Condensed Consolidated Interim Financial Report.

For the half-year ended 31 December 2021

openpay Buy now. Pay smarter.

Contents.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report of Openpay Group Ltd for the year ended 30 June 2021 and any public announcements made by Openpay Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Openpay Group Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 9, 469 La Trobe Street, Melbourne VIC 3000. Its shares are listed on the Australian Securities Exchange.

The financial statements were authorised for issue by the directors on 24 February 2022.

Directors' Report.

31 December 2021

The Directors present their report, together with the condensed financial statements, on the consolidated entity consisting of Openpay Group Ltd ('Openpay', or 'the Company') and the entities it controlled ('the Consolidated Entity'; 'the Group') at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS AND COMPANY SECRETARY

The following people were directors of Openpay Group Ltd during the period:

Patrick Tuttle	Independent Chairman
Michael Eidel	Managing Director and CEO (Resigned 18 January 2022)
Sibylle Krieger	Independent Non-Executive Director
Yaniv Meydan	Non-Executive Director
Kelly Bayer Rosmarin	Independent Non-Executive Director (Resigned 15 January 2022)
David Phillips	Independent Non-Executive Director
Ed Bunting	Company Secretary

PRINCIPAL ACTIVITIES

Openpay Group Ltd (ASX: OPY) is a leading payments fintech, delivering smart and friendly solutions to pay and get paid.

Openpay delivers an omnichannel financing solution that extends beyond traditional Buy Now, Pay Later in the form of their next-generation "BNPL 2.0" product. BNPL 2.0 provides the gateway to complete transactions, up to $20,000 with payback terms of up to 24-months, across underserved BNPL verticals, including Automotive, Healthcare, Home Improvement, Memberships, Education, and Retail.

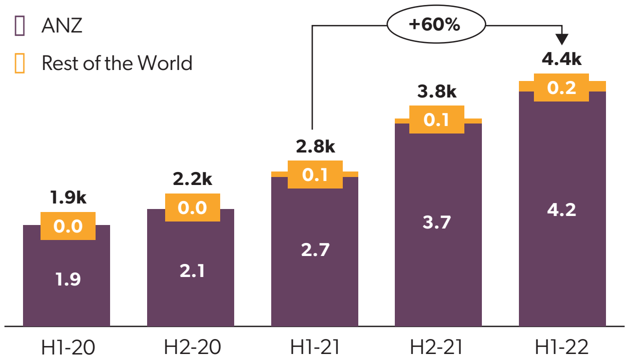
Openpay has fine-tuned its innovative products for both consumers and merchants, providing transparent terms with quick credit decisions and customisable payment plans for consumers, along with a B2B payment offering that facilitates end-to-end trade account management. Openpay operates in Australia and the United States (operating as Opy) and serves New Zealand and the United Kingdom.

REVIEW OF OPERATIONS

Openpay Group - growth across key metrics and strategic pivot

Across all the key metrics of Active Merchants, Active Customers, and Active Plans, Openpay Group experienced strong growth in the half-year to 31 December 2021.

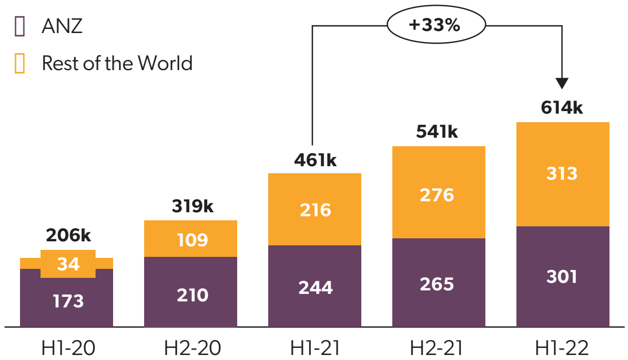
Active Merchants



Overall, the Group's number of Active Merchants grew 60% versus pcp (prior corresponding period - H1 FY21), with strong growth across all target verticals.

A key focus of Openpay's merchant acquisition strategy is to win aggregators and large merchants through strategic integration partnerships that can drive growth at scale. In ANZ, a sample of some wins included Nissan, AutoGuru, Kumho Tyres, Nexus Hospitals, Resound Audiology, and Sanity Music. In addition, Anaconda, Spotlight, and JD Sports all switched on with Openpay online to complement their existing instore offer. Major aggregator deals also went live with Apparel 21, Quest, Till Payments, and Accent Software's Insyte CRM. In the US, key half-year wins included PatientNow, Everyware, and American Express to add to previously announced global partnerships with ezyVet and WorldPay from FIS. In addition, Opy has also secured a confidential pilot with a large US healthcare insurance provider (with access to over 50 million customers) that has the potential to rapidly drive scale and value to the Opy business through the responsible funding of payment plans for patient healthcare procedures.

Active Customers

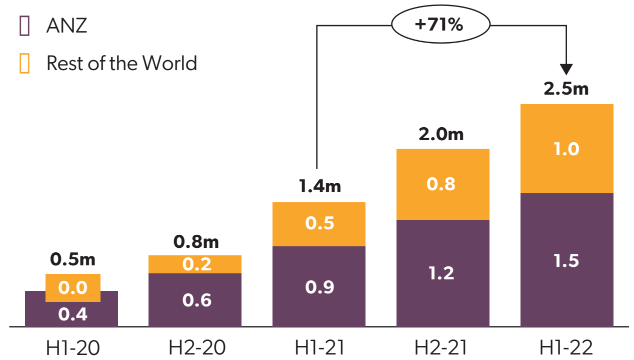


The Group's number of Active Customers increased 33% versus pcp to 614k with growth across most key verticals. Strong customer engagement and awareness led to 86% of the Group's plans being held by repeat customers, while 56% of the Group's Active Customers had multiple concurrent plans.

Directors' Report.

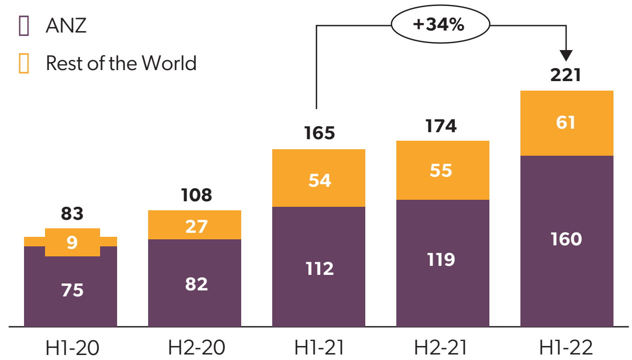
31 December 2021

Active Plans



The Group's number of Active Plans reached 2.5m in the half-year, an increase of 71% versus pcp, driven by strong contribution across key consumer segments, in particular Retail and the emerging new market in Education.

Total Transaction Value (TTV) ($m)



The robust growth across key indicators delivered record TTV for the Group of $221 million in the half-year, an increase of 34% versus pcp.

Openpay ANZ – Record TTV and strong growth across key metrics

Throughout the half-year, Openpay ANZ honed its focus on executing its highly targeted local strategy, with a key objective of achieving profitability within 12 to 18 months. Key pillars of the strategy include: improved customer experience in the omnichannel environment, enhancing merchant and customer growth, driving utilisation, and generating higher revenues with improved margins.

During the half-year, many major merchants and partners offered Openpay as a payment option to their customers, including but not limited to:

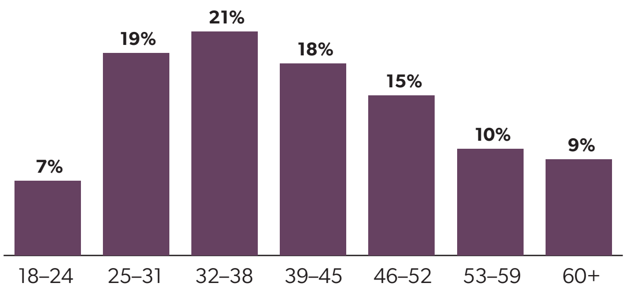
Openpay ANZ's number of Active Merchants grew 57% versus pcp to over 4,200 as at end H1 FY22, with strong growth across all target verticals helped by the successful launch of Openpay's automated self-service platform which significantly shortens and simplifies merchant signings and onboarding, while maintaining leading risk management capabilities.

Across the Company's target verticals, Openpay experienced strong progress with the **Retail** vertical continuing to deliver robust growth during peak trade through a focus on larger ticket transactions. In **Healthcare**, Openpay is a first-mover into hospitals and remains focused on solidifying its commanding position in dental, veterinary, audiology, and optometry.

The Company continues to grow its distribution as the leading provider in **Automotive**; car servicing, tyres, and aftermarket while increasing its commitment to new markets. The **Education** vertical started to gain significant momentum, with Active Plans for this vertical growing over 150% versus pcp.

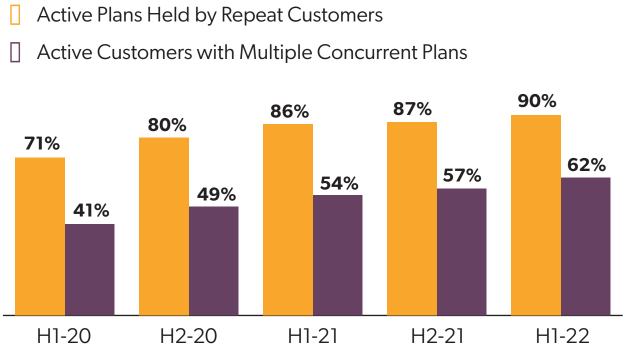
Openpay ANZ continues to drive customer growth through improved customer experience, including initiatives such as introducing standard customer pricing across merchants to provide transparency and consistency to where fees apply. During the half-year, the number of Active Customers grew 23% versus pcp to over 301,000 as at the end of H1 FY22. The Company's customers are mature, finance-savvy, and responsible purchasers that use Openpay as a budgeting tool for a broad range of lifestyle-related needs. The average age of our customers is over 40 years.

Customers by Age



Customer loyalty also continues to improve, with 62% of ANZ customers running multiple concurrent plans, and 90% of Active Plans being held by repeat customers. This is evidence that Openpay has a unique offering that customers access and use repeatedly.

Customer loyalty



The number of Openpay ANZ Active Plans also grew strongly during the half-year to reach over 1.5 million plans, an increase of 61% versus pcp. The growth was driven across all verticals, with strong Retail performance during the Christmas season and end-of-lockdowns across capital cities delivering improved performance in Automotive and Healthcare.

The Company's plan mix continues to be strongly skewed towards longer-terms (beyond pay-in-4) and higher-value plans, with 83% of TTV coming from plans of three months or longer. Openpay continues to gain traction across specialised verticals, with Automotive having an average plan length of 4.6 months, Healthcare 4.7 months, Home Improvement 14.7 months, Education 5.9 months, Memberships 3.1 months and Retail 3.1 months.

ANZ Active Plan Growth by Vertical – H1 FY22 versus H1 FY21	**%**
Automotive	**20%**
Healthcare	**35%**
Home Improvement	**(12%)**
Education	**155%**
Retail	**64%**
Memberships	**1057%**

These initiatives, delivering strong growth across key indicators, led to a record breaking TTV of $160m in the half-year, an increase of 44% versus pcp. Pleasingly, this increased volume in the half-year delivered market-leading margins, demonstrating the value of Openpay's differentiated strategy and offering to merchants and customers.

A number of initiatives implemented in the half-year are expected to deliver results in the second half of the year, including increased NTM, Revenue Yield, TTV, and other key indicators. Openpay's ANZ strategy is targeting profitability within the next 12 to 18 months through its diversified range of verticals, merchant partners, quality customer base, product optimisation and improved margins.

Directors' Report.
31 December 2021

Opy US – Launched and ready to scale

Openpay's launch into the US market has been built around six foundational pillars of success, announced in July 2021. These strategic imperatives propelled a successful launch of Opy, Openpay's US entity, and brand. They also included the "Americanization" of the product platform to adapt to the US strategy and compliance ecosystem.

The process began with recruiting an exceptional team of seasoned industry leaders, many with over 20 years of experience in payments, merchant and banking markets, risk management, analytics, compliance, legal, marketing, and product development to support Opy's infrastructure.

Two important partnerships were announced in October 2021, enabling the development of the OpyPay product. First, Cross River Bank signed on as Opy's banking partner. In addition to Cross River's compliance oversight, this partnership, combined with a select number of state lending licenses, enables Opy to offer closed-end consumer loans across 50 states and the District of Columbia with a consistent value proposition.

Second, to fund the US launch and rapid expansion, Goldman Sachs and Atalaya Capital Management provided US$271.4 million in funding for receivables, subject to certain conditions precedent that are not currently satisfied.

With initial funding and operations in place, OpyPay, Openpay's US product, went live in the US in late October 2021, enabled by a partnership with ezyVet and its leading practice management platform, featuring full-scale integration with partner practices.

Post-launch, the team continues to fine-tune and test the product in anticipation of implementing several very large partnerships across Opy's main verticals of Automotive, Healthcare, Home Improvement, Education, and large-ticket Retail. Opy's team continues to drive scale through a "one-to-many" merchant strategy utilising channel partners.

In December 2021, Opy and multinational financial services corporation American Express partnered and will work together to offer OpyPay to its US merchants and card members within the Healthcare and Automotive sectors.

During the half-year, Opy also announced several significant partners, including PatientNow, Everyware, and FIS. Many of these partnerships are expected launch within the next six months.

Opy also entered the world's largest B2B payments market with a partnership with Kyriba, a US-based treasury, and payables company. Kyriba will offer US-based clients OpyPro, Openpay's B2B SaaS platform for trade account management.

For the second half of FY 2022, Opy remains focused on launching with our largest of nine aggregators and channel partners. Together we are now tuning the product with them, and increasing brand and product awareness among their sales force, merchants, and consumers through very targeted campaigns. As we transition from our testing and tuning stage with merchants across the US into the full rollout, we expect material TTV and related revenue to begin occurring in mid-CY22. Openpay is also working with Keefe, Bruyette & Woods (KBW) on the US capital strategy to support this US ramp-up, growth and ongoing funding requirements.

Openpay UK – Material reduction and partnership with Payment Assist

As first announced in January 2022, Openpay made a strategic decision to change direction in the UK market. Openpay has now undertaken and completed a consultation period with UK partners and employees. Following this review and consultation period, Openpay has decided to materially reduce its origination and physical presence in the UK market, including a withdrawal from the Retail vertical in the UK. Openpay's decision was influenced by a number of matters, including but not limited to

(a) the longer path to profitability in the UK, which is influenced by lower margin unit economics of the Openpay UK product compared to Openpay's products in Australia and US; and

(b) the level of competition and saturation of the UK market (in particular in the Retail vertical) for consumer fee-free instalment plans like those currently offered by Openpay in the UK.

Openpay will maintain a small operation in the UK to assist in implementing the strategic changes for a short period of time, following which Openpay's UK operations will be managed by the Openpay ANZ business.

Rather than proceeding with the previously proposed acquisition of Payment Assist, Openpay is also partnering with Payment Assist which involves a profit share arrangement for merchants which Openpay refers to Payment Assist. In addition, Openpay is exploring opportunities for Payment Assist and other partners to leverage and potentially license Openpay's existing UK proprietary platform.

Openpay will provide updates to the market regarding its UK business and opportunities as appropriate, with the Group's expectation remaining that the UK changes will result in the release of capital and in material cost savings, both of which will be available for reinvestment in the Australian and US businesses.

There are no material exit costs expected in relation to this strategic redirection.

OpyPro revenue and sales pipeline building

Openpay's SaaS trade account management platform, OpyPro, is now being used by some of Australia's most well-known companies. This all goes towards delivering on its very high potential, with some great achievements in the half-year. The SaaS platform is capital light and credit-risk free. As Openpay does not lend, our customers either fund from their balance sheet or they can leverage OpyPro's third party funding provider in Australia, Lumi.

Woolworths, OpyPro's cornerstone client in Australia, continues to deliver robust growth with more than 8,000 accounts onboarded and trading.

In August 2021, the Company announced Hewlett-Packard (HP) as a new OpyPro client in Australia. The HP integration is now completed, and the first transactions have been successfully processed through the platform.

During the half-year, Openpay partnered with Kyriba - a global leader in cloud treasury and finance solutions with over 2,000 corporate clients worldwide as a very first international deal for OpyPro. Openpay now has dedicated resources in the US to build a pipeline for that market, including using the partnership with Kyriba to assist in targeting customers and shortening the sales cycle for OpyPro's new B2B clients.

In September 2021, OpyPro also signed Kogan as a B2B customer. Kogan is a great example of client acquisition synergies between B2C and B2B, providing them with all they need to deliver an outstanding outcome for their consumer and business customers from their one provider, Openpay.

OpyPro provides Openpay with a differentiated B2B product compared to other competitors. It is a technology rather than balance sheet product which generates SaaS revenues with high margins and marginal incremental cost to roll out for new customers.

CONTINUED INVESTMENT IN TECHNOLOGY

Openpay made significant progress investing in its technology platform and products during the period, supporting Openpay's claim to be one of the most flexible payments fintech solutions currently in market. Key achievements included the successful launch of the US-based Opy business, re-platforming and re-designing our web sales channel into a modern eCommerce experience and technology stack, localising the platform for the US market, deploying our global data warehousing solution, and launching advanced analytics tools, enabling credit risk and fraud machine learning modelling which will improve lending and drive up the customer base and credit quality.

Significant improvements have also been made to the OpyPro platform's payments suite, automated reconciliation, and invoicing capabilities. The Company also added funding as an additional platform module already adding more partners, such as HP and Kogan to the platform.

Directors' Report.
31 December 2021

FINANCIAL PERFORMANCE

Openpay recorded a Net Loss Before Tax for the half of $42.0 million, which was a loss increase of 65% versus pcp. A substantial portion of this related to establishing the US business after a decision was made to "build rather than buy", unlike many of Openpay's peers when entering the US market. As a result, Openpay has developed a bespoke, proprietary "Americanized" platform and attracted key talent, which enabled Openpay to win support from key partners such as Worldpay from FIS, American Express, Cross River, Goldman Sachs, EzyVet and PatientNow.

Openpay has also implemented a number a strategic changes in the business which have resulted in significant operational simplification, cost reductions and a honed focus on moving towards profitability in the Australian business in 12 to 18 months. The impact of these changes is expected to be seen in subsequent market updates.

TTV, revenue and margins

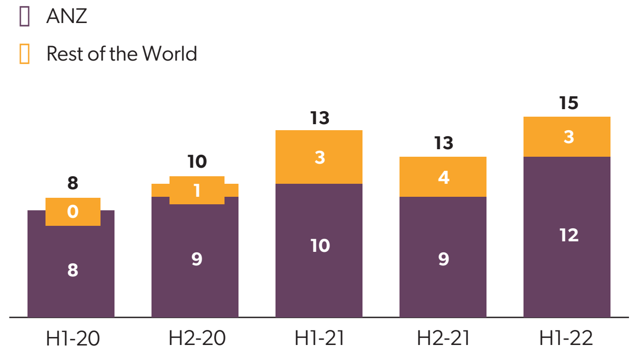
Openpay delivered record TTV for the Group of $221 million in the half-year, an increase of 34% versus pcp, driven by the highest ever half-year TTV in ANZ of $160 million, up 44% versus pcp.

Group Revenue increased 12% to $15.0 million, while ANZ Revenue for H1 FY22 reached $11.7 million, up 21% versus pcp, reflective of the continued strong growth in customers, plan volumes, and the propensity of use.

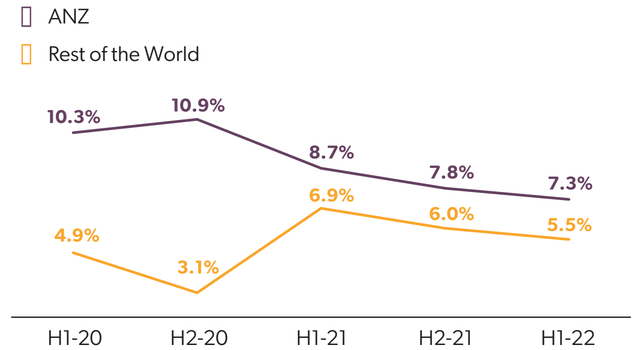
Revenue margin for the Group was 6.8% in the half-year, gross revenue yield as a percentage of TTV for ANZ was 7.3% for H1 FY22. Group Net transaction margin (NTM) was 1.2% for the half-year, up from -0.1% in H2 FY21, while for ANZ NTM was 2.7% for the half, up from 2.1% in H2 FY21.

The Net Bad Debt ratio as a percentage of TTV as at the half-year remained stable and within expected healthy levels, at 1.9%, consistent with the pcp level of 2.0%. Late fees, which help to offset some of the costs and credit losses incurred as a result of delinquent plans, amounted to $3.1m during the half-year (H1 FY21: $3.1m). This represented 20% of total income (H1 FY21: 23%).

Revenue ($m)



Revenue Margin



Cashflows and funding

Cash as at 31 December 2021 totalled $32.1 million (30 June 2021: $52.1 million), reflecting high disbursements made to merchants, relating to seasonally heightened trade. As repayments related to peak season trade are made by customers during the second half of the financial year, a reversion to more normalised levels are expected in H2 FY22.

Cash receipts in H1 FY22 were $220.6 million, a 33% increase over pcp, and comprised of accounts receivables as well as consumer and merchant fees collected during the period. The movement in Openpay's accounts receivable balance reflects the timing difference between the collection of repayments from customers and disbursements made to merchants. As a result, net operating cash outflows for the half were $60.4 million (H1 FY21: $37.2m), driven by increases in Active Plans, TTV volumes, and continued investment for future growth.

In addition to its cash position of $32.1 million, as at H1 FY22, Openpay has $20 million ($15 million committed) of undrawn working capital facilities. The Group anticipates the need to raise additional working capital and equity within the next twelve months to continue to support its growth through investment in platform capability and operational expenditure.

The Group is confident that it will continue to be successful in obtaining funding and capital in the future based on its ability to obtain appropriate funding in the past.

Openpay also has $480.6 million ($218.5 million committed) in receivables funding facilities to support further expected portfolio growth. This is comprised of $11 million committed and $10 million uncommitted in Australia; $20.5 million (£11 million) committed and $65.1 million (£35 million) uncommitted in the UK; and $187 million (US$135.7 million) committed and $187 million (US$135.7 million) uncommitted in the US, subject to certain conditions precedent that are not currently satisfied.

Operating expenses

In H1 FY22, Openpay invested in its technology platform to build and "Americanize" the Openpay platform, as well as product enhancements including enabling its self-service and automated onboarding facilities for merchants. Openpay further developed its funding management platforms, merchant and partner integrations, credit decisioning tooling and other parts of its corporate infrastructure in the UK and the US. Total operating expenses for the period were $57.2 million (H1 FY21: $39.1 million), reflecting continued investment in growth, US launch, and driving further growth in the ANZ and UK markets.

EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to 31 December 2021, the Group announced a number of key changes regarding business strategy and key management personnel, including:

- the US will be the Group's primary growth market opportunity, leveraging strong commercial partnerships already successfully in place
- the Company has re-confirmed its focus on the pathway to profitability for its Openpay Australia operations (within 12 to 18 months)
- a strategic review and consultation period in the UK took place, and as a result Openpay will materially reduce its UK operations with the release of capital and cost savings to be re-invested in Australia and the US. There are no material exit costs expected in relation to this strategic redirection
- the previously proposed acquisition by Openpay of Payment Assist will no longer take place, with Openpay and Payment Assist instead entering into a strategic partnership in the UK market
- Simplification of Group's regional strategy and a restructure of its senior management team including the departure of Group CEO and Managing Director, Michael Eidel, with Group COO and Company Secretary Ed Bunting being appointed as interim Group CEO
- Non-Executive Director Kelly Bayer Rosmarin resigned from Openpay Board due to other Board commitments

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of directors.

Patrick Tuttle

Chairman

Melbourne

24 February 2022

Auditor's Independence Declaration.

Auditor's Independence Declaration

As lead auditor for the review of Openpay Group Ltd for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Openpay Group Ltd and the entities it controlled during the period.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
24 February 2022

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the half-year ended 31 December 2021

Half-year ended 31 December	Notes	2021 $	2020 $
Income		**15,010,746**	13,438,309
Other income		**194,020**	189,738
Total income		**15,204,766**	13,628,047
Receivables impairment expense	6	**(4,998,951)**	(5,807,625)
Employee benefits expense		**(24,155,493)**	(11,620,539)
Share-based payments expense		**(1,834,359)**	(279,685)
Depreciation and amortisation expense		**(1,839,184)**	(1,060,725)
Advertising and marketing expense		**(2,532,452)**	(3,902,224)
Other expense	5	**(17,218,430)**	(13,905,556)
Finance costs		**(4,616,773)**	(2,536,679)
Loss before tax		**(41,990,876)**	(25,484,986)
Income tax expense/(benefit)		**-**	-
Loss for the half-year		**(41,990,876)**	(25,484,986)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(23,350)**	(166,086)
Other comprehensive loss for the half-year		**(23,350)**	(166,086)
Total comprehensive loss for the half-year		**(42,014,226)**	(25,651,072)
Loss attributable to:			
Owners of Openpay Group Ltd		**(41,990,876)**	(25,484,986)
Total comprehensive loss attributable to:			
Owners of Openpay Group Ltd		**(42,014,226)**	(25,651,072)
Earnings per share of loss attributable to the ordinary equity holders of Openpay Group Ltd		**Cents**	Cents
Basic earnings per share	13	**(0.32)**	(0.24)
Diluted earnings per share	13	**(0.32)**	(0.24)

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

Condensed Consolidated Balance Sheet.
As at 31 December 2021

As at	Notes	31 December 2021 $	30 June 2021 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**32,123,798**	52,078,094
Receivables	6	**76,780,318**	57,527,246
Other current assets		**4,553,095**	5,031,160
Other financial assets at amortised cost		**-**	22,060
TOTAL CURRENT ASSETS		**113,457,211**	114,658,560
NON-CURRENT ASSETS			
Receivables	6	**886,646**	924,650
Property, plant and equipment	7	**844,322**	829,410
Intangible assets	8	**3,392,621**	4,325,748
Right-of-use assets	9	**1,728,693**	2,424,348
Other non-current assets		**2,816,302**	-
Other financial assets		**813,690**	372,951
TOTAL NON-CURRENT ASSETS		**10,482,274**	8,877,107
TOTAL ASSETS		**123,939,485**	123,535,667
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**10,432,246**	10,861,297
Employee benefits		**2,116,781**	1,740,195
Borrowings	10	**43,249,214**	18,329,843
Lease liabilities		**841,010**	1,233,047
Financial liabilities	11	**1,800,000**	-
Other liabilities		**877,891**	850,000
TOTAL CURRENT LIABILITIES		**59,317,142**	33,014,382
NON-CURRENT LIABILITIES			
Borrowings	10	**43,500,706**	28,682,043
Lease liabilities		**1,251,753**	1,565,083
Employee benefits		**124,037**	101,585
Financial liabilities	11	**603,140**	-
Other liabilities		**-**	850,000
TOTAL NON-CURRENT LIABILITIES		**45,479,636**	31,198,711
TOTAL LIABILITIES		**104,796,778**	64,213,093
NET ASSETS		**19,142,707**	59,322,574
EQUITY			
Issued capital	12	**182,745,390**	182,745,390
Reserves		**5,629,870**	3,818,861
Accumulated losses		**(169,232,553)**	(127,241,677)
TOTAL EQUITY		**19,142,707**	59,322,574

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity.

For the half-year ended 31 December 2021

2021	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Balance as at 1 July 2021	**182,745,390**	**(127,241,677)**	**3,818,861**	**59,322,574**
Loss for the half-year	**-**	**(41,990,876)**	**-**	**(41,990,876)**
Other comprehensive loss	**-**	**-**	**(23,350)**	**(23,350)**
Total comprehensive loss	**-**	**(41,990,876)**	**(23,350)**	**(42,014,226)**
Transactions with owners in their capacity as owners				
Share-based payments	**-**	**-**	**1,834,359**	**1,834,359**
Balance as at 31 December 2021	**182,745,390**	**(169,232,553)**	**5,629,870**	**19,142,707**

2020	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Balance as at 1 July 2020	138,160,501	(64,182,326)	1,532,374	75,510,549
Loss for the half-year	-	(25,484,986)	-	(25,484,986)
Other comprehensive loss	-	-	(166,086)	(166,086)
Total comprehensive loss	-	(25,484,986)	(166,086)	(25,651,072)
Transactions with owners in their capacity as owners				
Share-based payments	-	-	163,971	163,971
Options exercised	344,286	-	-	344,286
Balance as at 31 December 2020	138,504,787	(89,667,312)	1,530,259	50,367,734

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

Condensed Consolidated Statement of Cash Flows.
For the half-year ended 31 December 2021

Half-year ended 31 December	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**220,570,785**	166,358,099
Payments to merchants	**(229,371,133)**	(173,571,204)
Payments to suppliers and employees (inclusive of GST)	**(47,349,022)**	(27,426,268)
Interest received on cash	**25,276**	106,324
Interest paid - borrowings	**(4,160,955)**	(2,386,274)
Interest paid - leases	**(149,503)**	(237,100)
Net cash outflows from operating activities	**(60,434,552)**	(37,156,423)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	**(216,710)**	(141,962)
Payments for internally developed technology	**-**	(1,935,449)
Net cash outflows from investing activities	**(216,710)**	(2,077,411)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	**41,450,177**	9,031,792
Proceeds from capital raising	**-**	228,572
Principal elements of lease payments	**(709,934)**	(653,616)
Net cash inflows from financing activities	**40,740,243**	8,606,748
Net (decrease)/increase in cash and cash equivalents held	**(19,911,019)**	(30,627,086)
Cash and cash equivalents at beginning of half-year	**52,078,094**	70,058,763
Effects of exchange rate changes on cash and cash equivalents	**(43,277)**	(150,627)
Cash and cash equivalents at end of half-year	**32,123,798**	39,281,050

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

Notes to the Financial Statements.
For the period ended 31 December 2021

NOTE 1: BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Openpay Group Ltd for the year ended 30 June 2021 and any public announcements made by Openpay Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are for the Group consisting of Openpay Group Ltd and its subsidiaries. Openpay Group Ltd is a company limited by shares, incorporated and domiciled in Australia. Openpay Group Ltd is a for-profit entity for the purpose of preparing the financial statements

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NOTE 2: SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Impact of COVID-19

The COVID-19 pandemic and measures undertaken to contain it continue to impact the global economic outlook. The impact of COVID-19 continues to evolve and remains a source of estimation uncertainty. The Group has carefully considered its impact in preparing financial statements for the half-year ended 31 December 2021, including the application of critical estimates and judgments. The key impacts on the financial statements are discussed below.

Provisions for expected credit loss

The Group's impairment methodology remains unchanged, but the Group has incorporated estimates, assumptions and judgements specific to the impact of COVID-19 in the measurement of expected credit losses (ECL).

Other

The Group has reviewed its exposure to climate related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Group as at 31 December 2021.

NOTE 3: GOING CONCERN

The Group's business model is to make payments to merchants in advance of the Group receiving the purchase price over time from the customer. The business model and the stage of the Group's development requires external debt and equity funding to support the growth in customer receivables, the Group's continued investment in platform capability and its operational expenditure until it reaches scale and is in a profitable position.

During the half-year, the Group saw a net operating cash outflow of $60.4 million and a net loss of $42.0 million. The Group also increased its available funding sources by entering into a US$271.4 million asset-backed revolving debt facility for receivables funding, which is subject to certain conditions precedent that are not currently satisfied. As part of the entry into this facility, approximately 1.02 million warrants with cash-out rights were issued to the funder (as per the disclosure in Note 11). Further, the Group amended its existing $25 million corporate debt facility in Australia to provide for additional uncommitted funding of up to $5 million (which is subject to customary conditions precedent and funder approval). As part of the extension of this facility, Openpay has agreed to issue up to 6 million warrants with cash-out rights to the funder (with 4 million warrants issued on 4 January 2021) (refer Note 11). In addition, the Group entered into an amendment to its existing Australian receivables funding facility to insert a review clause as described further in footnote 1 below and note 10.

Notes to the Financial Statements.
For the period ended 31 December 2021

Funding Sources
In addition to the cash at bank of $32.1 million, the Group has agreements in place for committed and uncommitted sources of funding. The table below provides details of these arrangements as at 31 December 2021:

Facility and Permitted Use	Facility Amount $	Committed	Amount $ Drawn	Uncommitted	Maturity
Receivables funding facilities					
Receivables funding in Australia[1]	65,000,000	55,000,000	44,000,000	10,000,000	Jan 2024
Receivables funding in UK[2]	111,607,143	46,502,976	26,041,667	65,104,167	May 2022
Receivables funding in US[3]	374,035,281	187,017,640	-	187,017,641	Apr 2024
Total receivables funding facilities	**550,642,424**	**288,520,616**	**70,041,667**	**262,121,808**	
Working capital facilities					
Working capital[4]	10,000,000	10,000,000	-	-	Oct 2022
Working capital[5]	30,000,000	25,000,000	20,000,000	5,000,000	Oct 2022
Total working capital facilities	**40,000,000**	**35,000,000**	**20,000,000**	**5,000,000**	

1 $65 million facility ($45 million committed tranche (subject to customary conditions precedent), $10 million committed tranche (subject to customary conditions precedent and the funder being able to raise additional capital to support its commitment) and a further $10 million uncommitted tranche (subject to funder approval)) maturing in January 2024. In September 2021, an amendment was made to the facility. This includes an additional term that in the event of a material uncertainty related to going concern being emphasised in the Group's audited financial reports, a review period would commence for 14 days. It is not expected, nor has there been an indication, that such a review period would result in withdrawal of the facility, however it is possible under this term.

2 £60 million (approximately $111.6 million) facility of which £25 million is committed (and £35 million is uncommitted). Of the £25 million committed, £14 million is drawn as of 31 December 2021. As at 31 December 2021, this facility is due to mature in May 2022 however was extended in February 2022 as noted below.

3 US$271.4 million facility of which US$135.7 million is committed, with certain conditions precedent that are not currently satisfied, and US$135.7 million is uncommitted with amaturity date in April 2024.

4 The Group has a working capital facility of $10 million ($10 million undrawn) with a related party, available to fund operating expenses. The maturity date is in October 2022.

5 $30 million corporate debt facility ($5 million uncommitted) with a related party. $15 million of the committed balance matures in October 2022 and the Group may elect to extend $10 million committed and $5 million uncommitted of the total facility limit to July 2023.

As per the disclosure in Note 16, in February 2022 the maturity of UK receivables funding facility was extended by six months from May to November 2022.

The Group is required to comply with certain conditions and debt covenants, which include: Loan-to-Value Ratio (LVR) requirements and sufficient cash allocated to lender-controlled cash accounts. For the US receivables funding facility, the leverage and equity conditions precedent to drawdown are not currently satisfied. In addition, as noted footnote 1 above, the receivables funding agreement in Australia allows for a review period should the auditor report for the half year or annual financial statements include an emphasis of matter related to going concern uncertainties.

Ongoing Cash Flow Management
In order to ensure the Group has sufficient funding, management continually assess anticipated cash flows such that the business is appropriately scaled in line with growth forecasts. The Group is confident that they will continue to be successful in obtaining funding and capital, in the future, given its track record to date.

In the event that:

- conditions of existing funding (drawn or undrawn) are not satisfied, or
- existing funding is not renewed at expiry or are withdrawn under provisions discussed in footnote 1 above, or
- the Group's receivables growth materially exceed current plans, or
- operating results materially underperform against current plans, or
- the Group cannot secure additional funds through working capital facilities or equity

then alternative funding either debt or equity, in excess of that currently in place or planned will be required to support the business.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the funds available from existing cash reserves and debt facilities, combined with sourcing new funds through (but not limited to) securing additional debt facilities and/or the issue of new shares, would provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12-month period from the date of signing these financial statements and have therefore prepared the financial statements on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.

NOTE 4: SEGMENT INFORMATION

The Group provides 'Buy now pay later' (BNPL) payment solutions by partnering with merchants to provide BNPL repayment plans to customers instore, in-app and online. The Group provides services to payment processors, merchants and their customers in Australia, New Zealand, United Kingdom and in the United States. While distinct geographic locations, operations outside the Australia/New Zealand region are still in an early growth stage. The Interim Group Chief Executive Officer is the Chief Operating Decision Maker (CODM) and monitors the operating results on a consolidated basis for all locations (for Australia and the UK) and with the US operations not significant at this stage. Accordingly, the Group has concluded that it has one reportable segment. Further, non-current assets related to locations outside Australia are not considered individually material as at 31 December 2021. Additionally, as of 31 December 2021, management has not found any significant difference in the economic performance of those geographic locations to justify a separate reportable segment. As part of the review of operations performed prior to the strategic changes announced on January 12th 2022, reporting and monitoring of results is being done on a more regionally focused basis, which will drive the developments of reportable segments going forward.

Disaggregation of revenue by geographic region

Half-year ended 31 December	**2021 $**	**2020 $**
Australia and New Zealand	**11,676,392**	9,740,084
Rest of the World	**3,334,354**	3,698,225
Total income	**15,010,746**	13,438,309

NOTE 5: PROFIT AND LOSS INFORMATION

(a) Other expense

	31 December 2021 $	**31 December 2020 $**
Processing and data costs	**(5,229,249)**	(4,907,261)
Professional services	**(7,125,266)**	(4,942,575)
Technology and communication	**(3,739,764)**	(1,722,605)
Sales, general, administrative and other	**(1,124,151)**	(2,333,115)
Total other expense	**(17,218,430)**	(13,905,556)

(b) Income tax

The recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The Group has unrecognised deferred tax assets in relation to the tax losses as management does not anticipate the Group will make sufficient taxable profits in the foreseeable future to utilise this asset.

Notes to the Financial Statements.
For the period ended 31 December 2021

NOTE 6: RECEIVABLES

	31 December 2021 $	30 June 2021 $
Current		
Receivables – face value	**81,599,654**	62,100,601
Unearned future income	**(103,019)**	(206,461)
	81,496,635	61,894,140
Provision for expected credit loss/allowance for doubtful debts	**(4,716,317)**	(4,366,894)
Net current plan receivables	**76,780,318**	57,527,246
Non-Current		
Plan receivables – face value	**1,039,869**	1,098,868
Unearned future income	**(139,801)**	(152,996)
	900,068	945,872
Provision for expected credit loss/allowance for doubtful debts	**(13,422)**	(21,222)
Total non-current plan receivables	**886,646**	924,650
Total receivables	**77,666,964**	58,451,896

	31 December 2021 $	30 June 2021 $
Opening provision	**(4,388,116)**	(4,313,691)
Increase in plan receivables impairment recognised in profit or loss during the period	**(5,432,770)**	(6,631,958)
Receivables written off during the period as uncollectible	**5,091,147**	6,607,533
Closing provision	**(4,729,739)**	(4,338,116)

The Group classifies its plan receivables into three stages, based on the age of receivables, to determine the impairment charge and provision.

The Group has defined the three stages as follows:

Stage	Measurement Base
Receivables not yet due (Stage 1)	While the receivables are not yet due, a loss allowance has been established based on the expected credit losses from a default event occurring over the next 12 months.
Receivables past due 1 to 90 days (Stage 2)	The provisioning model utilises receivables past due 1 day as the absolute criteria to identify significant increases in credit risk. Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, the Group considers this to demonstrate there has been a significant increase in credit risk. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL, being the expected credit losses that result from all possible default events over the expected life of the receivables. BNPS income on the relevant receivable remains calculated on the gross carrying amount of the receivable.
Receivables past due 90 days or more (Stage 3)	Stage 3 includes receivables aged 90 days or more and where it is considered there is objective evidence of impairment at reporting date. Ageing greater than 90 days is considered to have an adverse impact on the estimated future cash flows of the receivables. The loss allowance is measured at an amount equal to the lifetime ECL for increased credit risk and BNPS income is calculated on the net carrying amount.

Definition of default and credit-impaired assets

A receivable is considered to be in default at 90 days past due or if it satisfies the criteria for being written off. It is the Group's policy to write off balances that are outstanding for over 120 days or when the Group is unlikely to receive the outstanding amount in full based on internal or external indicators.

Calculation of expected credit loss

In order to calculate the expected credit losses as described above, the Group has developed a model that considers both quantitative and qualitative information, including historical loss experience, internal expert risk assessment and data examination, and forward-looking information and analysis. Historical balances, as well as the proportion of those balances that have been written-off over time, are used as a basis to determine the probability of default (PD). The PD is then applied to the receivables based on the stage to calculate the base ECL.

The Group also considers forward looking adjustments, including macroeconomic factors that are not captured within the base ECL calculations. The inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECLs. The inclusion of forward-looking adjustments in calculating ECL allowances adjusts the overall ECL through market-based macro-overlays. Openpay has identified unemployment rate as the key variable that used to incorporate forward-looking adjustments into the overall provision. The predicted relationship between this key variable and the key model inputs in measuring the ECL has been developed by analysing historical data as part of the model build, calibration, and validation process. The final probability weighted ECL amount is calculated from a baseline estimate, upside case and downside scenario. While the impact of the COVID-19 pandemic remains uncertain and represents a downside risk to the economy, the Group has incorporated judgements, estimates and assumptions specific to the impact of COVID-19, where relevant, in the measurement of ECL. In addition to the ECL calculated based on modelling of historical losses and the incorporation of forward looking economic factors, the Group employs additional 'overlays' where required to account for information that is not the subject of existing modelling or forecasts (such as the effect of COVID-19) and known limitations in the models employed, to the extent these exist. As at 31 December 2021, these overlays included an adjustment for Model Risk but were not material.

Notes to the Financial Statements.
For the period ended 31 December 2021

Movements in face value of and provisions for plan receivables by ECL stage

The tables below provide movements in the Group's face value of plan receivables and provisions for expected credit loss of plan receivables for the half-years ended 30 June 2021 and 31 December 2021. The movements are attributable to the following items:

- Transfers to/(from) stages: net movements due to transfers of credit exposures between ECL stage. The transfers between each stage are based on opening balances and are measured half-yearly.
- Net remeasurement on stage transfer: net movements in provisions for expected credit loss due to transfers of credit exposures between stages. The transfers between each stage are based on closing balances of the stage they were transferred into and are measured half-yearly.
- Net plan receivables originated: net movements due to new plan receivables originated or repaid during the period.
- Write-offs: the total gross derecognition of plan receivables and their provisions during the period.
- Foreign exchange and other movements: other movements including the impact of changes in foreign exchange rates.

	Stage 1		Stage 2		Stage 3		Total	
	Face Value $	ECL $	Face Value $	ECL $	Face Value $	ECL $	Face Value $	ECL $
Balance as at 1 July 2021	**57,021,279**	**1,627,892**	**5,243,056**	**1,855,996**	**935,134**	**904,228**	**63,199,469**	**4,388,116**
Transfers to/(from):								
Stage 1	**165,029**	**54,608**	**(163,421)**	**(53,087)**	**(1,608)**	**(1,521)**	**-**	**-**
Stage 2	**(583,776)**	**(6,892)**	**584,425**	**7,505**	**(649)**	**(613)**	**-**	**-**
Stage 3	**(248,261)**	**(3,410)**	**(125,849)**	**(51,766)**	**374,110**	**55,176**	**-**	**-**
Net remeasurement on stage transfer		**(54,278)**		**72,193**		**178,665**		**196,580**
Net plan receivables originated	**19,023,728**	**400,828**	**2,251,457**	**1,767,527**	**3,049,637**	**2,879,010**	**24,324,822**	**5,047,365**
Write-offs	**(113,527)**	**(113,527)**	**(1,678,777)**	**(1,678,777)**	**(3,298,843)**	**(3,298,843)**	**(5,091,147)**	**(5,091,147)**
Foreign exchange and other movements	**180,061**	**172,457**	**18,421**	**8,471**	**7,897**	**7,897**	**206,379**	**188,825**
Balance as at 31 December 2021	**76,111,541**	**2,033,372**	**5,834,157**	**2,025,410**	**693,825**	**670,957**	**82,639,523**	**4,729,739**

	Stage 1		Stage 2		Stage 3		Total	
	Face Value $	ECL $	Face Value $	ECL $	Face Value $	ECL $	Face Value $	ECL $
Balance as at 1 January 2021	59,383,850	1,475,880	5,458,072	2,079,865	767,715	757,946	65,609,637	4,313,691
Transfers to/(from):								
Stage 1	163,247	53,339	(163,134)	(53,226)	(113)	(113)	-	-
Stage 2	(602,372)	(7,195)	602,372	7,195	-	-	-	-
Stage 3	(438,134)	(6,124)	(110,373)	(42,756)	548,507	48,880	-	-
Net remeasurement on stage transfer		(53,125)		89,996		280,038		316,909
Net plan receivables originated	(3,123,252)	303,841	1,478,475	1,440,276	4,915,937	4,614,762	3,271,160	6,358,879
Write-offs	(115,722)	(115,722)	(1,787,886)	(1,787,886)	(4,703,925)	(4,703,925)	(6,607,533)	(6,607,533)
Foreign exchange and other movements	876,403	17,018	94,395	33,745	(44,593)	(44,593)	926,205	6,170
Balance as at 30 June 2021	57,021,279	1,627,892	5,243,056	1,855,996	935,134	904,228	63,199,469	4,388,116

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	31 December 2021 $	30 June 2021 $
IT equipment		
At cost	**1,136,213**	913,732
Accumulated depreciation	**(620,828)**	(475,120)
Total IT equipment	**515,385**	438,612
Furniture and fittings		
At cost	**615,600**	615,399
Accumulated depreciation	**(286,663)**	(224,601)
Total furniture and fittings	**328,937**	390,798
Total property, plant and equipment	**844,322**	829,410

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and comparative half-year periods:

	IT Equipment $	Furniture and Fittings $	Total $
Half-year ended 31 December 2021			
Opening net book value as at 1 July 2021	**438,612**	**390,798**	**829,410**
Additions	**217,384**	**-**	**217,384**
Disposals	**-**	**-**	**-**
Depreciation expense	**(144,441)**	**(62,022)**	**(206,463)**
Foreign exchange movements	**3,830**	**161**	**3,991**
Closing net book value as at 31 December 2021	**515,385**	**328,937**	**844,322**
Half-year ended 30 June 2021			
Opening net book value as at 1 January 2021	360,004	449,258	809,262
Additions	200,549	1,901	202,450
Disposals	(13,516)	-	(13,516)
Depreciation expense	(113,203)	(60,684)	(173,887)
Foreign exchange movements	4,778	323	5,101
Closing net book value as at 30 June 2021	438,612	390,798	829,410

Notes to the Financial Statements.
For the period ended 31 December 2021

NOTE 8: INTANGIBLE ASSETS

	31 December 2021 $	30 June 2021 $
Internally developed technology		
At cost	**4,831,455**	4,831,455
Accumulated amortisation	**(1,438,834)**	(505,707)
	3,392,621	4,325,748

Movements in carrying amounts of intangible assets

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current and comparative half-year periods:

	Internally developed technology $	Work in progress $	Total $
Half-year ended 31 December 2021			
Opening net book value as at 1 July 2021	**4,325,748**	**-**	**4,325,748**
Additions	**-**	**-**	**-**
Transfers	**-**	**-**	**-**
Amortisation expense	**(933,127)**	**-**	**(933,127)**
Closing net book value as at 31 December 2021	**3,392,621**	**-**	**3,392,621**
Half-year ended 30 June 2021			
Opening net book value as at 1 January 2021	1,089,345	1,790,059	2,879,404
Additions	-	1,780,906	1,780,906
Transfers	3,570,965	(3,570,965)	-
Amortisation expense	(334,562)	-	(334,562)
Closing net book value as at 30 June 2021	4,325,748	-	4,325,748

NOTE 9: RIGHT-OF-USE ASSETS

	31 December 2021 $	30 June 2021 $
Buildings		
At cost	**4,947,377**	4,947,377
Accumulated depreciation	**(3,284,189)**	(2,571,524)
Foreign exchange movements	**65,505**	48,495
Total Buildings	**1,728,693**	2,424,348

Movements in carrying amounts of right-of-use assets

Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current and comparative half-year periods:

	Right-of-use assets $
Half-year ended 31 December 2021	
Opening net book value as at 1 July 2021	**2,424,348**
Depreciation expense	**(699,736)**
Foreign exchange movements	**4,081**
Closing net book value as at 31 December 2021	**1,728,693**
Half-year ended 30 June 2021	
Opening net book value as at 1 January 2021	3,153,971
Depreciation expense	(752,628)
Foreign exchange movements	23,005
Closing net book value as at 30 June 2021	2,424,348

NOTE 10: BORROWINGS

	31 December 2021 $	30 June 2021 $
Current		
Secured liabilities		
Commercial bills	**26,041,667**	18,329,843
Working capital facilities	**17,207,547**	-
Non-Current		
Secured liabilities		
Commercial bills	**43,500,706**	28,682,043
	86,749,920	47,011,886

Notes to the Financial Statements.
For the period ended 31 December 2021

Commercial Bills

The Group has access to a number of wholesale debt facilities for the funding of receivables.

As at 31 December 2021, the Group had access to a facility in Australia totalling $65 million ($45 million committed tranche (subject to customary conditions precedent), $10 million committed tranche (subject to customary conditions precedent and the funder being able to raise additional capital to support its commitment) and a further $10 million uncommitted tranche (subject to funder approval)). This facility was drawn to $44 million as at 31 December, leaving $21 million in unused facilities as described above. This facility is due to mature in January 2024.

The Group also has a £60 million (approximately $111.6 million) facility in the UK of which £25 million is committed and £35 million is uncommitted. This facility is drawn to £14 million (approximately $26.0 million), leaving £46 million in unused facilities of which £35 million is uncommitted. As at 31 December 2021, the facility was due to mature in May 2022. Subsequent to the period end, the facility was extended to November 2022.

The loan facility in the US consists of a warehouse funding agreement of US$271.4 million (approximately $374.0 million) of which US$135.7 million is committed (and subject to fulfilling certain conditions that are not currently satisfied) and US$135.7 million is uncommitted. The facility was undrawn as at 31 December 2021 and is due to mature in April 2024.

Working Capital Facilities

As at 31 December 2021, the Group had access to a working capital facility with a related party totalling $10 million. This facility's maturity date is in October 2022. This facility remained undrawn at 31 December 2021.

The Group had access to a second working capital facility with a related party totalling $25 million, with additional uncommitted funding of $5 million subject to fulfilling certain conditions and funder approval. This facility has a maturity date in October 2022. This facility was drawn to $20 million as at 31 December 2021.

Debt Covenants and conditions

The wholesale debt facilities are subject to conditions and covenants that are in line with standard market practice given the nature of the financing facilities. The primary covenant for all facilities is a maximum Loan-to-Value Ratio (LVR) which varies based on negotiated terms. The LVR is measured as the value of the facility drawn over total eligible receivables funding plus restricted cash. Debt covenants have been complied with through the period and as at 31 December 2021.

The Australian receivables funding facility includes an additional term that in the event of a material uncertainty related to going concern being emphasised in the Group's audited financial reports, a review period would commence for 14 days. It is not expected, nor has there been an indication, that such a review period would result in withdrawal of the facility, however it is possible under this term.

The contractual maturities of the Group's non-derivative financial liabilities are as follows:

	Less than 6 months $	Between 6 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
As at 31 December 2021						
Trade payables	**5,474,717**	**-**	**-**	**-**	**5,474,717**	**5,474,717**
Borrowings	**-**	**46,041,667**	**-**	**44,000,000**	**90,041,667**	**86,749,920**
Lease liabilities	**438,797**	**450,499**	**924,868**	**632,804**	**2,446,968**	**2,092,763**
Total	**5,913,514**	**46,492,166**	**924,868**	**44,632,804**	**97,963,352**	**94,317,400**
As at 30 June 2021						
Trade payables	4,473,512	-	-	-	4,473,512	4,473,512
Borrowings	-	18,419,598	30,000,000	-	48,419,598	47,011,886
Lease liabilities	854,721	438,797	906,848	1,101,323	3,301,689	2,798,130
Total	5,328,233	18,858,395	30,906,848	1,101,323	56,194,799	54,283,528

NOTE 11: FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss (FVPL)

Issuance of warrants

As part of agreements to extend funding arrangements and raise additional working capital during the half year, two tranches of warrants were committed to or issued, and have been recognised as financial liabilities. The value of the warrants at issuance was considered as a transaction cost. The relevant accounting policy is included in Note 2(m) to the annual report.

The first tranche was issued in October under the funding arrangement for a revolving credit facility with Goldman Sachs Bank USA. This tranche was an issuance of 1.02 million warrants, as announced on 7 October 2021.

Each warrant confers the right (but not the obligation) to subscribe for one Ordinary Share at the subscription price of $1.30428516 per warrant (being the 30-day VWAP of the Company as at 5 October 2021), subject to adjustment, or to receive cash consideration (at the warrantholder's discretion).

The warrants issued under the first tranche are exercisable (in full or in part) from the date which is 18 months after the issue date, until the 7th anniversary of the issue date. The warrant holder is also entitled to elect to receive a cash settlement in lieu of shares on exercise of the warrants.

The second tranche of up to 6 million warrants was agreed to be issued under a loan amendment and announced on 22 December 2021, and 4 million warrants were issued January 4th 2022 on the drawing down by Openpay of the first tranche facility. This tranche was issued as part of an extension of the Group's existing $25 million working capital facility with OP Fiduciary Pty Ltd, and agreement for additional uncommitted funding of up to $5 million. A further 2 million warrants may be issued, subject to a second tranche facility of $5 million being made available and being drawn down by Openpay.

Each warrant issued under the second tranche confers the right (but not the obligation) to subscribe for one Ordinary Share at the subscription price (subject to adjustment) or to receive a cash consideration (at the warrantholder's discretion). The subscription price payable on exercise of the warrants shall be the lower of $0.3825 per warrant (being 50% of the share price on the date immediately prior to entry into the amendment to the existing facility), and the 30 day VWAP of the Company prior to the date of exercise of the warrants.

The warrants issued under the second tranche are exercisable (in full or in part) from the issue date until the 3rd anniversary of the issue date. The warrant holder is also entitled to elect to receive a cash settlement in lieu of shares on exercise of the warrants.

Fair value hierarchy

The warrants, which are measured at FVPL, are categorised within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

All warrants issued by the Group as at 31 December 2021 have been categorised as Level 3 within the fair value hierarchy. The valuations were determined using option pricing models, with maximum usage of market inputs, however key judgements were required to be made regards to the volatility, expected life and dividend yield inputs as these are forward looking estimates over the life of the option. Changes in these inputs are not expected to materially impact the fair value of the warrants.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 31 December 2021				
Current				
Financial liabilities at FVPL	-	-	1,800,000	1,800,000
Non-Current				
Financial liabilities at FVPL	-	-	603,140	603,140
Total financial liabilities at FVPL	-	-	2,403,140	2,403,140

Notes to the Financial Statements.
For the period ended 31 December 2021

NOTE 12: EQUITY

Movements in ordinary shares

	31 December 2021 Nos	30 June 2021 Nos	31 December 2021 $	30 June 2021 $
Opening balance	**130,773,716**	107,868,028	**182,745,390**	138,160,501
Options exercised	**-**	142,857	**-**	344,286
Issue of capital, net of costs	**-**	22,762,831	**-**	44,240,604
Closing balance	**130,773,716**	130,773,716	**182,745,390**	182,745,390

NOTE 13: LOSS PER SHARE

(a) Reconciliation of losses used in calculating earnings per share

	31 December 2021 $	31 December 2020 $
Basic loss per share		
Loss from continuing operations used to calculate basic and diluted EPS from continuing operations	(41,990,876)	(25,484,986)

(b) Weighted average number of shares used as the denominator

	31 December 2021 Nos	31 December 2020 Nos
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	130,773,716	107,950,326

Conversion of potential ordinary shares as at 31 December 2021 and 31 December 2020 would be antidilutive and therefore no dilution is required.

NOTE 14: RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management personnel remuneration (excluding Directors Fees) included within employee expenses for the half-year is shown below:

	31 December 2021 $	31 December 2020 $
Short-term employee benefits	**441,428**	614,937
Post-employment benefits	**29,284**	30,799
Share-based payments	**180,799**	121,191
	651,511	766,927

(b) Transactions with other related parties

	31 December 2021 $	31 December 2020 $
Interest and financing fees on working capital facility	**1,489,726**	-

(b) Terms and conditions

As outlined in Note 10, the Group has a working capital facility of $10 million (June 2021: $10 million) with a related party.

The facility was undrawn as at 31 December 2021 and has a maturity date of 25 October 2022. Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

The Group had access to a second working capital facility with a related party totalling $25 million committed funding (June 2021: $25 million), with additional uncommitted funding of $5 million (June 2021: nil) subject to fulfilling certain conditions and funder approval.

This facility has a maturity date in October 2022. This facility was drawn to $20 million as at 31 December 2021. Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

NOTE 15: RESTRICTED CASH

The cash and cash equivalents balance include $3,855,889 (June 2021: $515,260) in restricted cash not available to the Group at balance date. The restricted cash is held by Openpay SPV Pty Ltd. The cash is restricted under debt covenants to meet Loan to Valuation Ratio (LVR) requirements on eligible receivables funded plus restricted cash. The Group notes that additional cash is retained in the restricted cash facility to ensure compliance with debt covenant LVR requirements.

Notes to the Financial Statements.
For the period ended 31 December 2021

NOTE 16: EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the period end, the Group has announced a number of key changes with regards to business strategy and key management personnel.

Business strategy update

The Group announced on 12 January a strategy simplification, focused on an accelerated path to profitability in Australia and renewed focus on US market opportunities. This announcement included an update that the Group will no longer progress with the acquisition of Payment Assist in the UK and will rather enter into a strategic partnership. There is no further cost to the Group of not progressing with the Payment Assist acquisition.

A strategic review and consultation period with relevant stakeholders in the UK has since taken place, and as a result Openpay will materially reduce its UK operations with the release of capital and cost savings to be re-invested in Australia and the US. As no formal restructuring or changes to employee arrangements had been made as at 31 December 2021, there is no provision recognised with regards to these matters in the interim financial report, and these costs are not expected to be material.

During this period, the UK operation will continue to fund receivables through its existing facility. In February 2022, the maturity of this facility was extended by six months from May to November 2022.

Key Management Personnel changes

As part of the strategy simplification, the Group announced on 12 January that this would include several changes to executive positions, including the appointment of Dion Appel as the Australian CEO. It further announced the departure of the Managing Director and Group CEO Michael Eidel, with Ed Bunting being appointed as Interim Group CEO while retaining his existing responsibilities, including his role as Company Secretary.

The Group has agreed with Mr Eidel that he will work the notice period and continue to earn base salary until the earlier of 12 July 2022 or mutual termination. On termination, he will receive 7 weeks of statutorily required redundancy payments. Given the decision was reached following the balance sheet date, no provision has been made for these payments within the interim financial report.

Non-Executive Director Kelly Bayer Rosmarin resigned from the Openpay Board due to other Board commitments. She ceased to be a director on 15 January 2022.

Other than the above disclosed items, no further material events have occurred subsequent to 31 December 2021 at the time of issuing this report.

Directors' Declaration.

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 26 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Patrick Tuttle

Chairman

Melbourne

24 February 2022

Independent Auditor's Review Report to the Members.

Independent auditor's review report to the members of Openpay Group Ltd

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Openpay Group Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated balance sheet as at 31 December 2021, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes 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 Openpay Group Ltd does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 3 in the half-year financial report, which indicates that the Group incurred a net cash out flow of $60.4 million and a net loss of $42.0 million during the year ended 31 December 2021. The ability of the Group to continue as a going concern is dependent upon maintaining existing cash reserves and debt facilities and securing additional debt facilities and/or the issue of new shares. These conditions, along with other matters set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

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

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.

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
24 February 2022

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Corporate Information.

Openpay Group Ltd ACN 637 148 200

BOARD OF DIRECTORS

Patrick Tuttle (Chair, Independent Non-Executive Director)
Sibylle Krieger (Independent Non-Executive Director)
Yaniv Meydan (Non-Executive Director)
David Phillips (Independent Non-Executive Director)

INTERIM GROUP CHIEF EXECUTIVE OFFICER COMPANY SECRETARY

Edward Bunting

REGISTERED OFFICE

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SOLICITORS

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333 Collins Street
Melbourne VIC 3000

AUDITOR

PricewaterhouseCoopers
Level 19
2 Riverside Quay
Southbank VIC 3006

SHARE REGISTRY

Automic Pty Ltd

Level 5
126 Phillip Street
Sydney NSW 2000
Telephone: +61 1300 288 664

SECURITIES EXCHANGE LISTING

Openpay's ordinary shares are quoted on the Australian Securities Exchange (**ASX**). Openpay was admitted to the official list of the ASX on 16 December 2019 (ASX issuer code: OPY).

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Appendix 4D Half-Year Report

Company Details

Name of Entity:	Openpay Group Ltd
ABN:	97 637 148 200
Reporting Period:	For the half-year ended 31 December 2021
Previous Period:	For the half-year ended 31 December 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 December 2021	31 December 2020	Up / Down	% Change
Revenue from ordinary activities	**$15,204,766**	$13,628,047	Up	12%
Loss from ordinary activities after income tax attributable to members	**(41,990,876)**	(25,484,986)	Up	65%
Total comprehensive loss attributable to members	**(42,014,226)**	(25,651,072)	Up	64%

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

Net Tangible Assets

	31 December 2021	30 June 2021
Net tangible assets	**$15,750,086**	$54,996,826
Total number of shares on issue	**130,773,716**	130,773,716
Net tangible assets per share	**$0.12**	$0.42

Control Gained or Lost Over Entities During Period

None.

Associates and Joint Venture Entities

Openpay Group Ltd has not engaged in the acquisition or disposal of associates nor has it engaged in any joint ventures in the half-year ended 31 December 2021.

Dividends

No dividends were declared or paid for the half-year ended 31 December 2021.

Review Conclusion

The interim financial statements have been reviewed by the Group's independent auditor. The review report is included within the interim financial report which accompanies this Appendix 4D.

The Directors are satisfied that the going concern basis of preparation is appropriate and there are reasonable grounds to believe that the Group will continue as a going concern on the basis that the funds available from existing cash reserves and debt facilities, combined with new funds sourced through (but not limited to) securing additional debt facilities and/or the issue of new shares, are expected to provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12 months period.

As a result of the Group's rapid growth, the independent auditor's review report contains an emphasis of matter in relation to going concern at Note 3 of the interim financial report. The emphasis of matter is linked to achievement of the Group's business plan objectives which is dependent on a number of factors, including successfully obtaining funding and capital in the future.

Other Information Required by Listing Rule 4.2A.3

Other information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the interim financial report for the half-year ended 31 December 2021 (which includes the Directors' report).