Annual Report 2023
Earlypay Limited
ABN 88 098 952 277

Directors	Geoffrey Sam James Beeson Sue Healy Ilkka Tales Stephen White
Company secretaries	Paul Murray Mathew Watkins
Notice of annual general meeting	The annual general meeting of Earlypay Ltd will be held at 10am on 22 November 2023
Registered office	Level 5, 201 Miller Street, North Sydney NSW 2060 Telephone: 1300 666 177 Facsimile: (02) 9267 4222
Share register	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000
Solicitors	Allen & Overy Level 25 85 Castlereagh Street Sydney NSW 2000
Bankers	NAB Bank 255 George Street, Sydney NSW 2000 ANZ Bank 242 Pitt Street, Sydney NSW 2000
Stock exchange listing	Earlypay Ltd shares are listed on the Australian Securities Exchange (ASX code: EPY)
Website	www.earlypay.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Earlypay Ltd in an ethical manner and in accordance with the highest standards of corporate governance. Earlypay Ltd. has adopted and complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year, was approved by the Board of Directors (the 'Board') as part of the Annual Report and can be found on the Investor Relations page at www.earlypay.com.au/investors/.

Dear Shareholders

It was a challenging year for Earlypay. The Group suffered a reported (Loss) After Tax of ($7.7m) compared to a profit of $13.2m in the prior year. Net Revenue was $41.8m in FY23, down from $44.1m in FY22.

The main drivers of this earnings underperformance were:

- credit impairment expenses of $17.3m (FY22: $0.6m). The Group incurred a $10.4m expense in relation to the default of its largest client and expensed a further $4.8m in other specific provisions. The Group also increased its general provisioning by $2.1m to better reflect the expected performance of its receivables portfolio, given the current and expected financial stress on SMEs;
- recovery costs associated with the large client default of $3.9m, leading to a material increase in legal expenses. Legal expenses for the year were $6.1m (FY22: $1.0m); and
- a write down the carrying value to zero of Trademark intangibles relating to two prior acquisitions to better reflect the nature of the current business. This had a pre-tax impact on reported earnings of $2.1m.

The credit loss and associated recovery costs of the large client default are considered "one off" given the outsized nature of the exposure. Adjusting for the financial impact of this client (including both revenue and expenses) as well as the write down of intangibles, the underlying proforma net profit after tax was $4.8m.

Financial position

Total client receivables at year end were $273.8m (FY22: $296.7m). Invoice Finance net receivables were $162.4m (FY22: $164.3m) and Equipment Finance receivables fell to $111.4m (FY22: $132.4m), as maturities and prepayments of the portfolio exceeded new originations.

Total borrowings ended FY23 at $279.0m (FY22: $293.1m) and net debt for FY23 was $226.0m (FY22: $240.4m).

Despite the significant loss in FY23, the balance sheet of the Group remains strong with Net Tangible Assets of $38.7m (FY22: $50.6m) and closing Cash and Cash Equivalents balance of $53m (FY22: $52.7m).

Catalyst for change

The significant credit loss was the catalyst for a comprehensive review of how we service our clients and manage risk. This review led to significant changes at all levels of the Group to build a more robust platform and mitigate against the risk of outsized credit losses in the future. Improvements ranged from risk governance, credit underwriting, client management and monitoring, operations risk oversight and organisational structure.

While these initiatives were implemented in FY23, our focus on continuous improvement across all of these areas will persist. In particular, the business will continue to focus on more effective ways to manage client and risk.

Debt refinancing

The refinancing of the existing wholesale funding structures is expected to complete early in Q2 FY24. This will have the effect of consolidating the existing financing arrangements to be more capital efficient, reduce interest expense, simplify treasury operations and increase scalability for future growth.

Capital management

The business is in a strong capital position and working capital cash requirements are expected to be reduced by approximately $20m from the upcoming debt refinancing.

The Group has a number of options for deploying this cash and improving shareholder returns, which may include one or more of an on-market share buy-back; bolt-on acquisitions; or repayment of corporate debt.

Based on our forecasts for FY24, we expect that the Group will rebuild retained earnings and be in a position to resume paying ordinary dividends in FY24.

Board and management changes

There were a number of Board and Management changes in FY23 as the Group looks to the future.

Greg Riley resigned as Chairman and Director and Daniel Riley resigned as CEO and Managing Director. The Board thanks Greg and Daniel for their contribution in building Earlypay into the leading SME finance provider that it is today.

James Beeson became CEO and Managing Director from his previous role of COO.

Paul Murray joined as COO and subsequently assumed the dual role of CFO-COO, as Steve Shin resigned as CFO and joint Company Secretary. Paul Murray as well as Mathew Watkins, from Vistra Australia, now act as joint Company Secretaries.

Outlook

Despite a turbulent FY23, the Board is optimistic that the Group now has stronger foundations and is well placed to grow sustainably.

The significant improvements relating to risk governance, credit underwriting, client management and monitoring, operations risk oversight and organisational structure are expected to support lower credit impairment expenses in the future.

The new debt financing warehouses will be more capital efficient and cost-effective supporting margin expansion as well as providing a solid platform for scalable growth.

Strong demand from SMEs for financing, particularly in our core invoice financing product, will support funds in use growth, balanced with prudent underwriting in the current economic environment.

The Group expects measured growth for its Invoice Financing portfolio and an increase in Equipment Finance origination volumes to a targeted segment of SMEs to maintain and cautiously grow that portfolio.

The Board would like to thank staff, clients, referrers, funders and investors for their support in what was a difficult year and we look forward to resuming our path of shared success.

Sincerely

Geoffrey Sam
Chairman

James Beeson
Managing Director

21 September 2023
Sydney

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'Earlypay' or the 'Group') consisting of Earlypay Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were Directors of Earlypay Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Geoffrey Sam – Independent Non-Executive Director, Chairperson (appointed as Chairperson on 25 August 2022)
James Beeson – Executive Director (appointed as Managing Director on 17 November 2022)
Sue Healy – Independent Non-Executive Director
Ilkka Tales – Independent Non-Executive Director
Stephen White – Non-Executive Director
Greg Riley – Non-Executive Director (resigned as Chairperson on 25 August 2022 and as Director on 17 November 2022)
Daniel Riley – Non-Executive Director (resigned as Managing Director on 17 November 2022 and as Director on 18 January 2023)

Principal activities

The Group's principal activity during the year was that of the provision of financial services to Australian small to medium enterprises. There has been no significant change in the nature of this activity during the year.

Dividends

There were no dividends been declared for the financial year ended 30 June 2023.

Dividends paid or provided for during the financial year were as follows:

	Consolidated	
	2023 $'000	2022 $'000
Final dividend for the year ended 30 June 2022 of 1.8 cents (2021: 1.3 cents) per ordinary share	5,168	3,612
Interim dividend for the year ended 30 June 2023 of nil cents (2022: 1.4 cents) per ordinary share	-	3,969
	5,168	7,581

Review of operations

The loss for the Group after providing for income tax amounted to $7.7m (FY22: profit of $13.2m).

Key features of Earlypay's FY23 result are as follows:

Consolidated group

- Revenue of $61.1m, up 13.6% on previous year
- Net Revenue of $41.8m, down 5.1% on previous year
- Interest income of $35.4m, up 29.9% on previous year
- Loss before tax of $10.4m
- Statutory net (loss) after tax of ($7.7m) compared to a net profit after tax $13.2m in the previous year including:
  - Credit impairment expense of $17.3m, compared to $0.6m in the previous year
    - $10.4m relates to a single large client default;
    - $4.8m in other specific provisions; and
    - $2.1m in general provisions.
  - Legal costs of $6.1m, compared to $1.0m in the previous year, driven by $3.9m in recovery costs related to the single large client default
  - Non-cash impairment of Trademark intangibles of $2.1m

Invoice finance
- Net revenue of $32.6m, down 1.3% on previous year
- Net interest margin of $10.4m, down 8.8% on previous year
- Admin and other fees of $22.2m, up 2.7% on previous year
- Expected credit loss provisions (stage 1 and 2) increased to $2.2m (FY22: $0.5m)

Equipment finance
- Net revenue of $9.0m, down 16.3% on previous year
- Expected credit loss provision (stage 1 and 2) increased to $1.3m (FY22: $0.8m)

Statement of financial position
Net client receivables
Trade receivables (invoice finance) decreased by 4.1% to $154.9m (net of provisions).
Equipment finance receivables decreased by 16.4% to $109.5m (net of provisions).

New lease
Earlypay entered a new 5-year lease for its North Sydney office in November 2022. The new lease expires on 31 October 2027 with rent payable monthly in advance. Rental provisions with the lease agreement require minimum lease payments to increase by 3.5% per annum.

Deferred tax assets
Deferred tax assets increased by $2.6m due to losses driven by the increase in credit impairment expenses.

Borrowings
Borrowings have decreased by $14.1m to $279.0m. Refer to note 20 in the financial statements for more details of the Group's borrowings.

As at 30 June 2023, there was a surplus in net assets to net liabilities of $73.5m (30 June 2022: $85.1m) as well as in net tangible assets to net liabilities of $38.7m (30 June 2022: $50.6m)

Risks
Earlypay recognises that risk is inherent in its business, particularly as an SME lender, and that effective risk management is a key component of sound corporate governance and is essential in delivering our business objectives within the Board’s risk appetite.

Earlypay continues to strengthen its risk management framework and below is the Board’s and Management’s view of the key business risks facing Earlypay. Note that this not an exhaustive list of all of Earlypay’s business risks.

Nature of risk	How we manage the risk / Key areas of focus
Clients and debtors are unable to meet their financial obligations	● Continuously upgrading underwriting and operational policies and procedures and ensuring compliance. ● Expanding the use of data analysis to identify heightened risk at an early stage. ● Prompt and detailed reviews of credit and fraud incidents and promptly closing gaps in systems and processes.
Clients and debtors induce Earlypay to advance funds against false invoices	● Continuing to invest in tools and processes to mitigate fraud risk. ● Maintaining a more diversified loan book to reduce concentration to single clients and debtors. ● Ongoing improvement in the methods we use to verify the validity of invoices.
Insufficient capital and funding to fund the existing business and support growth	● Strategically look to restructure existing funding facilities to lower funding costs, release equity, simplify treasury and to create headroom for future growth. ● Diligent adherence to portfolio requirements. ● Comprehensive approach to cashflow and capital forecasting.
Margin compression	● Actively look to optimise funding structures to lower the cost of funding. ● Pass on interest rate increases to clients where possible. ● Restructure funding structures to minimise interest rate mismatches and to benefit from natural interest rate hedges between interest income and interest expense. ● Maintain an effective framework for risk-based client pricing.
Inability to grow the loan book	● Ongoing market research to identify market segments and opportunities that are aligned with our strengths. ● Focus on opportunities where we can differentiate our offering and our go to-market strategy. ● Continue to expand broker penetration through the education of invoice financing. ● Sharp focus on client service to support retention. ● Invest in the Earlypay platform to deliver a market leading broker and client servicing platform.
Losses resulting from inadequate or failed internal processes and systems	● Regularly review and upgrade of credit and operational policies and procedures. ● Utilising technology where appropriate to streamline processes and reduce the risk of human error.
Underinvestment or overinvestment in the Earlypay proprietary platform	● Maintain a technology roadmap for development of the Earlypay platform. ● Ensure that there is a well-defined path for the firm’s various technology platforms integrate effectively. ● Continued staged retirement of legacy systems. ● Ongoing investment in the infrastructure that supports the increased use of data for improved business decision making.
Weak corporate governance undermines the ability for Earlypay to achieve its strategic objectives	● Engagement of a specialist company secretary and corporate governance. ● Ongoing review and update of corporate governance framework.

Growth
High inflation and relatively high interest rates continue to put pressure on the overall economy, including SMEs. There is also evidence to suggest that traditional lenders are becoming less willing to provide credit to SMEs and that business owners are more open to considering non-bank lending options.

Invoice financing is well suited to difficult economic conditions as SMEs with strong debtors can use their accounts receivable as security instead of real estate, which is typically what banks rely on. It is therefore expected that the use of invoice financing by SMEs will continue to expand and Earlypay is well placed to benefit from a larger addressable market.

Equipment financing remains a key product for Earlypay and we focus on a narrow range of clients and asset types. Trade finance is offered sparingly to high quality invoice finance clients.

Significant changes in the state of affairs

On 6 December 2022, the Group's largest client was placed into voluntary administration. On 23 December 2022, the Group appointed a Receiver and Manager to recover the approximately $29m exposure to Earlypay. The group had incurred or provided for credit impairment and recovery expenses of $14.3m in relation to this exposure as at 30 June 2023.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The program to restructure Earlypay's wholesale funding program remains in progress. On 11 August 2023 mandated a major Australian bank as arranger in the connection with the establishment of an Invoice and Trade Finance Warehouse Securitisation facility.

On 24 August 2023 Earlypay announced an on-market share buy-back of up to 28,000,000 ordinary fully paid shares. The share buy-back is for a period of 12 months from 12 September 2023.

No other matter or circumstance has arisen since 30 June 2023 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	**Geoffrey Sam** (appointed as Chairperson on 25 August 2022)
Title:	Independent Non-Executive Director, Chairperson
Qualifications:	BCom (UNSW), MHA (UNSW), MA (Econ&SocStudies) (Manchester UK), FAICD
Experience and expertise:	Geoffrey has held numerous successful ASX-listed independent board positions including Chairman and 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 Healthe Care Australia Pty Ltd, a privately owned health care company comprising a portfolio of 35 hospitals and a community nursing and rehabilitation business.
Other current directorships:	Non-Executive Director of Paragon Care Ltd (since June 2016)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Committee and Member of the Nomination & Remuneration Committee
Interests in shares:	2,160,188 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	**James Beeson** (appointed as Managing Director on 17 November 2022)
Title:	Chief Executive Officer and Managing Director
Qualifications:	BCom, MAppFin, MBA, CPA, GAICD
Experience and expertise:	James joined Earlypay through 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 directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	15,952,453 ordinary shares
Interests in options:	None
Interests in rights:	1,072,734 rights over ordinary shares

Name:	**Sue Healy**
Title:	Independent Non-Executive Director
Qualifications:	Fellow RCSA, MAICD
Experience and expertise:	Sue is an experienced Non-Executive Director, she is Chair of Talent Quarter & Health Talent, and previously Deputy Chair and 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 directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairperson of the Nomination & Remuneration Committee and Member of the Audit & Risk Committee
Interests in shares:	768,735 ordinary Shares
Interests in options:	None
Interests in rights:	None

Name:	**Ilkka Tales**
Title:	Independent Non-Executive Director
Qualifications:	BBus
Experience and expertise:	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 directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairperson of the Audit & Risk Committee
Interests in shares:	300,000 ordinary Shares
Interests in options:	None
Interests in rights:	None

Name:	**Stephen White**
Title:	Non-Executive Director
Qualifications:	M.Mngt, GAICD
Experience and expertise:	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 directorships:	Non-Executive Director of COG Financial Services Limited (since September 2010)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Committee and member of the Nomination & Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Name:	**Greg Riley** (resigned as Chairperson on 25 August 2022 and as director on 17 November 2022)
Title:	Former Non-Executive Director and Chairman
Qualifications:	BSc, Dip ED, G Dip Ed Studies
Experience and expertise:	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 directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former member of the Audit Committee, Risk Committee and Nomination & Remuneration Committee
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

Name:	**Daniel Riley** (resigned on 18 January 2023)
Title:	Former Managing Director
Qualifications:	BCom, CPA
Experience and expertise:	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 directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Paul Murray (appointed 14 June 2023)
Paul Murray was appointed as joint Company Secretary on 14 June 2023. Paul is Chief Financial Officer (CFO) / Chief Operating Officer (COO) and joined Earlypay in November 2022. Paul is an experienced financial services executive with broad experience across banking and investment management, gained in Australia and the UK. Paul joined Earlypay from the non-bank lender, Household Capital, where he was CFO. Paul's prior roles include Head of Corporate Strategy (and Asia) for Legal & General Investment Management and senior risk management roles at TwentyFour Asset Management, Columbia Threadneedle (F&C), Rothschild (Australia) and ANZ. Paul is a Chartered Accountant, holds a Master of Commerce (Finance) degree from the University of Melbourne and is a graduate of the TRIUM Global Executive MBA Program.

Mathew Watkins - Vistra Australia
On 12 December 2022, Earlypay announced that the specialist Company Secretarial, Governance and Accounting firm, Vistra Australia commenced undertaking the Company Secretarial role. Mathew Watkins had been appointed as Joint Company Secretary.

Mathew is a Chartered Accountant who has extensive ASX experience within several industry sectors including Biotechnology, Bioscience, Resources and Information Technology. He specialises in ASX statutory reporting, ASX compliance, corporate governance and board and secretarial support. Vistra Australia has vast experience working with listed entities and brings a strong background of working with growing companies within various industries.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit Committee***	
	Attended	Held	Attended	Held	Attended	Held
Geoffrey Sam	13	13	1	1	3	3
James Beeson	13	13	-	-	-	-
Sue Healy	13	13	1	1	3	3
Ilkka Tales	13	13	-	1	3	3
Stephen White	13	13	-	-	3	3
Greg Riley*	6	6	1	1	-	-
Daniel Riley**	7	7	-	-	-	-

	Risk Committee***	
	Attended	Held
Geoffrey Sam	-	-
James Beeson	-	-
Sue Healy	2	2
Ilkka Tales	2	2
Stephen White	2	2
Greg Riley*	1	1

Held: represents the number of meetings held during the time the Director held office.

* Resigned on 17 November 2022
** Resigned on 18 January 2023
*** During the year the Company combined its Audit Committee and Risk Committee into an Audit & Risk Committee, however no combined meetings of the Audit & Risk Committee were held prior to 30 June 2023

Remuneration report (audited)

The remuneration report details the key management personnel remuneration ('KMP') arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

Name	Title
Directors	
Geoffrey Sam	Independent Non-Executive Director, Chairperson (appointed as Chairperson on 25 August 2022)
James Beeson	Executive Director (appointed as Managing Director on 17 November 2022)
Sue Healy	Independent Non-Executive Director
Ilkka Tales	Independent Non-Executive Director
Stephen White	Non-Executive Director
Greg Riley	Former Non-Executive Director (resigned as Chairperson on 25 August 2022 and as Director on 17 November 2022)
Daniel Riley	Former Managing Director (resigned on 18 January 2023)
Other KMP	
Paul Murray	CFO-COO and Joint Company Secretary (appointed on 14 June 2023)
Steve Shin	Former CFO and Joint Company Secretary (resigned on 14 June 2023)

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- KMP Service Agreements (excludes Non-Executive Directors)
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The remuneration policy of Earlypay Limited has been designed to align KMP 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 KMP 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 KMP of the Group is as follows:
- The remuneration policy is developed by the remuneration committee and approved by the Board. Professional advice is sought from independent external consultants as required.
- All KMP receive a base salary (which is based on factors such as length of service, responsibilities and role complexity), 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, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The remuneration committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP 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.

KMP 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, KMP are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to KMP 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. The current maximum is $680,000 (FY22: $500,000). Non-Executive Directors receive fees and do not receive options or bonus payments.

Performance-based remuneration
The key performance indicators (KPIs) are set annually, with a certain level of consultation with KMP 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.

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

KMP	2023 Performance conditions
James Beeson - CEO	Maximum $137,500 on achievement of the KPIs set by the Nomination & Remuneration Committee including NPAT targets
Paul Murray - CFO-COO and Company Secretary (appointed as CFO and Company Secretary on 14 June 2023)	Maximum $100,000 on achievement of the KPIs set by the Nomination & Remuneration Committee including NPAT targets
Steve Shin - Former CFO and Company Secretary (resigned on 14 June 2023)	Maximum $75,000 on achievement of the KPIs set by the Nomination & Remuneration Committee including NPAT targets
Daniel Riley - Former Managing Director (resigned on 18 January 2023)	Maximum $125,000 on achievement of the KPIs set by the Nomination & Remuneration Committee including NPAT targets

Minimum amount is nil for all KMP.

Long Term Incentive (LTI)
The LTI 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 Group maintains a performance rights program to motivate executives to achieve long term performance targets.

Common features

Feature	Description
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.
Opportunity	15% to 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 total shareholder return ('TSR') and return on equity performance hurdles.
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. Vested rights will be exercised automatically and the Board will determine the value of the rights and the extent to which that value is to be provided in the form of cash, and/or 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) 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; d) 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'.

Termination	Continued service during the whole measurement period is not a requirement in order for performance rights to vest. However, performance rights granted in the financial year of the termination and which are held at the date of termination (and unvested), will be forfeited in the proportion that the remainder of the financial year following the termination bears to the full financial year (unless otherwise determined by the board). All other unvested performance rights will be retained for possible vesting based on performance, 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.

2023 grants

Performance period	July 2022: 3 years (1 July 2022 to 30 June 2025).
Vesting date	1 October 2025

Performance level	EPS tranche 1	TSR tranche 2	ROE tranche 3	Vesting % of tranche
Threshold	2.5%	8%	13.5%	25%
Between threshold and target	2.5% to 5%	8% to 10%	13.5% to 14.5%	Pro-rata
Target	5%	10%	14.5%	50%
Between target and stretch	5% to 7.5%	10% to 16%	14.5% to 16.5%	Pro-rata
Stretch	7.5%	16%	16.5%	100%
No. of rights	820,128	820,128	820,128	

2022 grants

Performance period	July 2021: 3 years (1 July 2021 to 30 June 2024).
Vesting date	1 October 2024

Performance level	EPS tranche 1	TSR tranche 2	ROE tranche 3	Vesting % of tranche
Threshold	5%	10%	13.5%	25%
Between threshold and target	5% to 7.5%	10% to 12%	13.5% to 14.5%	Pro-rata
Target	7.5%	12%	14.5%	50%
Between target and stretch	7.5% to 10%	12% to 18%	14.5% to 16.5%	Pro-rata
Stretch	10%	18%	>16.5%	100%
No. of rights	907,538	907,538	907,537	

Performance rights plan
The Group's rights plan was approved by the shareholders on 17 November 2022. Executive KMP are invited to participate at the Board's discretion. 2,460,384 rights were issued to KMP in FY23.

Use of remuneration consultants
During the financial year ended 30 June 2023, the Group did not engage remuneration consultants.

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')
At the 2022 AGM, 96% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2023	Cash salary and fees $	Cash bonus $	Termination $	Super-annuation $	Long service leave $	Equity-Settled[5] $	Total $
Non-Executive Directors:							
Geoffrey Sam	119,410	-	-	12,538	-	-	131,948
Sue Healy	77,273	-	-	8,114	-	-	85,387
Ilkka Tales	77,273	-	-	8,114	-	-	85,387
Stephen White	77,273	-	-	8,114	-	-	85,387
Greg Riley[1]	42,459	-	-	-	-	-	42,459
Executive Directors:							
James Beeson	502,566	21,375	-	32,037	-	31,886	587,864
Daniel Riley[2]	193,718	37,500	397,828	13,396	-	(20,832)	621,610
Other KMP:							
Steve Shin[3]	293,821	22,500	286,713	27,500	-	15,348	645,882
Paul Murray[4]	168,994	-	-	17,744	-	17,970	204,708
	1,552,787	81,375	684,541	127,557	-	44,372	2,490,632

1 Represents remuneration from 1 July 2022 to 17 November 2022
2 Represents remuneration from 1 July 2022 to 18 January 2023
3 Represents remuneration from 1 July 2022 to 14 June 2023
4 Represents remuneration from 14 November 2022 to 30 June 2023
5 Includes changes in share based payments reported as remuneration in a previous period under AASB 2

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2022	Cash salary and fees $	Cash bonus $	Termination $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Greg Riley	140,000	-	-	-	-	-	140,000
Sue Healy	77,273	-	-	7,727	-	-	85,000
Ilkka Tales	77,273	-	-	7,727	-	-	85,000
Geoffrey Sam	77,273	-	-	7,727	-	-	85,000
Stephen White	77,273	-	-	7,727	-	-	85,000
Executive Directors:							
Daniel Riley	472,500	87,500**	-	27,500	-	61,095	648,595
James Beeson*	245,202	49,875**	-	29,508	-	34,824	359,409
Other KMP:							
Steve Shin	275,000	52,500**	-	27,500	-	36,657	391,657
	1,441,794	189,875	-	115,416	-	132,576	1,879,661

* Represents remuneration from 29 July 2021 to 30 June 2022
** 70% Cash bonus declared in FY22. Subsequently, the board approved and paid 100% cash bonus in FY23

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2023	Fixed remuneration 2022	At risk - STI 2023	At risk - STI 2022	At risk - LTI 2023	At risk - LTI 2022
Non-Executive Directors:						
Geoffrey Sam	100%	100%	-	-	-	-
Sue Healy	100%	100%	-	-	-	-
Ilkka Tales	100%	100%	-	-	-	-
Stephen White	100%	100%	-	-	-	-
Greg Riley	100%	100%	-	-	-	-
Executive Directors:						
James Beeson	82%	76%	-	-	18%	24%
Daniel Riley	32%*	77%	-	-	6%	23%
Other KMP:						
Steve Shin	49%*	77%	-	-	8%	23%
Paul Murray	91%	-	-	-	9%	-

* Excluding termination benefits

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable 2023	Cash bonus paid/payable 2022	Cash bonus forfeited 2023	Cash bonus forfeited 2022
Executive Directors:				
James Beeson	-	70%*	100%	30%
Daniel Riley	-	70%*	-	30%
Other Key Management Personnel:				
Steve Shin	-	70%*	-	30%
Paul Murray	-	-	100%	-

* 70% Cash bonus declared in FY22. Subsequently, the board approved and paid 100% cash bonus in FY23

KMP Service Agreements (excludes Non-Executive Directors)

Remuneration and other terms of employments for KMP 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	Terms of agreements	Base salary including superannuation $
James Beeson	Ongoing as from 14 August 2020	550,000
Paul Murray	Ongoing as from 14 June 2023	400,000
Daniel Riley	From 1 October 2010 to 18 January 2023	550,000
Steve Shin	From 30 March 2015 to 14 June 2023	350,000

James Beeson’s contract may be terminated early by either party with six months’ notice, subject to termination payments at the discretion of the Remuneration Committee.

Paul Murray’s contract may be terminated early by either party with four months’ notice, subject to termination payments at the discretion of the Remuneration Committee.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2023.

Options
There were no options over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Expiry date	Fair value per right at grant date**
James Beeson	709,614	16/12/2022	01/10/2025	$0.185
Steve Shin*	451,572	16/12/2022	01/10/2025	$0.185
Paul Murray	291,408	16/12/2022	01/10/2025	$0.185

* Resigned on 14 June 2023
** Relates to tranche 2 performance rights only. Refer to note 36 for further details

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Revenue	61,096	53,801	43,865	47,506	47,675
(Loss)/profit after income tax	(7,744)	13,223	7,238	2,672	8,400

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end (cents per share)	19.00	49.00	50.00	23.50	46.00
Total dividends declared (cents per share)	-	3.20	2.30	1.75	2.40
Basic (loss)/earnings per share (cents per share)	(2.68)	4.70	3.18	1.32	4.19
Diluted (loss)/earnings per share (cents per share)	(2.68)	4.66	3.05	1.26	3.99

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

2023	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Geoffrey Sam	2,077,064	-	83,124	-	2,160,188
James Beeson	15,652,453	-	300,000	-	15,952,453
Sue Healy	770,980	-	-	(2,245)	768,735
Ilkka Tales	300,000	-	-	-	300,000
Greg Riley*	17,211,163	-	-	(1,250,000)	15,961,163
Daniel Riley**	6,000,181	-	50,000	(2,726,269)	3,323,912
Steve Shin***	-	-	-	-	-
Paul Murray	-	-	-	-	-
	42,011,841	-	433,124	(3,978,514)	38,466,451

* Resigned on 17 November 2022
** Resigned on 18 January 2023
*** Resigned on 14 June 2023

All additions and disposals were made on-market and under normal terms and conditions.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
Performance rights over ordinary shares					
James Beeson	363,120	709,614	-	-	1,072,734
Paul Murray	-	291,408	-	-	291,408
Daniel Riley*	637,056	-	-	-	637,056
Steve Shin**	382,236	451,572	-	-	833,808
	1,382,412	1,452,594	-	-	2,835,006

* Resigned on 18 January 2023
** Resigned on 14 June 2023

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.

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.

This concludes the remuneration report, which has been audited.

Shares under option

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

Shares issued on the exercise of options

There were no ordinary shares of Earlypay Ltd issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Shares under performance rights
Unissued ordinary shares of Earlypay Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
19/11/2021	01/10/2024	N/A	2,722,613
16/12/2022	01/10/2025	N/A	2,460,384
			5,182,997

At the end of the measurement period (expiry date), the board will determine the value of the rights and the extent to which that value is to be provided in the form of cash, and/or shares.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of performance rights
There were no ordinary shares of Earlypay Ltd issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers
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.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the 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 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.

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 29 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 29 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
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Pitcher Partners

There are no officers of the Company who are former partners of Pitcher Partners.

Rounding of amounts

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.

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.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

James Beeson
Managing Director

21 September 2023
Sydney

Pitcher Partners Sydney Partnership

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

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GPO Box 1615
Sydney NSW 2001

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e. sydneypartners@pitcher.com.au

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 2023, 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.

Rod Shanley
Partner

Pitcher Partners
Sydney

21 September 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 Restated* $'000
Income			
Interest income	6	35,384	27,231
Interest expense	7	(19,267)	(9,742)
Net interest income		16,117	17,489
Other income	6	25,712	26,570
Net income		41,829	44,059
Expenses			
Credit impairment expense	8	(17,329)	(557)
Commissions expense		(2,938)	(2,878)
Consultancy expense		(1,286)	(743)
Depreciation and amortisation expense	9	(1,711)	(2,291)
Intangible impairment expense	18	(2,128)	-
Employee benefits expense		(14,415)	(14,508)
Insurance expense		(1,684)	(1,849)
IT expense		(1,253)	(1,248)
Legal expense		(6,122)	(1,017)
Marketing expense		(467)	(506)
Trust expense		(414)	(904)
Other expenses		(2,525)	(2,268)
Total expenses		(52,272)	(28,769)
(Loss)/profit before income tax benefit/(expense)		(10,443)	15,290
Income tax benefit/(expense)	10	2,699	(2,067)
(Loss)/profit after income tax benefit/(expense) for the year attributable to the owners of Earlypay Ltd		(7,744)	13,223
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to the owners of Earlypay Ltd		(7,744)	13,223
		Cents	**Cents**
Basic (loss)/earnings per share	11	(2.68)	4.70
Diluted (loss)/earnings per share	11	(2.68)	4.66

* Refer to note 4 for detailed information on restatement of comparatives.

Earlypay Ltd
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $'000	2022 Restated* $'000
Assets			
Current assets			
Cash and cash equivalents	12	52,986	52,707
Trade receivables (invoice finance)	13	154,865	161,564
Equipment finance receivables	14	38,458	38,398
Income tax receivable	10	3,016	-
Other assets	15	3,607	4,032
Total current assets		252,932	256,701
Non-current assets			
Equipment finance receivables	14	71,037	92,540
Property, plant and equipment	16	206	272
Right-of-use assets	17	1,318	530
Intangible assets	18	28,784	31,105
Deferred tax asset	10	6,022	3,382
Total non-current assets		107,367	127,829
Total assets		360,299	384,530
Liabilities			
Current liabilities			
Trade and other payables	19	4,251	2,649
Borrowings	20	137,346	142,474
Lease liabilities	21	363	452
Income tax payable	10	-	1,331
Employee benefits	22	1,043	1,251
Other liabilities		882	352
Total current liabilities		143,885	148,509
Non-current liabilities			
Borrowings	20	141,643	150,584
Lease liabilities	21	1,006	110
Employee benefits	22	281	232
Total non-current liabilities		142,930	150,926
Total liabilities		286,815	299,435
Net assets		73,484	85,095
Equity			
Issued capital	23	74,702	73,470
Reserves	24	753	684
(Accumulated losses)/ retained profits		(1,971)	10,941
Total equity		73,484	85,095

* Refer to note 4 for detailed information on restatement of comparatives.

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

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
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 for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	13,223	13,223
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	20,697	-	-	20,697
Share-based payments (note 36)	-	243	-	243
Dividends paid or provided for (note 25)	-	-	(7,581)	(7,581)
Balance at 30 June 2022	73,470	684	10,941	85,095

Consolidated	Issued capital $'000	Reserves $'000	Retained Profits/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2022	73,470	684	10,941	85,095
Loss after income tax benefit for the year	-	-	(7,744)	(7,744)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(7,744)	(7,744)
Transactions with owners in their capacity as owners:				
Issue of shares, net of transaction costs (note 23)	1,232	-	-	1,232
Share-based payments (note 36)	-	69	-	69
Dividends paid or provided for (note 25)	-	-	(5,168)	(5,168)
Balance at 30 June 2023	74,702	753	(1,971)	73,484

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

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash flows from operating activities			
Receipts from customers		28,115	28,813
Interest received from customers		34,828	27,199
Payments to suppliers and employees		(30,732)	(30,162)
Interest received - other		554	35
Finance costs paid		(19,267)	(9,620)
Income taxes paid		(4,288)	(3,589)
Net cash from operating activities	26	9,210	12,676
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		-	(2,462)
Payments for property, plant and equipment	16	(43)	(129)
Payments for intangible assets	18	(870)	(602)
Net payments for client receivables		(8,909)	(42,933)
Net receipts/(payments) for equipment lease receivables		21,542	(38,101)
Net cash from/(used in) investing activities		11,720	(84,227)
Cash flows from financing activities			
Proceeds/(payments) from issue of shares (net of transaction costs)	23	1,232	(40)
Proceeds from borrowings		2,321	134,614
Dividends paid, net of reinvestment	25	(5,168)	(6,562)
Repayment of borrowings		(18,515)	(47,943)
Repayment of lease liabilities	26	(521)	(581)
Net cash (used in)/from financing activities		(20,651)	79,488
Net increase in cash and cash equivalents		279	7,937
Cash and cash equivalents at the beginning of the financial year		52,707	44,770
Cash and cash equivalents at the end of the financial year	12	52,986	52,707

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

Note 1. General information

The financial statements cover Earlypay Ltd (the 'Company' or 'parent entity') as a consolidated entity consisting of Earlypay Ltd and the entities it controlled (collectively referred to as the 'Group') at the end of, or during, the financial year. The financial statements are presented in Australian dollars, which is Earlypay Ltd's functional and presentation currency.

Earlypay Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5 Miller Street,
North Sydney NSW 2060
Telephone: 1300 666 177
Facsimile: (02) 9267 4222
Internet: https://www.earlypay.com.au/

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.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 21 September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 3.

Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2023 and the results of all subsidiaries for the year then ended. Earlypay Ltd 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 from 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.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides 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 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. A list of controlled entities is contained in note 34 to the financial statement.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of non-financial assets

Goodwill and other 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 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

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 Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. The assumptions underlying the Group's expected credit loss model include, but are not limited to, probability of default, loss given default and exposure at default estimates for invoice finance and equipment finance receivables as well as forward-looking macro-economic conditions. Actual credit losses in future years may be higher or lower than estimated. Refer to note 27 for further information.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 18 for further information.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. There is a degree of judgement required as to determine whether a trigger exists. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to note 18 for further information.

Recovery of deferred tax assets
Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if the Group considers it is 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.

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 36 for further information.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Swap arrangement
In accounting for borrowings associated interest rate swaps, 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 as required by Australian Accounting Standards.

Note 4. Restatement of comparatives

(i) Reclassification
During the year, the Group has made the following prior year reclassifications within the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income:

- Consolidated statement of profit or loss and other comprehensive income - Reclassification of $89,000 from other expense to consultancy expenses and $654,000 from legal expenses to consultancy expenses. Consultancy were restated from $nil to $743,000 and legal expenses were restated from $1,671,000 to $1,017,000. Other expenses were restated from $2,357,000 to $2,268,000 accounting for the two changes in legal expenses and consultancy. Total expenses remain unchanged as at 30 June 2022.
- Consolidated statement of financial position – Reclassification of $591,000 from trade receivables (invoice finance) to goodwill and $590,000 from equipment finance receivables to goodwill in relation to acquisition of Classic Funding Group due to an error that has been identified during the reporting year. The errors pertained to the maintenance fees payable report and timing difference in the clearing account which were inadvertently recorded against equipment finance receivables and trade receivables (invoice finance) during the acquisition. Goodwill was therefore adjusted to reflect proper allocation.

As a result of the reclassification and correction error each of the affected financial statement line items for the prior period are restated as follows:

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
Extract	2022 $'000 Reported	$'000 Adjustment	2022 $'000 Restated
Expenses			
Consultancy expense	-	(743)	(743)
Legal expense	(1,671)	654	(1,017)
Other expenses	(2,357)	89	(2,268)
Profit before income tax expense	15,290	-	15,290
Income tax expense	(2,067)	-	(2,067)
Profit after income tax benefit/(expense) for the year attributable to the owners of Earlypay Ltd	13,223	-	13,223
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Earlypay Ltd	13,223	-	13,223
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	4.70	-	4.70
Diluted earnings per share	4.66	-	4.66

Statement of financial position at the end of the earliest comparative period

	Consolidated		
Extract	2022 $'000 Reported	$'000 Adjustment	2022 $'000 Restated
Assets			
Current assets			
Gross trade receivables (invoice finance)	270,455	(591)	269,864
Total current assets	365,592	(591)	365,001
Non-current assets			
Equipment finance receivables	93,130	(590)	92,540
Intangibles assets	29,924	1,181	31,105
Total non-current assets	127,238	591	127,829
Total assets	492,830	-	492,830
Net assets	85,095	-	85,095

Note 4. Restatement of comparatives (continued)

(ii) Presentation
The Group has previously presented trade receivables associated with its debtor finance activities on a gross basis. Specifically, it recognised (a) a trade receivable for the total receivable balance that had been assigned to it and that it would collect on (including both eligible and ineligible invoices); and (b) a trade payable reflecting the residual amount owing to the client. The Group has determined that a net presentation of trade receivables and payables, which represents the amount advanced and owing by its clients, is more appropriate. This presentation better reflects the economic and contractual nature of the lending activity, notwithstanding that the Group collects gross cash receipts on behalf of its clients. The Group will continue to disclose the gross components in the notes to the accounts.

Statement of financial position at the end of the earliest comparative period

	Consolidated		
Extract	2022 $'000 Reported*	$'000 Adjustment	2022 $'000 Restated
Assets			
Current assets			
Trade receivables – debtor finance	269,864	(108,300)	161,564
Total current assets	365,001	(108,300)	256,701
Total assets	492,830	(108,300)	384,530
Current liabilities			
Trade payables – debtor finance	108,300	(108,300)	-
Total current liabilities	256,809	(108,300)	148,509
Total liabilities	407,735	(108,300)	299,435
Net assets	85,095	-	85,095

* After application of the restatement in (i) above

Note 5. Operating segments

Identification of reportable operating 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 (typically up to 80%) against a client's invoices to help their business overcome the cash pressure of delivering goods or services in advance of payment from the debtor (typically 30 – 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.

Note 5. Operating segments (continued)

Intersegment transactions
There are no intersegment transactions.

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.

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.

Unallocated items
The following items 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.

Major customers
During the year ended 30 June 2023 approximately 2.68% (2022: 2.23%) of the Group's external revenue was derived from sales to the most significant client. The next most significant client accounts for 2.35% (2022: 1.50%) of external revenue. All revenue attributable to external customers was generated in Australia.

Operating segment information

Consolidated - 2023	Invoice finance $'000	Equipment finance $'000	Unallocated / Corporate $'000	Total $'000
Income				
Interest income	21,497	13,331	556	35,384
Interest expense	(11,080)	(7,889)	(298)	(19,267)
Net interest income	10,417	5,442	258	16,117
Admin and other fees	22,176	3,536	-	25,712
Net Income	32,593	8,978	258	41,829
Net Income	32,593	8,978	258	41,829
Operating expenses	(22,967)	(4,937)	(3,200)	(31,104)
Allowance for expected credit losses	(16,401)	(928)	-	(17,329)
Depreciation and amortisation expenses	(1,036)	(122)	(553)	(1,711)
Intangible impairment expense	-	-	(2,128)	(2,128)
Loss before income tax benefit	(7,811)	2,991	(5,623)	(10,443)
Income tax benefit				2,699
Loss after income tax benefit				(7,744)
Assets				
Segment assets	154,865	109,495	95,939	360,299
Total assets				360,299
Liabilities				
Segment liabilities	169,418	108,097	1,474	278,989
Total liabilities				278,989

Note 5. Operating segments (continued)

Consolidated - 2022 - Restated*	Invoice finance $'000	Equipment finance $'000	Unallocated / Corporate $'000	Total $'000
Income				
Interest Income	15,750	11,446	35	27,231
Interest expense	(4,328)	(4,912)	(502)	(9,742)
Net interest income	11,422	6,534	(467)	17,489
Admin and other fees	21,603	4,191	776	26,570
Net income	33,025	10,725	309	44,059
Net income	33,025	10,725	309	44,059
Operating expenses	(17,347)	(6,996)	(1,578)	(25,921)
Allowance for expected credit losses	(68)	(489)	-	(557)
Depreciation and amortisation expenses	(690)	(47)	(1,554)	(2,291)
(Loss)/profit before income tax expense	14,920	3,193	(2,823)	15,290
Income tax expense				(2,067)
Profit after income tax expense				13,223
Assets				
Segment assets	161,564	130,938	92,028	384,530
Total assets				384,530
Liabilities				
Segment liabilities	173,690	117,834	1,534	293,058
Total liabilities				293,058

* The Group has updated the comparative period segment format to align with the current period presentation Refer to note 4 for detailed information on reclassification of comparatives

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 6. Revenue

	Consolidated	
	2023 $'000	2022 *Restated $'000
Services		
Invoice finance – interest income	21,497	15,750
Invoice finance – origination fees and costs	703	673
Invoice finance – revenue from contracts with customers	21,473	20,930
	43,673	37,353
Equipment finance – interest income	13,331	11,446
Equipment finance – origination fees and costs	1,504	1,889
Equipment finance – revenue from contracts with customers	2,032	2,302
	16,867	15,637
Rebate from funding facility	-	776
Other – interest income	556	35
	556	811
Total revenue	61,096	53,801
Interest income	35,384	27,231
Other income	25,712	26,570
Total revenue	61,096	53,801

* The Group has reclassified income from *revenue from contracts with customers* to *interest income* for the prior year. Specifically, $154,000 was reclassified to interest income for invoice finance; and $10,000 was reclassified to interest income for equipment finance.

Accounting policy for revenue
The Group derives both interest income and fee income from its invoice finance and equipment finance activities. The Group recognises revenue from contracts with customers in accordance with AASB 15, except for revenue arising from financial instruments, which is recognised in accordance with AASB 9.

Revenue is recognised for key items as follows

(i) Interest income
Interest income is recognised using the effective interest method in accordance with AASB 9 Financial Instruments, based on estimated future cash receipts over the expected life of the financial asset. This 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 calculation does not consider expected credit losses.

Interest income for receivables that have objective evidence of credit impairment (i.e., stage 3 - see note 27) is recognised on a net basis.

(ii) Establishment fees and transaction costs
Fees that are an integral part of the loan (e.g., establishment fees) are included in the calculation of the effective interest rate and recognised using the effective interest method.

Transaction costs that are directly attributable to the origination of receivables (e.g., broker commissions) are also included in the calculation of the effective interest rate and recognised using the effective interest method.

Note 6. Revenue (continued)

(iii) Revenue from contracts with customers

Fee income (e.g., administration fees, drawdown fees etc) is recognised at the point in time when the performance obligation has been satisfied. It is recognised at the fee rate or transaction price specified in the facility agreement or at a price that the Group expects to be entitled, in exchange for providing the service to the customer.

In accordance with AASB 15, the Group: 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 (if any) will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur.

Fee income for receivables that have objective evidence of impairment, (i.e., stage 3 - see note 27), is not recognised as it is not probable that the Group will collect the consideration to which it is entitled.

Note 7. Interest expense

	Consolidated	
	2023	2022
	$'000	$'000
Interest expense	19,202	9,705
Interest expense on lease liabilities	65	37
	19,267	9,742

Accounting policy for interest expense
The Group's activities are funded by a combination of securitisation trust warehouse facilities, term facilities and cash held on the balance sheet. Interest expense is recognised as it accrues using the effective interest rate method.

Transaction costs directly attributable to the establishment of warehouse facilities and term facilities are initially capitalised and then recognised in interest expense over the expected life of the relevant facility.

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

Note 8. Credit impairment expense

	Consolidated	
	2023	2022
	$'000	$'000
Receivables written-off during the year as bad debts	12,021	1,737
Net movement in expected credit loss provision	5,308	(1,180)
	17,329	557

Refer to note 27 for additional information on the movement of the expected credit loss provision

Note 9. Expenses

	Consolidated 2023 $'000	Consolidated 2022 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	109	52
Right-of-use assets	539	514
	648	566
Amortisation		
Intangibles	1,063	1,725
Total depreciation and amortisation expenses	1,711	2,291
Net foreign exchange (gain)/loss		
Net foreign exchange *(gain)/loss*	(6)	8
Net profit on disposal		
Net profit on disposal of property, plant and equipment	-	(11)
Leases		
Short-term lease payments	520	581
Superannuation expense		
Employee superannuation expense	1,072	947
Share-based payments expense		
Share-based payments expense	69	243

Note 10. Income tax

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax (benefit)/expense		
Current tax	(59)	3,168
Deferred tax – origination and reversal of temporary differences	(2,640)	(1,101)
Aggregate income tax (benefit)/expense	(2,699)	2,067
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(2,640)	(1,101)

Note 10. Income tax (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
(Loss)/profit before income tax benefit/(expense)	(10,443)	15,290
Tax at the statutory tax rate of 30%	(3,132)	4,587
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	795	(397)
Tax losses	(318)	(894)
Adjustment recognised for prior periods	(44)	(1,229)
Income tax (benefit)/expense	(2,699)	2,067
Weighted average tax rate	25.84%	13.52%

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	2,004	894
Allowance for expected credit losses	2,831	1,239
Employee benefits	486	539
Accrued expenses	475	204
Other	226	506
Deferred tax asset	6,022	3,382
Movements:		
Opening balance	3,382	2,281
Credited to profit or loss	2,640	1,101
Closing balance	6,022	3,382

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax receivable		
Income tax receivable	3,016	-

	Consolidated 2023 $'000	Consolidated 2022 $'000
Provision for income tax		
Provision for income tax	-	1,331

Note 10. Income tax (continued)

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 11. Earnings per share

	Consolidated 2023 $'000	Consolidated 2022 $'000
(Loss)/profit after income tax attributable to the owners of Earlypay Ltd	(7,744)	13,223

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	289,169,901	281,141,241
Adjustments for calculation of diluted earnings per share:		
Performance rights on issue	-	2,722,613
Weighted average number of ordinary shares used in calculating diluted earnings per share	289,169,901	283,863,854

	Cents	Cents
Basic earnings per share	(2.68)	4.70
Diluted earnings per share	(2.68)	4.66

At 30 June 2023, options and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported loss for the period.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Earlypay Ltd, 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 financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 12. Cash and cash equivalents

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current assets		
Cash at bank and in hand	45,240	45,563
Cash at bank – restricted cash*	7,746	7,144
	52,986	52,707

* Restricted cash relates to unavailable cash for operations as it is held on trust by the Trustee of borrowing vehicles.

Accounting policy for cash and cash equivalents
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.

Note 13. Trade receivables (invoice finance)

	Consolidated 2023 $'000	Consolidated 2022 *Restated $'000
Client receivables		
Trade receivables (invoice finance)	272,136	272,567
Less: Trade payables (invoice finance)	(109,707)	(108,300)
Net trade receivables (invoice finance)	162,429	164,267
Less: Allowance for expected credit losses (note 27)	(7,564)	(2,703)
Net client receivables	154,865	161,564

* Refer to note 4 for detailed information on restatement of comparatives.

Accounting policy for trade receivables (invoice finance)
The Group has recognised trade receivables in connection with its invoice finance activities, including debtor finance. Debtor finance involves lending to clients against eligible invoices from a client's debtors ledger. As part of the security for these facilities, the entire debtors ledger (both eligible and ineligible invoices) is typically assigned to, and collected by, the Group. Debtor finance receivables are stated as the net amount of funds to be received from collections and amounts payable to the client. This represents the amount advanced and owing by its debtor finance clients.

Trade receivables (invoice finance) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The initial fair value of receivables includes capitalised origination fees, net of capitalised transaction costs.

Note 14. Equipment finance receivables

	Consolidated 2023 $'000	Consolidated 2022 *Restated $'000
Current assets		
Equipment finance receivables	44,248	49,080
Less: Allowance for expected credit losses (note 27)	(684)	(366)
Add: Unamortised loan brokerage fees	965	827
Less: Unamortised loan transaction fees	(438)	(858)
Less: Unamortised interest receivable	(5,633)	(10,285)
	38,458	38,398
Non-current assets		
Equipment finance receivables	87,162	110,414
Less: Allowance for expected credit losses (note 27)	(1,190)	(1,061)
Add: Unamortised loan brokerage fees	2,348	2,413
Less: Unamortised loan transaction fees	(3,173)	(3,250)
Less: Unamortised interest receivable	(14,110)	(15,976)
	71,037	92,540
	109,495	130,938

Note 14. Equipment finance receivables (continued)

* Refer to note 4 for detailed information on reclassification of comparatives.

Accounting policy for equipment finance receivables
The Group has recognised loans secured against equipment (previously referred to as finance leases). Loans are typically structured as chattel mortgages.

Equipment finance loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The initial fair value of loan receivables includes capitalised origination fees net of capitalised transaction costs.

Note 15. Other assets

	Consolidated	
	2023 $'000	2022 $'000
Current assets		
Prepayments	2,694	2,705
Accrued revenue	496	819
Deposits	401	402
Advances	16	106
	3,607	4,032

Note 16. Property, plant and equipment

	Consolidated	
	2023 $'000	2022 $'000
Non-current assets		
Leasehold improvements - at cost	563	553
Less: Accumulated depreciation	(535)	(522)
	28	31
Motor vehicles	56	76
Less: Accumulated depreciation	(16)	(8)
	40	68
Software and office equipment	2,432	2,385
Less: Accumulated depreciation	(2,296)	(2,216)
	136	169
Low-value pool	20	21
Less: Accumulated depreciation	(18)	(17)
	2	4
	206	272

Note 16. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Motor vehicles $'000	Software and office equipment $'000	Low-value pool $'000	Total $'000
Balance at 1 July 2021	40	24	144	5	213
Additions	15	76	46	1	138
Disposals	-	(27)	-	-	(27)
Depreciation expense	(24)	(5)	(21)	(2)	(52)
Balance at 30 June 2022	31	68	169	4	272
Additions	10	-	47	-	57
Disposals	-	(14)	-	-	(14)
Depreciation expense	(13)	(14)	(80)	(2)	(109)
Balance at 30 June 2023	28	40	136	2	206

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	20% - 40% (Straight-line)
Motor vehicles under lease	20% - 25% (Straight-line)
Software and office equipment	30% - 40% (Straight-line and diminishing value)
Low-value pool	18.75% - 37.5% (Diminishing value)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 17. Right-of-use assets

	Consolidated 2023 $'000	Consolidated 2022 $'000
Non-current assets		
Land and buildings - right-of-use	1,974	2,717
Less: Accumulated depreciation	(656)	(2,187)
	1,318	530

Additions to the right-of-use assets during the year were $1,375,000 (2022: $718,000) and depreciation during the year was $539,000 (2022: $514,000).

The Group 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.

The Group leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

For other AASB 16 and lease related disclosures refer to the following:
- note 7 for interest on lease liabilities and note 9 for other lease payments;
- note 27 for maturity analysis of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Accounting policy for 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 18. Intangibles

	Consolidated 2023 $'000	Consolidated 2022 *Restated $'000
Non-current assets		
Goodwill - at cost	27,775	27,775
Customer relationships - at cost	8,550	8,550
Less: Accumulated amortisation	(8,550)	(8,050)
	-	500
Software - at cost	3,226	2,356
Less: Accumulated amortisation	(2,217)	(1,654)
	1,009	702
Trademark - at cost	2,128	2,128
Less: Accumulated impairment	(2,128)	-
	28,784	31,105

* Refer to note 4 for detailed information on reclassification of comparatives.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Customer relationships $'000	Software $'000	Trademark $'000	Total $'000
Balance at 1 July 2021	27,775*	2,000	325	2,128	32,228*
Capitalised during the year	-	-	602	-	602
Amortisation expense	-	(1,500)	(225)	-	(1,725)
Balance at 30 June 2022	27,775*	500	702	2,128	31,105
Additions	-	-	870	-	870
Amortisation expense	-	(500)	(563)	-	(1,063)
Intangible impairment expense	-	-	-	(2,128)	(2,128)
Balance at 30 June 2023	27,775	-	1,009	-	28,784

* Restated - refer to note 4 for detailed information on reclassification of comparatives.

Note 18. Intangibles (continued)

Impairment testing

(a) *Impairment tests for goodwill*

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	Consolidated	
	2023 $'000	2022 Restated* $'000
Invoice finance	19,666	20,932
Equipment finance	8,109	8,971
	27,775	29,903

* Restated - refer to note 4 for detailed information on reclassification of comparatives.

Trademarks were previously allocated to these cash-generating units. Trademarks have been considered separately for impairment as at the 30 June 2023 (refer below).

The recoverable amount of the Group's goodwill 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:

- 12.0% (2022: 10.0%) discount rate;
- 2.5% (2022: 2.5%) per annum projected operating profit growth rate; and
- 2.5% (2022: 2.5%) per annum terminal operating profit growth rate.

The discount rate of 12.0% 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 2023. Trademarks in relation to Cashflow Finance Australia and Skippr have been assessed as having no recoverable value as the brands and trademarks are no longer being utilised by the Group.

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 still would not have recognised an impairment of goodwill. If the estimated cost of capital used in determining the discount rate for goodwill had been 20%, the Group still would not have recognised an impairment of goodwill.

Note 18. Intangibles (continued)

Accounting policy for intangible assets
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.

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 this note.

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.

Software
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.

Note 19. Trade and other payables

	Consolidated	
	2023 $'000	2022 $'000
Current liabilities		
Trade payables - other	4,251	2,649
	4,251	2,649

Accounting policy for trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 20. Borrowings

	Consolidated	
	2023 $'000	2022 $'000
Current liabilities		
Receivables financing facility – bank	135,874	140,945
Insurance premium funding	1,474	1,534
Securitised debtor finance warehouse facility – A note and overdraft*	(2)	(5)
	137,346	142,474
Non-current liabilities		
Securitised equipment finance warehouse facility - A note	71,365	74,414
Securitised equipment finance warehouse facility - B note	19,769	19,506
Securitised trade finance warehouse facility - A note	18,439	19,124
Securitised trade finance warehouse facility - B note	3,328	2,642
Receivables equipment financing - non-bank	9,660	15,932
Corporate bond no. 2	19,082	18,966
	141,643	150,584
	278,989	293,058

Refer to note 27 for further information on financial instruments.

* The Securitised debtor finance warehouse facility is a legacy facility that was in the process of being terminated and the associated trust wound up as at 30 June 2023. The trust was subsequently wound up in September 2023.

Note 20. Borrowings (continued)

Financing arrangements
Terms and access available at the reporting date:

Facility	Average interest rate %	Maturity	Total facility $'000	2023 (used) $'000	2023 (unused) $'000	2022 (used) $'000	2022 (unused) $'000
Secured							
Securitised equipment finance warehouse facility – A note	5.21%	June 2027	120,000	71,365	48,635	74,414	45,586
Securitised equipment finance warehouse facility – B note	5.80%	May 2029	20,000	19,769	231	19,506	494
Securitised trade finance warehouse facility – A note	9.23%	April 2026	22,500	18,439	4,061	19,124	3,376
Securitised trade finance warehouse facility – B note	11.23%	April 2026	3,750	3,328	422	2,642	1,108
Receivables equipment financing facility – non-bank	8.42%	August 2027	25,000	9,660	15,340	15,932	9,068
Receivables financing facility – bank	5.38%	April 2024	200,000	135,874	64,126	140,945	59,055
Securitised debtor finance warehouse facility – A and overdraft	-		-	(2)	-	(5)	-
Total secured			391,250	258,433	132,815	272,558	118,687
Unsecured							
Insurance premium funding	2.05%	March 2024	-	1,474	-	1,534	-
Corporate bond no. 2	9.27%	December 2025	-	19,082	-	18,966	-
Total unsecured			-	20,556	-	20,500	-
Total borrowings			391,250	278,989	132,815	293,058	118,687

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 21. Lease liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current liabilities		
Lease liability	363	452
Non-current liabilities		
Lease liability	1,006	110
	1,369	562

Refer to note 27 for maturity analysis of lease liabilities.

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.

The property lease at North Sydney expires on 31 October 2027. 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 3.5% 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.

Accounting policy for 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. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 22. Employee benefits

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current liabilities		
Employee benefits	1,043	1,251
Non-current liabilities		
Employee benefits	281	232
	1,324	1,483

Note 22. Employee benefits (continued)

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 23. Issued capital

	Consolidated			
	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares - fully paid	289,928,690	287,131,134	74,702	73,470

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	232,948,505		52,773
Ordinary shares from placement	1 July 2021	44,897,846	$0.420	18,856
Share issue from dividend reinvestment plan	7 October 2021	1,821,485	$0.423	770
Exercise of options*	2 December 2021	1,800,000	$0.000	-
Exercise of options*	9 February 2022	2,050,000	$0.000	-
Share issue from dividend reinvestment plan	7 April 2022	561,102	$0.444	249
Ordinary shares from acquisition of Skippr invoice finance	14 June 2022	3,052,196	$0.508	1,551
Less: share issue costs				(729)
Balance	30 June 2022	287,131,134		73,470
Share issue from dividend reinvestment plan	7 October 2022	2,797,556	$0.443	1,238
Less: share issue costs				(6)
Balance	30 June 2023	289,928,690		74,702

* *Exercise of options* - these shares were issued as part of a zero cash arrangement whereby (a) the exercise of 1,800,000 options on 2 December 2021 and 2,050,000 options on 9 February 2022 by Daniel Riley for consideration of $1,135,750, were offset by (b) the buyback of 6,150,000 options by the Company from Daniel Riley, at market price less the exercise price, for consideration of $1,135,750.

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Note 23. Issued capital (continued)

Share buy-back
There was no current on-market share buy-back as at 30 June 2023, however refer to note 37.

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 2023 and 30 June 2022 are as follows:

	Consolidated	
	2023 $'000	2022 $'000
Gearing ratios		
Total borrowings	278,989	293,058
Less: Cash and cash equivalents	(52,986)	(52,707)
Net debt	226,003	240,351
Total equity	73,484	85,095
Total capital	299,487	325,446
Gearing ratio	75.46%	73.85%

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 24. Reserves

	Consolidated	
	2023 $'000	2022 $'000
General reserve	441	441
Share-based payments reserve	312	243
	753	684

General reserve
The general reserve is made up of historical profits transferred from retained profits that are preserved for future dividend payments.

Note 24. Reserves (continued)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	General $'000	Share-based payments $'000	Total $'000
Balance at 1 July 2021	441	-	441
Share-based payments	-	243	243
Balance at 30 June 2022	441	243	684
Share-based payments	-	69	69
Balance at 30 June 2023	441	312	753

Note 25. Dividends

Dividends

No dividends have been declared for the year ended 30 June 2023.

Dividends paid during the financial year were as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Final dividend for the year ended 30 June 2022 of 1.8 cents (2021: 1.3 cents) per ordinary share	5,168	3,612
Interim dividend for the year ended 30 June 2022 of 1.4 cents per ordinary share	-	3,969
	5,168	7,581

Franking credits

	Consolidated 2023 $'000	Consolidated 2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	6,975	7,176

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 26. Cash flow information

Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated 2023 $'000	Consolidated 2022 $'000
(Loss)/profit after income tax benefit/(expense) for the year	(7,744)	13,223
Adjustments for:		
Depreciation and amortisation	530	2,309
Change in operating assets and liabilities:		
Decrease/(increase) in trade receivables (invoice finance)	6	(6)
Increase in income tax refund due	(3,016)	-
Increase in deferred tax assets	(2,640)	(686)
Decrease / (increase) in other current assets	331	(726)
Increase in intangible impairment	2,128	
Increase/(decrease) in trade and other payables	18,941	(986)
Increase in borrowings	1,474	122
Decrease in provision for income tax	(1,331)	(836)
Increase in employee benefits	-	424
Increase/(decrease) in other liabilities	531	(162)
Net cash from operating activities	9,210	12,676

Non-cash investing and financing activities

	Consolidated 2023 $'000	Consolidated 2022 $'000
Additions to the right-of-use assets (note 17)	1,375	718
Shares issued on acquisition (note 23)	-	1,551
Dividend reinvestment plan (note 23)	1,238	1,019
	2,613	3,288

Note 26. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Securitised debtor finance warehouse facility – A note and overdraft $'000	Securitised debtor finance warehouse facility – A note and overdraft $'000	Securitised debtor finance warehouse facility – B note $'000	Securitised equipment finance warehouse facility – A note $'000	Securitised equipment finance warehouse facility – B note $'000	Securitised trade finance warehouse facility – A note $'000	Securitised trade finance warehouse facility – B note $'000
Balance at 1 July 2021	2,365	3,500	2,601	54,065	13,364	-	-
Net cash (used in)/from financing activities	(2,370)	(3,500)	(2,601)	20,349	6,142	19,124	2,642
Other non-cash changes	-	-	-	-	-	-	-
Balance at 30 June 2022	(5)	-	-	74,414	19,506	19,124	2,642
Net cash (used in)/from financing activities	3	-	-	(3,050)	-	(768)	680
Other non-cash changes	-	-	-	1	263	83	6
Balance at 30 June 2023	(2)	-	-	71,365	19,769	18,439	3,328

Consolidated	Receivables equipment financing facility – non-bank $'000	Corporate bond no. 2 $'000	Corporate bond no. 1 $'000	Receivables financing facility - non-bank $'000	Receivables financing facility - bank $'000	Insurance premium funding $'000	Lease liabilities $'000	Total
Balance at 1 July 2021	-	-	19,877	19,472	89,520	1,500	1,143	207,407
Net cash from/(used in) financing activities	15,932	18,966	(20,000)	(19,472)	51,425	34	(581)	86,090
Other non-cash changes	-	-	123	-	-	-	-	123
Balance at 30 June 2022	15,932	18,966	-	-	140,945	1,534	562	293,620
Net cash from financing activities	(6,454)	-	-	-	(5,070)	(1,534)	(521)	(16,714)
Other non-cash changes	182	116	-	-	(1)	1,474	1,328	3,452
Balance at 30 June 2023	9,660	19,082	-	-	135,874	1,474	1,369	280,358

Note 27. Financial instruments

Financial risk management objectives

The Audit and 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 credit risk, market risk and liquidity risk. The 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 deposits with banks, trade receivables, equipment finance receivables borrowings and other payables.

The total for each category of financial instruments are as follows:

	Consolidated	
	2023	2022
	$'000	$'000
Financial Assets		
Cash and cash equivalents	52,986	52,707
Trade and other receivables	154,865	161,564
Equipment finance receivables	109,495	130,938
Other current assets	3,607	4,032
	320,953	349,241
Financial liabilities		
Trade and other payables	4,251	2,649
Borrowings - variable	186,381	197,604
Borrowings - fixed	92,608	95,454
Lease liabilities	1,369	562
	284,609	296,269

The above financial instruments are all held at amortised cost.

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 clients is regularly monitored by line management.

Note 27. Financial instruments (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.

Earlypay's credit risk policies specify key credit underwriting and ongoing credit management requirements. Key features of the Group's credit risk management include:

- specific eligibility criteria for invoice finance and equipment finance facilities;
- defined credit underwriting process and delegated lending authorities;
- take-on verification of new debtor finance client ledgers (typically 50% of ledger);
- ongoing verification of new debtor finance batch purchases (typically at least 20 – 30%);
- dedicated collections team follow-up overdue invoices;
- dedicated allocations team reconcile cash receipts to individual invoices;
- dedicated risk management oversight function; and
- trade credit insurance policies in place to cover a material proportion of outstanding debtor finance invoices.

	Consolidated	
	2023 $'000	2022 $'000
Trade and equipment finance receivables		
AAA Federal government departments and instrumentalities	1,972	1,507
Counterparties without external credit rating	262,389	292,177
	264,361	293,684
Cash at bank and short-term bank deposits		
AA-	52,986	52,707
	52,986	52,707

Allowance for expected credit loss ("ECL")

The Group establishes an allowance for loan impairment that represents its estimate of expected future losses for its trade receivables (invoice finance) and equipment finance receivables. Receivables and portfolio performance is subject to ongoing assessment and monitoring by the Group to ensure that the allowance for expected credit losses remains adequate.

Impairment of trade receivables (invoice finance)

	Consolidated	
	2023 $'000	2022 $'000
Opening balance	2,703	3,821
Increase from origination and changes in expected cash flows	16,400	106
Receivables written-off during the year as uncollectable	(11,539)	(1,224)
Closing balance	7,564	2,703

Note 27. Financial instruments (continued)

Credit risk profile of trade receivables (invoice finance)

2023	Expected credit loss rate %	Gross receivables amount $'000	Eligible invoices $'000	Allowance for ECL $'000
Stage 1/ 2				
Not overdue	0.5%	126,499	118,866	645
Less than 30 days overdue	0.7%	85,951	82,920	598
30 - 60 days overdue	2.4%	17,108	16,712	413
60 - 90 days overdue	6.1%	9,647	3,536	590
Over 90 days overdue	-	12,699	-	-
		251,904	222,034	2,246
Stage 3				
Credit impaired	26.3%	20,232	-	5,318
		20,232	-	5,318
		272,136	222,034	7,564

2022	Expected credit loss rate %	Gross receivables amount $'000	Eligible invoices $'000	Allowance for ECL $'000
Stage 1/ 2				
Not overdue	0.1%	132,970	128,206	107
Less than 30 days overdue	0.2%	86,625	81,646	129
30 - 60 days overdue	0.6%	17,296	16,497	104
60 - 90 days overdue	5.9%	7,131	2,446	145
Over 90 days overdue	-	18,941	-	-
		262,963	228,795	485
Stage 3				
Credit impaired	23.1%	9,604	-	2,218
		9,604	-	2,218
		272,567	228,795	2,703

Impairment of equipment finance receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance	1,427	1,490
Increase from origination and changes in expected cash flows	929	450
Receivables written-off during the year as uncollectable	(482)	(513)
Closing balance	1,874	1,427

Note 27. Financial instruments (continued)

Credit risk profile of equipment finance receivables

Consolidated	Expected credit loss rate 2023 %	Expected credit loss rate 2022 %	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for ECL 2023 $'000	Allowance for ECL 2022 $'000
Stage 1/2						
Not overdue	0.9%	0.5%	128,953	157,645	1,214	837
Less than 30 days overdue	1.6%	1.7%	35	57	1	1
30 - 60 days overdue	3.2%	9.3%	16	12	1	1
60 - 90 days overdue	6.3%	16.6%	10	4	1	1
Over 90 days overdue	20.0%	27.0%	209	34	42	9
			129,223	157,752	1,259	849
Stage 3						
Credit impaired	28.2%	33.2%	2,187	1,742	615	578
			131,410	159,494	1,874	1,427

Measurement of expected credit loss

The Group's ECL model incorporates consideration of:

- the probability of default ("PD") – the likelihood that a facility will default over a given time frame;
- the loss given default ("LGD") – the expected credit loss in the event of default; and
- the exposure at default ("EAD") – the expected outstanding balance of the receivable at the time of default.

A three-stage approach is utilised to measuring ECL as follows:

Performing (Stage 1)	Facilities that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses are recognised.
Increasing risk (Stage 2)	Increasing risk - facilities 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.
Credit impaired (Stage 3)	Impaired - facilities that have objective evidence of impairment following a client defaulting on their contractual obligations. Expected credit loss is assessed on an individual basis by comparing the collateral to the outstanding balance of the facility.

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.

Trade receivables (invoice finance)
For trade receivables, ECL is calculated on eligible invoices under a client facility. Eligible invoices are invoices that are not beyond their recourse period (typically 90 days overdue); are expected to be fully collectable; and do not represent an excessive concentration under the facility. Earlypay only provides funding for eligible invoices (although retains security over ineligible invoices).

Definition of a default
Key to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. The Group's definition of default for this purpose is:

- a counterparty defaults on a payment due under a facility 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 facility agreement, which leads Earlypay to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

Note 27. Financial instruments (continued)

Credit impairment
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 borrower;
(b) the borrower is in breach of the facility agreement or other transaction document;
(c) the Group, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that it would not otherwise consider;
(d) a borrower has, or it is becoming probable that a borrower will, enter administration, bankruptcy or other financial reorganisation; or
(e) the borrower is in hardship.

Forward-looking information
In addition to considering historical experience based on a 'through-the-cycle' view of expected credit losses, Earlypay also incorporates forward-looking information in determining ECL factors. In particular, based on the Group's judgement of forward-looking macroeconomic conditions, ECL factors may be adjusted to reflect point-in-time expectations. The following macro-economic factors are considered:

- expected Gross Domestic Product growth;
- the level of the RBA cash rate;
- the level of inflation (CPI); and
- the level of Insolvencies.

Market risk
Cash flow and fair value interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group's main interest rate risk arises from its receivables and borrowings.

Interest rates on the Group's invoice finance receivables are linked to a discretionary variable rate set by the Group. Interest rates on the Group's equipment finance receivables are fixed at inception of each client facility. Therefore, the Group ensures it has a balanced mix of variable rate borrowings and fixed rate borrowings to manage its interest rate exposure.

All of the Group's borrowings are on floating rate basis, except for the Securitised Equipment Finance Warehouse facility. The A note of the facility (held by the senior lender) is hedged on an ongoing basis via an interest rate swap with the senior lender. The interest rate swap converts the variable rate of the facility to a fixed rate. The B note of that facility has a fixed interest rate.

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	
Sensitivity Analysis	2023 $'000	2022 Restated* $'000
Financial Assets		
Cash and cash equivalents	52,986	52,707
Net invoice finance receivables – variable	154,865	161,564
Financial liabilities		
Borrowings – variable	(186,381)	(197,604)
Net	21,470	16,667

Note 27. Financial instruments (continued)

+/- 2% in interest rate		
Equity	+/- 301	+/- 233
Profit after tax	+/- 301	+/- 233

* The Group has refined its interest rate sensitivity calculation methodology. The prior year has been restated to reflect the current year methodology.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Carrying value $'000
Non-derivatives					
Non-interest bearing					
Trade payables	-	4,251	-	-	4,251
Interest-bearing					
Borrowings	6.46%	137,346	141,643	-	278,989
Lease liability	5.43%	363	1,006	-	1,369
Total non-derivatives		141,960	142,649	-	284,609

Consolidated - 2022 Restated*	Weighted average interest rate %	1 year or less $'000	Between 1 and 5 years $'000	Over 5 years $'000	Carrying value $'000
Non-derivatives					
Non-interest bearing					
Trade payables	-	2,649	-	-	2,649
Interest-bearing					
Borrowings	4.04%	142,474	150,584	-	293,058
Lease liability	2.93%	452	110	-	562
Total non-derivatives		145,575	150,694	-	296,269

* Trade payables restated based on the voluntary change in accounting policy detailed in note 4.

Note 28. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated 2023 $	Consolidated 2022 Restated* $
Short-term employee benefits **	2,318,703	1,631,669
Post-employment benefits	127,557	115,416
Share-based payments	44,372	132,576
	2,490,632	1,879,661

* Restated to correct error in prior year disclosure.
** Includes one-off amounts in relation to compensation of outgoing key management personnel.

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 2023 $'000	Consolidated 2022 $'000
Rights granted to employees under the rights plan	69	243

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company:

	Consolidated 2023 $	Consolidated 2022 Restated* $
Audit services - Pitcher Partners		
Audit or review of the financial statements	300,000	274,162
Other services - Pitcher Partners		
Other assurance and agreed upon procedures	15,000	23,000
Tax advisory	30,188	35,155
	345,188	332,317

* Restated based on additional fees agreed and paid post 30 June 2022

Note 30. Contingent liabilities

There are 3 rental guarantees in total of $389,038 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.

An Earlypay subsidiary, 1stCash Pty Ltd has been joined in litigation against the receivers of a prior 1stCash client. The Commonwealth is suing the receivers in relation to approximately $631,000 in government-funded employment entitlements, it claims were incorrectly paid to former employees. Earlypay acquired 1stCash Pty Ltd from Thorn Group in 2018 and the receivers are relying on a deed of indemnity entered into prior to the acquisition. The client account in question was not part of the acquisition and Earlypay does not believe it has any liability associated with this matter.

Note 31. Commitments

There are no capital commitments as at 30 June 2023 (FY22: Nil)

Note 32. Related party transactions

Parent entity
Earlypay Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 $'000	2022 $'000
(Loss)/profit after income tax	(3,327)	10,138
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(3,327)	10,138

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2023 $'000	2022 $'000
Total current assets	17,613	24,833
Total non-current assets	189,173	197,080
Total assets	206,786	221,913
Total current liabilities	133,462	141,440
Total non-current liabilities	29,818	34,941
Total liabilities	163,280	176,381
Net assets	43,506	45,532
Equity		
Issued capital	74,702	73,470
Share-based payments reserve	312	243
Accumulated losses	(31,508)	(28,181)
Total equity	43,506	45,532

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Other than guarantees detailed in note 35, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	2022 %
Subsidiaries			
CMLPayroll 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%
The Invoice Exchange Pty Ltd	Australia	100%	100%
Earlypay EST Pty Ltd	Australia	100%	100%
1st Cash Pty Limited	Australia	100%	100%
180 Group Pty Limited	Australia	100%	100%
Wholly-owned entity:			
180 Capital Funding Pty Limited	Australia		
Classic Funding Group Pty Ltd	Australia	100%	100%
Wholly-owned entities:			
Classic Cash Flow Solutions Pty Ltd	Australia		
Classic Clean Energy Finance Pty Ltd	Australia		
Classic Finance Pty Ltd	Australia		
The Leasing Centre Pty Ltd	Australia		
CF Management Services Pty Ltd	Australia		
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%

* In the process of voluntary deregistered as at 30 June 2023. Deregistration occurred in July 2023.

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Earlypay Ltd
CML Payroll Pty Ltd
Cashflow Finance Australia Pty Limited

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Earlypay Ltd, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2023 $'000	2022 $'000
Revenue	(16,133)	19,949
(Loss)/profit before income tax benefit/(expense)	(16,133)	19,949
Income tax benefit/(expense)	5,511	(570)
(Loss)/profit after income tax benefit/(expense)	(10,622)	19,379
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	(10,622)	19,379

Equity - (accumulated losses)/retained profits	2023 $'000	2022 $'000
(Accumulated losses)/retained profits at the beginning of the financial year	1,889	(9,909)
(Loss)/profit after income tax benefit/(expense)	(10,622)	19,379
Dividends paid	-	(7,581)
(Accumulated losses)/retained profits at the end of the financial year	(8,733)	1,889

Note 35. Deed of cross guarantee (continued)

Statement of financial position	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	35,846	26,669
Trade receivables (invoice finance)	256,433	268,802
Income tax receivable	6,088	1,982
Other assets	16,477	18,853
	314,844	316,306
Non-current assets		
Property, plant and equipment	161	197
Intangibles assets	28,702	29,191
Deferred tax asset	5,699	2,643
	34,562	32,031
Total assets	349,406	348,337
Current liabilities		
Trade and other payables	113,019	92,842
Borrowings	137,348	142,479
Lease liabilities	363	452
Employee benefits	1,043	1,029
Other liabilities	882	298
	252,655	237,100
Non-current liabilities		
Borrowings	28,742	34,898
Lease liabilities	1,006	110
Employee benefits	281	186
	30,029	35,194
Total liabilities	282,684	272,294
Net assets	66,722	76,043
Equity		
Issued capital	74,702	73,470
Reserves	753	684
(Accumulated losses)/retained profits	(8,733)	1,889
Total equity	66,722	76,043

Note 36. Share-based payments

Options
There were no options granted, exercised or outstanding during the year ended 30 June 2023.

Set out below is the summary of options granted to Mr. Daniel Riley for the year ended 30 June 2022:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised*	Expired/ forfeited/ bought back*	Balance at the end of the year
17/03/2017	09/03/2022	$0.27	10,000,000	-	(3,850,000)	(6,150,000)	-
			10,000,000	-	(3,850,000)	(6,150,000)	-

Note 36. Share-based payments (continued)

* These options were exercised and cancelled as part of a zero cash arrangement whereby (a) the exercise of 3,850,000 options for consideration of $1,135,750, were offset by (b) the buyback of 6,150,000 options by the Company, at market price less the exercise price, for consideration of $1,135,750.

The weighted average share price during the year ended 30 June 2022 was $0.48.

Performance rights
The Group maintains a performance rights program to motivate executives to achieve long term performance targets.

Common features

Feature	Description
Instrument	Performance rights being a right to receive a share subject to performance and vesting conditions.
Opportunity	15% to 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.
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. Vested rights will be exercised automatically and the Board will determine the value of the rights and the extent to which that value is to be provided in the form of cash, and/or 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) 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; d) 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'.
Termination	Continued service during the whole Measurement Period is not a requirement in order for performance rights to vest. However, performance rights granted in the financial year of the termination and which are held at the date of termination (and unvested), will be forfeited in the proportion that the remainder of the financial year following the termination bears to the full financial year (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.

Note 36. Share-based payments (continued)

Specific features

2023 grants

Performance period	July 2022: 3 years (1 July 2022 to 30 June 2025).
Vesting date	1 October 2025

Performance level	EPS tranche 1	TSR tranche 2	ROE tranche 3	Vesting % of tranche
Threshold	2.5%	8%	13.5%	25%
Between threshold and target	2.5% to 5%	8% to 10%	13.5% to 14.5%	Pro-rata
Target	5%	10%	14.5%	50%
Between target and stretch	5% to 7.5%	10% to 16%	14.5% to 16.5%	Pro-rata
Stretch	7.5%	16%	16.5%	100%
No. of rights	820,128	820,128	820,128	

2022 grants

Performance period	July 2021: 3 years (1 July 2021 to 30 June 2024).
Vesting date	1 October 2024

Performance level	EPS tranche 1	TSR tranche 2	ROE tranche 3	Vesting % of tranche
Threshold	5%	10%	13.5%	25%
Between threshold and target	5% to 7.5%	10% to 12%	13.5% to 14.5%	Pro-rata
Target	7.5%	12%	14.5%	50%
Between target and stretch	7.5% to 10%	12% to 18%	14.5% to 16.5%	Pro-rata
Stretch	10%	18%	>16.5%	100%
No. of rights	907,538	907,538	907,537	

Performance rights movements

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/11/2021	01/10/2024	N/A	2,722,613	-	-	-	2,722,613
16/12/2022	01/10/2025	N/A	-	2,460,384	-	-	2,460,384
			2,722,613	2,460,384	-	-	5,182,997

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/11/2021	01/10/2024	N/A	-	2,722,613	-	-	2,722,613
			-	2,722,613	-	-	2,722,613

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.73 years (2022: 2.26 years).

Note 36. Share-based payments (continued)

Fair value
The fair value of performance rights has been determined as follows.

2023	No. of rights	Fair value $'000
Market conditions	1,727,666	311
Non-market conditions	3,455,331	0*
	5,182,997	311

* Relates to Tranche 1 and Tranche 3 performance rights. Based on performance to date, non-market conditions are not forecast to be met

Fair value at grant date for new market conditions grants:

Grant date	Expiry date	No. of rights	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/12/2022	01/10/2025	820,128	$0.34	-	-	-	$0.185

2022	No. of rights	Fair value $'000
Market conditions	907,538	160
Non-market conditions	1,815,075	83
	2,722,613	243

Fair value at grant date for new market conditions grants:

Grant date	Expiry date	No. of rights	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/11/2021	01/10/2024	907,538	$0.47	-	-	-	$0.185

The share-based payments expense (and change in share-based payments reserve) based on the change in fair value was $69,000 for the year ended 30 June 2023 (2022: $243,000).

The fair value of the performance 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.

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. 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.

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 36. Share-based payments (continued)

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 37. Events after the reporting period

The program to restructure Earlypay's wholesale funding program remains in progress. On 11 August 2023 mandated a major Australian bank as arranger in the connection with the establishment of an Invoice and Trade Finance Warehouse Securitisation facility.

On 24 August 2023 Earlypay announced an on-market share buy-back of up to 28,000,000 ordinary fully paid shares. The share buy-back is for a period of 12 months from 12 September 2023.

No other matter or circumstance has arisen since 30 June 2023 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- 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
- there are reasonable grounds to believe that the members of the extended closed Group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.

The directors have been given declarations as required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

21 September 2023
Sydney

Pitcher Partners Sydney Partnership

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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 2023, 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 2023 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 Finance and Equipment Finance Revenue Refer to Note 6 Revenue	
We focused our audit effort on the accuracy and occurrence of invoice finance and equipment finance revenue as it represents the most significant driver of the Group's financial performance. For the year ended 30 June 2023 the Group generated \$43.7 million of invoice finance revenue and \$16.9 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.	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 over the amount and timing of revenue recognised 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 contracts to agree that interest revenue was calculated using the effective interest rate method in accordance with the rates applicable under the contract and AASB 9 *Financial Instruments*; and • Evaluating the adequacy of disclosures in the financial statements.

Key Audit Matters (Continued)

Key Audit Matter	How our Audit Addressed the Matter
Existence and Valuation of Trade (Invoice Finance) and Equipment Finance Receivables Refer to Note 13 Trade Receivables (Invoice Finance) and Note 14 Equipment Finance Receivables	
We focused our audit effort on the existence and valuation of the Group's trade receivables (invoice finance) and equipment finance receivables as they represent the largest assets and most significant drivers of the Group's Net Assets. As at 30 June 2023 the Group had trade receivables (invoice finance) of $154.9 million and equipment finance receivables of $109.5 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 receivables (invoice finance) and equipment finance receivables is a key audit matter due to the significant judgements used with the ECL model and the inherent estimation uncertainty in its determination.	Our procedures included, amongst others: • Understanding and assessing management's methodology for determining 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 finance and finance lease receivables; • Assessing management's methodology for determining the allowance for expected credit losses to ensure it is in accordance with AASB 9 *Financial Instruments;* • Obtaining independent debtor confirmations for a sample of receivable balances; and, • Evaluating the adequacy of disclosures in the financial statements.

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 2023 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 11 to 18 of the Directors' Report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Earlypay Limited, for the year ended 30 June 2023, 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.

Rod Shanley
Partner

Pitcher Partners
Sydney

21 September 2023

The shareholder information set out below was applicable as at 14 September 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Holdings Ranges	Number of holders of ordinary shares	Total Units Held	% Held	Number of holders of performance rights	Total Units Held	% Held
1-1,000	128	21,489	0.01	-	-	-
1,001-5,000	440	1,167,648	0.40	-	-	-
5,001-10,000	321	2,905,406	1.00	-	-	-
10,001-100,000	601	21,758,461	7.50	1	91,242	1.76
100,001 and over	218	264,075,686	91.09	11	5,091,755	98.24
	1,708	**289,928,690**	**100.00%**	**12**	**5,182,997**	**100.00%**
Holding less than a marketable parcel	321	334,842				

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
COG FINANCIAL SERVICES LIMITED	58,382,023	20.14
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	38,787,956	13.38
CITICORP NOMINEES PTY LIMITED	31,813,957	10.97
THE BEESON SUPER FUND PTY LTD <THE BEESON SUPER FUND A/C>	12,871,401	4.44
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,911,258	4.11
UBS NOMINEES PTY LTD	10,833,002	3.74
G & A RILEY INVESTMENTS PTY LIMITED <GREG & ANN RILEY SMSF P A/C>	10,441,803	3.60
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	4,342,433	1.50
G & A RILEY INVESTMENTS PTY LIMITED <G & A RILEY SMSF A/C>	4,249,595	1.47
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,458,723	1.19
MR JAMES BEESON + MRS ESTHER BEESON <THE BEESON FAMILY A/C>	3,081,052	1.06
ONE FUND SERVICES LTD <SANDON CAPITAL ACTIVIST A/C>	2,698,223	0.93
GUERILLA NOMINEES PTY LTD <TOOTH RETIREMENT PLAN A/C>	2,228,255	0.77
ANNANDALE SUPER PTY LTD <SAM FAMILY SUPER FUND A/C>	2,127,068	0.73
WEEWAC PTY LTD <WARRIOR SUPER FUND A/C>	2,010,007	0.69
ROSSBOW PTY LTD <ANDREW MACPHERSON TDT A/C>	1,880,000	0.65
TECTCORP PTY LTD <HERBERT-SMITH FAMILY S/F A/C>	1,873,159	0.65
SEED CAPITAL PTY LTD <FITZROY VALUE FUND A/C>	1,872,000	0.65
VIP EXECUTIVE PTY LTD <VIP EXECUTIVE SUPER FUND A/C>	1,842,668	0.64
DMX CAPITAL PARTNERS LIMITED	1,604,762	0.55
	208,309,345	71.86

Unquoted securities

Performance rights	5,182,997

There are no persons holding 20% or more of unquoted equity securities

Substantial holders
Substantial holders in the Company are set out below based on substantial shareholder notices lodged on the ASX:

	Ordinary shares	
	Number held	% of total shares issued
COG FINANCIAL SERVICES LIMITED	56,458,617	19.87
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	36,897,288	12.73
THE BEESON SUPER FUND PTY LTD <THE BEESON SUPER FUND A/C>	15,952,453	5.52
MITSUBISHI UFJ FINANCIAL GROUP, INC.	15,161,713	5.23
COMMONWEALTH BANK OF AUSTRALIA	14,849,385	5.12

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Unlisted performance rights
The unlisted performance rights on issue do not carry any voting rights.

There are no other classes of equity securities.

Buy back
The Company is currently conducting an on-market buy-back which was announced to the ASX on 24 August 2023 up to 28,000,000 shares with a start date of 12 September 2023. As at the date of this shareholder information, no shares have been bought back.