



Half Year Report 2024

Earlypay Limited

ABN 88 098 952 277

1. Company details

Name of entity:	Earlypay Ltd
ABN:	88 098 952 277
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	(12.9%) to	27,766
Profit from ordinary activities after tax attributable to the owners of Earlypay Ltd	up	136.7% to	1,993
Net profit for the year attributable to the owners of Earlypay Ltd	up	136.7% to	1,993
Adjusted profit after tax attributable to the owners of Earlypay Ltd	up	146.0% to	2,245

Comments

The profit for the Group after providing for income tax amounted to \$1,993,000 (31 December 2022: loss of \$5,425,000).

To reflect the Group's normalised earnings, the net profit after tax has been adjusted to remove non-recurring costs and one-off gains/losses. Adjustments for the period of \$0.252m (tax effected) relate to transaction costs associated with the acquisition of the Timelio business combination. The adjusted profit after tax was \$2,245,000 (31 December 2022: loss of \$4,925,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	13.02	12.85

The net tangible assets exclude intangible assets and deferred tax assets but include right-of-use assets.

4. Control gained over entities

Not applicable

5. Loss of control over entities

Entities voluntary deregistered during the period:

1. Zenith Management Services Group Pty Limited
2. Lester Payroll Services Pty Limited
3. Lester Associates Good Migration Pty Limited
4. Lester Associates Business Services Pty Limited

6. Dividends

Current period

No dividends have been declared for the interim period ended 31 December 2023.
No dividends were declared or paid for the year ended 30 June 2023.

Previous period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the period ended 31 December 2022 (paid 7 April 2022)	1.40	1.40
Final dividend for the year ended 30 June 2022 (paid 7 October 2022)	1.80	1.80

7. Dividend reinvestment plans ('DRP')

Not applicable

8. Details of associates and joint venture entities

Not applicable

9. Foreign entities

Details of origin of accounting standards used in compiling the report (if any):

Not applicable

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Earlypay Ltd for the half-year ended 31 December 2023 is attached.

12. Signed

Signed 

James Beeson
Managing Director
Sydney

Date: 22 February 2024

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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 half-year ended 31 December 2023.

Directors

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

Geoffrey Sam - Independent Non-Executive Director, Chairperson
James Beeson - Managing Director
Sue Healy - Independent Non-Executive Director
Ilkka Tales - Independent Non-Executive Director
Stephen White - Non-Executive Director

Principal activities

The Group's principal activity during the half-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 these activity during the half-year.

Review of operations

Conditions for many Australian SMEs remained challenging, driving both an increase in insolvency levels across the economy, and the demand for cash flow from SMEs. Invoice financing is generally well suited to difficult economic conditions given it is secured by debtor receivables, often enabling the provision of finance when other lending products become less available. As a result, demand has been robust although the Group has maintained a conservative risk appetite for new business during the period.

During the half-year, the Group continued to reduce large, single client exposures and actively managed the invoice finance portfolio composition to be less concentrated and more diversified both at a client and debtor level. Invoice finance receivables (excluding Timelio acquisition, see below) declined during the period, impacting interest income and net revenue.

Trade finance continues to be offered selectively to high quality invoice finance clients only. Equipment financing origination was modest during the half-year and the book declined during the period.

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

Consolidated group

- Revenue of \$27.8m, down 12.9% on prior comparative period ("pcp")
- Net revenue of \$18.2m, down 18.6% on pcp
- Interest income of \$16.1m, down 12.6% on pcp
- Credit impairment expense of \$0.9m (1H'23: \$14.1m)
- Profit before tax of \$2.8m (1H'23: loss \$7.5m)

Invoice finance

- Net revenue of \$14.3m, down 19.5% on pcp
- Net interest margin of \$4.4m, down 28.9% on pcp
- Admin and other fees of \$9.9m, down 14.5% on pcp
- Credit impairment expense of (\$0.3m) (1H'23: \$13.8m)

Equipment finance

- Net revenue of \$3.6m, down 28.2% pcp
- Net interest margin of \$2.3m, down 23.8% on pcp
- Credit impairment expense of \$1.2m (1H'23: \$0.3m)

Statement of financial position

As at 31 December 2023, there was a surplus in net assets to net liabilities of \$75.4m (30 June 2023: \$73.5m) as well as in net tangible assets to net liabilities of \$37.7m (30 June 2023: \$38.7m)

Client receivables

Trade receivables (invoice finance) decreased by 0.4% to \$154.2m (net of provisions).
Equipment finance receivables decreased by 8.1% to \$100.6m (net of provisions).

New lease

Earlypay entered a new 4-year lease for its Brisbane office in November 2023. 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 4.0% per annum.

Borrowings

Borrowings decreased by \$5.3m to \$273.7m. Refer to note 11 in the financial statements for more details of the Group's borrowings.

Significant changes in the state of affairs

On 13 November 2023 the Group acquired selected assets from Timelio Pty Ltd., a specialist invoice and trade finance provider. The acquired assets included approximately \$33m of invoice finance receivables and \$5m of trade finance receivables. The portfolio was subject to detailed due diligence to ensure the assets met Earlypay's risk appetite and underwriting standards. Many of the acquired customers had joined Timelio through its acquisition of the Bendigo Bank portfolio purchase in 2022. A number of Timelio staff were also offered employment by Earlypay to enhance its capabilities across Client Management, Finance, Marketing and Technology.

On 11 December 2023 the Group resolved all outstanding legal proceedings relating to the Revroof Pty Ltd ("RevRoof") recovery process. Approximately \$8.4m of proceeds from the sale of the RevRoof business held in trust pending the resolution were released. As at 31 December 2023, \$1.4m of RevRoof related invoices were outstanding and subject to on-going collection.

On 21 December 2023, Earlypay entered into a \$220m invoice and trade finance senior warehouse facility with a major Australian Bank associated with the new Earlypay Invoice Finance Trust ("EIFT").

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. During the period ended 31 December 2023, 165,532 ordinary shares were bought back for \$34,000.

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

Matters subsequent to the reporting period

Major components of the program to restructure Earlypay's wholesale funding program were completed after the half-year as follows:

- the Group's existing invoice finance facility was refinanced and assets transferred to the new EIFT on 22 January 2024;
- the Group's existing trade finance facility was refinanced and assets transferred to the new EIFT on 14 February 2024; and
- an equipment finance facility with a non-bank provider was refinanced and the assets transferred to the Group's main equipment finance trust (the Classic Equipment Finance Trust, "CEFT") on 24 January 2024.

On 13 February 2024, the Group reported a breach of a portfolio parameter in respect of the securitised equipment finance warehouse facility. The parameter places a limit on the portfolio exposure to a specific asset class. Earlypay is working with the Trust's senior and mezzanine providers to either remedy or waive the breach. If remedy or waiver is not agreed, the repayment date of the facility will be earlier than its maturity date.

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.

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

On behalf of the Directors



James Beeson
Managing Director

22 February 2024
Sydney

Pitcher Partners Sydney

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

In relation to the independent auditor's review of Earlypay Limited and its Controlled Entities for the half-year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



Rod Shanley
Partner

Pitcher Partners
Sydney

22 February 2024

		Consolidated	
	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue			
Interest income	4	16,139	18,464
Interest expense	5	(9,575)	(9,516)
Net interest income		6,564	8,948
Other income	4	11,627	13,401
Net revenue		18,191	22,349
Expenses			
Credit impairment expense	6	(928)	(14,071)
Commissions expense		(1,210)	(1,625)
Consultancy expense		(738)	(564)
Depreciation and amortisation expense		(742)	(1,030)
Employee benefits expense		(6,861)	(8,162)
Insurance expense		(915)	(921)
IT expense		(657)	(634)
Legal expense		(1,656)	(902)
Marketing expense		(260)	(278)
Trust expense		(242)	(192)
Other expenses		(1,149)	(1,516)
Total expenses		(15,358)	(29,895)
Profit/(loss) before income tax (expense)/benefit		2,833	(7,546)
Income tax (expense)/benefit		(840)	2,121
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Earlypay Ltd		1,993	(5,425)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Earlypay Ltd		1,993	(5,425)
		Cents	Cents
Basic earnings/ (loss) per share		0.69	(1.88)
Diluted earnings/ (loss) per share		0.68	(1.88)

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

		Consolidated	
	Note	31 Dec 2023	30 Jun 2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	56,237	52,986
Trade receivables (invoice finance)	8	154,170	154,865
Equipment finance receivables	9	35,201	38,458
Income tax receivable		4,861	3,016
Other assets		2,924	3,607
Total current assets		253,393	252,932
Non-current assets			
Equipment finance receivables	9	65,448	71,037
Property, plant and equipment		349	206
Right-of-use assets		1,804	1,318
Intangible assets	10	32,544	28,784
Deferred tax asset		5,182	6,022
Total non-current assets		105,327	107,367
Total assets		358,720	360,299
Liabilities			
Current liabilities			
Trade and other payables		3,171	4,251
Borrowings	11	143,860	137,346
Lease liabilities		429	363
Employee benefits		1,174	1,043
Other liabilities		3,087	882
Total current liabilities		151,721	143,885
Non-current liabilities			
Borrowings	11	129,797	141,643
Lease liabilities		1,454	1,006
Employee benefits		305	281
Total non-current liabilities		131,556	142,930
Total liabilities		283,277	286,815
Net assets		75,443	73,484
Equity			
Issued capital	12	74,668	74,702
Reserves		312	753
Retained profits/ (accumulated losses)		463	(1,971)
Total equity		75,443	73,484

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

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 half-year	-	-	(5,425)	(5,425)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive (loss)/ income for the half-year	-	-	(5,425)	(5,425)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,232	-	-	1,232
Dividends paid (note 13)	-	-	(5,168)	(5,168)
Balance at 31 December 2022	74,702	684	348	75,734

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2023	74,702	753	(1,971)	73,484
Profit after income tax expense for the half-year	-	-	1,993	1,993
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive (loss)/ income for the half-year	-	-	1,993	1,993
<i>Transactions with owners in their capacity as owners:</i>				
Transfer from general reserve	-	(441)	441	-
Share buy-back	(34)	-	-	(34)
Balance at 31 December 2023	74,668	312	463	75,443

Note	Consolidated	
	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Receipts from customers	12,655	14,468
Interest received from customers	16,139	18,464
Payments to suppliers and employees	(16,039)	(15,768)
Interest received - other	353	213
Finance costs paid	(9,575)	(9,516)
Income taxes paid	(1,845)	(1,096)
Net cash from operating activities	1,688	6,765
Cash flows from investing activities		
Payments for property, plant and equipment	(216)	(33)
Payments for intangible assets	(477)	(328)
Net receipts/(payments) for client receivables	38,737	(22,911)
Net payments for client receivables – business combination	(38,024)	-
Net receipts for equipment lease receivables	7,362	512
Net cash from/(used in) investing activities	7,382	(22,760)
Cash flows from financing activities		
Proceeds from borrowings	3,058	35,935
Proceeds from borrowings – business combination	32,000	-
Payments for share buy-backs	(34)	-
Dividends paid, net of reinvestment	-	(3,936)
Repayment of borrowings	(40,603)	-
Repayment of lease liabilities	(240)	(274)
Net cash (used in)/from financing activities	(5,819)	31,725
Net increase in cash and cash equivalents	3,251	15,730
Cash and cash equivalents at the beginning of the financial half-year	52,986	52,707
Cash and cash equivalents at the end of the financial half-year	56,237	68,437

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 22 February 2024.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have a significant impact for the full financial year ending 30 June 2024.

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

Note 3. 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.

Note 3. Operating segments (continued)

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.

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.

Operating segment information

	Invoice finance \$'000	Equipment finance \$'000	Unallocated / Corporate \$'000	Total \$'000
Consolidated - 31 Dec 2023				
Revenue				
Interest income	10,715	5,424	353	16,492
Interest expense	(6,340)	(3,174)	(61)	(9,575)
Net interest income	4,375	2,250	292	6,917
Other income	9,906	1,368	-	11,274
Net revenue	14,281	3,618	292	18,191
Operating expenses	(10,557)	(2,023)	(1,108)	(13,688)
Credit impairment expense	264	(1,192)	-	(928)
Depreciation and amortisation expenses	(656)	(60)	(26)	(742)
Profit/(loss) before income tax expense	3,332	343	(842)	2,833
Income tax expense				(840)
Profit after income tax expense				1,993
Assets				
Segment assets	157,857	100,649	100,214	358,720
Total assets				358,720
Liabilities				
Segment liabilities	172,005	94,741	16,531	283,277
Total liabilities				283,277

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2022	Invoice finance \$'000	Equipment finance \$'000	Unallocated / Corporate \$'000	Total \$'000
Revenue				
Interest income	11,178	7,286	213	18,677
Interest expense	(5,027)	(4,333)	(156)	(9,516)
Net interest income	6,151	2,953	57	9,161
Other income	11,582	1,606	-	13,188
Net revenue	17,733	4,559	57	22,349
Operating expenses	(9,952)	(3,075)	(1,766)	(14,793)
Credit impairment expense	(13,785)	(286)	-	(14,071)
Depreciation and amortisation expenses	(433)	(72)	(26)	(531)
Amortisation expense – customer relationship	-	-	(500)	(500)
(Loss)/profit before income tax benefit	(6,437)	1,126	(2,235)	(7,546)
Income tax benefit				2,121
Loss after income tax benefit				(5,425)
Assets				
Segment assets	154,865	109,495	95,939	360,299
Total assets				360,299
Liabilities				
Segment liabilities	169,418	108,097	9,300	286,815
Total liabilities				286,815

Note 4. Revenue

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Services		
Invoice finance – interest income	10,715	11,178
Invoice finance – origination fees and costs	272	348
Invoice finance – revenue from contracts with customers	9,634	11,234
	20,621	22,760
Equipment finance – interest income	5,424	7,286
Equipment finance – origination fees and costs	696	847
Equipment finance – revenue from contracts with customers	672	759
	6,792	8,892
Other – interest income	353	213
Total revenue	27,766	31,865
Interest income	16,139	18,464
Other income	11,627	13,401
Total revenue	27,766	31,865

Note 5. Interest expense

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Interest expense	9,524	9,498
Interest on lease liabilities	51	18
	<u>9,575</u>	<u>9,516</u>

Note 6. Credit impairment expense

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Receivables written-off during the period as bad debts	4,828	125
Net movement in expected credit losses	(3,900)	13,946
	<u>928</u>	<u>14,071</u>

Note 7. Cash and cash equivalents

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current assets</i>		
Cash at bank and in hand	43,060	45,240
Cash at bank – restricted cash*	13,177	7,746
	<u>56,237</u>	<u>52,986</u>

* Restricted cash relates to cash that is not available for the Group's operations. It is held on trust by the Trustee of borrowing vehicles.

Note 8. Trade receivables (invoice finance)

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Client receivables</i>		
Trade receivables (invoice finance)	328,462	272,136
Less: Trade payables (invoice finance)	(171,395)	(109,707)
Net trade receivables (invoice finance)	<u>157,067</u>	<u>162,429</u>
Less: Allowance for expected credit losses	(2,897)	(7,564)
Net client receivables	<u>154,170</u>	<u>154,865</u>

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.

Note 8. Trade receivables (invoice finance) (continued)

Impairment of trade receivables (invoice finance)

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance	7,564	2,703
Changes in expected credit losses	(264)	16,400
Increase through acquisition of business combination	425	-
Receivables written-off during the year as uncollectable	(4,828)	(11,539)
Closing balance	<u>2,897</u>	<u>7,564</u>

Credit risk profile of trade receivables (invoice finance)

	Expected credit loss rate %	Gross receivables amount \$'000	Eligible invoices \$'000	Allowance for ECL \$'000
31 December 2023				
<i>Stage 1/2</i>				
Not overdue	0.46%	185,171	168,972	848
Less than 30 days overdue	0.57%	78,909	67,592	447
30 - 60 days overdue	1.97%	18,524	16,099	365
60 - 90 days overdue	4.72%	5,859	1,805	276
Over 90 days overdue	-	24,477	-	-
		<u>312,940</u>	<u>254,468</u>	<u>1,936</u>
<i>Stage 3</i>				
Credit impaired	6.20%	15,521	-	962
		<u>15,521</u>	<u>-</u>	<u>962</u>
		<u>328,461</u>	<u>254,468</u>	<u>2,898</u>
30 June 2023				
<i>Stage 1/2</i>				
Not overdue	0.51%	126,499	118,866	645
Less than 30 days overdue	0.69%	85,951	82,920	598
30 - 60 days overdue	2.41%	17,108	16,712	413
60 - 90 days overdue	6.12%	9,647	3,536	590
Over 90 days overdue	-	12,699	-	-
		<u>251,904</u>	<u>222,034</u>	<u>2,246</u>
<i>Stage 3</i>				
Credit impaired	26.29%	20,232	-	5,318
		<u>20,232</u>	<u>-</u>	<u>5,318</u>
		<u>272,136</u>	<u>222,034</u>	<u>7,564</u>

Note 9. Equipment finance receivables

Consolidated
31 Dec 2023 30 Jun 2023
\$'000 \$'000

Current assets

Equipment finance receivables	42,369	44,248
Less: Allowance for expected credit losses	(1,116)	(684)
Add: Unamortised loan brokerage fees	976	965
Less: Unamortised loan transaction fees	(1,123)	(438)
Less: Unamortised interest receivable	(5,905)	(5,633)
	<u>35,201</u>	<u>38,458</u>

Non-current assets

Equipment finance receivables	80,996	87,162
Less: Allowance for expected credit losses	(1,950)	(1,190)
Add: Unamortised loan brokerage fees	2,183	2,348
Less: Unamortised loan transaction fees	(2,081)	(3,173)
Less: Unamortised interest receivable	(13,700)	(14,110)
	<u>65,448</u>	<u>71,037</u>
	<u>100,649</u>	<u>109,495</u>

Impairment of equipment finance receivables

Consolidated
31 Dec 2023 30 Jun 2023
\$'000 \$'000

Opening balance	1,874	1,427
Increase from origination and changes in expected cash flows	1,192	929
Receivables written-off during the year as uncollectable	-	(482)
	<u>3,066</u>	<u>1,874</u>

Credit risk profile of equipment finance receivables

Consolidated	Expected credit loss rate		Carrying amount		Allowance for ECL	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	%	%	\$'000	\$'000	\$'000	\$'000
<i>Stage 1/2</i>						
Not overdue	1.2%	0.9%	118,145	128,953	1,378	1,214
Less than 30 days overdue	1.8%	1.6%	392	35	7	1
30 - 60 days overdue	14.6%	3.2%	41	16	6	1
60 - 90 days overdue	19.2%	6.3%	26	10	5	1
Over 90 days overdue	29.2%	20.0%	106	209	31	42
			<u>118,710</u>	<u>129,223</u>	<u>1,427</u>	<u>1,259</u>
<i>Stage 3</i>						
Credit impaired	35.2%	28.2%	4,655	2,187	1,639	615
			<u>4,655</u>	<u>2,187</u>	<u>1,639</u>	<u>615</u>
			<u>123,365</u>	<u>131,410</u>	<u>3,066</u>	<u>1,874</u>

Note 10. Intangible assets

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	27,775	27,775
Customer relationships - at cost	12,239	8,550
Less: Accumulated amortisation	(8,550)	(8,550)
	3,689	-
Software - at cost	3,703	3,226
Less: Accumulated amortisation	(2,623)	(2,217)
	1,080	1,009
	<u>32,544</u>	<u>28,784</u>

Reconciliations

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

	Goodwill \$'000	Customer relationships \$'000	Software \$'000	Total \$'000
Consolidated				
Balance at 1 July 2023	27,775	-	1,009	28,784
Additions	-	3,689	477	4,166
Amortisation expense	-	-	(406)	(406)
Balance at 31 December 2023	<u>27,775</u>	<u>3,689</u>	<u>1,080</u>	<u>32,544</u>

Note 11. Borrowings

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current liabilities</i>		
Receivables financing facility – bank **	136,694	135,874
Receivables equipment financing - non-bank **	6,675	-
Insurance premium funding	491	1,474
Securitised debtor finance warehouse facility – A note and overdraft*	-	(2)
	<u>143,860</u>	<u>137,346</u>
<i>Non-current liabilities</i>		
Securitised equipment finance warehouse facility - A note	68,965	71,365
Securitised equipment finance warehouse facility - B note	19,790	19,769
Securitised trade finance warehouse facility - A note **	18,557	18,439
Securitised trade finance warehouse facility - B note **	3,342	3,328
Receivables equipment financing - non-bank **	-	9,660
Corporate bond no. 2	19,143	19,082
	<u>129,797</u>	<u>141,643</u>
	<u>273,657</u>	<u>278,989</u>

* The Securitised debtor finance warehouse facility is a legacy facility and the trust was wound up in September 2023.

** These facilities were refinanced post 31 December 2023, see note 15.

Note 11. Borrowings (continued)

Financing arrangements

Terms and access available at the reporting date:

Facility	Average interest rate %	Maturity	Total facility \$'000	31 Dec 2023 (used) \$'000	31 Dec 2023 (unused) \$'000	30 Jun 2023 (used) \$'000	30 Jun 2023 (unused) \$'000
<i>Secured</i>							
Securitised equipment finance warehouse facility – A note	6.54%	June 2027	120,000	68,965	51,035	71,365	48,635
Securitised equipment finance warehouse facility – B note	5.80%	May 2029	20,000	19,790	210	19,769	231
Securitised trade finance warehouse facility – A note**	10.39%	April 2026	22,500	18,557	3,943	18,439	4,061
Securitised trade finance warehouse facility – B note**	12.39%	April 2026	3,750	3,342	408	3,328	422
Receivables equipment financing facility – non-bank**	9.75%	January 2024	25,000	6,675	18,325	9,660	15,340
Receivables financing facility – bank**	6.54%	April 2024	200,000	136,694	63,306	135,874	64,126
Securitised debtor finance warehouse facility – A and overdraft *	-		-	-	-	(2)	-
Total secured			391,250	254,023	137,227	258,433	132,815
<i>Unsecured</i>							
Insurance premium funding	2.05%	March 2024	491	491	-	1,474	-
Corporate bond no. 2	10.61%	December 2025	19,143	19,143	-	19,082	-
Total unsecured			19,634	19,634	-	20,556	-
Total borrowings			410,884	273,657	137,227	278,989	132,815

* The Securitised debtor finance warehouse facility is a legacy facility and the trust was wound up in September 2023.

** These facilities were refinanced post 31 December 2023, see note 15.

Note 12. Issued capital

	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Ordinary shares - fully paid	289,763,158	289,928,690	74,668	74,702

Note 12. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	289,928,690		74,702
Share buy-back	11 October 2023	(165,532)	\$0.21	(34)
Balance	31 December 2023	<u>289,763,158</u>		<u>74,668</u>

Share buy-back

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. During the period ended 31 December 2023, 165,532 ordinary shares were bought back for \$34,000.

Note 13. Dividends

Dividends

No dividends have been declared for the half-year ended 31 December 2023.

Dividends paid during the financial half-year were as follows:

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Final dividend for the year ended 30 June 2023 of nil cents (2022: 1.8 cents) per ordinary share	-	5,168

Franking credits

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	8,820	6,975

The above amounts represent the balance of the franking account as at the end of the financial half-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.

Note 14. Business combinations

Timelio Pty Ltd

On 13 November 2023, Earlypay Ltd acquired selected assets of Timelio Pty Ltd ('Timelio') for the total consideration of \$41,024,000. Timelio is a specialist invoice and trade finance provider to Australian SMEs. The acquisition was made primarily to grow existing invoice finance and trade finance customers and assets. A number of Timelio staff were also offered employment by Earlypay to enhance its capabilities across Client Management, Finance, Marketing and Technology. The values identified in relation to the acquisition of Timelio are final as at 31 December 2023.

Details of the acquisition are as follows:

	Fair value \$'000
Trade receivables (invoice finance)	38,024
Expected credit loss provision	(425)
Intangible – customer relationships	3,689
Employee liabilities assumed by Earlypay	(264)
Acquisition-date fair value of assets and liabilities	<u>41,024</u>
Representing:	
Cash paid to Timelio funding vehicle	38,024
Cash payable to vendor	1,285
Earlypay Ltd shares issuable to vendor	1,715
Acquisition-date fair value of the total consideration	<u>41,024</u>
Acquisition costs expensed to profit and loss	360

The customer relationship intangible will be amortised.

Since the acquisition date, the business combination has contributed revenue of \$804,000 and profit after tax (including attributable interest) of \$308,000 which is included in the consolidated statement of comprehensive income. Had the business combination occurred at the beginning of the half-year on the same basis, revenue and profit after tax of the Group for the half-year would have been \$3,217,000 and \$1,233,000 respectively.

At completion, no amount was immediately payable to the vendor. The full deferred consideration payable to the vendor (both cash and shares) is withheld via a hold-back mechanism for at least six months after completion and used to offset any post-acquisition credit losses relating to specified receivables. The deferred consideration is carried at amortised cost.

Note 15. Events after the reporting period

Major components of the program to restructure Earlypay's wholesale funding program were completed after the half-year as follows:

- the Group's existing invoice finance facility was refinanced and assets transferred to the new Earlypay Invoice Finance Trust ("EIFT") on 22 January 2024;
- the Group's existing trade finance facility was refinanced and assets transferred to the EIFT on 14 February 2024; and
- an equipment finance facility with a non-bank provider was refinanced and the assets transferred to the Group's main equipment finance trust (the Classic Equipment Finance Trust, "CEFT") on 24 January 2024.

On 13 February 2024, the Group reported a breach of a portfolio parameter in respect of the securitised equipment finance warehouse facility. The parameter places a limit on the portfolio exposure to a specific asset class. Earlypay is working with the Trust's senior and mezzanine providers to either remedy or waive the breach. If remedy or waiver is not agreed, the repayment date of the facility will be earlier than its maturity date.

No other matter or circumstance has arisen since 31 December 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



James Beeson
Managing Director

22 February 2024
Sydney

Pitcher Partners Sydney

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**Independent Auditor's Review Report
To the Members of Earlypay Limited
ABN 88 098 952 277****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of Earlypay Limited ("the Company") and its Controlled Entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Rod Shanley
Partner



Pitcher Partners
Sydney

22 February 2024