Prospa

Appendix 4D

Half Year Report

For the period ending
31 December 2022

Prospa Group Limited
ACN 625 648 722

Prospa Group Limited
Appendix 4D

Half Year Report FY23

1. Company details

Name of entity:	Prospa Group Limited
ABN:	13 625 648 722
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

The information contained in the half-year report should be read in conjunction with the Prospa Group Limited ("Prospa", the "Group", or the "Company") annual financial statements for the year ended 30 June 2022.

2. Results for announcement to the market

Statutory results summary*

	31 December 2022 $'000	31 December 2021 $'000	Change $'000	Change %
Total income	127,777	73,228	54,549	74%
(Loss)/profit after income tax attributable to the owners of Prospa Group Limited	(5,189)	5,395	(10,584)	(196%)
Total comprehensive (loss)/income for the half-year attributable to the owners of Prospa Group Limited	(5,523)	5,920	(11,443)	(193%)

* Comparative information has been restated as at 31 December 2021 and 30 June 2022 as discussed in Note 1 to the attached half-yearly financial report.

3. Net tangible assets

	31 December 2022 Cents	30 June 2022 Cents
Net tangible assets per ordinary security	48.82	60.12

Right-of-use assets have been included in the net tangible asset calculation.

4. Control gained over entities

On 7 December 2022, the Group established the PROSPArous Trust 2022-1, a $200 million Term Asset-Backed Security issuance in the public markets, secured on Small Business Loans and Line of Credit products.

There has been no further gain, or loss of control of entities during the half-year ended 31 December 2022.

5. Dividends

The Group has not paid nor proposes to pay any dividends for the half-year ended 31 December 2022 (year ended 30 June 2022: $nil).

6. Details of associates and joint venture entities

The Group has not engaged in the acquisition or disposal of associates, nor has it engaged in any joint ventures for the half-year ended 31 December 2022 or the previous corresponding period.

7. Review conclusion

This Appendix 4D is based on the attached half-year financial report which the independent auditors, Deloitte Touche Tohmatsu, have reviewed. The review report is unqualified.

8. Signed

Greg Moshal
Director and Chief Executive Officer

23 February 2023
Sydney

Gail Pemberton AO
Independent Director and Chairman

23 February 2023
Sydney

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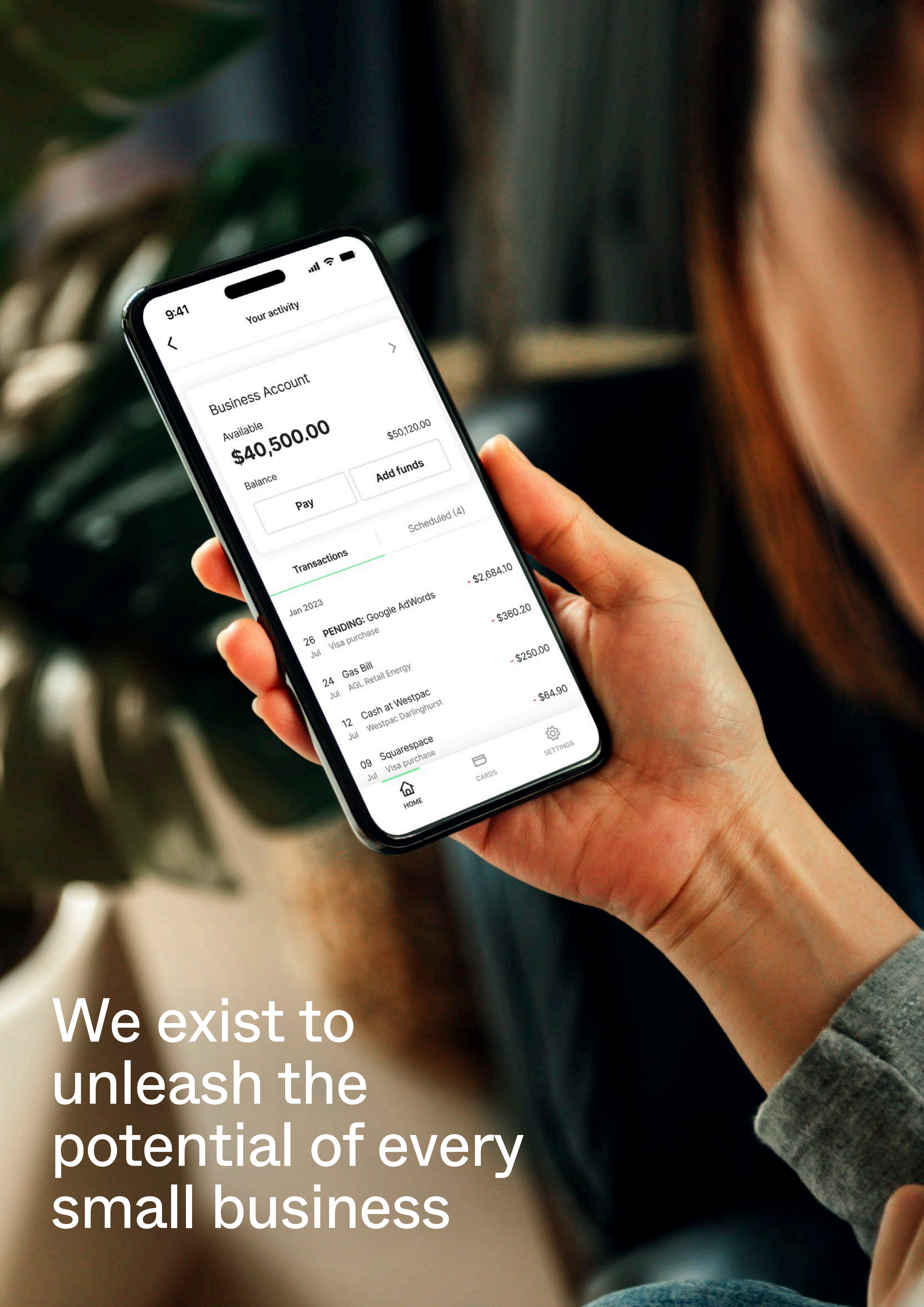
Half Year Report

For the period ending
31 December 2022

Prospa Group Limited
ACN 625 648 722



We exist to unleash the potential of every small business

Contents

Australia and New Zealand's most trusted small business non-bank financial services provider.[1]

$3.2+b in funding deployed since inception[2]

19,900+ active customers

70+ NPS world-class Net Promoter Score[3]

Performance highlights

Originations[4]

$425.5m

+35%

1H22: $314.9m

Closing Gross Loans

$855.8m

+66%

1H22: $514.6m

Revenue[5]

$135.3m

+72%

1H22: $78.5m

Operating Cash Flow

$47.0m

+98%

1H22: $23.7m

EBITDA[6]

$0.2m

-98%

1H22: $9.6m

1. In the Non-Bank Financial Services category, Prospa is the most trusted small business lending specialist on independent review site TrustPilot, with over 7,200 reviews and a TrustScore of 4.9 in Australia, and over 1,000 reviews and a TrustScore of 4.9 in New Zealand as at 14 February 2023.
2. Originations from all sources, including Prospa Small Business Loan, Prospa Business Line of Credit (including undrawn amounts) across all geographies include Australia and New Zealand.
3. Net Promoter Score was in excess of 70+ for the period 1 July 31 December 2022.
4. All references to Originations in this document are from all sources, including Prospa Small Business Loan, Prospa Business Line of Credit (including undrawn amounts), Back to Business Loan, Back to Business Line (including undrawn amounts) in Australia and New Zealand. Small retrospective changes in origination figures may occur as result of back dated cancellations or modifications to support customer outcomes. All figures are expressed in AUD terms unless otherwise specified.
5. All references to Revenue in this document represent Total income before transaction costs.
6. All references to EBITDA in this document refer to Earnings before interest on lease liabilities, tax, depreciation, amortisation, share-based payments, and FX Gain/Loss. EBITDA incorporates the Provision Rate of 9.4% (pcp; 7.2%).

“Prospa has given me the confidence that the business has got the capital behind it to make medium and long-term decisions.”

Dean Taylor,
Urban Jungle Studios,
Brisbane

Directors’ Report

Directors

The following persons were directors of Prospa Group Limited during the whole of the financial half-year and up to the date of this report unless otherwise stated:

Aviad Eyal	Gail Pemberton (Chairman)
Beaumont Bertoli	Gregory Moshal
Fiona Trafford-Walker	Mary Ploughman

Review of operations

Principal activities

Established in 2012, Prospa is Australia and New Zealand's most trusted small business non-bank financial services provider. The Company listed on the Australian Securities Exchange in 2019 and currently serves over 19,900 active customers.

Investments in cloud-based, data-rich and API-enabled technologies have empowered Prospa to deliver seamless customer experiences to small business owners across Australia since 2012 and New Zealand from 2018. Prospa has supported small business by:

- Delivering over $3.2 billion in loans to small business to the date of this report;
- Supporting more than 47,000 unique small business customers since inception; and
- Facilitating referrals and customer acquisitions from a network of more than 14,000 distribution partners, including finance brokers, aggregator networks, online affiliates, accountants, and other advisers.

The Company's growth strategy is to scale existing products and unleash the potential of every small business. In March 2022, Prospa launched the Business Line of Credit product in New Zealand, offering up to $150,000 to existing customers. Full launch of the product took place on 4 July 2022, with strong uptake from small business customers requiring a revolving product for cash flow fluctuations.

In addition to scaling existing products, the company's strategy is to broaden the product set to increase customer engagement and lifetime value, notably launching what will become the country's first non-bank all-in-one Business Account for small business in February 2023. The Prospa Business Account will bring to market a new digital platform that enables small businesses to manage their cash flow. This product will integrate Prospa's credit products, financial management and payment tools to deliver a frictionless solution to save business owners time and money. The Business Account will allow Prospa to regularly engage with customers, gaining further insights to enable delivery of personalised service and product offerings, extending lifetime value and driving greater customer retention.

Continued investment in Prospa's technology helped facilitate digital and real-time enhancements delivering faster approvals. This has been combined with the adoption of dynamic risk-based pricing, where interest rates associated with a facility are determined based on credit risk assessments for individual customers. These investments have significantly improved the end-to-end customer journey, enabled the scaling of existing products, and support the build of future products whilst achieving enhanced levels of efficiencies.

Prospa's technology has made access to market-leading credit solutions easier and faster for small business owners across Australia and New Zealand. The Company's Small Business Loan of up to $150,000 and the Prospa Business Loan Plus of up to $500,000 are amortising fixed-term loans with predictable repayments to support business owners' cash flow management. The Business Line of Credit product is a re-drawable facility of up to $150,000, which can be utilised for short-term cash flow needs or unplanned expenses.

In August 2022, Prospa launched a new mobile application that unified customers access to all Prospa credit products, as well as the new Business Account. The Business Account comes with a VISA business debit card and an Overdraft offered to a cohort of pilot customers. These enhancements have helped drive an increase in the total active customers to 19,900 in 1H23, and along with Prospa's recent rebranding, positions Prospa to meet a greater set of customer needs well into the future.

The overall quality of our customer experience is evident, with Prospa continuing to hold a market-leading Net Promoter Score of 70+, and Prospa being ranked #1 in the Non-bank Financial Services category for small business loans in Australia and ranked as Australia and New Zealand's the most trusted Non-Bank Financial Services provider on independent review site TrustPilot.

The upgrades to core technology, along with leverage of extensive customer data, allows the business to quickly evaluate opportunities and potential risks across the portfolio, enabling Prospa to dynamically manage risk appetite in the credit approval process. This capability enables the Company to maintain a strong cash generating position to remain self-funded for future growth opportunities. These investments also increased the value of the Group's intangible assets by $7.0 million for the half (1H22: $5.1 million).

Financial overview

Prospa delivered originations of $425.5 million[1], up 35.1% on the previous corresponding period ('pcp') (H1 FY22: $314.9 million). Small business loans represented 75.9% ($323.2 million) of originations during the half, up 33.5% on pcp (H1 FY22: $242.2 million).

The New Zealand business continues to grow, with originations contributing $93.3 million for the half. The New Zealand Line of Credit product continues to gain traction following its full national launch in July 2022. The Business Line of Credit across Australia and New Zealand comprised 24.1% ($102.4 million) of total originations.

1 All references to originations in the review of operations are from all sources, including Small Business Loan and Line of Credit (including undrawn amounts) across Australia and New Zealand. Originations exclude cash withdrawals on Business Line of Credit.

Active customers grew to 19,900, an increase of approximately 1,900 from the previous quarter (Q1 FY23). As a result of strong demand for funds, closing gross loans reached $855.8 million, an increase of 66.3% on pcp (H1 FY22: $514.6 million).

Total revenue[2] increased by 72.4% over pcp to $135.3 million (H1 FY22: $78.5 million), supported by a higher portfolio yield of 34.8% (H1 FY22: 34.3%).

Expected loss provisioning has increased this half from 7.2% of total gross loans to 9.4%, including an economic overlay of 2.4% (FY22: 1.3%). The provision increased by $29.6 million[3] during the half-year partly due to the increase in the standard modelled provision, the increase in the economic overlay and from the significant growth in loan receivables from 30 June 2022.

Notwithstanding significant investment in product and technology, the Company's operating cost base, measured as employee and operating costs as a percentage of revenue, improved to 36.6% from 48.0% in H1 FY22, demonstrating the scalability of the business.

Profit/(loss) before tax has been impacted by a $29.6 million increase in expected loss provisioning during the H1 FY23 period, resulting in a loss of $5.2 million for the first half (H1 FY22: profit of $5.4 million).

Portfolio management and funding

Prospa is mindful of the challenging economic outlook driven by inflation and rising interest rates creating household spending pressures. Prospa continues to take proactive measures to address credit performance in specific portfolio segments as the backdrop for small businesses remains uncertain. As at 31 December 2022, any expected losses are adequately covered by the increased expected loss provision. Net bad debts as a percentage of average gross loans are 6.9%, compared to 6.6% in H1 FY22.

The focus remains on maintaining the credit quality of the book, given continued uncertainty in the operating environment for small businesses.

As interest rates continue to rise, Prospa's cost of funds has increased to 6.1% for the first half of FY23; however, Net Interest Margin (NIM)[4] is stable and in line with 29.3% compared to 29.4% in pcp (H1 FY22).

In December 2022, Prospa successfully completed its second Asset Backed Securitisation of $200 million, following its inaugural issue in H1 FY22. As at 31 December 2022, Prospa had access to $1 billion of secured funding facilities, a 74% increase on pcp, of which $208 million was undrawn.

Pleasingly, the Company also finished H1 FY23 holding $40.7 million in unrestricted cash, an increase of 14.8% on the prior quarter (Q1 FY23) and restricted cash of $84.3 million[5].

Share buy-back

Prospa is committed to enhancing shareholder returns and has purchased 1.55 million shares via an on-market buy-back as at 31 December 2022. The buy-back expired on 16 February 2023 and while there is no current intention to extend the buy-back, as the Board has determined to preserve capital for investment in technology and growth, the Company will continue to review its capital management strategy.

Post balance date events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Corporation's Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Greg Moshal

Director and Chief Executive Officer

23 February 2023
Sydney

Gail Pemberton AO

Independent Director and Chairman

2 Revenue throughout the review of operations is before transaction costs.
3 This represents the movement in the provision of $30.0 million net of exchange rate differences of $0.4 million.
4 Net Interest Margin includes bank interest and referral income received.
5 Included within unrestricted cash as at 31 December 2022 is an amount of $1.8 million which is payable by Prospa Advance Pty Ltd to the Securitisation Trusts.

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW 2000
Australia

Tel: +61 2 9322 7000
www.deloitte.com.au

23 February 2023

The Board of Directors
Prospa Group Limited
Level 1, 4-16 Yurong Street
SYDNEY, NSW, 2000

Dear Board Members

Auditor's Independence Declaration to Prospa Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Prospa Group Limited and its controlled entities.

As lead audit partner for the review of the half year financial report of Prospa Group Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountant

Financial Report

For the period ending
31 December 2022

Condensed consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	Consolidated half-year ended	
		31 December 2022 $'000	31 December 2021 $'000
Income			
Interest income	4	113,799	66,713
Other income	5	13,978	6,515
Total income		127,777	73,228
Interest expense	6	(21,429)	(11,172)
Gross profit		106,348	62,056
Expenditure			
Loan impairment expense	7	(56,612)	(14,739)
Employee expenses		(27,446)	(21,117)
Operating expenses	8	(21,418)	(16,582)
Share-based payments	22	(2,088)	(1,242)
Depreciation		(1,233)	(1,346)
Amortisation		(3,710)	(1,990)
Interest on lease liabilities	6	(125)	(173)
Total expenditure		(112,632)	(57,189)
(Loss)/profit before income tax benefit		(6,284)	4,867
Income tax benefit	9	1,095	528
(Loss)/profit after income tax benefit for the half-year attributable to the owners of Prospa Group Limited		(5,189)	5,395
Other comprehensive (loss)/income			
Foreign currency translation		449	210
Fair value (loss)/gain on cash flow hedge	12	(535)	239
Fair value (loss)/gain on cost of hedging	12	(248)	76
Other comprehensive (loss)/income for the half-year, net of tax		(334)	525
Total comprehensive (loss)/income for the half-year attributable to the owners of Prospa Group Limited		(5,523)	5,920
Basic earnings per share		(3.19)	3.31
Diluted earnings per share		(3.19)	3.31

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

Condensed consolidated statement of financial position

As at 31 December 2022

	Note	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 $'000
Assets			
Cash and cash equivalents	10	124,973	105,767
Bank deposits		42	–
Loan receivables	11	774,923	650,525
Other financial assets		1,756	610
Derivative financial assets	12	1,719	2,838
Prepayments and other assets		2,992	3,244
Property, plant and equipment		165	274
Right-of-use assets	13	6,954	7,938
Intangible assets	14	24,881	17,934
Deferred tax assets	9	27,540	19,734
Total assets		965,945	808,864
Liabilities			
Trade and other payables		9,589	12,846
Current tax liabilities		7,638	1,452
Employee benefits		7,776	8,001
Lease liabilities	13	8,493	9,545
Borrowings	15	800,400	640,822
Total liabilities		833,896	672,666
Net assets		132,049	136,198
Equity			
Equity – issued capital	16	611,094	611,808
Equity – reserves	17	(416,653)	(418,407)
Accumulated losses		(62,392)	(57,203)
Total equity		132,049	136,198

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

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2022

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	610,919	(422,475)	(63,929)	124,515
Profit after income tax benefit for the half-year	–	–	5,395	5,395
Fair value gain on cash flow hedge, net of tax	–	76	–	76
Fair value gain on cost of hedging, net of tax	–	239	–	239
Foreign currency translation	–	210	–	210
Total comprehensive income for the half-year	–	525	5,395	5,920
Share-based payment transactions:				
Share-based payments	–	1,243	–	1,243
Conversion of options	1,314	–	–	1,314
Balance at 31 December 2021	612,233	(420,707)	(58,534)	132,992

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	611,808	(415,174)	(57,203)	139,431
Restatement – Note 1	–	(3,233)	–	(3,233)
Balance at 1 July 2022	611,808	(418,407)	(57,203)	136,198
Loss after income tax benefit for the half-year	–	–	(5,189)	(5,189)
Fair value gain on cash flow hedge, net of tax	–	(535)	–	(536)
Fair value gain on cost of hedging, net of tax	–	(248)	–	(247)
Foreign currency translation	–	449	–	449
Total comprehensive loss for the half-year	–	(334)	(5,189)	(5,523)
Share-based payment transactions:				
Share-based payments	–	2,088	–	2,088
Share repurchase	(714)	–	–	(714)
Balance at 31 December 2022	611,094	(416,653)	(62,392)	132,049

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

Condensed consolidated statement of cash flows

For the half-year ended 31 December 2022

	Note	Consolidated half-year ended 31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities			
Interest income received		118,418	71,630
Other income received		10,204	6,133
Interest paid		(21,271)	(12,013)
Payments to suppliers and employees		(60,346)	(42,007)
Net cash from operating activities		47,005	23,743
Cash flows from investing activities			
Net (increase)/decrease in loans advanced to customers		(175,434)	(101,005)
Payments for intangibles		(10,656)	(7,110)
Other investing cash flows		(42)	–
Net cash used in investing activities		(186,132)	(108,115)
Cash flows from financing activities			
Proceeds from borrowings		208,127	250,031
Repayment of borrowings		(48,812)	(135,726)
Principal repayment of lease liabilities		(1,194)	(1,143)
Proceeds from exercise of share options	22	–	1,314
Payments for share repurchase		(714)	–
Net cash from financing activities		157,407	114,476
Net increase in cash and cash equivalents		18,280	30,104
Cash and cash equivalents at the beginning of the financial half-year		105,767	80,377
Effects of exchange rate changes on cash and cash equivalents		926	–
Cash and cash equivalents at the end of the financial half-year		124,973	110,481

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

Notes to the condensed consolidated financial statements

For the half-year ended 31 December 2022

1. Significant accounting policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The financial statements cover Prospa Group Limited as a Group consisting of Prospa Group Limited and the entities it controlled at the end of, or during, the half-year.

The principal accounting policies adopted are consistent with those of the previous period.

Basis of preparation

These financial statements cover Prospa Group Limited as a consolidated entity and incorporate the assets and liabilities of all subsidiaries of Prospa Group Limited (the "Company" or "parent entity") as at 31 December 2022, and the results of all subsidiaries and trusts for the half-year then ended. Prospa Group Limited and its subsidiaries and trusts together are referred to in these financial statements as the "Group" or "Prospa".

These interim financial statements do not include all the notes of the type normally included within the annual financial statements. Accordingly, they cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial statements ("Annual Financial Report"). It is recommended that the interim financial statements be read in conjunction with the Group's Annual Financial Report for the year ended 30 June 2022 and considered together with any public announcements made by the Group during the half-year ended 31 December 2022 and up to the date of this report.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and loans and other receivables which are measured at amortised cost.

The financial statements are presented in Australian dollars, Prospa's functional and presentation currency.

Comparatives are consistently presented with current period disclosures.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going concern

The financial statements of the Group have been prepared on a going concern basis. The Board of Directors has assessed the Group's ability to continue as a going concern. In making this assessment, the Board has considered the budget and cash flow forecasts, the access to unrestricted cash (See Note 10) and the sufficient available third-party facilities (See Note 15). The Board is satisfied the Group has the resources to continue for the foreseeable future and pay debts as they fall due.

Adoption of new and revised Accounting Standards

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

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

Reclassification

For the year ended 30 June 2022, the Group changed its cash flow presentation for loan origination fees, which were reclassified from cash flows from operating activities to cash flows from investing activities. Comparative period cash flows in the 31 December 2022 half-year report have also been updated to align with this revised presentation. This resulted in a $1.6 million decrease in net cash from operating activities and a $1.6 million increase in net cash used in investing activities.

Prior period error

During the half-year ended 31 December 2022, Management identified a miscalculation in the valuation of one of the Group's interest rate derivative asset in the 31 December 2021 and 30 June 2022 comparative information.

The impact of correcting these amounts is disclosed below for each line item affected.

Profit before tax and cashflows are not impacted by this restatement. Where applicable, comparative financial information has been updated throughout the financial statements and the accompanying notes.

For the half-year ended 31 December 2022:

	Reported 31 December 2021 $'000	Adjustment $'000	Restated 31 December 2021 $'000
Condensed consolidated statement of profit or loss and other comprehensive income – extract			
Fair value gain on cash flow hedge	550	(311)	239
Fair value gain on cost of hedging	794	(718)	76
Other comprehensive income for the half-year, net of tax	1,554	(1,029)	525
Total comprehensive income for the half-year attributable to the owners of Prospa Group Limited	6,949	(1,029)	5,920
Condensed consolidated statement of financial position – extract			
Derivative financial assets	1,920	(1,470)	450
Deferred tax assets	14,198	441	14,639
Total assets	633,589	(1,029)	632,560
Net assets	134,021	(1,029)	132,992
Reserves	(419,678)	(1,029)	(420,707)
Total equity	134,021	(1,029)	132,992
Condensed consolidated statement of changes in equity – extract			
Fair value gain on cash flow hedge, net of tax	550	(311)	239
Fair value gain on cost of hedging, net of tax	794	(718)	76
Other comprehensive (loss)/income for the half-year, net of tax	1,554	(1,029)	525
Total comprehensive income for the half-year	6,949	(1,029)	5,920
Reserves – closing balance	(419,678)	(1,029)	(420,707)

For the financial year ended 30 June 2022:

	Reported 30 June 2022 $'000	Adjustment $'000	Restated 30 June 2022 $'000
Condensed consolidated statement of profit or loss and other comprehensive income – extract			
Fair value gain on cash flow hedge	5,181	(3,202)	1,979
Fair value gain on cost of hedging	39	(31)	8
Other comprehensive income for the year, net of tax	4,351	(3,233)	1,118
Total comprehensive income for the year attributable to the owners of Prospa Group Limited	11,077	(3,233)	7,844
Condensed consolidated statement of financial position – extract			
Derivative financial assets	7,457	(4,619)	2,838
Deferred tax assets	18,348	1,386	19,734
Total assets	812,097	(3,233)	808,864
Net assets	139,431	(3,233)	136,198
Reserves	(415,174)	(3,233)	(418,407)
Total equity	139,431	(3,233)	136,198
Condensed consolidated statement of changes in equity – extract			
Fair value gain on cash flow hedge	5,181	(3,202)	1,979
Fair value gain on cost of hedging	39	(31)	8
Other comprehensive income for the year	4,351	(3,233)	1,118
Total comprehensive income for the year	11,077	(3,233)	7,844
Reserves – closing balance	(415,174)	(3,233)	(418,407)

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of judgements, estimates and assumptions, which, by definition, will seldom equal the actual results.

Judgements, estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent reporting periods are discussed below.

Effective interest rate

Interest income is recognised using the effective interest rate method in accordance with AASB 9 *Financial Instruments*, based on estimated future cash receipts over the expected life of the financial asset. The effective interest method calculates the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income for loans with objective evidence of impairment, Stage 3 loans (See Note 11), are recognised on a net basis and fully impaired.

When calculating the effective interest rate, the Group considers interest on loans, and any fees that are an integral part of the loan, such as origination fees. The calculation does not consider future expected credit losses.

This estimate requires judgement as to the expected life of the financial asset, which may differ due to early repayment and deferrals to its contractual life and is reviewed on an ongoing basis.

Allowance for expected credit losses

The allowance for ECL assessment requires a high degree of estimation and judgement. It is modelled using assumptions concerning the ECL, including the evaluation of significant increases in credit risk since initial recognition, recent loss experience, historical collection rates, expected debt sales, assessment of default and forward-looking information relating to the macroeconomic environment. The Group has slightly modified the definitions of its economic scenarios with a more severe baseline economic outlook incorporated for 31 December 2022 to reflect the current and forecasted economic environment. The weightings applied to the economic scenarios are consistent with those applied at 30 June 2022.

The actual credit losses in future years may be higher or lower.

Allowance for expected credit losses is further discussed in Note 11.

Recoverability of deferred tax assets

Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if the Group considers it probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group assesses the extent to which deferred tax assets will be recoverable in the short term by comparing forecast taxable profits to existing deferred tax assets and unused tax losses.

Deferred tax assets are further discussed in Note 9.

Impairment of non-financial assets

Other non-financial assets are reviewed 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. Consistent with the Group's accounting policies and relevant Australian Accounting Standards, the Group has considered whether there are any impairment indicators arising as of 31 December 2022. No impairment indicators were identified.

3. Operating segments

The Group's operations primarily provide loans to small businesses in Australia and New Zealand. The Group has considered the requirements of AASB 8 *Operating Segments* and assessed that the Group has only one operating segment, representing the consolidated results. The chief operating decision makers include the Non-Executive Directors, Chief Executive Officer, Chief Revenue Officer and Chief Financial Officer. They are responsible for allocating resources to operating segments and assessing their performance.

The Group's total income can be analysed by geography as follows.

	Consolidated half-year ended	
	31 December 2022 $'000	**31 December 2021** $'000
Australia	103,255	60,852
New Zealand	24,522	12,376
	127,777	73,228

The Group's loan receivables analysed by geography are disclosed in Note 11.

Other non-current assets include intangible assets and right of use assets that arise predominantly within Australia.

4. Interest income

	Consolidated half-year ended	
	31 December 2022 $'000	31 December 2021 $'000
Interest income on lending portfolio	121,345	71,959
Transaction costs (amortisation of transaction costs in line with the effective interest rate method)	(7,546)	(5,246)
	113,799	66,713

5. Other income

	Consolidated half-year ended	
	31 December 2022 $'000	31 December 2021 $'000
Fee income – late fees	9,788	4,503
Fee income – subscription fees	3,235	1,977
Bank interest	955	35
	13,978	6,515

Fee income is comprised of late fees (recognised for services transferred at a point in time) and subscription fees (recognised for services transferred over time).

6. Interest expense

The total interest expense, as calculated using the effective interest rate method, is set out below.

	Consolidated half-year ended	
	31 December 2022 $'000	31 December 2021 $'000
Funding costs	21,429	11,172
Interest on lease liabilities	125	173
	21,554	11,345

Interest on lease liabilities is recognised in accordance with AASB 16 *Leases*.

7. Loan impairment expense

The loan impairment expense reported in the statement of profit or loss and other comprehensive income comprises the following key items.

	Consolidated half-year ended	
	31 December 2022 $'000	**31 December 2021 $'000**
Receivables written-off during the half-year as bad debts	32,363	22,650
Net movement in provision	30,031	(290)
Recoveries	(5,344)	(7,552)
Difference due to exchange rate variance	(438)	(69)
	56,612	14,739

The movement in provision net of exchange rate differences is $29.6 million (31 December 2021: ($0.4) million).

8. Operating expenses

	Consolidated half-year ended	
	31 December 2022 $'000	**31 December 2021 $'000**
General and administration expense	4,780	5,391
Sales and marketing expense	9,962	7,543
Product, design, technology and analytical expense	6,676	3,648
	21,418	16,582

9. Income tax

	Consolidated half-year ended	
	31 December 2022 $'000	31 December 2021 $'000
Amounts recognised in profit or loss		
Current tax		
Current year	6,203	(32)
Adjustment recognised for prior periods	–	–
Deferred tax		
Origination and reversal of temporary differences	(7,298)	(496)
Adjustment recognised for prior periods	–	–
Aggregate income tax benefit	(1,095)	(528)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
(Loss)/profit before income tax benefit	(6,284)	4,867
Tax at the statutory tax rate of 30%	(1,885)	1,460
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	22	13
Share-based payments	626	373
Other non-deductible/(taxable) items	142	110
Previously unrecognised deferred tax assets brought to account	–	(337)
Application of carried forward tax losses	–	(2,147)
Income tax benefit	(1,095)	(528)
Amounts recognised directly in equity		
Current income tax related to foreign currency translation	–	146
Deferred tax related to cash flow hedge	(230)	33
Deferred tax related to cost of hedging	(106)	103
	(336)	282

Deferred tax assets and liabilities recognised by the Group are outlined below.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Employee benefits	1,923	2,167
Provision for impairment of loan receivables	24,250	15,241
Property, plant and equipment, right-of-use asset and intangibles	1,868	1,838
Blackhole expenditure booked in relation to IPO	251	502
General provisions and other	122	122
Capitalised borrowing costs	(923)	(727)
Derivative financial instruments	(516)	(851)
Unused losses	912	1,688
Difference on foreign exchange	(347)	(246)
	27,540	19,734

Deferred tax assets relating to unused losses and temporary differences 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.

Management has performed an assessment of the recoverability of the Group's cumulative unused tax losses as at 31 December 2022 and has determined that sufficient profits will be available to recover unused tax losses in full. A deferred tax asset of $0.9 million has been recognised to reflect this (30 June 2022: $1.7 million).

As at 31 December 2022, the Group has cumulative unused tax losses of $3.1 million (30 June 2022: $5.6 million), equating to a future tax benefit of $0.9 million (30 June 2022: $1.7 million).

10. Cash and cash equivalents

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Cash and cash equivalents – unrestricted	40,654	49,905
Cash and cash equivalents – restricted	84,319	55,862
	124,973	105,767

Restricted cash is held by the Securitisation Trusts, and whilst the cash held in the Securitisation Trusts is not available to settle the liabilities of the Group, it is available to:

- Purchase further receivables originated by the Group at any time (i.e. recycle cash);
- Pay down the warehouse facility in the relevant Trust; and
- Distribute each month any excess income to residual unit holders after paying interest and fee expenses.

Included within unrestricted cash as at 31 December 2022 is an amount of $1.8 million which is payable by Prospa Advance Pty Ltd to the Securitisation Trusts.

11. Loan receivables

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Loan receivables	855,756	701,329
Less: Allowance for expected credit losses	(80,833)	(50,804)
	774,923	650,525

Of the gross loan receivables balance, $498.9 million is expected to be recovered within 12 months of the reporting date (30 June 2022: $423.1 million), with the remainder to be collected after 12 months.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the Group is concentrated primarily in loan receivables.

The Group provides term loans and lines of credit to small businesses and has a framework and supporting policies for managing credit risk associated with its lending activities in line with appetite. The framework and policies encompass all stages of the credit cycle – origination, evaluation, approval, documentation, distribution (e.g. engagement with brokers), settlement, ongoing administration and collection activities. The Group has established criteria for making lending decisions, which can vary by loan purpose, industry segment and past credit performance. The Group reviews key financial risk ratios for larger exposures, including interest coverage, debt serviceability and balance sheet structure.

When providing finance, the Group obtains security through personal guarantees from the borrower's directors if the borrower is a company. If the total exposure of the customer to the Group is greater than $150,000, the Group will also obtain a charge over assets from the borrower and guarantor. For loan receivables greater than $10,000 where the account exceeds 30 days past due, a caveat may be lodged against the guarantor.

The maximum credit risk exposure to financial assets at reporting date is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has credit commitments of $120.2 million as at 31 December 2022 in undrawn Line of Credit facilities (30 June 2022: $95.3 million). The ECL in relation to these undrawn facilities is $3.4 million as at 31 December 2022 (30 June 2022: $2.5 million).

The Group's customers are grouped into similar risk categories using two proprietary categories of Premium and Non-premium, with Premium including customers with lower credit risk. These categories are created by analysing similar risk characteristics that have historically predicted when an account is likely to default. Customers grouped according to these predictive characteristics are assigned a Probability of Default ("PD") and a Loss Given Default ("LGD") relative to their category. The credit quality of these categories is based on a combination of behavioural factors, delinquency trends and PD estimates.

Model stages

Under AASB 9, a three-stage approach is applied to measure expected credit losses based on credit migration between the stages.

Stage 1 Financial assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12 months of expected credit losses are recognised. There is a rebuttable presumption that stage 1 assets comprise loans less than or equal to 30 days past due.

Stage 2 Financial assets that have experienced a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised.

Stage 3 Financial assets that have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised.

The following tables summarise loan receivables by stage and by risk category.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Premium – 31 December 2022				
Loan receivables	376,742	6,958	4,372	388,072
Allowance for expected credit losses	(13,185)	(2,523)	(3,327)	(19,035)
	363,557	4,435	1,045	369,037
Non-premium – 31 December 2022				
Loan receivables	414,149	24,566	28,969	467,684
Allowance for expected credit losses	(26,768)	(12,074)	(22,956)	(61,798)
	387,381	12,492	6,013	405,886
Total – 31 December 2022				
Loan receivables	790,891	31,524	33,341	855,756
Allowance for expected credit losses	(39,953)	(14,597)	(26,283)	(80,833)
	750,938	16,927	7,058	774,923

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Premium – 30 June 2022				
Loan receivables	307,135	9,433	1,998	318,566
Allowance for expected credit losses	(9,325)	(1,883)	(1,678)	(12,886)
	297,810	7,550	320	305,680
Non-premium – 30 June 2022				
Loan receivables	345,198	24,062	13,485	382,745
Allowance for expected credit losses	(19,655)	(8,012)	(10,251)	(37,918)
	325,543	16,050	3,234	344,827
Total – 30 June 2022				
Loan receivables	652,351	33,495	15,483	701,329
Allowance for expected credit losses	(28,980)	(9,895)	(11,929)	(50,804)
	623,371	23,600	3,554	650,525

The following table illustrates the movement in loan receivables.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening loan receivable balance (1 July 2022)	652,351	33,495	15,483	701,329
Transfers				
Transfers from Stage 1 to Stage 2	(32,681)	32,681	–	–
Transfers from Stage 1 to Stage 3	(33,540)	–	33,540	–
Transfers from Stage 2 to Stage 1	7,349	(7,349)	–	–
Transfers from Stage 2 to Stage 3	–	(17,635)	17,635	–
Transfers from Stage 3 to Stage 1	108	–	(108)	–
Transfers from Stage 3 to Stage 2	–	115	(115)	–
Repayments made	(315,650)	(7,213)	(872)	(323,735)
Loans originated	506,608	–	–	506,608
Net movement in accrued interest and fees	6,346	(2,570)	141	3,917
Receivables written off during the half-year as bad debts	–	–	(32,363)	(32,363)
Closing loan receivable balance (31 December 2022)	790,891	31,524	33,341	855,756

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening loan receivable balance (1 July 2021)	393,116	19,126	14,883	427,125
Transfers				
Transfers from Stage 1 to Stage 2	(32,849)	32,849	–	–
Transfers from Stage 1 to Stage 3	(39,312)	–	39,312	–
Transfers from Stage 2 to Stage 1	279	(279)	–	–
Transfers from Stage 2 to Stage 3	–	(9,330)	9,330	–
Transfers from Stage 3 to Stage 1	215	–	(215)	–
Transfers from Stage 3 to Stage 2	–	86	(86)	–
Repayments made	(467,975)	(8,841)	(2,373)	(479,189)
Loans originated	799,006	–	–	799,006
Net movement in accrued interest and fees	(129)	(116)	1,755	1,510
Receivables written off during the year as bad debts	–	–	(47,123)	(47,123)
Closing loan receivable balance (30 June 2022)	652,351	33,495	15,483	701,329

Allowance for expected credit loss

Credit risk arising from the financial assets of the Group is limited to the carrying value of cash and cash equivalents, loan receivables, bank deposits and derivative financial instruments. The Group's maximum exposure to credit risk, excluding the value of any collateral or other security at reporting date, is the carrying amount disclosed in the consolidated statement of financial position and notes to the financial statements, plus any undrawn customer facilities. The Group's credit risk on cash and cash equivalents is limited and has been determined not to be material. The counterparties are major Australian and international banks with favourable credit ratings assigned by international credit rating agencies.

The Group establishes an allowance for loan impairment that represents its estimate of expected future losses regarding loan receivables. Loan receivables and portfolio performance are subject to ongoing assessment and continuous monitoring by the Group to ensure the allowance for expected credit losses remains adequate.

The movement in the Group's allowance for expected credit losses is detailed below.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening allowance for expected credit losses (1 July 2022)	28,980	9,895	11,929	50,804
Transfers				
Transfers from Stage 1 to Stage 2	(850)	850	–	–
Transfers from Stage 1 to Stage 3	(873)	–	873	–
Transfers from Stage 2 to Stage 1	3,223	(3,223)	–	–
Transfers from Stage 2 to Stage 3	–	(7,734)	7,734	–
Transfers from Stage 3 to Stage 1	83	–	(83)	–
Transfers from Stage 3 to Stage 2	–	88	(88)	–
Provisions recognised during the half-year in profit or loss	9,390	14,721	38,281	62,392
Receivables written off during the half-year as bad debts	–	–	(32,363)	(32,363)
Closing allowance for expected credit losses (31 December 2022)	39,953	14,597	26,283	80,833

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening allowance for expected credit losses (1 July 2021)	17,443	6,008	10,249	33,700
Transfers from Stage 1 to Stage 2	(1,006)	1,006	–	–
Transfers from Stage 1 to Stage 3	(1,204)	–	1,204	–
Transfers from Stage 2 to Stage 1	79	(79)	–	–
Transfers from Stage 2 to Stage 3	–	(2,627)	2,627	–
Transfers from Stage 3 to Stage 1	163	–	(163)	–
Transfers from Stage 3 to Stage 2	–	65	(65)	–
Provisions recognised during the year in profit or loss	13,505	5,522	45,200	64,227
Receivables written off during the year as bad debts	–	–	(47,123)	(47,123)
Closing allowance for expected credit losses (30 June 2022)	28,980	9,895	11,929	50,804

The allowance for expected credit losses for loan receivables as a percentage of receivables has increased from 7.2% of the gross receivables balance as at 30 June 2022 to 9.4% as at 31 December 2022.

Measurement of expected credit loss

The Group uses a three-stage approach ECL model to calculate expected credit losses for loan receivables. The ECL is measured by calculating the probability-weighted estimates of cash shortfalls over the expected life of the instrument.

The expected credit loss model considers three main parameters, which are:

- Probability of default ("PD"): the likelihood that a customer will default over a given time frame;
- Loss given default ("LGD"): the magnitude of the expected credit loss in the event of default; and
- Exposure at default ("EAD"): the estimated outstanding balance of the loan receivable at the time of default.

Internally developed statistical models derive these parameters based on historical portfolio information. The measurement of expected credit losses is a function of the probability of default, the loss given default and the exposure at default.

PD is calculated by assessing the probability of loan receivables progressing through successive stages of delinquency through to default. The LGD is estimated using historical loss rates and estimations of post write off recoveries, and adjusted for relevant and supportable factors for individual exposures, such as the customer's credit rating. EAD is modelled as a regression problem, using only contracts that have defaulted and is calculated using the credit conversion factor.

Various other factors and forward-looking information are considered when calculating PD, LGD and EAD. Considerations include the potential for default due to economic conditions and the credit quality of the loan receivable.

Expected life

In considering the lifetime time frame for expected credit losses in Stages 2 and 3, the standard generally requires use of the remaining contractual life adjusted where appropriate for prepayments, extension and other options. For revolving lines of credit that include both a drawn and undrawn component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. For these facilities, the estimated lifetime is based on historical behaviour.

Significant Increase in Credit Risk ("SICR")

The Group considers a combination of qualitative and quantitative information when assessing whether a financial instrument has experienced a significant increase in credit risk. This includes:

- Loan receivables that are greater than 30 days past due (Stage 1 to Stage 2 transfer); and
- Collection status. For example, loan receivables with modified repayment terms, such as temporary full or partial payment deferrals or restructured loans (Stage 1 to Stage 2 transfer).

Credit-impaired financial assets (Stage 3)

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

- A breach of contract, such as default or being more than 90 days past due;
- Significant financial difficulty of the customer; or
- It is probable that the customer will enter bankruptcy, liquidation or other financial re-organisation.

A metric used by the Group when assessing the performance of loan receivables and overall portfolio health is their ageing, split by those aged 0 to 30 days, 31 to 90 days and those aged 90+ days. The following table illustrates gross loan receivables by age.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Loan receivables aged 0 to 30 days	799,207	670,329
Loan receivables aged 31 to 90 days	27,643	17,770
Loan receivables aged over 90 days	28,906	13,230
	855,756	701,329

Macroeconomic scenarios

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group has a process for incorporating forward-looking economic scenarios and determining the probability weightings assigned to each scenario in determining the overall ECL. The Group uses a base, upside and downside scenario based on relevant economic variables. Further information on each of these scenarios is described below. The Group has incorporated this into the overall allowance for expected credit losses using an economic overlay described in more detail below.

Economic overlay

In addition to the standard modelled provision as at 31 December 2022 of 7.0% (30 June 2022: 5.9%), the Group has set aside an economic overlay of 2.4% (30 June 2022: 1.3%) as a forward-looking provision to arrive at a total expected credit loss as a percentage of receivables of 9.4% (30 June 2022: 7.2%).

The total forward-looking provision is determined by performing economic stress testing on the Group's customer base. In making this assessment, the loan receivables portfolio was segmented into different risk categories against which the customer's capacity to pay and the expected recovery period could be assessed.

The Group is cognisant of the challenges to the economic outlook due to inflationary pressures, lower consumer demand and interest rates that have risen at a faster pace than anticipated. Prospa continues to take proactive measures to address credit performance in specific portfolio segments, as the backdrop for small businesses remains uncertain. The Group has included impacts of higher inflation and lower consumption in its macroeconomic scenarios.

Within the PD, LGD and EAD inputs described above, a range of observable data points including but not limited to credit risk grade, recent dishonours, days past due, total arrears, Equifax Individual Report score and industry classification were captured in the Group's standard modelled provision. Consideration of forward-looking economic information is applied to the observed default data so as to appropriately reflect the difference between economic conditions over the period of historic observation, current economic conditions and the Group's view of economic conditions over the expected lives of the loan receivables.

The resulting model provides an analysis of expected credit losses under three alternative macroeconomic scenarios. In arriving at the reported economic overlay, a probability-weighted outcome of each macroeconomic scenario was considered by the Group.

The definitions of each scenario and the weighting applied are largely consistent with 30 June 2022, with a more severe baseline economic outlook incorporated for 31 December 2022 to reflect the current and forecasted economic environment and a more conservative cash rate forecast.

The following tables provide an overview of the scenarios considered at 31 December 2022 and 30 June 2022.

31 December 2022

Scenario	Weighting	Expectation
Upside	5%	This scenario reflects inflationary pressures peaking and easing in the next 6 months with a smaller magnitude increase to the cash rate. The GDP will grow at an accelerated pace for 12 months followed by sustained moderate growth.
Baseline	75%	This scenario is considered the most likely macroeconomic outcome. The baseline scenario contemplates that inflation peaks in the next 12 months with moderate increases to the cash rate leading to subdued growth in GDP.
Downside	20%	This scenario is the most conservative and is included to consider the impact of less likely but more severe negative macroeconomic conditions. Economic pressures will continue for the next twelve months reflective of the overall slowing in the global economy, driven by persistently high inflation and significantly higher cash rates, the energy crisis in Europe, and the various headwinds affecting China's recovery.

30 June 2022

Scenario	Weighting	Expectation
Upside	5%	This scenario reflects the economy recovering at an accelerated pace followed by sustained moderate growth. In this scenario, household consumption and higher inflation driven by stronger wealth effects and reduced uncertainty related to positive health outcomes.
Baseline	75%	This scenario is considered the most likely macroeconomic outcome. The baseline scenario contemplates that inflationary pressures will persist for the next twelve months due to strong demand and ongoing capacity constraints and return to levels consistent with official targets beyond that horizon. This assumes gross domestic product is forecast to return to its pre-pandemic trend in 2023.
Downside	20%	This scenario is the most conservative and reflects the less likely but more severe negative macroeconomic conditions of a recession due to the economic shock caused by US-led recession or the tightened supply chain caused by regional conflicts, e.g. the current Russian/Ukraine war. This assumes much lower Australian GDP growth and a rise in cash rate beyond current market expectations.

The Group's expected credit loss model contemplates an expected loss recovery based on current market conditions. If this were to increase/decrease by 2 cents in the dollar, the impact to the Group's overall provision would be a $1.8 million decrease / $1.8 million increase respectively.

Write-off policy

The Group writes off loan receivables in whole or in part when there is no longer any reasonable expectation of recovery. Indicators that there is no longer a reasonable expectation of recovery include when the loan is more than 180 days past due or where enforcement activity has ceased due to significant deterioration in collection status, for example, customers impacted by bankruptcy or liquidation.

During the half-year ended 31 December 2022, loan receivables of $7.4 million (30 June 2022: $4.7 million) were written off but remain subject to enforcement activity by the Group.

Loan impairment expense is reported by the Group net of recoveries including recoveries from Debt Sale agreements. For the half-year ended 31 December 2022, recoveries in connection with debt sale agreements were $2.6 million (30 June 2022: $8.6 million).

Loan receivables classification

The portfolio of loan receivables to which the Group is exposed is well diversified across industries, geographies, and customers. Therefore, the Group does not have any material credit risk exposure to any single debtor or group of debtors under the loan portfolio contracts entered into by the Group.

The following table provides an analysis of the Group's loan receivables by Prospa defined industry classification.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Art and Lifestyle	17,099	13,876
Building and Trade	208,051	174,274
Financial Services	22,638	20,082
Hair and Beauty	25,766	20,197
Health	28,337	21,004
Hospitality	118,905	91,802
Manufacturing	47,878	39,475
Professional Services	160,743	127,857
Retail	140,690	118,500
Transport	26,730	22,463
Wholesale	47,033	41,693
Other	11,886	10,106
	855,756	701,329

The Group's loan receivables can also be analysed by geography as follows.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Australian Capital Territory	10,763	9,079
New South Wales	230,766	190,420
Northern Territory	6,880	6,721
Queensland	160,932	134,964
South Australia	44,559	39,150
Tasmania	10,758	8,271
Victoria	172,525	142,620
Western Australia	61,884	55,690
New Zealand	156,689	114,414
	855,756	701,329

Modification of financial assets

The Group sometimes modifies the contractual agreement in respect of loan receivables provided to customers due to commercial renegotiations, or for financially distressed customers, to maximise recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of Management, indicate that payment will most likely continue. The Group has assessed loans restructured during the period and determined that no material modification gain or loss arose.

12. Derivative financial assets

The derivative contracts in place at 31 December 2022 are outlined below.

Contract	Start date	Maturity date	Initial Principal $	Principal as at 31 December 2022 $	Hedging ratio	Risk being hedged
Interest Rate Cap #1	15 September 2021	15 June 2024	190,000,000	146,962,163	1:1	Fixed for floating hedge to reduce exposure from variable interest rates on borrowings.
Interest Rate Cap #2	7 December 2022	18 June 2025	187,400,000	187,400,000	1:1	Fixed for floating hedge to reduce exposure from variable interest rates on borrowings.

Cash flow hedges

The following table details information regarding interest rate cap contracts outstanding at the end of the reporting period and their related hedged items.

31 December 2022	Carrying amount of hedging instrument $'000	Hedging instrument $'000	Hedged item $'000	Settled portion of hedging instrument realised losses/(gain) $'000	Hedging gain/(loss) recognised in cash flow hedge reserve net of tax $'000	Cost of hedging reserve net of tax $'000
Interest Rate Cap #1	2,062	2,061	(2,061)	–	1,443	1
Interest Rate Cap #2	(343)	–	–	–	–	(240)
	1,719	2,061	(2,061)	–	1,443	(239)

30 June 2022	Carrying amount of hedging instrument $'000	Hedging instrument $'000	Hedged item $'000	Settled portion of hedging instrument realised losses/(gain) $'000	Hedging gain/(loss) recognised in cash flow hedge reserve net of tax $'000	Cost of hedging reserve net of tax $'000
Interest Rate Cap #1	2,838	2,827	(2,827)	–	1,979	8
	2,838	2,827	(2,827)	–	1,979	8

The interest rate caps held by the Group are amortising in nature - the underlying Principal remains static for 12 months following the start date and subsequently amortises in line with the expected cash collections from underlying loans.

The interest rate caps settle monthly. The floating rate on the interest rate caps is 1-month BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis. The interest rate cap contracts exchange floating rate interest amounts for fixed rate interest amounts and are designated as a cash flow hedge to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate cap and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The counterparties to the Group's interest rate caps are major Australian banks with credit ratings of A3 or higher assigned by international credit rating agencies.

13. Leases

Amounts recognised in the consolidated statement of financial position

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Right-of-use assets		
At cost	14,087	13,945
Less: accumulated depreciation	(7,133)	(6,007)
	6,954	7,938
Lease liabilities		
Current	2,558	2,442
Non-current	5,935	7,103
	8,493	9,545

Amounts recognised in profit or loss

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Depreciation		
Right-of-use-assets	1,126	1,046
Interest expense		
Interest on lease liabilities	125	173

14. Intangible assets

Capitalised costs are predominantly incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate. The increase in software development in the half-year relates to the Group's increased investment in technology and new products.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Software development (in-house) – at cost	44,892	34,235
Less: Accumulated amortisation	(20,011)	(16,301)
	24,881	17,934

15. Borrowings

The Group's business operations are funded by a combination of securitisation trust notes (warehouse facilities and term facilities), cash and contributed equity.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Securitisation trust notes	802,134	642,819
Add: interest payable on trusts	1,342	425
Less: unamortised transaction costs on trusts	(3,076)	(2,422)
Total borrowings	800,400	640,822

The amounts due and payable on the secured debt facilities within the next 12 months are determined based on the amortisation profile of the underlying loan receivables and in consideration of the revolving nature of the Group's trust warehouse facilities and Term Asset-Backed Securities ("ABS") vehicles.

The movement in the Group's borrowings during the half-year is further analysed below.

	30 June 2022 $'000	Cash flows $'000	Non-cash movements $'000	31 December 2022 $'000
Securitisation trust notes	642,819	159,315	–	802,134
Add: interest payable on trusts	425	–	917	1,342
Less: unamortised transaction costs on trusts	(2,422)	(1,240)	586	(3,076)
	640,822	158,075	1,503	800,400

	30 June 2021 $'000	Net cash flows $'000	Non-cash movements $'000	31 December 2021 $'000
Securitisation trust notes	361,332	114,305	–	475,637
Add: interest payable on trusts	171	–	107	278
Less: unamortised transaction costs on trusts	(1,614)	(1,517)	838	(2,293)
	359,889	112,788	945	473,622

Non-cash movements relate to the amortisation of transaction costs on trusts. Under the effective interest rate method, the cash flow in relation to the initial expenditure is captured within interest and other finance costs paid within the condensed consolidated statement of cash flows and the condensed statement of profit or loss.

Securitisation trust notes

As at 31 December 2022, the Group had seven securitisation warehouses and two public Term ABS vehicles with a twelve-month revolving facility. The Group regularly sells its loan receivables to these securitisation trust warehouses and the ABS vehicles.

The trusts are consolidated as the Group:

i. is exposed to, or has rights to, variable equity returns in its capacity as the residual unit holder (or beneficiary as the case may be) of these trusts;

ii. in its capacity as the originator of loan receivables and the servicer of these loans on behalf of the trusts, can impact the variable returns; and

iii. is the sole subscriber to the Seller Notes issued by the trusts. These Seller Notes go towards maintaining the minimum equity contribution subordination buffer and funding non-conforming receivables. In addition to the Seller Notes, the Group's asset-backed securitisation program includes multiple classes of Notes including Class A, Class B and Class C Notes which carry a floating interest rate. The facilities under the program have different expiry dates ranging from August 2023 to December 2026.

Key events which took place in relation to the Group's borrowings during the half-year ended 31 December 2022 are outlined below.

- On 1 July 2022, Prospa increased the capacity of Propela Trust by $67.5 million to $135.0 million.
- On 30 September 2022, Prospa increased the capacity of the Prospa Kea Trust Series 2021-2 by NZD $36.0 million to NZD $126.0 million.
- On 18 November 2022, Prospa increased the capacity of the Prospa Kea Trust Series 2021-1 by NZD $60.0 million to NZD $92.5 million by introducing a senior funder into the class A Notes.
- On 7 December 2022, Prospa established the PROSPArous Trust 2022-1, a $200 million Term ABS issuance in the public markets, secured by both Small Business Loans and Line of Credit products. This ABS has a 12-month revolving facility and will then commence paydown in March 2024. This is the second public ABS issuance of its kind in Australia, the first being the PROSPArous Trust 2021-1.

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings in relation to the Group's funding vehicles are summarised below.

	Consolidated	
	31 December 2022 $'000	**30 June 2022** $'000
Loan Receivables	840,571	671,305

The amount recognised above represents the carrying value of loan receivables held by the Group's Securitisation Trusts. This excludes loan receivables totalling $14.9 million held by Prospa Advance Pty Ltd as at 31 December 2022 (30 June 2022: $30.0 million) and represents gross loans receivable before provisions for expected credit losses.

Financing arrangements

Unrestricted access was available at the reporting date to the following third-party facilities.

	Consolidated	
	31 December 2022 $'000	**30 June 2022** $'000
Total facilities		
Securitisation trusts	1,010,152	701,984
Used		
Securitisation trusts	802,134	642,819
Unused		
Securitisation trusts	208,018	59,165

Funding costs

The borrowings related to trusts are linked to floating interest rates. The weighted average funding cost for the half-year ended 31 December 2022 was 6.0% p.a. (31 December 2021: 5.1% p.a.).

Interest rate risk

The Group is exposed to interest rate risk because the Group borrows funds at both fixed and floating interest rates. The interest payable under the non-recourse funding arrangements are linked to variable Benchmark Rates (in Australia, either BBSW or BBSY and in New Zealand the Bank Bill Market ("BKBM") rate). The Group manages the risk where necessary using interest rate cap contracts held with independent financial institutions with a credit rating of A3 or higher. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

Interest rate cap

To reduce the risk of changing interest rates associated with the Group's borrowings, Prospa holds two interest rate cap contracts. These derivative financial instrument are initially measured at fair value with changes in fair value recognised in other comprehensive income.

See Note 12 and Note 18 for further details.

16. Equity – issued capital

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 $'000	30 June 2022 $'000
Ordinary Shares – fully paid	163,101,976	162,497,355	611,094	611,808
Treasury Shares – fully paid	3,580	1,469,335	–	–
	163,105,556	163,966,690	611,094	611,808

Treasury shares

Where the Group reacquires its own equity instruments these are presented within Treasury Shares. These are recognised at cost and deducted from equity. Treasury shares are shares issued to the Employee Share Trust which are pending allocation under the Group's long-term incentive plan (Note 22). Treasury Shares may be transferred to an employee at such a time as the employee exercises options or an employee's rights convert. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

17. Equity – reserves

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Foreign currency reserve	(670)	(1,119)
Share option reserve	15,057	12,969
Re-organisation reserve	(432,244)	(432,244)
Cash flow hedge reserve, net of tax	1,443	1,979
Cost of hedging reserve, net of tax	(239)	8
	(416,653)	(418,407)

Cash flow hedging reserve is shown net of tax expense of $0.6 million (30 June 2022: $0.8 million). Cost of hedging reserve is shown net of tax expense of $0.1 million (30 June 2022: $0.0 million). See Note 9 for further tax expense detail.

18. Fair value of financial instruments

Financial instruments recognised in the consolidated statement of financial position include cash, client receivables, payables, borrowings and derivatives.

Where applicable, the Group's assets and liabilities are measured at fair value, using a three-level hierarchy based on the lowest level of input that is significant to the entire fair value measurement.

The fair value of the Group's derivative financial instruments as at 31 December 2022 was $1.7 million (30 June 2022: $2.8 million). These are considered to fall within level 2 of the fair value hierarchy which means they are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair value of the interest rate cap has been determined using the regression analysis valuation method.

There were no transfers between levels during the financial half-year.

The Group has considered all financial assets and liabilities that are not carried at fair value to determine whether the carrying value is an accurate reflection of fair value. In doing so, the fair value of loan receivables with fixed interest rates has been analysed in light of recent interest rate rises and changes in pricing during the period where applicable. This indicates the carrying amount of loan receivables continues to be a reasonable approximation of fair value.

Based on this analysis and the variable rate arrangement of the Group's borrowings, the directors consider that the carrying amounts of financial assets and financial liabilities are a reasonable approximation of their fair values.

19. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2022 or 30 June 2022.

20. Commitments

As at 31 December 2022, the Group had immaterial operating lease commitments of $0.4 million (30 June 2022: $0.7 million).

21. Interests in subsidiaries

On 7 December 2022, the Group established the PROSPArous Trust 2022-1, a $200 million Term Asset-Backed Security issuance in the public markets, secured on Small Business Loan and Business Line of Credit products.

22. Share-based payments

Total expense of share-based payment transactions for the half-year ended 31 December 2022 was $2.1 million (31 December 2021: $1.2 million).

Share options

Non-Executive Director Equity Plan (NEDEP)

The NEDEP allows non-executive directors to acquire rights, options or restricted securities subject to the terms of the individual offers and any requirements for Shareholder approval. The share options granted require that the relevant non-executive director remains in such a role on the applicable vesting date, which falls on the 3-year anniversary of the grant date. The share options are not subject to any performance conditions and the exercise price was determined with reference to the volume weighted average share price prior to grant date.

During the half-year ended 31 December 2022:

- 1,327,650 options were granted with an exercise price of $0.76;
- No options were cancelled or forfeited; and
- No options were exercised and converted to shares.

The valuation model inputs used to determine the fair value of these options at grant date are set out below.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/11/2022	23/11/2028	$0.60	$0.76	58.5%	0.0%	3.3%	$0.25

Long Term Incentive Plan (LTIP)

The LTIP enabled the Group to offer eligible employees options to subscribe for shares in the Company. The Group has previously provided Loan Shares to certain employees, which involve purchasing shares in the Company, funded by loans from the Company. However, since 2017, the Group has ceased to offer new Loan Shares, with existing loan shares now in runoff.

The LTIP requires the holder to remain in employment for options to vest. There are a number of key performance indicators covering both financial and non-financial measures.

During the half-year ended 31 December 2022:

- No options were granted;
- 561,501 options were cancelled or forfeited;
- 148,124 options expired; and
- No options were exercised.

Employee Equity Plan (EEP)

The EEP was created to assist in the motivation, reward and retention of key employees and has been designed to align with the interests of Shareholders. The EEP requires the holder to remain in employment for options to vest and in some tranches has performance conditions subject to Absolute Total Shareholder Return over the vesting period.

During the half-year ended 31 December 2022:

- No options were granted;
- No options were cancelled or forfeited; and
- No options were exercised and converted to shares.

Performance rights

Equity Incentive Plan (EIP)

The EIP was created to assist in the motivation, reward and retention of executive team members and has been designed to align with the interests of Shareholders. The EIP requires the holder to remain in employment for rights to vest and in some tranches has performance conditions subject to certain EBITDA and revenue targets.

Following testing of the performance conditions at the end of the performance period, any rights that remain on foot will vest subject to any applicable employment or performance conditions.

Rights granted under the EIP during the period were issued for nil consideration and have no exercise price. Details of performance rights granted under the EIP and movements in these rights during the half-year ended 31 December 2022 are outlined below.

Grant date	Expiry date	Fair value at grant date $	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
15/11/2022[1]	n/a	0.64	–	1,030,093	–	–	1,030,093
23/11/2022[2]	n/a	0.60	–	134,647	–	–	134,647
23/11/2022[1]	n/a	0.60	–	1,385,161	–	–	1,385,161

1. These rights convert to shares after three years, with 100% vesting at the end of the three year period, subject to meeting individual and company performance targets and continued employment.
2. These rights convert to shares after one year, subject to continued employment. Shares used to satisfy these conversions must be purchased on market.

Amounts disclosed above are in relation to the quantity of equity instruments unless otherwise stated.

Employee Equity Plan (EEP)

The EEP was created to assist in the motivation, reward and retention of employees who do not participate in the EIP.

Performance conditions in relation to these rights are determined by the Board and are linked to both Group and individual performance. These are tested over a one-year performance period, which is linked to the Company's annual and half-yearly reporting periods.

Following testing of the performance conditions and the end of the performance period, any rights that remain on foot will vest as follows.

- 50% after one year on the day following the release of the Company's full year audited results (or the half-year results, as applicable) for the relevant financial year: and
- 50% after one year on the day following the release of the Company's full year audited results (or the half-year results, as applicable) for the subsequent financial year.

Vesting is also subject to continued employment until vesting date.

Rights under the EEP are issued for nil consideration and have no exercise price. During the half-year ended 31 December 2022:

- 65,123 performance rights were granted;
- 45,643 performance rights were cancelled or forfeited; and
- 171,872 performance rights were automatically converted on vesting.

Details of performance rights granted under the EEP and movements in these rights during the half-year ended 31 December 2022 are outlined below.

Grant date	Expiry date	Fair value at grant date $	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
12/08/2019	n/a	4.30	118,157	–	(113,157)	(5,000)	–
13/01/2020	n/a	2.08	46,936	–	–	–	46,936
13/07/2020	n/a	0.95	117,431	–	(58,715)	(2,097)	56,619
15/03/2021	n/a	0.88	115,404	–	–	–	115,404
7/09/2021	n/a	1.10	102,908	–	–	(8,576)	94,332
28/02/2022	n/a	0.98	177,876	–	–	(26,352)	151,524
29/08/2022	n/a	0.85	–	65,123	–	(3,618)	61,505

Amounts disclosed above are in relation to the quantity of equity instruments unless otherwise stated.

The Group has now ceased to offer new rights under the EEP which has been formally replaced by the ELP. All existing rights under the EEP are now in runoff.

Employee Long Term Incentive Plan (ELP)

The ELP was launched in October 2021 and formally replaces the EEP. Performance conditions in relation to these rights are determined by the Board and are linked to individual performance.

Following testing of the performance conditions at the end of the performance period, any rights that remain on foot will vest.

Rights under the ELP are issued for nil consideration and have no exercise price. Details of performance rights granted under the ELP and movements in these rights during the half-year ended 31 December 2022 are outlined below.

Grant date	Expiry date	Fair value at grant date $	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
22/10/2021[1]	n/a	0.96	1,619,287		(539,750)	–	1,079,537
22/10/2021[2]	n/a	0.96	2,473,815		(564,790)	(265,542)	1,643,483
24/10/2022[1]	n/a	0.70	–	2,030,202	–	–	2,030,202
24/10/2022[2]	n/a	0.70	–	3,604,340	(220,561)	(256,967)	3,126,812
24/10/2022[2]	n/a	0.70	–	355,164	(88,782)	(19,732)	246,650

1. These rights convert to shares over a three-year period, vesting annually in thirds, subject to individual performance and continued employment.
2. These rights convert to shares over a three-year period with 25% vesting after year 1, 25% vesting after two years and 50% vesting after three years, subject to individual performance and continued employment. The vesting period is designed to align with the period over which the employee renders services to the Group, and can therefore commence at any time during the financial half-year.

Amounts disclosed above are in relation to the quantity of equity instruments unless otherwise stated.

23. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

For the half-year ended 31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors:

Greg Moshal
Director and Chief Executive Officer

Gail Pemberton AO
Independent Director and Chairman

23 February 2023
Sydney

“It was so nice to get a phone call from the agent. Prospa made me feel valued, which is what we’re trying to do for our clients.”

Indiyah Giles,
Rautaki Collective,
NZ

Auditor’s Report

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Independent Auditor's Review Report to the Directors of Prospa Group Limited

Conclusion

We have reviewed the half-year financial report of Prospa Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2022, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of cash flows and the consolidated condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 40.

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

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

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

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

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

Sydney, 23 February 2023

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Corporate Information

Company Secretary

Mr Ross Aucutt

Registered Office

Level 1
4-16 Yurong Street
Sydney NSW 2000

Telephone: 1300 882 867

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Telephone: 1300 554 474

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Stock Exchange (ASX). The Company was admitted to the official list of the ASX on 11 June 2019 (ASX: PGL).

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Solicitors

Herbert Smith Freehills
161 Castlereagh Street
Sydney NSW 2000

Website

www.prospa.com

Prospa

Prospa Group Limited
ABN 13 625 648 722