Appendix 4D

Half-year report

1. Company details

Name of entity:	Beforepay Group Limited
ABN:	63 633 925 505
Reporting period:	For the period ended 31 December 2022
Previous period:	For the period ended 31 December 2021

2. Results for announcement to the market

			$
Revenues from ordinary activities	up	144.7% to	14,571,863
Loss from ordinary activities after tax attributable to the owners of Beforepay Group Limited	down	77.6% to	(4,398,769)
Loss for the period attributable to the owners of Beforepay Group Limited	down	77.6% to	(4,398,769)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to $4,398,769 (31 December 2021: $19,628,494).

Refer to 'Review of operations' in the Directors' Report for further commentary on the results for the half year ended 31 December 2022.

3. Net tangible assets

	Consolidated	
	Reporting period	Previous period
	$	$
Net tangible assets per ordinary security	0.61	(1.35)

Right-of-use assets and lease liabilities have been excluded from the net tangible assets calculation.

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

Appendix 4D continued

5. 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.

6. Attachments

Details of attachments (if any):

The Interim Report of Beforepay Group Limited for the period ended 31 December 2022 is attached.

7. Signed

As authorised by the Board of Directors

Brian Hartzer
Chair

27 February 2023
Sydney

Beforepay

Reshaping lending

Interim Report – 31 December 2022

Beforepay Group Limited
(ABN: 63 633 925 505)

H1FY23
Half Year Highlights

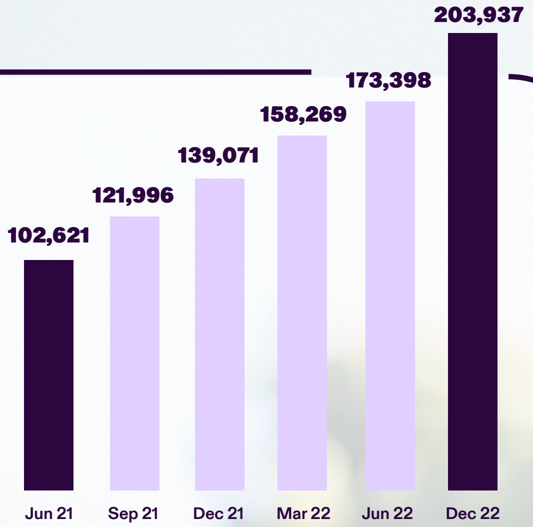
Active users

↑

47%

YOY growth in active users

YoY to 203,937 reflecting strong customer acquisition



96%

Of customers who have successfully repaid their first pay advance have taken out a second pay advance.

Net transaction margin

of 1.7% of Beforepay pay advance fee income in H1FY23 vs 0.3% in H1FY22.

Net transaction loss

down to 2.3% from 2.9% in H1FY22 driven by ongoing refinements to the risk model, customer limit management and higher recoveries.

★★★★★

4.8

Star rating

(out of 5) across Google Play Store (over 10k ratings) and Apple App Store (over 20k ratings).

1.7%

Net Transaction Margin (H1FY23)

2.3%

Net Transaction Loss (H1FY23)

Pay Advances

of $303.9m up

130%

(YoY) in H1FY23 vs H1FY22. Strong growth driven by new customer acquisition and continued usage by existing customers.

$391 Average pay advance

or 62% up (YoY) in H1FY23 vs H1FY22.

$391

Average pay advance (H1FY23)

Balance sheet strength to fund growth

with $18.7m cash position and $28.5m in equity as at 31 December 2022.

Contents

Directors' Report

31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to as the 'Group') consisting of Beforepay Group Limited (referred to as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2022.

Directors

The following persons were directors of Beforepay Group Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Brian Hartzer – Chair
Danny Moss – Non-Executive Director
Stefan Urosevic – Non-Executive Director
Patrick Tuttle – Non-Executive Director
Natasha Davidson – Non-Executive Director (resigned 21 November 2022)
Luke Bortoli – Non-Executive Director

Principal activities

During the financial period the principal continuing activities of the Group consisted of providing finance to its customers by way of pay advances.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations

Revenue from ordinary activities in the current period was $14,571,863 representing an increase of 145% on the previous financial period (31 December 2021: $5,954,893).

Compared to the previous financial period ended 31 December 2021, the Group grew the number of pay advances by 42% to 777,113 and increased the total volume of pay advances by 130% to $303.9 million. The Group's average pay advance increased 62% from $241 to $391, while the number of active customers increased 47% from 139,071 to 203,937 as at 31 December 2022. This reflects The Group's relentless focus on improving and optimizing the product and how it delivers.

The company continued to generate a positive net transaction margin in the current period, amounting to $5,056,804 (31 December 2021: $360,169), a 1,306% increase on the previous financial period. This result was driven by increases in pay-advance volumes and margin expansion. Net transaction margin comprises Beforepay income less direct financing costs, direct service costs in facilitating pay advances to customers, and expected credit losses (transaction losses).

Net loss before tax in the current period is $4,398,769 representing a decrease of 78% on the previous financial period (31 December 2021: $19,628,494).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

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

Likely developments and expected results of operations

The Group's priority for the current financial period to 30 June 2023 is continuing towards profitability. The Group will seek to control costs, maintain margins, and continue to grow the number of users and volume of pay advances.

The Group will continue to optimise its core product and may introduce product extensions where it sees a clear affinity with its current capabilities. While the Group will continue with its direct-to-consumer model, it will supplement this by working with partners to accelerate growth.

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

Brian Hartzer
Chair

27 February 2023
Sydney

Auditor's Independence Declaration

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of Beforepay Group Limited

As lead auditor for the review of the financial report of Beforepay Group Limited for the half-year ended 31 December 2022, I declare 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Beforepay Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Simon Hannigan
Partner
27 February 2023

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2022

	Note	Consolidated 6 months ended 31 Dec 2022	Consolidated 6 months ended 31 Dec 2021
		$	$
Revenue			
Beforepay income	4	14,571,863	5,954,893
Other income	5	1,371,804	544,734
Interest income		–	33,768
Expenses			
Direct service cost		(964,044)	(985,746)
Fair value loss on convertible notes		–	(3,310,782)
Employee benefits expense	6	(4,868,618)	(3,854,364)
Settlement expense		–	(1,584,000)
Depreciation and amortisation expense		(252,852)	(303,623)
IPO related expenses		–	(2,135,480)
Expected credit losses expense		(7,379,823)	(3,975,268)
Occupancy expenses		(13,086)	(1,450)
Advertising and marketing expenses		(3,455,603)	(6,759,528)
Professional and consultancy expenses		(903,234)	(1,574,415)
Software licences		(5,473)	(4,648)
Technical suppliers		(471,464)	(244,098)
Convertible note issuance expenses		–	(171,273)
Other expenses		(635,441)	(545,399)
Finance costs	6	(1,392,798)	(711,815)
Loss before income tax expense		(4,398,769)	(19,628,494)
Income tax expense		–	–
Loss after income tax expense for the period attributable to the owners of Beforepay Group Limited		(4,398,769)	(19,628,494)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to the owners of Beforepay Group Limited		(4,398,769)	(19,628,494)

	Note	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
		$	$
Basic earnings per share	23	(0.09)	(0.82)
Diluted earnings per share	23	(0.09)	(0.82)

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

Statement of Financial Position

As at 31 December 2022

	Note	Consolidated Dec 2022	Consolidated Jun 2022
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	18,710,523	28,367,245
Trade and other receivables	8	40,600,278	27,334,970
Government grants receivable	10	1,371,804	–
Other assets	11	540,154	993,969
Total current assets		61,222,759	56,696,184
Non-current assets			
Property, plant and equipment	12	131,984	178,844
Right-of-use assets	9	549,586	732,436
Intangibles	13	75,480	93,610
Other assets	11	193,310	193,310
Total non-current assets		950,360	1,198,200
Total assets		62,173,119	57,894,384
Liabilities			
Current liabilities			
Trade and other payables	14	3,038,501	3,032,641
Lease liabilities	16	374,690	348,731
Employee benefits		247,287	286,968
Total current liabilities		3,660,478	3,668,340
Non-current liabilities			
Trade and other payables	14	247,500	544,500
Borrowings	15	29,512,026	20,614,771
Lease liabilities	16	205,849	401,941
Provisions	17	38,930	37,136
Total non-current liabilities		30,004,305	21,598,348
Total liabilities		33,664,783	25,266,688
Net assets		28,508,336	32,627,696
Equity			
Issued capital	18	80,267,625	80,267,625
Reserves		1,213,749	934,340
Accumulated losses		(52,973,038)	(48,574,269)
Total equity		28,508,336	32,627,696

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

Statement of Changes in Equity

For the period ended 31 December 2022

	Issued capital	Reserves	Accumulated losses	Total deficiency in equity
Consolidated	$	$	$	$
Balance at 1 July 2021	6,023,575	172,753	(19,434,321)	(13,237,993)
Loss after income tax expense for the period	–	–	(19,628,494)	(19,628,494)
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	(19,628,494)	(19,628,494)
Transactions with owners in their capacity as owners:				
Share-based payments	–	681,976	–	681,976
Balance at 31 December 2021	6,023,575	854,729	(39,062,815)	(32,184,511)

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	$	$	$	$
Balance at 1 July 2022	80,267,625	934,340	(48,574,269)	32,627,696
Loss after income tax expense for the period	–	–	(4,398,769)	(4,398,769)
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	–	–	(4,398,769)	(4,398,769)
Transactions with owners in their capacity as owners:				
Share-based payments	–	279,409	–	279,409
Balance at 31 December 2022	80,267,625	1,213,749	(52,973,038)	28,508,336

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

Statement of Cash Flows

For the period ended 31 December 2022

	Note	Consolidated 6 months ended 31 Dec 2022	Consolidated 6 months ended 31 Dec 2021
		$	$
Cash flows from operating activities			
Receipts from repayment of customers advances		276,508,699	121,020,029
Receipts of Beforepay income		21,289,797	5,708,866
Payments to suppliers and employees		(10,914,562)	(12,660,633)
Advances to customers		(303,871,764)	(132,003,550)
Interest received		–	33,768
Interest and other finance costs paid		(1,203,845)	(467,164)
Net cash used in operating activities		(18,191,675)	(18,368,684)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(5,011)	(112,009)
Payments for intangibles	13	–	(29,788)
Prepaid share issue costs		–	(427,074)
Net cash used in investing activities		(5,011)	(568,871)
Cash flows from financing activities			
Proceeds from issue of convertible notes		–	11,657,500
Net proceeds from borrowings		8,710,097	6,649,583
Repayment of lease liabilities		(170,133)	(155,404)
Borrowings transaction costs		–	(188,151)
Repayment of borrowings		–	(246,991)
Net cash from financing activities		8,539,964	17,716,537
Net decrease in cash and cash equivalents		(9,656,722)	(1,221,018)
Cash and cash equivalents at the beginning of the financial period		28,367,245	10,011,785
Cash and cash equivalents at the end of the financial period		18,710,523	8,790,767

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

Notes to the Financial Statements

31 December 2022

Note 1. General information

The financial statements cover Beforepay Group Limited as a Group consisting of Beforepay Group Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Beforepay Group Limited's functional and presentation currency.

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

Suite 2, Level 6
50 Carrington Street
Sydney NSW 2000

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 27 February 2023.

Note 2. Significant accounting policies

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

These condensed 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 2022 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

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

Going concern

During the half-year ended 31 December 2022, the Group incurred a loss after tax of $4,398,769 (31 December 2021: $19,628,494) and had net operating cash outflows of $18,191,675 (31 December 2021: outflows of $18,368,684) and net investing cash outflows of $5,011 (31 December 2021: outflows of $568,871). Further, the Group has a net current assets position of $57,562,281 at 31 December 2022 (30 June 2022: net current assets of $53,027,844), as well as net assets position of $28,508,336 (30 June 2022: net assets of $32,627,696).

The Group's business model is to make payments to customers in advance of those customers receiving regular income in the form of wages. As a result of the ongoing growth of the Group, the Group continues to seek additional capital, accessed in the form of both external debt and equity funding.

The Group's existing loan facility agreement, as disclosed in note 14, which has a drawn amount of $29,647,112 (30 June 2022: $20,937,015), expires in January 2024 ("the Debt Facility"), and as a result requires refinancing within twelve months of the signing of this half-year financial report. As at the date of this report, the Group is yet to secure refinancing of the Debt Facility.

The Group has complied with the covenants on its Debt Facility up to the date of this report. In order to continue to be compliant with the financial covenants for a period of twelve months from the date of this half-year financial report, the Group will need to refinance the existing Debt Facility, obtain additional funding to support the business and/or obtain a covenant waiver and loan extension from the Debt Facility lender.

The financial statements have been prepared on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business. The directors have considered the above factors and believe that the Group will be able to continue as a going concern by refinancing the Debt Facility as required.

The directors believe that the funds available from existing cash reserves and the Debt Facility, combined with those that would become available from a refinance of the Debt Facility prior to January 2024 will provide the Group with sufficient working capital to carry out its stated objectives for at least the next twelve (12) months from the date of signing this half-year financial report.

In the event that:

- the Group is unable to refinance the Debt Facility prior to its current maturity date of January 2024; or
- the Debt Facility is not maintained in accordance with financial covenant requirements; or
- the Group's results materially underperform current expectations for any reason,

then additional funding, in either the form of debt (in excess of current Debt Facility limits) or equity 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.

Note 3. Operating segments

Identification of reportable operating segments

Operating segments are presented using the "management approach" where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group is organised into one operating segment, being the provision of finance to its customers by way of salary advances. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

Note 4. Beforepay income

	Consolidated	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	$	$
Beforepay income	14,571,863	5,954,893

Beforepay income is recognised over the period of which customer advances are made up until they are repaid, applying the effective interest rate method. Beforepay income is calculated and charged based on a fixed percentage of the amount advanced.

Note 5. Other income

	Consolidated	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	$	$
Research and development tax incentive	1,371,804	544,734

Research and development ('R&D') tax incentive grant receivable during the half year ended 31 December 2022 relates to the Group's R&D claim for the tax year ended 30 June 2022. Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs deferred and recognised in the profit and loss over the periods necessary to match them with the costs that they are intended to compensate.

Note 6. Expenses

	Consolidated	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	$	$
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	1,170,675	442,469
Interest and finance charges paid/payable on lease liabilities	33,171	39,771
Amortisation of loan establishment fees	187,158	227,948
Unwinding of the discount on provisions	1,794	1,627
	1,392,798	711,815
Employee benefits expense		
Employee benefits expense excluding share-based payments	4,589,209	3,172,388
Share-based payments expense	279,409	681,976
	4,868,618	3,854,364

Share-based payments expense for the half year ended 31 December 2021 contains $402,389 of expense related to accelerated vesting of options linked to the successful IPO of the Group.

Note 7. Cash and cash equivalents

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current assets		
Cash at bank	18,251,630	27,826,631
Cash held by service providers	458,893	540,614
	18,710,523	28,367,245

Note 8. Trade and other receivables

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current assets		
Receivables – customer advances	43,386,299	26,406,845
Less: Allowance for expected credit losses	(6,778,114)	(3,858,106)
	36,608,185	22,548,739
Other receivables	3,980,800	4,786,231
GST receivable	11,293	–
	40,600,278	27,334,970

During the half year ended 31 December 2022, the Group issued customer advances totalling $303,871,764 (half year 31 December 2021: $132,003,550).

Customer advances receivable represent outstanding amounts on advances and associated Beforepay income receivable issued on the Beforepay platform. The Group's business model is to hold the receivables with the objective to collect the contractual cash flows, including principal and Beforepay income due to Beforepay. Consumer receivables are measured at amortised cost using the Effective Interest Rate (EIR) method. They are generally due within 14-56 days.

Allowance for expected credit losses

The Group applies the general provision approach under AASB 9 *Financial Instruments* to account for expected credit losses ('ECLs') on consumer receivables measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the Beforepay terms and all the cash flows that the Group expects to receive. Due to the short-term nature of the customer receivables, the ECLs approximates the lifetime ECL. The Group uses ageing of customer advances receivable as the basis for ECL measurement given the short duration of consumer payment terms (maximum 62 days). At each reporting date, the Group assesses impairment risk on initial recognition of the customer advances receivable and movements in the ageing of outstanding customer receivables to estimate the ECL.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Opening balance	3,858,106	2,535,406
Additional provisions recognised	9,597,281	10,515,291
Receivables written off during the period as uncollectable	(3,976,816)	(6,691,203)
Unused amounts reversed	(2,700,457)	(2,501,388)
Closing balance	6,778,114	3,858,106

Note 9. Right-of-use assets

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Non-current assets		
Land and buildings – right-of-use	1,094,041	1,094,041
Less: Accumulated depreciation	(544,455)	(361,605)
	549,586	732,436

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

The Group leases land and buildings for its offices under agreement for a period of 3 years with options to extend at the Group's discretion. On renewal, the terms of the lease are renegotiated. Management has exercised significant judgement in determining whether an extension option is reasonably certain to be exercised.

Extension option not expected to be exercised is $1,342,455.

Reconciliations

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

	Land and buildings	Total
Consolidated	$	$
Balance at 1 July 2022	732,436	732,436
Depreciation expense	(182,850)	(182,850)
Balance at 31 December 2022	549,586	549,586

Note 10. Government grants receivable

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current assets		
Government grants receivable	1,371,804	–

Refer to note 5 for further details regarding the grant income receivable.

Note 11. Other assets

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current assets		
Prepayments	540,154	993,969
Non-current assets		
Security deposits	193,310	193,310
	733,464	1,187,279

Note 12. Property, plant and equipment

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Non-current assets		
Leasehold improvements – at cost	139,645	139,645
Less: Accumulated depreciation	(41,349)	(27,270)
	98,296	112,375
Computer equipment – at cost	206,412	204,733
Less: Accumulated depreciation	(175,850)	(138,264)
	30,562	66,469
Office equipment – at cost	3,332	–
Less: Accumulated depreciation	(206)	–
	3,126	–
	131,984	178,844

Reconciliations

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

	Leasehold improvements	Computer equipment	Office equipment	Total
Consolidated	$	$	$	$
Balance at 1 July 2022	112,375	66,469	-	178,844
Additions	–	1,679	3,332	5,011
Write off of assets	–	–	–	–
Depreciation expense	(14,079)	(37,586)	(206)	(51,871)
Balance at 31 December 2022	98,296	30,562	3,126	131,984

Note 13. Intangibles

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Non-current assets		
Development – at cost	444,153	444,153
Less: Accumulated amortisation	(368,673)	(350,543)
	75,480	93,610

Reconciliations

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

	Development costs
Consolidated	$
Balance at 1 July 2022	93,610
Amortisation expense	(18,130)
Balance at 31 December 2022	75,480

Note 14. Trade and other payables

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current liabilities		
Trade payables	1,311,537	1,580,856
Accrued expenses	1,589,788	1,034,228
Other payables	137,176	178,142
GST payable	–	239,415
	3,038,501	3,032,641
Non-current liabilities		
Trade payables	247,500	544,500
	3,286,001	3,577,141

Settlement payable

On 31 October 2021, Beforepay Ops Pty Limited entered into a deed of settlement with a supplier in respect of a dispute that arose during late September and October 2021. In consideration of the settlement and the grant of a license to Beforepay Ops Pty Limited and its related bodies corporate, Beforepay Ops Pty Limited will, amongst other things, make monthly payments to the supplier from October 2021 to May 2024, totalling $1,584,000 (GST inclusive). The settlement results in an expense and a corresponding payable of $1,584,000, recognised in the income statement during the year ended 30 June 2022. The payable will reduce over the term of the settlement period, as the Group meets the payment schedule in place under the settlement deed. As at 31 December 2022, the balance payable is $841,500.

Note 15. Borrowings

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Non-current liabilities		
Loan – Longreach Credit Investors Pty Ltd	29,647,112	20,937,015
Loan – Longreach Credit Investors Pty Ltd – establishment fees	(135,086)	(322,244)
	29,512,026	20,614,771

Loan – Longreach Credit Investors Pty Ltd

On 28 June 2022 the debt facility agreement (Financing Facility) between Longreach Credit Investors Pty Ltd (as arranger) and Beforepay Finance Pty Ltd (as borrower), and Beforepay Ops Pty Ltd and Beforepay IP Pty Ltd (as guarantors), AMAL Trustees P/L ATF the Longreach Direct Lending Fund (as financier) (Longreach) was extended a further 7 months from the 15 June 2023 to 15 January 2024. The borrower and guarantors have granted an "all assets" security to Longreach. Further, Beforepay Group Limited has granted security over the shares it owns in each of the borrower and the guarantors and has provided a limited recourse guarantee in relation to Beforepay Finance Pty Ltd's liabilities to Longreach (limited to the shares in the borrower and guarantors and the proceeds thereof). The terms of the debt facility are as follows:

The secured debt facility has a limit of $45,000,000 and expires on the maturity date of 15 January 2024. The available commitment as at 31 December 2022 per the debt facility agreement was $29,490,912 (30 June 2022: $20,700,000) and it increases in non-linear increments over its term to a maximum commitment of $45,000,000 on and from 15 December 2023 to the maturity date of 15 January 2024.

The following fees and charges were payable on the facility:

- Interest is payable monthly in arrears based on a fixed rate of 9.50%;
- An establishment fee payable on a drawing under the Financing Facility, of either 2.25% of the relevant drawing (where the total amounts owing to Longreach under the Financing Facility are $10 million or less) or 2.00% of the relevant drawing (where the total amounts owing to Longreach under the Financing Facility are more than $10 million);
- An undrawn fee of 7.00% per annum on any undrawn commitment under the Financing Facility in excess of $2 million above pre-determined drawing amounts; and
- A 2.00% prepayment fee, where amounts are prepaid under the Financing Facility within 16 months of financial close.

The facility is subject to key financial covenants of the facility being:

- the total amounts drawn under the Financing Facility must not exceed the Borrowing Base (as defined below) at any time;
- in any period, the aggregate amount of all loans provided to existing customers who receive 51% or more of their total income from Centrelink during that period must be less than 10% of the aggregate amount of all loans advanced by the Group to all of its existing customers for that period;
- the 'loss rate' in respect of the immediately preceding calendar month and the forecast 'loss rate' in respect of each of the two subsequent months, in each case, must be less than 7.5%; and
- The Group's total cash holdings (except for the Locked Bank Account, other than any surplus amount over the Borrowing Base amount), must be in aggregate greater than the sum of the Group's:
  1) 3 month forecast of net loss before tax; and
  2) 3 month forecast of cash outflows from investing activities.

The following terms are relevant to the calculation of the above covenants:

The borrowing base under the Financing Facility (Borrowing Base) means, on any given date, the aggregate of either:

- if Longreach has notified Beforepay Finance Pty Ltd that it is satisfied that Beforepay Finance Pty Ltd has complied with its credit policies in relation to loans to its customers and that Longreach will accordingly no longer review Beforepay Finance's compliance with those credit policies (which Longreach is otherwise entitled to do on a 3-monthly basis), 85% of the value of customer advances aged less than 30 days overdue at that date; or
- in all other cases, 80% of the value of customer advances aged less than 30 days overdue at that date; and
- 100% of the cash balance standing to the credit of a bank account jointly controlled by the Group and Longreach as at that date.

Covenants have been complied with through to the date of this report. Debt covenants have been assessed regularly to determine whether there were any breaches for which disclosure is required and considered in the forward forecast.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Total facilities		
Loan – Longreach Credit Investors Pty Ltd	45,000,000	45,000,000
Used at the reporting date		
Loan – Longreach Credit Investors Pty Ltd	29,647,112	20,937,015
Unused at the reporting date		
Loan – Longreach Credit Investors Pty Ltd	15,352,888	24,062,985

Note 16. Lease liabilities

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Current liabilities		
Lease liability	374,690	348,731
Non-current liabilities		
Lease liability	205,849	401,941
	580,539	750,672

Reconciliations

Reconciliations of the lease liability (current and non-current) at the beginning and end of the current financial year are set out below:

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Lease liability as at start of period	750,672	1,060,242
Accretion of interest	33,171	80,780
Payments – principal	(170,133)	(309,570)
Payments – interest	(33,171)	(80,780)
Lease liability as at end of period	580,539	750,672

Note 17. Provisions

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Non-current liabilities		
Lease make good	38,930	37,136

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Note 18. Issued capital

	Consolidated			
	Dec 2022	Jun 2022	Dec 2022	Jun 2022
	Shares	Shares	$	$
Ordinary shares – fully paid	46,462,282	46,462,282	80,267,625	80,267,625

Ordinary shares

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

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

Share buy-back

There is no current on-market share buy-back.

Note 19. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 20. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 21. Contingent liabilities

	Consolidated	
	Dec 2022	Jun 2022
	$	$
Bank guarantees	193,310	193,310

Note 22. Related party transactions

Parent entity

Beforepay Group Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	$	$
Expenses to related parties:		
Interest expense – Director affiliated entities	–	10,082

During the half year ended 31 December 2021, Lavalhars Pty Ltd, a related party purchased $100,000 in convertible notes issued by the company. These notes converted to equity on the Group's 30 January 2022 IPO. Interest expense associated with the convertible notes for the half year ended 31 December 2022 was $nil (31 December 2021: $10,082).

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 23. Earnings per share

	Consolidated	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	$	$
Loss after income tax attributable to the owners of Beforepay Group Limited	(4,398,769)	(19,628,494)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	46,462,282	24,016,400
Weighted average number of ordinary shares used in calculating diluted earnings per share	46,462,282	24,016,400

	$	$
Basic earnings per share	(0.09)	(0.82)
Diluted earnings per share	(0.09)	(0.82)

The weighted average number of ordinary shares for the half year ended 31 December 2021 has been restated for the effect of the capital reorganisation that took place on 8 October 2021. During the capital reorganisation all ordinary shares were split on a ratio of 1 to 100. In accordance with AASB 133 *Earnings per share*, the weighted average number of ordinary shares for the comparative period are calculated based on the number of shares that would have been in existence had the capital reorganisation occurred on 1 July 2020.

Share options on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted loss per share as they are considered anti-dilutive.

Note 24. Events after the reporting period

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

Directors' Declaration

31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial period 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

Brian Hartzer
Chair

27 February 2023
Sydney

Independent Auditor's Review Report

To the members of Beforepay Group Limited

Building a better working world

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Independent auditor's review report to the members of Beforepay Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Beforepay Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising 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 half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial 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* (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 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.

Emphasis of Matter – Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which indicates that the Group's ability to continue as a going concern is dependent on future conditions including the Group's ability to successfully raise and/or refinance debt.

These factors cast doubt over whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Directors' responsibilities for the half-year financial report

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

Building a better working world

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

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

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

Ernst + Young

Ernst & Young

Simon Hannigan
Partner
Sydney
27 February 2023

Corporate Directory

Directors

Brian Hartzer – Chair and Non-Executive Director

Danny Moss – Non-Executive Director

Stefan Urosevic – Non-Executive Director

Patrick Tuttle – Non-Executive Director

Luke Bortoli – Non-Executive Director

Company Secretaries

Elena Chan

Elizabeth Spooner

Registered Office

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Auditor

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Share Registry

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Sydney NSW 2000

1300 288 664

ASX Listing

ASX Code: B4P

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Beforepay

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