142,479	91,021
Other liabilities	298	23,383
Lease liability	452	615
Short-term provisions	1,029	915
TOTAL CURRENT LIABILITIES	235,118	177,662
NON-CURRENT LIABILITIES		
Long-term borrowings	34,898	39,350
Long-term provisions	186	132
Lease liability	110	528
TOTAL NON-CURRENT LIABILITIES	35,194	40,010
TOTAL LIABILITIES	270,312	217,672
NET ASSETS	76,043	36,429
EQUITY		
Issued capital	73,470	52,773
Reserves	684	441
Retained earnings/ (accumulated losses)	1,889	(16,785)
TOTAL EQUITY	76,043	36,429

NOTE 26 Parent Entity Disclosures

	Consolidated Group	
	2022	2021
The individual financial statements for the parent entity show the following aggregate amounts:	$ 000's	$ 000's
Statement of Financial Position		
Current assets	24,833	27,426
Non-current assets	197,080	149,831
Total assets	221,913	177,257
Current liabilities	141,440	115,792
Non-current liabilities	34,941	39,518
Total liabilities	176,381	155,310
Net Assets	45,532	21,947
Shareholders' equity		
Contributed equity	73,470	52,770
Retained losses	(27,938)	(30,823)
Total equity	45,532	21,947
Net Profit/ (Loss) for the year after tax	10,138	4,942
Total Comprehensive Income/ (Loss)	10,138	4,942

The Parent Entity, Cashflow Finance Pty Limited and CML Payroll 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.

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries, which are accounted for at cost in the financial statements of the Group.

NOTE 27 Share Based Payments

The aggregate transactions and outstanding balances that relate to share-based payments were as follows:

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. Mr. Daniel Riley exercised 3,850,00 options which were issued for consideration of $1,135,750. At the same time, 6,150,000 options were bought back by the Company at market price less the exercise price. This buyback amounted to $1,135,750.

There are no amounts unpaid in relation to shares issued as a result of exercise of options.

The following ordinary shares of Earlypay Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Grant date	Share Issue Date	Amount paid per share	Number of shares issued
17 March 2017	2 Dec 2021	$0.27	1,800,000
17 March 2017	9 Feb 2022	$0.27	2,050,000

Name	Balance 1 July 2021	Granted	Exercised	Bought back	Balance 30 June 2022	Number vested
Daniel Riley	10,000,000	-	(3,850,000)	(6,150,000)	-	10,000,000

The weighted average share price (at the exercise date) for share options exercised during the FY22 financial year was $0.48.

Vesting conditions were continued employment at the date of vest of the options (service condition) and share price milestones (performance condition). Vested options are exercisable on or before 9th of March 2022 or on a trigger event.

Name	Balance 1 July 2020	Granted	Exercised	Bought back	Balance 30 June 2021	Number vested
Daniel Riley	10,000,000	-	-	-	10,000,000	10,000,000

The weighted average remaining contractual life for share options outstanding at the end of the FY21 financial year was 0.69 years.

Notes to the Financial Statements for the year ended 30 June 2022

NOTE 27 Share Based Payments (continued)

The following table sets out the key features of the rights plans with specific references to each of the 2022 plan.

Features	Description			
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.			
Purpose	To motivate executives to achieve long term performance targets.			
Opportunity	15-25% of fixed remuneration.			
Dividends or share issues	No dividends are paid or accrued on unvested awards.			
Performance criteria	The plan uses earnings per share growth, Absolute TSR and Return on Equity performance hurdles.			
	2022 Grants			
Performance Level	EPS Tranche 1	ATSR Tranche 2	ROE Tranche 3	Vesting % of Tranche
Threshold	5.0%	10.0%	13.5%	25%
Between Threshold & Target	5% to 7.5%	10% to 12%	13.5% to 14.5%	Pro-rata
Target	7.5%	12%	14.5%	50%
Between Target & Stretch	7.5% to 10%	12% to 18%	14.5% to 16.5%	Pro-rata
Stretch	10.0%	18%	>16.5%	100%
No. of Rights	907,538	907,538	907,537	
Performance period and vesting dates	July 21: 3 years (1 July 21 to 30 Jun 24). Vesting date is 1 October 2024.			
Assessment, approval and payment	At the end of performance period, the Remuneration & Nomination Committee assesses the relevant performance measures and determines the extent to which the awards should vest. Payment is made by the issuing or transfer of shares.			
Change of control	Unless otherwise determined by the Board, in the event of a Change of Control including a takeover, the Vesting Conditions attached to the Tranche at the time of the Application will cease to apply and: a) unvested Performance Rights granted in the financial year of the Change of Control will be assessed by the Board for vesting, b) all remaining unvested Performance Rights will vest if the Change of Control Share Price is greater than the price at the commencement of the measurement period and the Change of Control Share Price leading up to the Change of Control has a 20% premium to the price at the beginning of the Measurement Period, c) any unvested Performance Rights that do not vest pursuant to (a) and (b) will lapse, disposal restrictions applied to Restricted Shares by the Company will be lifted, including the removal of any Company initiated CHESS holding lock, if applicable. However, Shares may not be sold if the holder is in possession of “inside information”.			

NOTE 27 Share Based Payments (Continued.)

Termination	Unvested Performance Rights held at the date of termination and granted in the first year of the measurement period, will be forfeited in the proportion that the remainder of the first year of the measurement period following the termination bears to the full first year of the measurement period, unless otherwise determined by the Board. All other unvested Performance Rights will be retained for possible vesting based on performance during the Measurement Period, to be assessed following the completion of the Measurement Period.
Claw back provisions	There are no specific provisions providing the capacity to claw back a component of remuneration in the event of a matter of significant concern.

Performance rights granted as compensation in the year.

Performance Rights Granted					Values Yet to Vest $	
	Number	Fair value of rights	Grant Date	Financial Year Grants Vest	Min (a)	Max (b)
FY22 Rights	2,722,613	0.392	19 Nov 21	2025	Nil	-

The weighted average remaining contractual life of rights outstanding at the end of the financial year was 2.26 years. Exercise price of the rights are nil.

Performance rights over equity instruments granted

The movement during the year in the number of performance rights over ordinary shares in Earlypay Limited held directly, indirectly or beneficially, by the employee as follows:

	Held at 1 July 21	Granted as Compensation	Vested during the year	Lapsed	Forfeited	Held at 30 June 22
Performance Rights	-	2,722,613	-	-	-	2,722,613

Fair value of rights was calculated using volume weighted average share price at which the Company's shares were traded on ASX over the 20 trading days prior to the date for which the calculation is made less dividends calculated for measurement period.

a) The minimum value of the performance rights to vest is nil as the performance rights criteria may not be met and consequently the performance rights may not vest.
b) The maximum value of the performance rights yet to vest is not accurately determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the performance rights are exercised.

NOTE 28 Key Management Personnel Disclosures

Expense recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss were as follows:

	Consolidated Group	
	2022	2021
	$'000s	$'000s
Rights granted to employees under the rights plan	243	-
Total expense recognised	243	-

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated Group	
	2022	2021
	$	$
Short-term employee benefits	1,744,071	1,115,747
Post-employment benefits	121,270	51,670
Share-based payments	132,576	-
	1,997,917	1,167,417

NOTE 29 Business Combinations

a) Acquisition for the prior 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.

	Fair Value
	$000's
Cash	712
Trade receivables – debtor finance	2,707
Trademarks	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	6,721
Total purchase consideration	6,500
Representing:	
Cash paid to vendor	1,500
Shares issued	750
Contingent consideration	4,250
Total purchase consideration	6,500
Acquisition costs expensed to profit and loss	8
Net consideration used	6,508

A total of 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.

NOTE 29 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 2020 to 31 December 2022. Because the future weighted funds in use cannot be accurately estimated, maximum amount of $4,250,000 had 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.

During the current financial year, all earn-out conditions have been achieved and $4,013,000 final earn-out payments of $2,462,000 was paid in cash and $1,551,000 in EPY shares in accordance with the sale purchase agreement.

NOTE 30 Subsequent Event

The Group has declared a Final Dividend of 1.8 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 30 June 2022 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2022, of the Group; or
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2022, of the Group.

NOTE 31 Auditor's remuneration

	Consolidated Group	
	2022	2021
	$	$
During the year the following fees were paid or payable for services provided by the auditors of the parent entity:		
Audit and review of the financial statements	169,162	150,299
Other assurance and agreed upon procedures	23,000	25,300
Tax advisory	35,155	-
	227,317	175,599

Notes to the Financial Statements for the year ended 30 June 2022

NOTE 32 Related Party Transactions

The Group's related parties are as follows:

Parent entity
The Parent Entity, Cashflow Finance Pty Limited and CML Payroll 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.

Subsidiaries
For details of disclosures relating to subsidiaries, refer to Note 25. Transactions and balances between subsidiaries and the Company have been eliminated on consolidation of the Group.

Key management personnel
For details of disclosures relating to key management personnel, refer to Note 28: “Key Management Personnel Disclosures”.

Transactions *with 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. Loan and interest are repayable at earlier of when the options are exercised or on options expiry date 9th March 2022. The loan was fully repaid on 9th February 2022. The loan is accounted for as a share-based payment in accordance with accounting standards.

In FY22, Mr. Daniel Riley exercised 3,850,00 options which were issued for consideration of $1,135,750. At the same time, 6,150,000 options were bought back by the Company at market price less the exercise price. This buyback amounted to $1,135,750. There are no amounts unpaid in relation to shares issued as a result of exercise of options.

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 27-77 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 2022 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.

Daniel Riley

Managing Director

Sydney 21st September 2022

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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 2022, 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 2022 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.

Key Audit Matter	***How our Audit Addressed the Matter***
Accuracy and Occurrence of Invoice and Equipment Finance Revenue **Refer to Note 1 Significant Accounting Policies and Note 2 Revenue**	
We focused our audit effort on the accuracy and occurrence of invoice and equipment finance revenue as it represents the most significant driver of the Group's profits. As at 30 June 2022 the Group had generated $37.4 million of invoice finance revenue and $15.6 million of equipment finance revenue. Revenue recognition is significant to our audit as the Group may incorrectly account for fees and interest potentially leading to incorrect revenue recognition. There are a significant number of contracts, with terms that vary on a contract by contract basis, which that Group may incorrectly account for resulting in the incorrect recognition of revenue.	Our procedures included, amongst others: • Understanding the Group's revenue recognition policies and assessing whether they are in accordance with AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customer*s; • Obtaining an understanding of and evaluating the design and implementation of controls in the assessment process for determining the amount of revenue earned, including the application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*; • Testing a sample of invoice and equipment finance contracts, reviewing the contract to identify the terms and circumstances that indicate that all performance obligations have been satisfied for revenue recognised under AASB 15 *Revenue from Contracts with Customers*; • Testing a sample of invoice and equipment finance revenue to agree that interest revenue was calculated using the effective interest rate method in accordance with AASB 9 *Financial Instruments*; • Obtaining audit evidence for the terms and circumstances identified in the invoice and equipment finance contracts; and • Reviewing the appropriateness of the disclosures in regard to revenue recognition.

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our Audit Addressed the Matter</th></tr>
<tr><th colspan="2">Existence and Valuation of Trade and Finance Lease Receivables
Refer to Note 7 Trade Receivables and Note 8 Finance Lease Receivables</th></tr>
<tr><td>We focused our audit effort on the existence and recoverability of the Group's trade and finance lease receivables as they represent the largest assets and most significant drivers of the Group's Net Assets.

As at 30 June 2022 the Group had trade receivables of $270.5 million and finance lease receivables of $131.5 million.

The Group's receivable requires a provision for expected credit losses ("ECL") in accordance with AASB 9 Financial Instruments.

The existence and valuation of the trade and finance lease receivables is a key audit matter due to the significant judgements used with the ECL model and the inherent estimation uncertainty in its determination.</td><td>Our procedures included, amongst others:
Understanding and assessing management's methodology for determining the provision for the allowance for expected credit losses;
Obtaining an understanding of and evaluating the design and implementation of controls in the assessment process for determining the recoverability of invoice and finance lease receivables;
Assessing management's methodology for determining the provision for the allowance for expected credit losses to ensure it is in accordance with AASB 9 Financial Instruments;
Performing a detailed analysis of trade and finance lease receivables, taking into consideration prior period history of receivables going into default and appropriate procedures in place for their recovery;
Obtaining independent debtor confirmations; and
Evaluating the adequacy of disclosures in the financial statements.</td></tr>
</table>

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 2022 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.

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

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 13 to 23 of the Directors' Report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Earlypay Limited, for the year ended 30 June 2022, 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.

Pitcher Partners

John Gavljak
Partner

Pitcher Partners
Sydney

21 September 2022

Additional Information for Publicly Listed Companies

Statement of quoted securities as at 31 August 2022

- There are 1,947 shareholders holding a total of 287,131,134 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 67.87% 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 2022	Range of holding		No. of holders
	1 -	1,000	133
Ordinary fully paid shares	1,001 -	5,000	510
	5,001 -	10,000	331
There are 138 shareholders holding less than a marketable parcel.	10,001 -	100,000	750
	100,001 -	and over	223
	Total holders		1,947

Substantial shareholdings as at 31 August 2022	Total relevant interest notified	% of total voting rights
Ordinary shareholder		
COG FINANCIAL SERVICES LIMITED	47,294,429	16.47
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	33,438,482	11.65
CITICORP NOMINEES PTY LIMITED	27,220,962	9.48
THE BEESON SUPER FUND PTY LTD <THE BEESON SUPER FUND A/C>	12,571,401	4.38

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.

Director Nomination
The Company will hold its Annual General Meeting of shareholders on Thursday 17th November 2022. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is Thursday, 29th September 2022. Any nominations must be received in writing no later than 5.00pm (AEST) on this date at the Company's Registered Office.

Additional Information for Publicly Listed Companies

Top Twenty Shareholders as at 31 August 2022

Rank	Shareholder name	No of Shares	% of ordinary shares on issue
1	COG FINANCIAL SERVICES LIMITED	47,294,429	16.47
2	FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	33,438,482	11.65
3	CITICORP NOMINEES PTY LIMITED	27,220,962	9.48
4	THE BEESON SUPER FUND PTY LTD <THE BEESON SUPER FUND A/C>	12,571,401	4.38
5	G & A RILEY INVESTMENTS PTY LIMITED <GREG & ANN RILEY SMSF P A/C>	10,491,803	3.65
6	COG FINANCIAL SERVICES LIMITED	9,164,188	3.19
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,229,281	2.87
8	UBS NOMINEES PTY LTD	7,222,881	2.52
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,603,800	2.30
10	G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	5,449,595	1.90
11	DANIEL JON RILEY	3,850,000	1.34
12	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	3,762,341	1.31
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,634,693	1.27
14	MR JAMES BEESON + MRS ESTHER BEESON <THE BEESON FAMILY A/C>	3,081,052	1.07
15	ONE FUND SERVICES LTD <SANDON CAPITAL ACTIVIST A/C>	2,617,745	0.91
16	JAMPLAT PTY LTD	2,600,000	0.91
17	GUERILLA NOMINEES PTY LTD <TOOTH RETIREMENT PLAN A/C>	2,141,176	0.75
18	SAM FAMILY SUPER FUND <SAM FAMILY SUPER FUND A/C>	2,043,944	0.71
19	VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	1,842,668	0.64
20	WEEWAC PTY LTD <WARRIOR SUPER FUND A/C>	1,605,007	0.56
		194,865,448	67.88