Beforepay

Reshaping lending

Annual Report 2022

Beforepay Group Limited
(ABN: 63 633 925 505)

Contents

Beforepay aims to be an ethical, customer-friendly way to manage temporary cash flow challenges. We offer consumers a better way to manage their personal finances, by providing the flexibility to access a portion of their pay early, set budgets, and track spending habits.

About Beforepay

Beforepay Group Limited (Beforepay) was founded to support working Australians who have not been well-served by the traditional financial services industry. Setting out to disrupt established but outdated practices, Beforepay aims to be an ethical, customer-friendly way to manage temporary cash flow challenges. We advance people relatively small sums of money (c. $300 on average) over relatively short periods of time (c. 3 weeks on average), to enable people to get through a short-term challenge. We've created a simple, transparent, and affordable fee model designed to give our customers total control – charging only a single transaction fee, zero interest, and no late fees.

Beforepay aims to be an ethical, customer-friendly way to manage temporary cash flow challenges.

We know that customers demand immediacy, which is why speed and convenience is core to our product. Our proprietary machine-learning credit decisioning models work in seconds, whilst funds are deposited through NPP payment rails into customers' bank accounts nearly instantly. Use of sophisticated technology makes the onboarding process seamless; customers can download the app, sign up, be assigned an appropriate limit (which is based on a number of factors like income and spending), pass thorough KYC checks, and have the money in their account in just a few minutes.

There are a range of use cases for our product. Customers may take out pay advances for recreation or entertainment, and view the fee the same way they would an ATM fee, or a food-delivery fee. Other customers, may use the product to manage their cash flow for household expenses, particularly when they have one-off or unexpected expenses, such as car repairs or veterinarian bills, and view the fee as a much more affordable and safer option than revolving a credit-card balance or taking out a high-cost payday loan.

We take our commitment to providing access to funds in a responsible way seriously. To ensure that Beforepay is genuinely an ethical, ustomer-friendly alternative to traditional financial products, we have put in place a number of safeguards. These include eligibility requirements (such as requiring a majority of income from employment) and risk-scoring based on transactional behaviour (to identify and screen out people who are less likely to be able to repay an advance). We take customer feedback seriously to ensure our safeguards are appropriate and our product is helpful. In addition, we have a free budgeting tool and spending insights in the app to assist our customers in managing their cash flow.

Customers love Beforepay. We have an average rating of 4.8 stars out of 5 on the Apple App Store (over 18k ratings) and Google Play Store (over 8k ratings), with more than 95% of our reviews either 4 or 5 stars.

We have searched over 15,000 features to determine the best

500

risk assessment attributes for each customer to predict the probability of their default.

Customers love Beforepay. We have an average rating of 4.8 stars out of 5 on the Apple App Store and Google Play Store, with more than 95% of our reviews either 4 or 5 stars. Common themes included in the 4 or 5 star reviews are ease of use, low fees, and the positive impact that using either our Pay Advance service or Budgeting tool has had on our customers' ability to manage their finances. Two of the most common themes in our negative reviews are from customers who are not eligible for a Pay Advance or from customers who would like to have a higher limit. In addition, reuse rates are high; more than 95% of customers who have taken out their first pay advance and successfully repaid it have since returned to take out a second pay advance.

Beforepay has seen rapid growth. Since our commercial launch in August 2020, the company has grown to more than 173,000 active users in Australia. The number of pay advances, dollar volume of pay advances, and revenue have all grown in line with, or faster than, user growth.

Our credit decisioning model is powered by machine-learning models, trained and validated on hundreds of millions of data points. We have searched over 15,000 features to determine the best 500 attributes for each customer, based on their detailed transaction history, to predict the probability of default. As a result, our repayment rates are strong. As we have turned on our risk models, the net transaction loss has fallen considerably over the course of FY22, and in Q4 was 1.8%.

We believe many more Australians would benefit from our product. One survey, cited in our prospectus, found that 5.3 million Australians report having limited savings. Our average customer, as of March 2022, had an annualised income of $56,182, grossed up for estimated tax.

We are passionate about helping our customers, people that have traditionally been poorly served by the financial services industry. Our strong growth, our favourable unit economics, and our customer base, have placed us in a strong position to help our customers and build a great business while doing so.

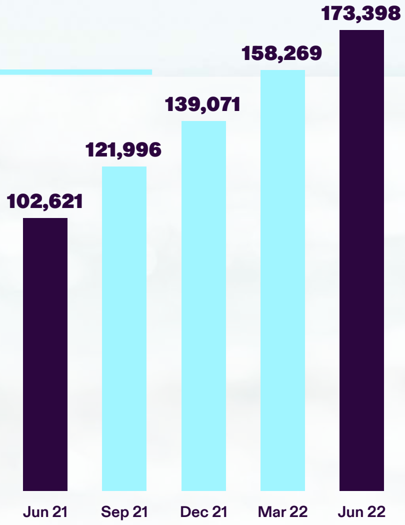
FY22 Highlights

Active users

↑ **69%**

Growth in active users

YoY to 173,398 reflecting strong customer acquisition



95%

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

Net transaction margin

turned positive at 1.1% of Beforepay pay advance fee income in FY22 vs -2.2% in FY21.

Net transaction loss

down to 2.4% from 5.2% in FY21 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 8k ratings) and Apple App Store (over 18k ratings).

1.1%

Net transaction margin (FY22)

2.4%

Net transaction loss (FY22)

Pay Advances

of $327.3m up

252%

(YoY) in FY22 vs FY21. Strong growth driven by new customer acquisition and continued usage by existing customers

$268 Average pay advance

or 64% up (YoY) in FY22 vs FY21.

$268

Average pay advance (FY22)

Balance sheet strength to fund growth

with $28.4m cash position and $32.6m in equity as of 30 June 2022.

CEO Letter

Dear fellow shareholders,

It's a pleasure to be writing to you as part of our first annual report. It's been an exciting year for Beforepay, in which the company has grown many times over and developed significantly from where we began the year.

I'll summarise the key events of the year in alignment with our three strategic pillars: help customers, grow quickly, and create value.

Help customers

Beforepay exists to support working Australians, providing them with an ethical, customer-friendly alternative to revolving debt and predatory lending. Over the course of FY22, we issued more than $327.3 million in pay advances, enabling hundreds of thousands of Australians to fix their cars, do their back-to-school shopping, or just bridge a few weeks where expenses were a little higher than expected. And we did it all without charging a single late fee, or interest, or a hidden charge of any kind.

Acting responsibly is at the core of what we do. Over the course of FY22, we put in place tighter eligibility criteria to ensure we were issuing pay advances in the right way to suitable customers. We engaged with our customers to get their feedback and input on our product. We're proud to have freed hundreds of thousands of Australians from the traps of revolving debt and the tricks of hidden fees.

Grow quickly

The last year has been one of rapid growth. Compared with FY21, we grew the number of pay advances by 114%, to 1,219,725, and increased the total volume of pay advances by 252%, to $327.3 million. Our average pay advance per customer increased from $163 in FY21 to $268 in FY22, and the number of active customers increased from 102,621 to 173,398 over the course of the year.

Pleasingly, we were able to scale the business seamlessly with the growth in demand. Our flexible, modern, public-cloud technology stack, operated the entire year with almost no downtime, and even as the value of monthly pay advances increased 64.6%, our headcount increased only from 28 to 38 during the year.

We stayed tightly focused all year. We did not execute a pivot, significantly change the product, grow overseas, or conduct any M&A activity. We spent the year relentlessly improving and optimising the product and how we deliver it.

Create value

One of our most important objectives in FY22 was to improve our unit economics. We did this by investing heavily in our data-science capabilities in order to build and implement increasingly sophisticated proprietary credit risk models. As a result, our net transaction loss fell from 4.1% in Q4 FY21 to 1.8% in Q4 FY22. Combined with reductions in our unit direct costs, this took us from a position of losing money on every pay advance at the beginning of the year to a positive net transaction margin of 2.0% in Q4 FY22.

IPO

In addition to our growth and development as a company, we conducted an initial public offering (IPO) in January 2022, raising more than $30 million for future growth. As you know, markets have been very challenging, and the share price has fallen significantly since the IPO. However, the capital raised sets up a strong balance sheet for the future.

> ***"We're proud to have freed hundreds of thousands of Australians from the traps of revolving debt and the tricks of hidden fees."***

The number of active customers increased from 102k to

173k

over the course of the year.

Looking forward

Given market conditions, we are laser-focused on driving the company towards overall profitability, using our strong unit economics as a base. To do this, we will emphasise holding costs down, maintaining our net transaction margin, and continuing to grow our number of users and total volume of pay advances. With the resources currently available, we are confident of making significant progress towards overall profitability as a business.

I thank you for your support over the course of FY22, and am looking forward to an exciting FY23.

James Twiss
CEO

Chair Letter

Dear shareholders,

FY22 has been an exciting year for Beforepay. Over the last twelve months the business has more than quadrupled in size while delivering a dramatic improvement in unit economics, a substantial upgrade in its technology and data platform, and the enhancements to management capabilities and governance needed to complete an initial public offering in January 2022.

We believe Beforepay is a truly disruptive product, providing many consumers with a better way of managing their cash flow than traditional alternatives such as revolving credit card debt or high-interest, high-fee payday lenders. Because balances on our product cannot be extended, and because we don't charge interest or late fees, Beforepay customers avoid the risk of a debt spiral. To date, hundreds of thousands of Australians have found that Beforepay is a better solution for them—the very positive feedback we consistently receive reflects that our product is genuinely a preferred option for our customers.

Our target customer is financially sound, with a reliable source of income and controlled expenses, but sometimes just needs an advance to meet their financial needs. Our addressable market is all Australian adults with steady employment who would benefit from additional financial flexibility. We estimate that this market number is in the millions of potential customers – which means that our figure of

173,000 active customers is just scratching the surface of our opportunity. Over time, we also see opportunities to grow overseas, and to introduce additional products – although our current focus is squarely on achieving profitability in Australia.

The company has seen both customer numbers and the volume of pay advances grow rapidly over the last year. From a shareholder perspective, it is even more pleasing to note the substantial improvement in our economics: With transaction losses (i.e., net defaults) reduced to sustainable levels and strong net margins on pay advances, we now have a clear path to profitability. This is because Beforepay is largely a fixed cost business, with each incremental pay advance bringing us closer to overall profitability, assuming a reasonable cost of new-customer acquisition.

While the capital raised by the initial public offering has been very important in underpinning this growth, the Board is obviously disappointed by the considerable fall in the share price since the first day of trading in January. As a shareholder, I have personally shared in this decline, as have the other members of the Board and management. While market sentiment is of course not in our control, the Board and management remain focused on executing our strategy in a disciplined manner, by managing our costs and capital position carefully, while maintaining positive margins and continuing to grow towards overall profitability. In time, we believe this will lead the market to take a fresh look at the quality of our business and rerate the stock.

In closing, I'd like to thank Beforepay's management team and all of the employees for their hard work in what has been a watershed year for Beforepay. I'd like to thank our customers for trusting us and letting us be part of their financial lives, and for their continued loyalty and support. And finally, I'd like to thank all of you, our shareholders, for coming on the Beforepay journey with us. I'm excited about the future and look forward to sharing it with you.

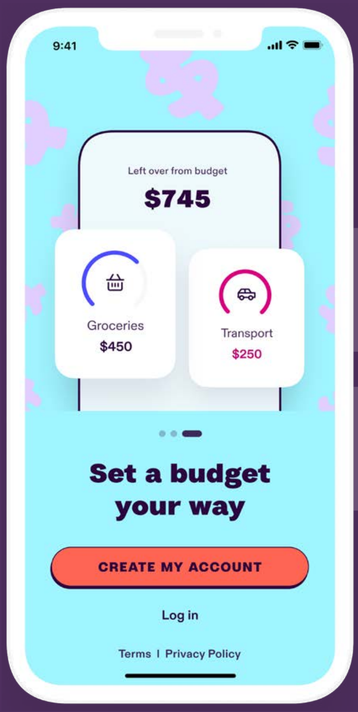
Brian Hartzer
Chair

The company has seen both customer numbers and the volume of pay advances grow rapidly over the last year.

"The very positive feedback we consistently receive reflects that our product is genuinely a better option for our customers."

Business Model

A Rapid Digital Journey

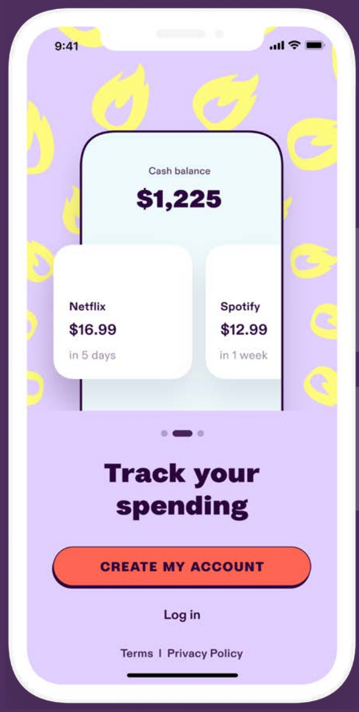


Create a budget

Aligns with income cycle

Educate

Instant access to data-enabled insights



Predicts upcoming bills

Categorises expenses

Inform

Promotes financial awareness

100% in the public cloud

Scales up seamlessly on demand

Customer data encrypted on Amazon Web Services

Proprietary tech enabling a competitive advantage

Partner tech for commodity services

New users:
cash in as little as 10 minutes[1]

Create account and sync bank

Automated AI based credit assessment

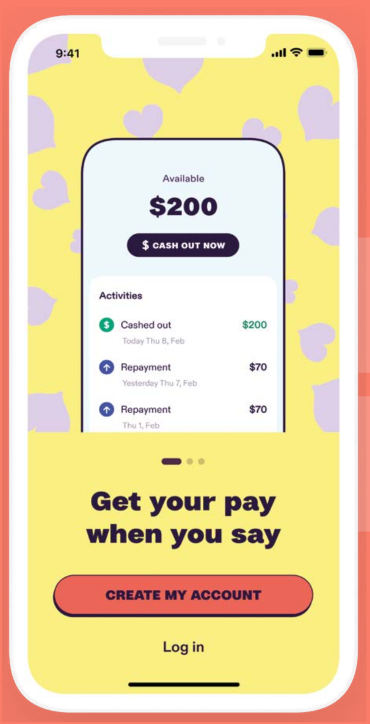
KYC verification

Funds cleared to bank account

Returning users:
cash in under one minute*

Select pay advance amount

Funds cleared to bank account



Fixed 5% fee with flexible instalments

Instantly deposited into bank account*

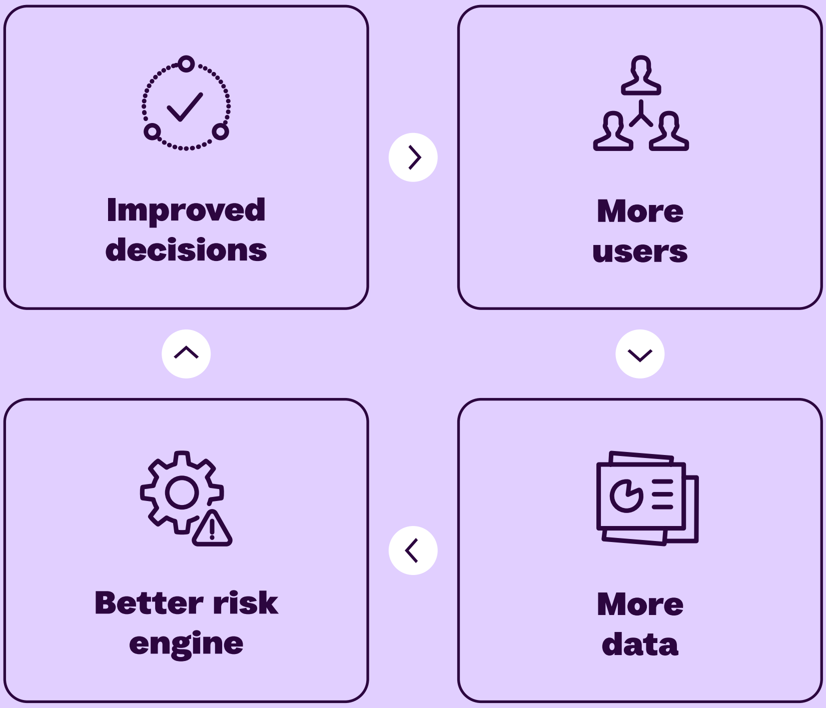
Enable

Flexibility on demand

* Cash Outs will generally by received in the customer's account in well under one minute, except in rare cases where there is a technical issue with the external payment provider, that provider's sending bank, the receiving bank, or the NPP itself.

1 Note: Possible timing for a new Beforepay user; experiences may vary.

Heavy Investment in Credit Risk Decisioning



More than 500 attributes calculated for each user

Team of data scientists using machine learning

Automated testing of limits to determine elasticity of default

Our risk model

Our proprietary risk models have been developed by a team of data scientists, using transaction data from over 100,000 of our customers. We divide our database into three samples, for model training, hyperparameter tuning and testing. For each customer, we calculate more than 500 separate attributes, ranging from average monthly expenditure on groceries to volatility of income, to test for predictive value.

A machine learning algorithm then identifies characteristics that defaulting customers have in common, as compared to non-defaulting customers, using the training sample. We then use the hyperparameter tuning sample to adjust parameters and weights to create the final model, which will score users based on the subset of 500 attributes. Finally, we check the model on the test sample to ensure it performs as expected.

Database of more than

900M

data points

Our Customers

"Super easy to use, budgeting tool is great, so quick to get cash out in emergencies."

"In all honesty I cannot pick one fault or anything close to a fault with beforepay. I would recommend this service to anybody. Couldn't be happier. A very strong 10/10."

"Delightfully Easy. This app was insanely easy and quick to use. Show proof of earnings, fill out a few quick questions and BAM, payment was deposited into my account in quite literally seconds. They even have a cool budgeting system within the app. The absolute best part of the whole process; it's only 5% you have to pay back on top of what you got early. Extremely helpful in a pinch and very very secure! Couldn't say more good things about Beforepay."

"Being able to access your money on the spot is great, but also being shown your spending and budgeting really helps so much more, highly recommended to anyone who needs it."

"Great service. Simple and easy. Thanks guys."

Leading customer experience	Apple	Google Play	Trustpilot
	4.9 avg rating	**4.7** avg rating	**4.8** avg rating
	18,420 ratings 245 reviews	8,280 ratings 3,870 reviews	1,275 reviews

Our People & Culture

Our people

Beforepay's office is located in Sydney, Australia. Employees are predominately based in Australia except for our customer support function which is primarily provided by a Philippines-based outsourcer.

As at 30 June 2022, Beforepay had 38 FTE across management, finance, product, legal and risk, IT and marketing, an increase of 36% from the prior corresponding period.

Breakdown of employees as at 30 June 2022:

Function	FTE as at 30 June 2022
Key Management Personnel	2
Finance	4
Product	12
Legal and Risk	3
IT	13
Marketing	4
Total	38

During the reporting period, we have increased both the number of people and the capabilities within our team to support our strategic goals.

Inclusion & Diversity

As set out in our Diversity Policy, Beforepay is committed to increasing our gender diversity and to striving to create a more diverse workforce. We aim to do this by adopting measurable objectives approved by the Board, acting on the advice and assistance of the Remuneration and Nomination Committee, as follows:

- By the end of 2025, 30% of our Board will comprise women;
- By the end of 2025, 30% of women will be in Beforepay leadership positions; and
- By the end of 2025, 40% of all Company employees will be women,

whilst acknowledging that gender is not binary.

As at 30 June 2022:

- 17% of our Board is comprised of women;
- 22% of leadership positions are held by women; and
- 31% of Company employees are women.

31%

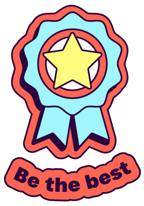
of Company employees are women.

We strive to create an equitable culture by:

- remunerating fairly, which is one of the remuneration principles enunciated in our Remuneration Policy, supported by gender base pay analysis conducted periodically; and
- undertaking inclusivity initiatives, including promoting, recognising, and celebrating Harmony Day, International Women's Day, NAIDOC Week, Luna New Year, Eid Al-Fitr, Diwali, Christmas, and Wear it Purple Day.

Our People & Culture cont.

Customers are at the centre of everything we do, helping to shape our future.



We're passionate about excelling; being leaders in our space and celebrating the wins this delivers.

We are human first and we operate and communicate with respect.

We encourage everyone to speak up and think of new solutions to old problems. Mistakes can happen and are opportunities to learn.

Our core values

Our core values represent the behaviours and qualities that our employees and our Board demonstrate, which are critical to our vision and mission.

Our core values are embedded operationally and strategically. They are referenced in our Code of Conduct, our Risk Management Framework 2022, and influences our talent acquisition and retention initiatives and approach to human capital management.

Our core values are also reflected in our policies. Certain of our policies are summarised on this page.

Securities Trading Policy

The purpose of our Securities Trading Policy is to set restrictions on dealing in securities to minimise the risk of insider trading and increase transparency to assist in maintaining market confidence in the integrity of dealings in our securities. Given the current size of Beforepay, the Board has nominated that this policy will apply to all of our employees as well as the members of the Board.

The Securities Trading Policy also specifies trading windows during which trading by employees and Board members can occur, which include certain prescribed periods and any additional periods determined by the Board from time to time. The Securities Trading Policy supports our risk culture, which is inherent across all our core values.

Anti-Bribery and Corruption Policy

The purpose of our Anti-Bribery and Anti-Corruption Policy is to set out the responsibilities of our people in observing and upholding our position on bribery and corruption. The policy also provides information and guidance to our people on how to recognise and deal with bribery and corruption issues, to support our speak-up culture.

Whistleblower Policy

The purpose of our Whistleblower Policy is to ensure concerns regarding unacceptable conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. Concerns can be raised to an officer or senior manager of Beforepay (or a related body corporate), an auditor, an actuary of Beforepay (or related body corporate), or a person authorised by Beforepay to receive protected disclosures including the Chief Risk Officer & General Counsel or the Chief Financial Officer (CFO).

The policy also promotes responsible whistle blowing about issues where the interests of others, including the public or of the organisation itself, are at risk.

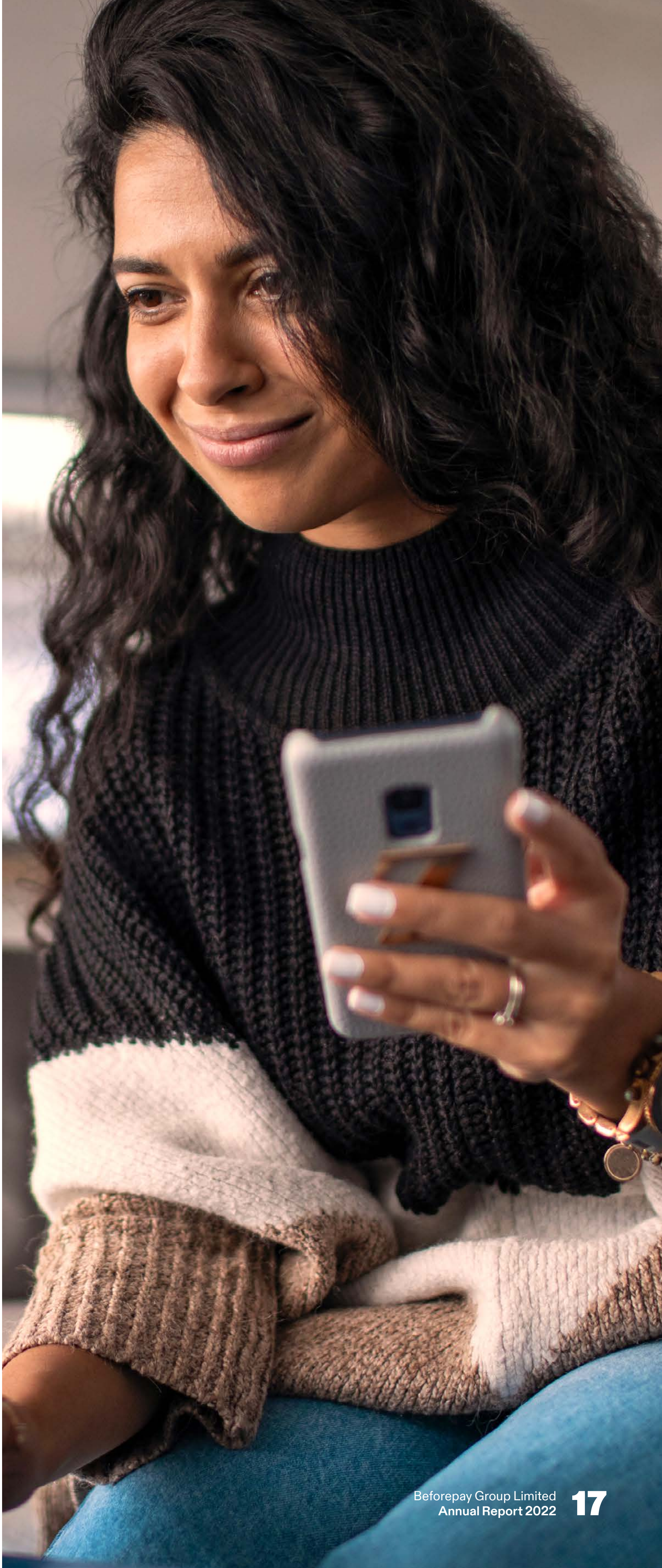
Beforepay's Whistleblower Policy further reinforces our speak-up culture. It outlines the processes to deal with disclosures made by employees and stakeholders of any suspected improper conduct in a confidential and secure manner. Material breaches of the policy are reported to the Board through the Audit and Risk Committee.

Employee wellbeing

Beforepay provides a safe and healthy workplace for our people and visitors. During the reporting period, in support of employee health and wellness we introduced an Employee Assistance Program (EAP), available to both our people and their immediate families. We also recognised R U OK? Day and the importance of suicide prevention, with a panel discussion led by the Chair of the Remuneration and Nomination Committee.

A Beforepay COVID-19 Safety Policy was introduced during the reporting period as our response to the evolving pandemic and to guide employees in the event of recurrences. This policy was supplemented by a COVID-19 Safety Plan to support a healthy and safe work culture and environment.

The Chief Risk Officer & General Counsel provided reports to the Remuneration and Nomination Committee during the reporting period in relation to the health, safety and wellbeing of our people, as well as initiatives introduced and EAP usage (on an anonymised and aggregated basis).



Financial Report

Directors' Report

30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Beforepay Group Limited (referred to hereafter as 'Beforepay', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

Brian Hartzer – Chair (appointed 5 July 2021)
Natasha Davidson – Non-Executive Director
Daniel Moss – Non-Executive Director (former Chair)
Patrick Tuttle – Non-Executive Director
Stefan Urosevic – Non-Executive Director
Luke Bortoli – Non-Executive Director (appointed 1 February 2022)
Tarek Ayoub – Executive Director (resigned 19 July 2021)
Guo Fang Mao – Non-Executive Director (resigned 19 July 2021)

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.

Business objectives

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of the Australian Securities Exchange (ASX) since its admission to the end of the reporting period in a way that is consistent with its business objectives.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to $29,139,948 (30 June 2021: $18,767,172). Compared to the financial year ended 30 June 2021 (FY21), we grew the number of pay advances by 114%, to 1,219,724, and increased the total volume of pay advances by 252% to $327.3 million. Our average pay advance increased 64% from $163 in FY21 to $268 in the financial year ended 30 June 2022 (FY22), while the number of active customers increased 69% from 102,621 to 173,398 during the year.

Pleasingly, we were able to scale the business to meet the growth in demand. Our flexible, modern, public-cloud technology stack operated the entire year with virtually no downtime, and even as the value of monthly pay advances grew significantly, our headcount increased only from 28 to 38 at 30 June 2022. We stayed tightly focused all year and did not, significantly change the product or our strategy, expand overseas, or conduct any M&A activity. Rather, FY22 was spent relentlessly improving and optimising the product and how we deliver it.

One of our most important objectives in FY22 was to improve our unit economics. We did this by investing heavily in our data-science capabilities to build and implement increasingly sophisticated proprietary risk models and tailoring advance limits to reflect the riskiness of each customer. As a result, our net transaction loss fell 54% from 5.2% in FY21 to 2.4% in FY22. Combined with reductions in our unit direct costs, this took us to a positive net transaction margin from (2.2%) in FY21 to 1.1% in FY22.

We conducted an initial public offering (IPO) in January 2022, raising more than $30 million (after costs) for future growth. The capital raised sets up a strong balance sheet to fund future growth for the future with cash on hand of $28.4 million and total equity of $32.6 million as at 30 June 2022.

Key risks

There are several potential risks associated with Beforepay and the industry in which it operates, which may impact its future financial performance. These have largely remained the same as those set out in Beforepay's Replacement Prospectus dated 29 November 2021.

Beforepay may not successfully execute one or all of its growth strategies

Beforepay's growth depends on (amongst other matters) new customers using the pay advance product and existing customers re-using the product. Beforepay aims to achieve high rates of growth by executing its marketing strategies, undertaking a wider distribution of the product, and continuing to develop and improve its technology and product offering to adapt to a change in customer preferences. There is a risk that some or all of Beforepay's growth strategies will fail to be successfully implemented or deliver the expected returns. The growth strategies may be subjected to unexpected delays and costs.

There is also a risk that Beforepay may no longer offer products which are attractive to the market, or that other products may enter the market which customers prefer, leading to a significant material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of its shares.

Beforepay may experience a security or data breach including from cyberattacks

Beforepay uses cloud-based technology platforms to host a number of its key systems and processes including customer data. Beforepay has had regard to maintaining the confidentiality and security of the wide range of confidential customer information that Beforepay collects, through the ordinary course of business, when designing its technology platform. Despite seeking to protect customer and Beforepay data, there is a risk that Beforepay is exposed to a security breach or is the victim of a successful cyberattack. Any data security breaches or failure to protect confidential customer information could result in a significant disruption to Beforepay's systems, reputational damage, and breach of applicable laws. Any of these factors could have a materially adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the shares.

Beforepay is highly reliant on mobile application stores and performance marketing

Beforepay has relationships with mobile application stores, such as the Apple App Store and Google Play Store, to distribute its app to customers' mobile devices. It also has relationships with providers to enable performance marketing to market its product and services. The success of Beforepay's business and its ability to maintain its existing pay advance volumes heavily relies on its ability to maintain its existing relationships with the mobile application stores and key performance marketing service providers.

If Beforepay cannot maintain its existing relationships with mobile application stores and performance marketing service providers, this may have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of its shares.

Beforepay may be unable to access funding or funding may only be available on less favourable terms

Beforepay may require debt and/or equity funding to finance its ongoing operations and, in particular, to finance its proposed growth objectives. Beforepay's existing finance facility contains a number of covenants and restrictions which, if breached by Beforepay, could cause an event of default. If this occurs, the ability for Beforepay to access funding may be restricted in the short term.

Any additional debt financing, if available, or amendments to Beforepay's existing debt facility, may involve restrictions on financing and operating activities. If Beforepay is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is no guarantee that Beforepay will be able to secure funding on terms favourable to it. Any such occurrence could impact Beforepay's ability to issue new pay advances or issue new pay advances on competitive terms.

Beforepay is reliant on third-party vendors, information-technology suppliers and software and infrastructure providers

Beforepay's business is dependent on the services and software provided by third-party vendors, information-technology suppliers, and software and infrastructure providers. Consequently, there are a range of potential operational issues which are outside its control.

Beforepay could face significant costs if the provision of such services is disrupted, delayed, or if the contracts are terminated or altered in any way that is detrimental to Beforepay, and Beforepay cannot find alternative services on commercially reasonable terms or on a timely basis.

There is also a risk that third-party suppliers do not perform adequately, terminate the contractual relationship with Beforepay, become insolvent, or are otherwise acquired by a competitor.

Beforepay's business may be impacted by existing or new regulations

The financial services sector, and in particular the provision of financial services to consumers, is undergoing a significant period of government and regulatory scrutiny. While Beforepay keeps abreast of actual and upcoming changes to laws and regulations, including potential reforms to the Short-Term Credit Exemption that Beforepay currently relies on to provide its products and Australian privacy law, it cannot predict with certainty the changes that may occur in the future or the impact of those changes on Beforepay's business. There is a risk that actual or proposed changes to laws and regulations may require Beforepay to change its business model, strategy, compliance framework and financing arrangements, which could have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of its shares.

Other key risks

Other key risks include reputation risk, investment risk (such as macroeconomic conditions and sharemarket conditions), operational risk (including conduct risk) arising from a number of factors, including human error, processing and communication errors and employees not carrying out their duties responsibly, and the risk that Beforepay is unable to attract key personnel to support its growth plans.

Significant changes in the state of affairs

The Company issued convertible notes in September 2021 to the value of $10,757,500 at the time of issue. All convertible notes, including those previously issued, converted to ordinary shares in the Company on allotment date, 11 January 2022 (inclusive of accumulated interest and principal).

On 8 October 2021, the Company underwent a capital reorganisation whereby all ordinary shares were split on a ratio of 1 to 100.

The Company raised $35,000,001 pursuant to the offer under its replacement prospectus dated 29 November 2021 through the issue of 10,263,930 shares at an issue price of $3.41 per share. Net of transaction costs, the Company raised $30,212,425. The Company was admitted to the Official List of the ASX on 13 January 2022 and the securities of the Company commenced trading on 17 January 2022.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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

As noted in the CEO letter in the annual report, our priority for FY23 is continuing towards profitability. We will seek to control costs, maintain margins, and continue to grow the number of users the volume of pay advances.

We will continue to optimise our core product and may introduce product extensions where we see clear affinity with our current capabilities. While we will continue with our direct-to-consumer model, we may supplement this by working with partners to accelerate growth.

Environmental regulation

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

Information on directors

Name:	Brian Hartzer
Title:	Chair and Non-Executive Director
Qualifications:	BA (Hons), CFA
Experience and expertise:	In addition to his role as Chair of Beforepay, Brian is currently Chairman of 2Be, a startup home equity lending business, and Reejig, an HR technology startup. Brian was the CEO of Westpac Banking Corporation from 2015 to 2019. Prior to joining Westpac Brian was CEO of the Retail & Wealth Management division of the Royal Bank of Scotland Group in the United Kingdom. Prior to that he held several senior leadership roles at Australian and New Zealand Banking Group Limited, including running the Retail and Consumer Finance divisions of the bank.
Other current directorships:	None
Former directorships (last 3 years):	Westpac Banking Corporation (ASX:WBC)
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	184,294 ordinary shares
Interests in options:	325,813 options over ordinary shares

Name:	Natasha Davidson
Title:	Non-Executive Director
Qualifications:	LLM, LLB (Hons), BA, GAICD, FGIA
Experience and expertise:	Natasha is an M&A and capital markets expert and specialises in big data, growth and governance in the SaaS industry. She also has in-depth experience in human resource management and sustainability. She has 25 years' experience as an attorney practicing in mergers and acquisitions and capital management. During her career, Natasha has fulfilled a number of executive roles including the Chief Commercial Officer and Chief Legal Officer at Ansarada, Group General Counsel and Company Secretary at WiseTech Global, and Senior Director of Investment Banking at ABN AMRO/RBS. She was also elected the President of the Australian Financial Markets Association Capital Raising Committee for a maximum term.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee
Interests in shares:	2,933 ordinary shares
Interests in options:	137,113 options over ordinary shares

Name:	Daniel Moss
Title:	Non-Executive Director
Qualifications:	BBus, MAICD
Experience and expertise:	Daniel is experienced in managing financial services businesses. He is a founding partner and the Managing Director of VFS Group, a firm specialising in wealth management. He has over 15 years' experience in investment markets, specialising in equities, derivatives and portfolio construction. Daniel is also an active seed stage investor managing multiple venture investments dealing in high growth, disruptive companies. He is an experienced Director having taken board seats on several portfolio companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	623,430 ordinary shares
Interests in options:	883,513 options of ordinary shares

Name:	Patrick Tuttle
Title:	Non-Executive Director
Qualifications:	B Econ., Member of Chartered Accountants Australia and New Zealand
Experience and expertise:	Patrick previously acted as divisional finance director for a range of operating businesses within Macquarie Bank Limited, before becoming finance director of Pepper Group in 2001. Patrick became CEO of Pepper Group's Australian mortgage lending and asset finance business in 2008, before also being appointed as Co-Group CEO of Pepper's global business in 2012. Patrick is currently Non-Executive Chairman of COG Financial Services Limited (ASX:COG) and Openpay Group (ASX:OPY), and serves as a Non-Executive Director of Shift, Azora Finance, Azora Asset Finance, Divipay. He was a former non-executive director of Douugh Limited (ASX:DOU). Patrick is also a Non-Executive Director of Australian Ireland Fund Limited (registered charity) and a former Deputy Chairman of the Australian Securitisation Forum, Inc.
Other current directorships:	Non-Executive Chair of COG Financial Services Limited (ASX:COG) and Openpay Group (ASX:OPY)
Former directorships (last 3 years):	Douugh Limited (ASX: DOU)
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	29,326 ordinary shares
Interests in options:	137,113 options over ordinary shares

Name:	Stefan Urosevic
Title:	Non-Executive Director
Qualifications:	GAICD, CPA, MBA, F FIN, GradDipFP
Experience and expertise:	Stefan is currently an Executive Director and the Chief Financial Officer at VFS Group a holistic wealth management firm based in Sydney. Stefan has extensive experience in Wealth Management, Financial Planning, Corporate Advisory and Venture Capital Investing. Stefan served as a Non-Executive Director on the board of Grow Inc. and continues to serve as the Responsible Manager for the company. Further Stefan currently serves as a Non-Executive Director of CTSA Group & TogetherAI. Stefan holds an MBA from Deakin University, is a Fellow of the Financial Services Institute of Australasia (FINSIA), is a member of the Certified Practicing Accountants Australia and is a Graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	598,868 ordinary shares
Interests in options:	883,513 options over ordinary shares

Name:	Luke Bortoli
Title:	Non-Executive Director
Qualifications:	PhD, Economics, University of Sydney
Experience and expertise:	Luke is a growth focused executive, director and investor with a specialisation in the Fintech, mobile gaming and blockchain sectors. Most recently, Luke was the Chief Financial Officer at Afterpay Limited, one of the world's fastest growing payments platforms and the largest Buy Now Pay Later (BNPL) operator globally, and prior to that, he was the Global Head of Strategy and CFO of Special Projects at Aristocrat. Before joining Aristocrat, Luke was a financial institutions and technology focused investment banker specialising in M&A and capital raising at UBS. Luke was a former Non-Executive Director of WithYouWithMe, which is a social impact organisation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares:	1,566 ordinary shares
Interests in options:	83,613 options over ordinary shares

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

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

Company secretaries

David Hwang and Elizabeth Spooner, employees of Automic, a corporate secretarial provider, were appointed as company secretaries on 14 May 2021.

David Hwang is an experienced corporate lawyer who specialises in ASX listings, equity capital markets and providing advice on corporate governance and compliance issues. David has developed significant expertise across a wide range of industry sectors, including technology. He also serves as director and company secretary of various ASX listed entities. David holds a Bachelor of Laws from UNSW and is also a notary public.

Elizabeth Spooner is an experienced governance and compliance professional who works closely with a number of boards of both listed and unlisted public companies. Ms Spooner holds a Juris Doctor degree from the Australian National University, a Bachelor of Business Administration with Bachelor of Arts majoring in Human Resources and a Graduate Diploma of Applied Corporate Governance from the Governance Institute. She is an Associate of the Governance Institute of Australia, a Member of the Australian Institute of Company Directors and a Member of the Australian HR Institute.

Meetings of directors

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Brian Hartzer	12	12	–	–	3	3
Daniel Moss	12	12	–	–	4	4
Stefan Urosevic	12	12	8	8	–	–
Patrick Tuttle	11	12	8	8	–	–
Natasha Davidson	12	12	8	8	4	4
Luke Bortoli	5	5	2	3	1	1
Guo Fang Mao	–	–	–	–	–	–
Tarek Ayoub	–	–	–	–	–	–

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The 2022 financial year was a milestone year for the Company, with our IPO on the Official List of the ASX on 13 January 2021, and strong business performance on several metrics including the value of total pay advances ($327.3m in FY22), net transactions margin (1.1% in FY22), and net transaction loss (2.4% in FY22), despite a challenging market for the fintech sector.

In the reporting period, the Board has been focused on ensuring that the structure of executive remuneration for the coming year achieves a balance between cost control, and retaining our strong executive team and creating an environment where we can attract the appropriate talent to support the Company's growth objectives. For this reason, in FY22 we developed an executive remuneration structure in line with our Remuneration Policy which drives both short-term and long-term results achievement via an annual incentive program. This program combines eligibility to earn short-term incentives (STI) and long-term incentives (LTI) based upon the achievement of financial and non-financial key performance indicators for the financial year. More detail on the executive remuneration annual incentive plan is outlined in this report.

Guided by our Remuneration Policy and the Key Performance Measures set by the Board, the outcomes for executive key management personnel (as described below), namely the Chief Executive Officer ('CEO') and the CFO, for the reporting period was 0% STI for the CEO and the current CFO (appointed 11 April 2022), and 14.1% STI of the total remuneration for the former CFO (until 8 April 2022), with a tilt towards equity reward with a grant of 4,318,000 options made to the executive key management personnel in the reporting period. 754,400 executive key management personnel options vested during the reporting period.

Leading up to the IPO, the Company undertook a Board remuneration review and, after the Company was admitted to the Official List of the ASX, appointed Luke Bortoli as a non-executive independent director to the Board. The Board remuneration for FY23 has not changed. More detail on Board remuneration is outlined in this report.

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. The key management personnel of the Company also include the CEO and the CFO.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Shares and options issued to directors and other key management personnel; and
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. Our remuneration strategy is to:

- align with our vision and strategy;
- retain and attract exceptional talent;
- meet the spirit of the current and expected regulatory environment; and
- align with the interests of our customers and shareholders in a sustainable manner.

The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and we consider that is conforms to market best practice for the delivery of reward.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives, noting that the performance of the Group depends on the quality of our directors and executives.

The remuneration strategy is underpinned by the following remuneration principles:

- Remunerate for performance and behaviour: We pay employees for their performance and behaviours aligned to:
  - our vision and strategy;
  - customer and shareholder interests and support for the creation of longer-term performance achievement and shareholder value;
  - sustainable outperformance and discouragement of poor performance; and
  - supporting our risk culture in driving longer-term value.

The Company weighs total variable remuneration to long-term equity grants (rather than STI/cash).

- **Remunerate competitively:** We aim to pay our employees competitively against the external market, having regard to their capability and experience. Our intention is to pay employees in a range around the middle of the market in relation to their total award opportunity (or somewhere above for exceptional talent), taking into account the size of the Company. The Company currently use the Aon Radford framework and other data sets for its remuneration benchmarking to align with market remuneration.
- **Remunerate fairly:** We ensure that we pay fairly by comparing and calibrating employee pay outcomes across a number of different categories including across different genders, full-time roles and part-time roles. By doing this comparison, we confirm that what we pay is fair and equitable compared to other employees doing similar roles in comparable companies.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration.

The ASX listing rules require the aggregate non-executive directors' remuneration to be determined periodically by a general meeting. As set out in the IPO prospectus dated 29 November 2021, the maximum annual aggregate remuneration available to non-executive directors was set at $700,000. For the year ended 30 June 2022, it is expected that the fees payable to the non-executive directors will not exceed $700,000 in aggregate.

As set out in the IPO prospectus, each director will be granted options equivalent to a value of up to $25,000 per annum in each period:

- between the date of the Company's admission to the Official List of the ASX and the date immediately prior to the first anniversary date;
- between the first anniversary date and the date immediately prior to the second anniversary date; and
- between the second anniversary date and the date immediately prior to the third anniversary date,

up to an aggregate of $75,000 in value over the three-year period from the admission date. There are no vesting conditions attached to the options.

The first of these grants of options to a value of $25,000 to each director was granted on 30 June 2022.

The following terms attach to the options granted on 30 June 2022 and those options intended to be granted in the next two periods:

- the number of options to be granted under each tranche will be equal to $25,000 divided by the VWAP of a share over a 20-day trading period on the ASX, ending on the date before the issue of the options;
- the exercise price of each option will be equal to 130% of the VWAP of a share trading on ASX as at the date before the issue of the options;
- the options have an expiry date of five years from issue date; and
- there are no vesting conditions proposed to be attached to the options. However, if the director leaves the Company, any options held by the director will lapse (unless the rules of the Company's long term incentive plan otherwise determine that the options can be retained).

Executive remuneration

We aim to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components in accordance with the Remuneration Policy.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The STI program is designed to align the targets of the various business teams with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include new customer acquisition, customer retention, reduction in default rates, customer satisfaction, leadership contribution, and product management.

The long-term benefits include long service leave and equity-based payments. Options are awarded to executives over a period of one, two, three and four years based on continuous employment. Options are also awarded based on LTI measures such as increases in revenue, net profit before tax, and/or market capitalisation. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2022.

Our remuneration structures have been effective in retaining quality executives and senior management in the business. Making appropriately structured equity incentive awards under our annual LTI grant cycle is a key component of our remuneration arrangements for executives. In the reporting period, a LTI grant was brought forward to June 2022 so that options granted to executives, including the CEO, could qualify for the 'start-up' tax concessions in the *Income Tax Assessment Act* 1997 (Tax Act), as from 1 July 2022 these concessions would no longer be available.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. The cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

From time to time, the Remuneration and Nomination Committee (RNC) seeks external independent remuneration advice. Remuneration consultants are engaged by, and report directly to, the RNC. In selecting a remuneration consultant, the RNC considers potential conflicts of interest and requires the consultant's independence from management as part of their terms of engagement.

Where the consultant's engagement requires a remuneration recommendation or review of the Group's proposed remuneration, the outcome of the work is provided to the Chair of the RNC to ensure management cannot unduly influence the outcome.

The Company has engaged the services of EY and Pogonip Company Pty Ltd as the Company's remuneration advisor during the 2022 financial year. There were no remuneration recommendations provided to the Committee by Ernst & Young in the 2022 financial year. The Pogonip Company Pty Ltd was engaged to review the Company's existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs in the 2022 financial year. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. The Pogonip Company Pty Ltd was paid $38,335.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include, where practicable, requiring that the consultant not communicate with affected key management personnel without a member of the Remuneration and Nomination Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Details of remuneration

Prior to the ASX listing on 13 January 2022, the Company was not required to prepare a remuneration report in accordance with the *Corporations Act 2001* (Cth). As such, remuneration report information is presented only for 2022.

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of the Company:

- Brian Hartzer – Chair and Non-Executive Director (appointed 5 July 2021)
- Natasha Davidson – Non-Executive Director
- Daniel Moss – Non-Executive Director
- Patrick Tuttle – Non-Executive Director
- Stefan Urosevic – Non-Executive Director
- Luke Bortoli – Non-Executive Director
- Tarek Ayoub – Executive Director (resigned on 19 July 2021)
- Guo Fang Mao – Executive Director (resigned on 19 July 2021)

And the following persons:

- Jamie Twiss – Chief Executive Officer
- Michael Bencsik – Chief Financial Officer (appointed on 11 April 2022)
- David Brady – Former Chief Financial Officer (13 May 2021 to 8 April 2022)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2022	Cash salary and fees[1] $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Termination Benefits $	Total $
Non-Executive Directors:								
Brian Hartzer[2]	180,441	–	–	18,044	–	88,940	–	287,425
Natasha Davidson	121,894	–	–	12,189	–	4,066	–	138,149
Daniel Moss	63,797	–	–	6,379	–	160,657	–	230,833
Patrick Tuttle	64,141	–	–	6,414	–	4,066	–	74,621
Stefan Urosevic	62,447	–	–	6,244	–	160,657	–	229,348
Luke Bortoli[2]	36,250	–	–	3,625	–	4	–	39,879
Executive Directors:								
Guo Fang Mao[2]	126,121	–	–	9,545	–	–	–	135,666
Tarek Ayoub[2]	18,727	–	–	–	–	–	–	18,727
Other Key Management Personnel:								
Jamie Twiss[2]	326,432	–	–	23,568	–	95,469	–	445,469
Michael Bencsik[2]	67,050	–	–	5,692	–	1,494	–	74,236
David Brady[3,4]	240,455	50,000[3]	–	23,568	–	40,690	201,072[4]	555,785
	1,307,755	50,000	–	115,268	–	556,043	201,072	2,230,138

1 On and from the date of the Company's listing on the Official List of the ASX, includes committee fees of $12,500 for each Board committee of which a director is a chair and $7,500 for each Board committee of which a director is a member. The Chair of the Board does not receive additional fees for being a member of any Board committee.

2 Represents remuneration from the date of appointment or up until the date of resignation.

3 Mr Brady ceased as CFO on 8 April 2022 and was entitled to termination benefits following cessation of his employment with the Company. Termination benefits incorporate cash salary and fees of $179,561, superannuation of $2,108 and equity-settled share-based payments of $19,403.

4 Mr Brady received a $20,000 one-off STI cash bonus (in FY22 but prior to the Company's listing) and a $30,000 one-off STI cash bonus which was subject to the Company's ASX listing occurring was paid during the year.

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

	Fixed remuneration	At risk – STI	At risk – LTI
Name	2022	2022	2022
Non-Executive Directors:			
Brian Hartzer	69.1%	–	30.9%
Natasha Davidson	97.1%	–	2.9%
Daniel Moss	30.4%	–	69.6%
Patrick Tuttle	94.6%	–	5.4%
Stefan Urosevic	30.0%	–	70.0%
Luke Bortoli	100.0%	–	–
Executive Directors:			
Guo Fang Mao	100.0%	–	–
Tarek Ayoub	100.0%	–	–
Other Key Management Personnel:			
Jamie Twiss	78.6%	–	21.4%
Michael Bencsik	97.9%	–	2.1%
David Brady	74.4%	14.1%	11.5%

Service agreements

Name:	Jamie Twiss
Title:	Chief Executive Officer
Commencement date:	20 May 2021
Term of agreement:	Under Mr Twiss's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party three months' written notice (or by the Company making payment of his salary in lieu of part of or all of the notice period). Mr Twiss's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $350,000 (inclusive of superannuation). STI: Mr Twiss is eligible to participate in annual incentive and bonus schemes. LTI: Mr Twiss is entitled to participate in the Company's Long Term Incentive Plan ('LTIP').
Other benefits:	Mr Twiss may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the Company.

Directors' Report continued

Name:	Michael Bencsik
Title:	Chief Financial Officer
Commencement date:	11 April 2022
Term of agreement:	Under Mr Bencsik's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party three months' written notice (or by the Company making payment of his salary in lieu of part of or all of the notice period). Mr Bencsik's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $320,000 (inclusive of superannuation). STI: Mr Bencsik is eligible to participate in the Company's performance incentive plan and receive a discretionary annual bonus, dependent on the Group and Mr Bencsik meeting certain financial and performance objectives. LTI: Mr Bencsik is entitled to participate in the Company's LTIP. Further details on the options he has previously been granted under the LTIP (including vesting conditions) are set out below.
Other benefits:	Mr Bencsik may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the Company.

Name:	David Brady
Title:	Former Chief Financial Officer
Commencement date:	12 October 2020 until 8 April 2022
Term of agreement:	Under Mr Brady's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party 12 months' written notice (or by the Company making payment of his salary in lieu of part of or all of the notice period). Mr Brady's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $283,568 (inclusive of superannuation). STI: Mr Brady received a $20,000 one-off STI cash bonus and a $30,000 one-off STI cash bonus which was subject to the Company's ASX listing occurring. During his tenure as CFO, Mr Brady was eligible to participate in the Company's performance incentive plan and receive a discretionary annual bonus, dependent on the Company meeting certain financial and performance objectives. LTI: Mr Brady is entitled to participate in the Company's LTIP. Termination Benefits: Mr Brady ceased as the Company's CFO on 8 April 2022 and was entitled to termination benefits following cessation of his employment with the Company. Termination benefits incorporate cash salary and fees of $179,561, superannuation of $2,108 and equity-settled share-based payments of $19,403.
Other benefits:	Mr Brady was reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment as CFO and as authorised by the Company.

Shares and options issued to directors and other key management personnel

Issue of shares

Shares issued in the pre-IPO share split resulted in the issuance of a total of 113,652 ordinary shares to directors, with each of Mr Moss and Mr Urosevic being issued 56,826 shares with respect to their pre-split holding of 574 shares. Former directors Mr Ayoub and Mr Mao were also issued shares as a result of the share split, being issued 5,445,000 and 4,455,000 shares respectively.

Other than the above, no shares in the Company were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are set out below. Options granted carry no dividend or voting rights.

Name	Number of options	Exercise price	Grant date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2022	Average fair value of options at grant date (post share split)	Average fair value of options at 30 June 2022
Brian Hartzer	60,600	$0.8793	05-Jul-21	Vested	05-Jul-31	60,600	$0.37	$0.09
	60,600	$0.8793	05-Jul-21	Market cap[2] of $250 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $500 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $1 billion	05-Jul-31	–	$0.37	
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Natasha Davidson	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	$0.09
	17,800	$1.3000	16-Nov-20	16-Nov-22	30-Jun-24	–	$0.28	
	17,900	$1.3000	16-Nov-20	16-Nov-23	30-Jun-24	–	$0.28	
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Daniel Moss	799,900	$1.3000	16-Nov-20	Vested	30-Jun-24	799,900	$0.25	$0.09
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Patrick Tuttle	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	$0.09
	17,800	$1.3000	16-Nov-20	16-Nov-22	30-Jun-24	–	$0.28	
	17,900	$1.3000	16-Nov-20	16-Nov-23	30-Jun-24	–	$0.28	
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Stefan Urosevic	799,900	$1.3000	16-Nov-20	Vested	30-Jun-24	799,900	$0.25	$0.09
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Luke Bortoli	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
Jamie Twiss	479,400	$0.8793	09-Jul-21	Vested	09-Jul-31	479,400	$0.31	$0.10
	239,700	$0.8793	09-Jul-21	20-May-23	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	20-May-24	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	20-May-25	09-Jul-31	–	$0.31	
	239,700	$0.8793	09-Jul-21	Market cap of $250 million	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	Market cap of $500 million	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	Market cap of $1 billion	09-Jul-31	–	$0.31	
	275,000	$0.2940	30-Jun-22	Vested	30-Jun-27	275,000	$0.10	
	825,000	$0.2940	30-Jun-22	275,000 each year[3]	30-Jun-27	–	$0.10	
	1,100,000	$0.2940	30-Jun-22	Performance-based hurdles[4]	30-Jun-27	–	$0.10	

Name	Number of options	Exercise price	Grant date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2022	Average fair value of options at grant date (post share split)	Average fair value of options at 30 June 2022
Michael Bencsik	50,000	$0.4050	29-Apr-22	11 April 2023	29-Apr-27	–	$0.22	–
	150,000	$0.4050	29-Apr-22	12,500 every 3 months[5]	29-Apr-27	–	$0.22	–
David Brady	17,600	$0.2000	17-Nov-20	Vested	16-Nov-25	17,600	$0.67	–
	50,000	$0.2000	17-Nov-20	Vested	01-Jan-25	50,000	$0.67	–
	150,000	$0.2000	17-Nov-20	12,500 every 3 months[6]	01-Jan-25	–	$0.67	–

1 Continuous employment or service to the Company is a vesting condition for each unvested option on issue.

2 Market cap represents the market capitalisation of the Company.

3 Options will vest each year from 20 May 2023.

4 183,334 Options will vest on the satisfaction of the following performance hurdles, each of which must be achieved on or prior to 30 June 2027: (1) the profitable quarter for the Company, on an earnings before interest, taxes, depreciation, and amortisation (EBITDA) basis; (2) the first month with revenue above $3.13m, excluding one-off or extraordinary revenue items, revenue received in the form of government grants, rebates or allowances, or any revenue that has been manufactured to achieve the revenue milestone; (3) the first month with revenue above $3.55m, excluding one-off or extraordinary revenue items, revenue received in the form of government grants, rebates or allowances, or any revenue that has been manufactured to achieve the revenue milestone; (4) market capitalisation of the Company reaching $50 million or a trade sale at or above that value for a period of 20 ASX trading days or more; (5) market capitalisation of the Company reaching $100 million or a trade sale at or above that value for a period of 20 ASX trading days; and (6) market capitalisation of the Company reaching $200 million or a trade sale at or above that value for a period of 20 ASX trading days or more.

5 Option will commence vesting every 3 months after 11 April 2023 for 3 years.

6 Option will commence vesting every 3 months after 17 May 2022 for 3 years.

The values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below. The value of options granted during the year represents the value as at the respective grant date of the options.

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
Name	$	$	$	%
Non-Executive Directors				
Brian Hartzer	96,461	–	–	32.7%
Natasha Davidson	7,525	–	–	5.3%
Daniel Moss	7,525	–	–	9.7%
Patrick Tuttle	7,525	–	–	9.6%
Stefan Urosevic	7,525	–	–	9.9%
Luke Bortoli	7,525	–	–	6.7%
Executive Directors				
Guo Fang Mao	–	–	–	–
Tarek Ayoub	–	–	–	–
Other key management personnel:				
Jamie Twiss	515,468	–	–	59.6%
Michael Bencsik	44,000	–	–	12.4%
David Brady	–	–	–	–

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Share split adjustment	Received as part of remuneration	Additions[1]	Disposals/ other[3]	Balance at the end of the year
Ordinary shares						
Non-Executive Directors						
Brian Hartzer	–	–	–	184,294	–	184,294
Natasha Davidson	–	–	–	2,933	–	2,933
Daniel Moss	574	56,826[2]	–	566,030	–	623,430
Patrick Tuttle	–	–	–	29,326	–	29,326
Stefan Urosevic	574	56,826[2]	–	541,468	–	598,868
Luke Bortoli	–	–	–	1,566	–	1,566
Executive Directors						
Guo Fang Mao	45,000	4,455,000[2]	–	–	(4,500,000)	–
Tarek Ayoub	55,000	5,445,000[2]	–	–	(5,500,000)	–
Other key management personnel						
Jamie Twiss	–	–	–	434,663	–	434,663
Michael Bencsik	–	–	–	–	–	–
David Brady	–	–	–	–	–	–
	101,148	10,013,652	–	1,760,280	(10,000,000)	1,875,080

1 Additions relate to shares subscribed for under the IPO and shares purchased on-market after listing.

2 As a result of a pre-IPO share split undertaken by the Company in November 2021 on a 1:100 basis, Mr Moss and Mr Urosevic were each issued 56,826 shares with respect to their 574 shares, for a total of 57,400 shares immediately post-split. Former directors Mr Ayoub and Mr Mao were also issued shares as a result of the share split, being issued 5,445,000 and 4,455,000 shares respectively.

3 Other represents no longer being designated as a KMP, not a disposal of holding.

993,764 of the above shares are subject to escrow for a period of 24 months from the date of quotation of the Company's shares, being up to 17 January 2024. Of these escrowed shares, 492,567 are held for the benefit of Mr Moss, 492,567 are held for the benefit of Mr Urosevic, and 8,630 are held for the benefit of Mr Hartzer.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Share split adjustment[1]	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares						
Non-Executive Directors						
Brian Hartzer	–	239,778	86,035	–	–	325,813
Natasha Davidson	535	52,965	83,613	–	–	137,113
Daniel Moss	7,999	791,901	83,613	–	–	883,513
Patrick Tuttle	535	52,965	83,613	–	–	137,113
Stefan Urosevic	7,999	791,901	83,613	–	–	883,513
Luke Bortoli	–	–	83,613	–	–	83,613
Executive Directors						
Guo Fang Mao	–	–	–	–	–	–
Tarek Ayoub	–	–	–	–	–	–
Other key management personnel						
Jamie Twiss	–	–	4,118,000	–	–	4,118,000
Michael Bencsik	–	–	200,000	–	–	200,000
David Brady	2,176	215,424	–	–	–	217,600
	19,244	2,144,934	4,822,100	–	–	6,986,278

1 The Company undertook a pre-IPO share split in November 2021 on a 1:100 basis. As a result of the share split, all options on issue were reorganised on the same 1:100 basis.

Other transactions with key management personnel and their related parties

During the year ended 30 June 2022, there were no transactions with key management personnel and their related parties.

During the year ended 30 June 2021, Lavalhars Pty Ltd, an entity controlled by Mr Stephen Moss, the father of Mr Danny Moss, who is a director of the Company, purchased $100,000 in convertible notes issued by the Company. Interest expense associated with the convertible notes for the year ended 30 June 2022 was $20,000 (2021: $4,410). During the year ended 30 June 2022, all convertible notes and capitalised interest totalling $224,110 (2021: $104,410) were converted into ordinary shares of the Company, with further details described in note 27.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Beforepay Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 July 2019	1 January 2025	$0.38	213,000
24 July 2019	1 January 2025	$0.38	106,500
15 August 2020	15 August 2025	$0.44	11,500
19 August 2020	19 August 2025	$0.44	58,100
20 September 2020	30 June 2024	$1.30	1,599,800
30 September 2020	30 September 2025	$0.20	1,650
1 November 2020	1 November 2025	$0.20	5,500
16 November 2020	30 June 2024	$1.30	107,000
17 November 2020	17 November 2025	$0.20	35,200
17 November 2020	1 January 2025	$0.20	200,000
2 December 2020	2 December 2025	$0.20	118,700
8 January 2021	8 January 2026	$0.20	15,400
1 January 2021	1 January 2025	$0.20	200,000
4 January 2021	4 January 2026	$0.88	9,900
27 January 2021	30 June 2024	$1.30	358,200
1 February 2021	1 February 2026	$0.88	53,400
22 February 2021	22 February 2026	$0.88	14,300
31 May 2021	31 May 2026	$0.88	10,600
5 July 2021	5 July 2031	$0.88	242,200
9 July 2021	9 July 2026	$0.88	959,000
21 July 2021	21 July 2026	$0.88	19,402
1 September 2021	1 September 2026	$0.88	445,500
29 April 2022	29 April 2027	$0.41	1,371,584
30 June 2022	30 June 2027	$0.39	501,678
30 June 2022	30 June 2027	$0.29	2,780,556
			9,428,070

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

Shares issued on the exercise of options

The following ordinary shares of Beforepay Group Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
17 November 2020	$0.20	17,600
2 December 2020	$0.20	13,000
		30,600

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young

There are no officers of the Company who are former partners of Ernst & Young.

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 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Brian Hartzer
Chair

31 August 2022

Sydney

Auditor's Independence Declaration

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

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

As lead auditor for the audit of the financial report of Beforepay Group Limited for the financial year ended 30 June 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 audit;

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

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

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

Ernst + Young

Ernst & Young

Simon Hannigan
Partner
31 August 2022

Contents

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

		Consolidated	
		2022	2021
	Note	$	$
Revenue			
Beforepay income	5	15,275,910	4,502,696
Other income	6	544,734	79,500
Interest revenue	6	34,701	–
Expenses			
Direct service cost		(1,870,839)	(1,416,639)
Fair value loss on convertible notes		(3,428,279)	(6,854,510)
Employee benefits expense		(7,953,115)	(2,985,749)
Settlement expense		(1,584,000)	–
Depreciation and amortisation expense		(621,790)	(182,343)
IPO related expenses		(2,135,480)	–
Expected credit losses expense	10	(8,110,976)	(5,065,186)
Occupancy expenses		(61,165)	(188,205)
Advertising and marketing expenses		(12,840,762)	(2,965,490)
Professional and consultancy expenses		(2,701,373)	(1,360,960)
Software licences		(10,615)	(7,308)
Technical suppliers		(535,006)	(156,406)
Convertible note issuance expenses		(171,273)	(1,200,415)
Other expenses		(1,246,566)	(785,014)
Finance costs	7	(1,724,054)	(181,143)
Loss before income tax expense		**(29,139,948)**	**(18,767,172)**
Income tax expense	8	–	–
Loss after income tax expense for the year attributable to the owners of Beforepay Group Limited		**(29,139,948)**	**(18,767,172)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income/(loss) for the year attributable to the owners of Beforepay Group Limited		**(29,139,948)**	**(18,767,172)**

		$	$
Basic earnings per share	32	(0.84)	(0.84)
Diluted earnings per share	32	(0.84)	(0.84)

The above statement of profit or loss and other comprehensive income should be read in conjunction to the notes of the financial statements.

Statement of Financial Position

As at 30 June 2022

		Consolidated	
		2022	2021
	Note	$	$
Assets			
Current assets			
Cash and cash equivalents	9	28,367,245	10,011,785
Trade and other receivables	10	27,334,970	9,730,772
Government grants receivable		–	11,101
Other assets	11	993,969	2,091,829
Total current assets		56,696,184	21,845,487
Non-current assets			
Property, plant and equipment	12	178,844	173,849
Right-of-use assets	13	732,436	–
Intangibles	14	93,610	217,400
Other assets	11	193,310	241,027
Total non-current assets		1,198,200	632,276
Total assets		**57,894,384**	**22,477,763**
Liabilities			
Current liabilities			
Trade and other payables	15	3,032,641	1,253,632
Borrowings	16	–	246,991
Lease liabilities	17	348,731	–
Employee benefits		286,968	141,196
Total current liabilities		3,668,340	1,641,819
Non-current liabilities			
Trade and other payables	15	544,500	–
Borrowings	16	20,614,771	34,073,937
Lease liabilities	17	401,941	–
Provisions	18	37,136	–
Total non-current liabilities		21,598,348	34,073,937
Total liabilities		**25,266,688**	**35,715,756**
Net assets/(liabilities)		**32,627,696**	**(13,237,993)**
Equity			
Issued capital	19	80,267,625	6,023,575
Reserves	20	934,340	172,753
Accumulated losses		(48,574,269)	(19,434,321)
Total equity/(deficiency)		**32,627,696**	**(13,237,993)**

The above statement of financial position should be read in conjunction to the notes of the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2022

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	$	$	$	$
Balance at 1 July 2020	1,316,715	346	(667,149)	649,912
Loss after income tax expense for the year	–	–	(18,767,172)	(18,767,172)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	(18,767,172)	(18,767,172)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	4,706,860	–	–	4,706,860
Share-based payments (note 31)	–	172,407	–	172,407
Balance at 30 June 2021	6,023,575	172,753	(19,434,321)	(13,237,993)

	Issued capital	Reserves	Accumulated losses	Total 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 year	–	–	(29,139,948)	(29,139,948)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	(29,139,948)	(29,139,948)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	74,244,050	–	–	74,244,050
Share-based payments (note 31)	–	761,587	–	761,587
Balance at 30 June 2022	80,267,625	934,340	(48,574,269)	32,627,696

The above statement of changes in equity should be read in conjunction to the notes of the financial statements.

Statement of Cash Flows

For the year ended 30 June 2022

		Consolidated	
		2022	2021
	Note	$	$
Cash flows from operating activities			
Receipts from repayment of customers advances		300,731,347	80,688,717
Receipts of Beforepay income		15,254,141	3,985,732
Payments to suppliers and employees		(23,991,855)	(12,988,381)
Advances to customers		(327,294,063)	(92,971,250)
Interest received		34,701	–
Interest and other finance costs paid		(1,492,819)	(138,654)
Government grants received		–	104,000
Research and development rebate received		555,835	301,074
Net cash used in operating activities	30	(36,202,713)	(21,018,762)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(111,602)	(208,104)
Payments for intangibles	14	(29,788)	(20,436)
Net cash used in investing activities		(141,390)	(228,540)
Cash flows from financing activities			
Proceeds from issue of shares	19	35,002,601	4,591,176
Proceeds from borrowings		13,933,450	7,250,556
Proceeds from convertible notes		11,657,500	19,555,500
Share issue transaction costs and IPO expenses		(5,026,923)	(331,811)
Borrowings transaction costs		(310,504)	(282,127)
Repayment of borrowings		(246,991)	(350,000)
Repayment of lease liabilities		(309,570)	–
Net cash from financing activities		54,699,563	30,433,294
Net increase in cash and cash equivalents		18,355,460	9,185,992
Cash and cash equivalents at the beginning of the financial year		10,011,785	825,793
Cash and cash equivalents at the end of the financial year	9	28,367,245	10,011,785

The above statement of cash flows should be read in conjunction to the notes of the financial statements.

Notes to the Financial Statements

30 June 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 year. 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 31 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* (AASB 16); and
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139).

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 year ended 30 June 2022, the Group incurred a loss after tax of $29,139,948 (30 June 2021: loss after tax of $18,767,172) and had net operating cash outflows of $36,202,713 (30 June 2021: $21,018,762) and net investing cash outflows of $141,390 (30 June 2021: $228,540). Further, the Group has a net asset position of $32,627,696 (30 June 2021: net liabilities of $13,237,993).

The directors believe that the funds available from existing cash reserves and debt facilities will provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12 months from the date of signing these financial statements.

The financial statements have been prepared on the going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention except for financial liabilities measured at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Beforepay Group Limited (Company or parent entity) as at 30 June 2022 and the results of all subsidiaries for the year then ended. Beforepay Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

Revenue recognition

The Group recognises revenue as follows:

Beforepay income

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

Interest revenue

Interest revenue on financial assets is recognised at fair value through the income statement on a contractual rate basis.

Government grants

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 are deferred and recognised in profit or loss over the periods necessary to match them with the costs that they are intended to compensate.

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade receivables and customer advances receivable

Customer advances receivable

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 on customer advances receivable

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.

Under this impairment approach, AASB 9 requires the Group to classify Consumer receivables into three stages, which measure the ECL based on credit migration between the stages.

The Group has defined these stages as follows:

Age of customer advances receivable	Basis of measurement of ECL
Current (not yet due)	ECL is determined based on the probability of an advance default occurring over the life of the customer advances receivable.
Past due to 61 days	When a customer has not paid by the due date, this is treated as an indication that risk of default has increased. Consequently, the loss allowance for customer advances receivable of this age is measured at a rate consistent with historical defaults for overdue customer advances up to 61 days old. The rate of default for advances in this stage is generally higher than that for the Group's entire advance book.
62+ days	Customer advances receivable aged greater than 61 days are considered objectively credit impaired. Such aging is considered to have an adverse impact on the potential future receipt of customer advances receivable aged 61 days or older and therefore a detrimental effect on the estimated cash inflows associated with advances at this stage.

Receivables are written off when the Group has no reasonable expectation of recovery. Any subsequent recoveries following write off are credited to receivables impairment expenses within the Consolidated Statement of profit or loss and other comprehensive income in the period in which they were recovered.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, an expected credit loss allowance is estimated. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

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

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

Computer equipment	2-3 years

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-4 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

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

Borrowings

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

Transactions costs incurred in connection with the borrowing of funds are expensed to the profit or loss over the term of the loan.

Convertible notes are initially recognised at the fair value of the consideration received. They are subsequently measured as a liability at fair value through profit or loss. Costs associated with the issuance of convertible notes are expensed to the profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Beforepay Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Goods and Services Tax (GST) and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

Judgement is applied in measuring the allowance for ECL's and determining whether the risk of default has increased materially since initial recognition of the customer advances.

The Group considers both quantitative and qualitative information, including historical loss experience based on customer demographic data and the proportion of defaults over time in determining the profitability of default. The Group also considers forward looking adjustments, such as macroeconomic forecasts and seasonality trends that are not captured within the base ECL calculations. This inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECL.

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies applied to the ECL calculations remained unchanged from those applied prior to the onset of COVID-19, the Group has incorporated judgements, estimates and assumptions specific to the impact of COVID-19, where relevant, in the measurement of ECL.

The assumptions and methodologies applied in derivation of the allowance for ECL are reviewed regularly.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment, being the provision of finance to its customers by way of salary advances. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. 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 5. Beforepay income

	Consolidated	
	2022	2021
	$	$
Beforepay income	15,275,910	4,502,696

Beforepay income consists of the transaction fees charged to customers on advances and is recognised over the period of which customer advances are made up until when they are repaid, applying the effective interest rate method. The Company may offer discounts or other incentives to new users. Beforepay income is calculated and charged based on a fixed percentage of the amount advanced.

Note 6. Other income

	Consolidated	
	2022	2021
	$	$
Interest revenue		
Interest revenue – Cash at bank	34,701	–
Other income		
Government grants	–	79,500
Research and development tax incentive	544,734	–
	544,734	79,500
Total interest revenue and other income	579,435	79,500

Research and development tax incentive

Research and development (R&D) tax incentive grant received during the year ended 30 June 2022 relates to the Group's R&D claim for the tax year ended 30 June 2021.

Government grants

During the financial year ended 30 June 2021 government grants represent JobKeeper support payments received from the Australian Government in response to the COVID-19 pandemic. These support payments were repaid in the year ended 30 June 2022.

Note 7. Expenses

	Consolidated	
	2022	2021
	$	$
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	1,412,039	138,654
Interest and finance charges paid/payable on lease liabilities	80,780	–
Unwinding of the discount on provisions	3,337	–
Amortisation of loan establishment fees	227,898	42,489
Finance costs expensed	1,724,054	181,143
Leases		
Short-term lease payments	61,165	188,205
Superannuation expense		
Defined contribution superannuation expense	544,289	210,153
Share-based payments expense		
Share-based payments expense	761,587	172,407

Note 8. Income tax

	Consolidated	
	2022	2021
	$	$
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(199,522)	(34,141)
Increase in deferred tax liabilities	199,522	34,141
Deferred tax – origination and reversal of temporary differences	–	–
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(29,139,948)	(18,767,172)
Tax at the statutory tax rate of 25% (2021: 26%)	(7,284,987)	(4,879,465)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	190,397	44,916
Non-assessable research and development incentive	(136,183)	–
Other non-deductible expenses	40,016	129,048
Tax losses and temporary differences not recognised as deferred tax assets	7,190,757	4,705,501
Income tax expense	–	–

	Consolidated	
	2022	2021
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	26,023,949	5,358,560
Potential tax benefit @ 25%	6,505,987	1,339,640

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	
	2022	2021
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	1,606,730	1,276,055
Payables and accrued expenses	161,006	97,015
Provisions	217,151	35,299
Leases	187,668	–
Financing costs	2,570,697	1,852,477
Capital raising costs	394,652	66,659
Total deferred tax assets not recognised at 25% (30 June 2021: 26%)	5,137,904	3,327,505

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

	Consolidated	
	2022	2021
	$	$
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued and provided for expenses	199,522	34,141
Offset against deferred tax liabilities	(199,522)	(34,141)
Deferred tax asset	–	–
Movements:		
Opening balance	–	–
Credited to profit or loss	199,522	34,141
Offset against deferred tax liabilities	(199,522)	(34,141)
Closing balance	–	–

	Consolidated	
	2022	2021
	$	$
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	16,413	34,141
Property, plant and equipment and leases	183,109	–
Offset by deferred tax assets	(199,522)	(34,141)
Deferred tax liability	–	–
Movements:		
Opening balance	–	–
Charged to profit or loss	199,522	34,141
Offset by deferred tax assets	(199,522)	(34,141)
Closing balance	–	–

Note 9. Cash and cash equivalents

	Consolidated	
	2022	2021
	$	$
Current assets		
Cash at bank	27,826,631	9,035,169
Cash held by service providers	540,614	976,616
	28,367,245	10,011,785

Note 10. Trade and other receivables

	Consolidated	
	2022	2021
	$	$
Current assets		
Receivables – customer advances	26,406,845	10,321,554
Less: Allowance for expected credit losses	(3,858,106)	(2,535,406)
	22,548,739	7,786,148
Other receivables	4,786,231	1,944,624
	27,334,970	9,730,772

During the year, the Group issued gross customer advances totalling $327,269,251 (2021: $92,972,450).

Allowance for expected credit losses and bad debts

The Group has recognised the following amounts as expenses in profit or loss in respect of customer advances:

	Consolidated	
	2022	2021
	$	$
Non-recoverable amounts (written back)/written-off	(2,410,347)	2,578,369
Expected credit losses provided for	10,520,693	2,486,817
	8,110,346	5,065,186

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022	2021	2022	2021	2022	2021
Consolidated	%	%	$	$	$	$
Not overdue	4.2%	3.8%	21,688,622	4,203,017	911,242	157,613
Overdue to 61 days	52.3%	21.3%	3,715,964	4,752,794	1,944,606	1,012,050
Greater than 61 days	100.0%	100.0%	1,002,258	1,365,743	1,002,258	1,365,743
			26,406,845	10,321,554	3,858,106	2,535,406

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

	Consolidated	
	2022	2021
	$	$
Opening balance	2,535,406	48,348
Additional provisions recognised	10,515,291	5,074,981
Receivables written off during the year as uncollectable	(6,691,203)	(2,578,369)
Unused amounts reversed	(2,501,388)	(9,554)
Closing balance	3,858,106	2,535,406

Note 11. Other assets

	Consolidated	
	2022	2021
	$	$
Current assets		
Prepayments	993,969	2,091,829
Non-current assets		
Security deposits	193,310	241,027
	1,187,279	2,332,856

Note 12. Property, plant and equipment

	Consolidated	
	2022	2021
	$	$
Non-current assets		
Leasehold improvements – at cost	139,645	–
Less: Accumulated depreciation	(27,270)	–
	112,375	–
Computer equipment – at cost	204,733	162,768
Less: Accumulated depreciation	(138,264)	(58,989)
	66,469	103,779
Leasehold improvements in progress – at cost	–	70,070
	178,844	173,849

Reconciliations

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

	Leasehold improvements	Computer equipment	Leasehold improvements in progress	Total
Consolidated	$	$	$	$
Balance at 1 July 2020	–	13,302	–	13,302
Additions	–	138,034	70,070	208,104
Depreciation expense	–	(47,557)	–	(47,557)
Balance at 30 June 2021	–	103,779	70,070	173,849
Additions	69,575	42,027	–	111,602
Transfers in/(out)	70,070	–	(70,070)	–
Depreciation expense	(27,270)	(79,337)	–	(106,607)
Balance at 30 June 2022	112,375	66,469	–	178,844

Note 13. Right-of-use assets

	Consolidated	
	2022	2021
	$	$
Non-current assets		
Land and buildings – right-of-use	1,094,041	–
Less: Accumulated depreciation	(361,605)	–
	732,436	–

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.

Set out below is the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

The total cumulative value of payments under lease extension options not expected to be exercised is $1,342,455.

Reconciliations

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

	Land and buildings – right-of-use
Consolidated	$
Balance at 1 July 2020	–
Balance at 30 June 2021	–
Additions	1,094,041
Depreciation expense	(361,605)
Balance at 30 June 2022	732,436

Note 14. Intangibles

	Consolidated	
	2022	2021
	$	$
Non-current assets		
Development – at cost	444,153	414,365
Less: Accumulated amortisation	(350,543)	(196,965)
	93,610	217,400

Reconciliations

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

Consolidated	Development costs $
Balance at 1 July 2020	328,274
Additions	20,436
Amortisation expense	(131,310)
Balance at 30 June 2021	217,400
Additions	29,788
Amortisation expense	(153,578)
Balance at 30 June 2022	93,610

Note 15. Trade and other payables

	Consolidated	
	2022	2021
	$	$
Current liabilities		
Trade payables	1,580,856	638,246
Accrued expenses	1,034,228	356,440
Other payables	178,142	258,946
GST payable	239,415	–
	3,032,641	1,253,632
Non-current liabilities		
Trade payables	544,500	–
	3,577,141	1,253,632

Refer to note 22 for further information on financial instruments.

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 at the date of the signing of the settlement deed. 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 30 June 2022, the balance payable is $1,138,500 of which $594,000 is included in current liabilities – trade payables and $544,500 is included in non-current liabilities – trade payables.

Note 16. Borrowings

	Consolidated	
	2022	2021
	$	$
Current liabilities		
Loan – Attvest Finance Pty Ltd	–	246,991
Non-current liabilities		
Convertible notes payable	–	27,310,010
Loan – Longreach Credit Investors Pty Ltd	20,937,015	7,003,565
Loan – Longreach Credit Investors Pty Ltd – establishment fees	(322,244)	(239,638)
	20,614,771	34,073,937
	20,614,771	34,320,928

Refer to note 22 for further information on financial instruments.

Loan – Attvest Finance Pty Ltd

The loan related to funding of the Company's insurance policies was unsecured and interest was payable, monthly in arrears, at a rate of 6.75% per annum. The loan was repaid in full in August 2021.

Loan – Longreach Credit Investors Pty Ltd

On 28 June 2022 the debt facility agreement 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), MAL 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 "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'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 in December 2023. The available commitment as at 30 June 2022 per the debt facility agreement was $20,700,000 (30 June 2021: $6,965,493) and it increases in non-linear increments over its term to a maximum commitment of $45,000,000 on and from 15 December 2023.

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 Groups':
  (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.

Convertible notes

The Group issued convertible notes with a face value of $10,757,500 during the year ended 30 June 2022 (2021: $20,445,500).

The fair value loss on convertible notes for the year ended 30 June 2022 was $3,428,279 (2021: $6,854,510). Refer to note 27 for further information on the fair value measurement of convertible notes payable.

Costs associated with the convertible notes issuances of $171,273 were expensed during the year, as incurred (30 June 2021: $1,200,415).

On 11 January 2022, all convertible notes were converted into ordinary shares of the Company following the successful completion of the IPO on the ASX. At the conversion date, the total face value of convertible notes issued by the Group was $31,213,000 (30 June 2021: $20,455,500) which had a carrying value of $41,495,789 (30 June 2021: $27,310,010).

Financing arrangements

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

	Consolidated	
	2022	2021
	$	$
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	20,937,015	7,003,565
Unused at the reporting date		
Loan – Longreach Credit Investors Pty Ltd	24,062,985	37,996,435

Refer to note 22 for further information on financial instruments.

Note 17. Lease liabilities

	Consolidated	
	2022	2021
	$	$
Current liabilities		
Lease liability	348,731	–
Non-current liabilities		
Lease liability	401,941	–
	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	
	2022	2021
	$	$
Lease liability as at 1 July 2021	–	–
Additions	1,060,242	–
Accretion of interest	80,780	–
Payments – principal	(309,570)	–
Payments – interest	(80,780)	–
Lease liability as at 30 June 2022	750,672	–

Note 18. Provisions

	Consolidated	
	2022	2021
	$	$
Non-current liabilities		
Lease make good	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.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2022	Lease make good $
Carrying amount at the start of the year	–
Additional provisions recognised	37,136
Carrying amount at the end of the year	37,136

Note 19. Issued capital

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	$	$
Ordinary shares – fully paid	46,462,282	240,164	80,267,625	6,023,575

Movements in ordinary share capital

Details	Date	Number of Shares	$
Balance	1 July 2020	172,329	1,316,715
Issue of shares	20 July 2020	13,388	582,646
Issue of shares	3 August 2020	3,676	159,980
Issue of shares	11 August 2020	574	24,980
Issue of shares	6 October 2020	34,944	2,984,773
Issue of shares	8 December 2020	13,745	1,157,741
Issue of shares	27 January 2021	414	36,403
Issue of shares	15 February 2021	459	38,662
Issue of shares	14 April 2021	635	53,486
Less issue costs net of taxation		–	(331,811)
Balance	30 June 2021	240,164	6,023,575
Capital reorganisation – share split (1 to 100)	8 October 2021	23,776,236	–
Issue of shares	11 January 2022	10,263,930	35,000,001
Conversion of convertible notes into ordinary shares	11 January 2022	12,168,952	41,495,789
Shares issued on exercise of share options	29 June 2022	13,000	2,600
Less issue costs net of taxation		–	(2,254,340)
Balance	30 June 2022	46,462,282	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.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 20. Reserves

	Consolidated	
	2022	2021
	$	$
Share-based payments reserve	934,340	172,753

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Refer to note 31 for further information on share-based payments.

Movements in reserves

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

Consolidated	Share-based payments $
Balance at 1 July 2020	346
Share-based payments	172,407
Balance at 30 June 2021	172,753
Share-based payments	761,587
Balance at 30 June 2022	934,340

Note 21. Dividends

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

Note 22. Financial instruments

Financial risk management objectives

The Group's principal financial liabilities comprise trade and other payables and bank loans. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and trade receivables that are derived directly from its operations.

In assessing the financial risk management objectives consideration is given to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The Group is primarily exposed to credit risk, interest rate risk and liquidity risk. The current activities of the Group do not expose it to any significant foreign currency risk or price risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance and financial position of the Group. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use cash deposits, capital raisings and through the issue of shares and lease contracts. The Group uses different methods to measure its liquidity risk including cash flow analysis. The Group uses the general model to manage and provide for expected future credit losses.

Risk management is carried out by senior executives under policies approved by the Board of Directors (the Board). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

The Group operates exclusively within Australia and does not have any transactions denominated in foreign currency. Therefore, the Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. As at the reporting date, the Group's borrowings are issued at fixed interest rates therefore the Group has no significant exposure to interest rate risk.

As at the reporting date, the Group had the following fixed rate borrowings outstanding:

	2022		2021	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$	%	$
Loan – Attvest Finance Pty Ltd	–	–	6.75%	246,991
Convertible notes payable	–	–	10.00%	27,310,010
Loan – Longreach Credit Investors Pty Ltd	9.50%	20,937,015	9.50%	7,003,565
Net exposure to cash flow interest rate risk		20,937,015		34,560,566

An analysis by remaining contractual maturities is shown in 'Liquidity risk' below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Generally, customer advances are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 62 days.

The Group does not have any significant credit risk exposure to any single customer. However, the entity is exposed to significant credit risk concentration with key banks through its cash balances. The carrying amount of financial assets recorded in the statement of financial position, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2022	2021
	$	$
Loan – Longreach Credit Investors Pty Ltd	24,062,985	37,996,435

* The available commitment as at 30 June 2022 was $20,700,000 (30 June 2021: $6,965,493) and it increases in non-linear increments over its term to a maximum commitment of $45,000,000 on and from 15 December 2023.

The finance facilities have an average maturity of 1 year (2021: 2 years).

Remaining contractual maturities

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2022	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	–	1,580,856	544,500	–	–	2,125,356
Other payables	–	178,142	–	–	–	178,142
Interest-bearing – fixed rate						
Lease liability	9.75%	406,611	423,484	–	–	830,095
Loan – Longreach Credit Investors Pty Ltd	9.50%	–	20,937,015	–	–	20,937,015
Total non-derivatives		2,165,609	21,904,999	–	–	24,070,608

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2021	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	–	638,246	–	–	–	638,246
Other payables	–	258,946	–	–	–	258,946
Interest-bearing – fixed rate						
Loan – Attvest Finance Pty Ltd	6.75%	246,991	–	–	–	246,991
Convertible notes payable	10.00%	–	20,455,500	–	–	20,455,500
Loan – Longreach Credit Investors Pty Ltd	9.50%	–	7,003,565	–	–	7,003,565
Total non-derivatives		1,144,183	27,459,065	–	–	28,603,248

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 23. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Consolidated – 2022	$	$	$	$
Liabilities				
Convertible notes	–	–	–	–
Total liabilities	–	–	–	–

	Level 1	Level 2	Level 3	Total
Consolidated – 2021	$	$	$	$
Liabilities				
Convertible notes	–	–	27,310,010	27,310,010
Total liabilities	–	–	27,310,010	27,310,010

There were no transfers between levels during the financial year.

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.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Convertible notes at fair value through profit or loss have been valued by an independent expert using a Monte Carlo simulation model.

Level 3 liabilities

Movements in level 3 liabilities during the current and previous financial year are set out below:

	Convertible notes
Consolidated	$
Balance at 1 July 2020	–
Additions	20,455,500
Losses recognised in profit or loss	6,854,510
Balance at 30 June 2021	27,310,010
Additions	10,757,500
Losses recognised in profit or loss	3,428,279
Converted into ordinary shares	(41,495,789)
Balance at 30 June 2022	–
Total losses for the previous year included in profit or loss that relate to level 3 assets held at the end of the previous year	(6,854,510)
Total losses for the current year included in profit or loss that relate to level 3 assets held at the end of the current year	(3,428,279)

Note 24. Key management personnel disclosures

Compensation

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

	Consolidated	
	2022	2021
	$	$
Short-term employee benefits	1,357,755	905,936
Post-employment benefits	133,144	72,947
Share-based payments	448,043	128,628
Termination benefits	201,072	–
	2,140,014	1,107,511

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Consolidated	
	2022	2021
	$	$
Audit services – Ernst & Young		
Audit or review of the financial statements	323,000	214,000
Other services – Ernst & Young		
Other services	500,000	–
IPO due diligence and transaction support	60,300	–
Remuneration and taxation advice	–	50,000
	560,300	50,000
	883,300	264,000

Note 26. Contingent liabilities

	Consolidated	
	2022	2021
	$	$
Bank guarantees	193,310	193,310

Other

A financial institution has previously raised concerns with the Company that: (i) Beforepay's 'B' logos were too similar to the financial institutions logos and that the similarity constitutes a trademark infringement, copyright infringement and misleading or deceptive conduct (relatedly, the financial institution states that it intends to oppose Beforepay's trademark application for the relevant 'B' logo; and (ii) Beforepay branding including colour palette, use of particular colour combinations and certain graphic devices in combination are too similar to the brand assets of the financial institution's digital banking platform, and that such similarity constitutes a copyright infringement and misleading and deceptive conduct.

The Company considers that the allegations made by the financial institution are weak and has denied them.

The financial institution has since opposed Beforepay's trademark applications that contain the relevant 'B' logo. The Company is currently defending these opposition proceedings and considers the basis of the financial institution's opposition to be weak.

Note 27. Related party transactions

Parent entity

Beforepay Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2022	2021
	$	$
Expenses to related parties:		
Training expenses – Director affiliated entities – note (a)	–	31,234
Interest expense – Director affiliated entities (note (b))	–	14,866
Interest expense – Director affiliated entities (note (c))	20,000	4,410
Broker commission expense – Director affiliated entities (note (d))	–	571,612

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

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2022	2021
	$	$
Non-current borrowings:		
Convertible notes held by Director affiliated entities (note c)	–	104,410

Note (a):

The amount represents amounts paid to Symon Capital Pty Ltd, an entity controlled by Mr Stephen Moss. Symon Capital Pty Ltd provided executive training services to the executives of Group on an arm length basis.

Note (b):

During the year ended 30 June 2021, the Group paid interest on the following loans from director controlled entities:

- On 1 November 2019, a loan of $50,000 was taken out with Deejlink Pty Ltd, an entity controlled by Mr Daniel Moss. The loan was unsecured and has a one-year fixed term and interest was payable at a rate of 15% p.a., quarterly in arrears. Interest expense associated with the loan for the year ended 30 June 2021 was $2,596 of which $nil was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid in August 2020;
- On 1 November 2019, a loan of $100,000 was taken out with Trinity Financial Markets Pty Ltd, an entity controlled by Mr Stefan Urosevic. The loan was unsecured and had a one-year fixed term and interest was payable at a rate of 15% p.a., quarterly in arrears. Interest expense associated with the loan for the year ended 30 June 2021 was $6,135, of which $nil was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid in August 2020; and
- On 1 November 2019, a loan of $100,000 was taken out with Lavalhars Pty Ltd, an entity controlled by Mr Stephen Moss. The loan was unsecured and had a one-year fixed term and interest was payable at a rate of 15% p.a., quarterly in arrears. Interest expense associated with the loan for the year ended 30 June 2021 was $6,135, of which $nil was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid in August 2020.

Note (c):

During the year ended 30 June 2021, Lavalhars Pty Ltd, an entity controlled by Mr Stephen Moss, purchased $100,000 in convertible notes issued by the Company. Interest expense associated with the convertible notes for the year ended 30 June 2022 was $20,000 (2021: $4,410). During the year ended 30 June 2022, all convertible notes and capitalised interest totalling $224,410 (2021:104,410) were converted into ordinary shares of the Company. Convertible notes held by related parties were issued on the terms described in note 16.

Note (d):

The amount represents amounts paid to UKM brokers Pty Limited, an entity controlled by Mr Daniel Moss and Mr Stefan Urosevic. UKM brokers Pty Limited provided brokering services during the period in relation to the Company's convertible note offer. These services were provided on similar commercial terms to other third party providers. No payments were made during the year ended 30 June 2022.

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	$	$
Loss after income tax	(29,137,348)	(19,445,135)
Total comprehensive income/(loss)	(29,137,348)	(19,445,135)

Statement of financial position

	Parent	
	2022	2021
	$	$
Total current assets	100	1,486,572
Total assets	32,627,896	13,116,618
Total current liabilities	–	–
Total liabilities	200	26,354,611
Equity		
Issued capital	80,265,025	6,023,575
Share-based payments reserve	934,340	172,753
Accumulated losses	(48,571,669)	(19,434,321)
Total equity/(deficiency)	32,627,696	(13,237,993)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

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

		Ownership interest	
Name	Principal place of business/Country of incorporation	2022	2021
		%	%
Beforepay Finance Pty Ltd	Australia	100%	100%
Beforepay Ops Pty Limited	Australia	100%	100%
Beforepay IP Pty Ltd	Australia	100%	100%

Note 30. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	$	$
Loss after income tax expense for the year	(29,139,948)	(18,767,172)
Adjustments for:		
Depreciation and amortisation	621,790	182,343
Write off of non-current assets	–	3,960
Share-based payments	761,587	172,407
Fair value loss on convertible notes	3,428,279	6,854,510
Non-cash finance costs	231,235	42,489
IPO and consultancy expenses included in financing activities	2,772,583	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(18,456,481)	(8,946,802)
Decrease/(increase) in prepayments	1,097,860	(2,091,829)
Decrease in government grants receivable – Research and development rebate	11,101	301,074
Decrease in government rants receivable – JobKeeper	–	24,500
Increase in trade and other payables	2,323,509	1,093,025
Increase in employee benefits	145,772	112,733
Net cash used in operating activities	(36,202,713)	(21,018,762)

Non-cash investing and financing activities

	Consolidated	
	2022	2021
	$	$
Additions to the right-of-use assets (note 13)	1,094,041	–
Shares issued on conversion of convertible notes	41,495,789	–
	42,589,830	–

Changes in liabilities arising from financing activities

Consolidated	Loans payable to shareholders $	Loan – Attvest Finance Pty Ltd $	Convertible notes payable $	Loan – Longreach Credit Investors Pty Ltd $	Lease liabilities $	Total $
Balance at 1 July 2020	350,000	–	–	–	–	350,000
Net cash from/(used in) financing activities	(350,000)	246,991	19,555,500	7,003,565	–	26,456,056
Convertible notes issued – funds not received at 30 June 2020	–	–	900,000	–	–	900,000
Payment of capitalised transaction costs	–	–	–	(282,127)	–	(282,127)
Amortisation of capitalised transaction costs	–	–	–	42,489	–	42,489
Changes in fair values	–	–	6,854,510	–	–	6,854,510
Balance at 30 June 2021	–	246,991	27,310,010	6,763,927	–	34,320,928
Net cash from/(used in) financing activities	–	(246,991)	11,657,500	13,933,450	(309,570)	25,034,389
Acquisition of leases	–	–	–	–	1,060,242	1,060,242
Converted to issued share capital	–	–	(41,495,789)	–	–	(41,495,789)
Payment of capitalised transaction costs	–	–	–	(310,504)	–	(310,504)
Amortisation of capitalised transaction costs	–	–	–	227,898	–	227,898
Changes in fair values	–	–	3,428,279	–	–	3,428,279
Other changes	–	–	(900,000)	–	–	(900,000)
Balance at 30 June 2022	–	–	–	20,614,771	750,672	21,365,443

Note 31. Share-based payments

The Group has granted shares options and rights under the following share-based payments plans:

- Legacy Long-Term Incentive Plan (Legacy LTIP); and
- Long-Term Incentive Plan (LTIP).

Legacy LTIP

During the financial year ended 30 June 2020, an Employee Option Plan was established by the Group whereby share options were issued to certain employees. The options were issued for nil consideration and are granted in accordance with performance guidelines established by the Board. These options allow each option holder to convert each option to one share following vesting.

The vesting conditions vary for each grant of options and each grant is subject to one of the following vesting conditions:

- 25% of the options granted will vest one year from grant date; and from the start of the second year, the remaining 75% of the options granted will vest on a quarterly basis over a 3 year period;
- options will vest upon IPO; or
- options will vest equally over 3 years.

Vesting conditions and other vesting events may be varied at the discretion of the Board. The options may only be exercised for shares in the Company.

LTIP

During the financial year ended 30 June 2021, a long term incentive plan has been established by the Group whereby share options and share rights may be issued to Directors (including Non-Executive Directors), employees and contractors, or any other person designated by the Board. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. These options allow each option holder to convert each option to one share following vesting. The options will vest over 4 years.

Set out below are summaries of options granted under the plans:

2022									
Grant date	Expiry date	Exercise price	Balance at the start of the year	Balance post share split*	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2019	01/01/2025	$0.38	2,130	213,000	–	–	–	213,000
24/07/2019	01/01/2025	$0.38	1,065	106,500	–	–	–	106,500
15/08/2020	15/08/2025	$0.44	115	11,500	–	–	–	11,500
19/08/2020	19/08/2025	$0.44	581	58,100	–	–	–	58,100
20/09/2020	30/06/2024	$1.30	15,998	1,599,800	–	–	–	1,599,800
30/09/2020	30/09/2025	$0.20	66	6,600	–	–	(4,950)	1,650
01/11/2020	01/11/2025	$0.20	55	5,500	–	–	–	5,500
16/11/2020	30/06/2024	$1.30	1,070	107,000	–	–	–	107,000
17/11/2020	17/11/2025	$0.20	352	35,200	–	–	–	35,200
17/11/2020	01/01/2025	$0.20	2,000	200,000	–	–	–	200,000
04/01/2021	04/01/2026	$0.88	99	9,900	–	–	–	9,900
08/01/2021	08/01/2026	$0.20	154	15,400	–	–	–	15,400
01/01/2021	01/01/2025	$0.20	2,000	200,000	–	–	–	200,000
27/01/2021	30/06/2024	$1.30	3,582	358,200	–	–	–	358,200
15/02/2021	15/02/2026	$0.88	59	5,900	–	–	(5,900)	–
22/02/2021	22/02/2026	$0.88	143	14,300	–	–	–	14,300
01/02/2021	01/02/2026	$0.88	534	53,400	–	–	–	53,400
02/12/2020	02/12/2025	$0.20	1,603	160,300	–	(13,000)	(28,600)	118,700
24/11/2020	24/11/2025	$0.20	44	4,400	–	–	(4,400)	–
30/04/2021	30/04/2026	$0.88	63	6,300	–	–	(6,300)	–
31/05/2021	31/05/2026	$0.88	106	10,600	–	–	(10,600)	–
05/07/2021	05/07/2031	$0.88	–	–	242,200	–	–	242,200
09/07/2021	09/07/2026	$0.88	–	–	959,000	–	–	959,000
21/07/2021	21/07/2026	$0.88	–	–	20,300	–	(898)	19,402
01/09/2021	01/09/2026	$0.88	–	–	465,300	–	(19,800)	445,500
29/04/2022	29/04/2027	$0.41	–	–	1,371,584	–	–	1,371,584
30/06/2022	30/06/2027	$0.39	–	–	501,678	–	–	501,678
30/06/2022	30/06/2027	$0.29	–	–	2,780,556	–	–	2,780,556
			31,819	3,181,900	6,340,618	(13,000)	(81,448)	9,428,070
Weighted average exercise price			$0.96	$0.96	$0.48	$0.20	$0.56	$0.64

* Following a capital reorganisation which occurred on 8 October 2021, all options over ordinary shares were split on a ratio of 1 to 100. As a result of the capital reorganisation, the exercise price of each option was consequently reduced by the same ratio as the share split.

2021							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2019	01/01/2025	$0.38	2,130	–	–	–	2,130
24/07/2019	01/01/2025	$0.38	1,065	–	–	–	1,065
15/08/2020	15/08/2025	$0.44	–	115	–	–	115
19/08/2020	19/08/2025	$0.44	–	581	–	–	581
20/09/2020	30/06/2024	$1.30	–	15,998	–	–	15,998
30/09/2020	30/09/2025	$0.20	–	66	–	–	66
01/11/2020	01/11/2025	$0.20	–	55	–	–	55
16/11/2020	30/06/2024	$1.30	–	1,070	–	–	1,070
17/11/2020	17/11/2025	$0.20	–	352	–	–	352
17/11/2020	01/01/2025	$0.20	–	2,000	–	–	2,000
04/01/2021	04/01/2026	$0.88	–	99	–	–	99
08/01/2021	08/01/2026	$0.20	–	154	–	–	154
01/01/2021	01/01/2025	$0.20	–	2,000	–	–	2,000
27/01/2021	30/06/2024	$1.30	–	3,582	–	–	3,582
15/02/2021	15/02/2026	$0.88	–	59	–	–	59
22/02/2021	22/02/2026	$0.88	–	143	–	–	143
01/02/2021	01/02/2026	$0.88	–	534	–	–	534
02/12/2020	02/12/2025	$0.20	–	1,603	–	–	1,603
24/11/2020	24/11/2025	$0.20	–	44	–	–	44
30/04/2021	30/04/2026	$0.88	–	63	–	–	63
31/05/2021	31/05/2026	$0.88	–	106	–	–	106
			3,195	28,624	–	–	31,819
Weighted average exercise price			$0.38	$1.02	$0.00	$0.00	$0.96

Set out below are the options exercisable at the end of the financial year:

		2022	2021
Grant date	Expiry date	Number	Number
01/07/2019	30/06/2024	146,440	931
12/08/2019	11/08/2024	73,220	515
15/08/2020	14/08/2025	6,471	–
19/08/2020	19/08/2025	25,421	–
20/09/2020	30/06/2024	1,599,800	–
01/11/2020	31/10/2025	2,064	–
17/11/2020	16/11/2025	110,200	–
04/01/2021	03/01/2026	3,659	–
08/01/2021	07/01/2026	77,900	–
27/01/2022	30/06/2024	358,200	–
22/02/2021	21/02/2026	5,286	–
23/02/2021	22/02/2026	2,190	–
03/03/2021	02/03/2026	18,220	–
20/04/2021	19/04/2026	3,102	–
31/05/2021	30/05/2026	3,102	–
01/07/2021	01/07/2031	60,550	–
09/07/2021	09/07/2031	239,750	–
16/11/2021	30/06/2024	35,600	–
		2,771,175	1,446

The weighted average remaining contractual life of options outstanding at the end of the financial period was 4.0 years (2021: 3.3 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2021	05/07/2031	$0.840	$0.88	50.00%	–	0.64%	$0.37
09/07/2021	09/07/2026	$0.840	$0.88	50.00%	–	0.64%	$0.31
21/07/2021	21/07/2026	$0.840	$0.88	50.00%	–	0.64%	$0.31
01/09/2021	01/09/2026	$0.840	$0.88	50.00%	–	0.66%	$0.31
29/04/2022	29/04/2027	$0.405	$0.41	70.00%	–	2.77%	$0.21
29/06/2022	30/06/2027	$0.225	$0.39	70.00%	–	3.50%	$0.09
30/06/2022	30/06/2027	$0.225	$0.29	70.00%	–	3.50%	$0.10

Note 32. Earnings per share

	Consolidated	
	2022	2021
	$	$
Loss after income tax attributable to the owners of Beforepay Group Limited	(29,139,948)	(18,767,172)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	34,526,123	22,273,310
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,526,123	22,273,310

	$	$
Basic earnings per share	(0.84)	(0.84)
Diluted earnings per share	(0.84)	(0.84)

The weighted average number of ordinary shares for the year ended 30 June 2022 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 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 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

30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Brian Hartzer
Chair

31 August 2022

Sydney

Independent Auditor's Report

to the members of Beforepay Group Limited

Building a better working world

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Beforepay Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Provision for Expected Credit Losses

Why significant	How our audit addressed the key audit matter
As described in Notes 2, 10 and 22, the provision for expected credit losses ("ECL") is determined in accordance with *AASB 9 Financial Instruments* ("AASB 9"). This was a key audit matter due to the size of the 30 June ECL provision (30 June 2022: $3.9 million), and the degree of judgment and estimation associated with the calculations. Key areas of judgment included: ▸ the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model. ▸ determining the estimated loss rates on customer advances receivable, which is based on historical default rates as well as actual repayment of year end customer advances receivable subsequent to balance date.	We involved our actuarial specialists to assist in the testing of the mechanics of the underlying model and key model assumptions. In addressing the adequacy of the provision for expected credit losses for exposures assessed on a collective basis, our audit procedures included the following: ▸ Assessed whether the Group's methodology for calculation of ECL is in accordance with the requirements of AASB9; ▸ Assessed the default rates applied with reference to historical loss rates incurred; ▸ Compared cash collections received post 30 June 2022 to the provisions recognized to assess the adequacy of the provision for customer advances receivable at 30 June 2022; and ▸ Assessed the adequacy of the related disclosures in the financial report.

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Going Concern

Why significant	How our audit addressed the key audit matter
The financial statements have been prepared on a going concern basis as discussed in Note 2. Historically, the Group has been loss making, and has raised capital and debt to fund costs during its growth phase. Accumulated losses shown in the Group's consolidated balance sheet totalled $48.6m at 30 June 2022. Furthermore the Group incurred a loss after tax for the year of $29.1m (2021: $18.8m) and net operating cash outflow of $36.2m (30 June 2021: $21.0m). The Group's 30 June 2022 balance sheet also shows net assets of $32.7m and net current assets of $54.2m, in addition to cash of $28.4m and net customer receivables of $22.6m. We considered the going concern assumption as a key audit matter as the Group relies on existing cash reserves, revenue growth and future profitability to generate sufficient cashflows to cover forecast expenditure.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we performed the following procedures: ▸ Assessed the cash flow requirements of the Group for the 12 months from 31 August 2022 based on board approved budget and cashflow forecasts. These forecasts were prepared on the basis of existing regulation of the Group's business. This involved comparison of key forecast assumptions to historical performance and an understanding of the quantum of forecast expenditure which is committed and that which is considered discretionary. ▸ Considered the liquidity of existing assets on the balance sheet. ▸ Assessed the terms of the Group's finance facility, including actual and forecast covenant compliance and the amount available for drawdown. ▸ Performed sensitivity analysis involving varying potential growth and default rate scenarios and assessed the resultant impact on cash flow. ▸ Assessed the adequacy of the going concern disclosures in the financial report.

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Beforepay Income

Why significant	How our audit addressed the key audit matter
Beforepay income relates to fees charged to customers in relation to wage and salary advances. The Group recognises Beforepay income over the term of the customer advances, from initiation to repayment, applying the effective interest rate method. Accordingly, judgement is applied in the calculation of revenue and deferred revenue at balance date. We included Beforepay income as a key audit matter due to its significance to the performance of the Group.	Our audit procedures in relation to Beforepay income included the following: ▸ Assessed whether the calculation and recognition of Beforepay income was in accordance with contract terms and cash receipt for a sample of Beforepay income transactions. ▸ Assessed the Group's determination of revenue recognition and application of the effective interest rate method for a sample of Beforepay income transactions. ▸ Assessed the Group's calculation of the year end deferred income balance. ▸ Assessed the adequacy of the related disclosures in the financial report in respect of Beforepay income.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 37 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Beforepay Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Simon Hannigan
Partner
Sydney
31 August 2022

Shareholder Information

30 June 2022

The shareholder information set out below was applicable as at 1 August 2022.

Number of security holders

At the specified date, there were 1,283 holders of ordinary shares (quoted and unquoted) and 55 holders of options (unquoted) over ordinary shares. These were the only classes of equity securities on issue.

Distribution of equitable securities

Analysis of number of equitable security holders (shareholders) by size of holding:

Holding Ranges	Holders	Total Shares	% of Issued Share Capital
Above 0 up to and including 1,000	440	226,139	0.49%
Above 1,000 up to and including 5,000	384	1,018,465	2.19%
Above 5,000 up to and including 10,000	125	946,526	2.04%
Above 10,000 up to and including 100,000	286	9,761,289	21.0%
Above 100,000	48	34,509,863	74.28%
TOTAL	**1,283**	**46,462,282**	**100.00%**

The number of shareholders holding less than a marketable parcel was 356 holders (based on a share price of $0.59).

Analysis of number of equitable security holders (optionholders) by size of holding:

Holding Ranges	Holders	Total Options	% of Issued Options
Above 0 up to and including 1,000	2	865	0.01%
Above 1,000 up to and including 5,000	8	22,838	0.24%
Above 5,000 up to and including 10,000	10	74,761	0.78%
Above 10,000 up to and including 100,000	17	572,655	6.01%
Above 100,000	18	8,859,516	92.96%
TOTAL	**55**	**9,530,635**	**100.00%**

Restricted securities

As at 1 August 2022, there are 12,602,793 fully paid ordinary shares and 2,073,900 options over ordinary shares which are subject to ASX mandatory escrow arrangements:

Number of restricted securities	Restricted security period
969,729 Shares	Until 1 September 2022, being 12 months from the date on which the restricted securities were issued
63,500 Options	Until 21 October 2022, being 12 months from the date on which the restricted securities were issued
11,633,064 Shares	Until 17 January 2024, being 24 months from the date of commencement of official quotation
2,010,400 Options	Until 17 January 2024, being 24 months from the date of commencement of official quotation

Top 20 securityholders

The names of the twenty largest holders of ordinary shares are listed below:

Name	Number of shares	Percentage of issued capital
BNP Paribas Nominees Pty Ltd ATF IB AU Noms Retail Client DRP	8,764,793	18.86%
Youbek Pty Ltd ATF Capricorn A/C	5,500,000	11.84%
Jopean Pty Ltd ATF Jopean A/C	4,500,000	9.69%
CS Fourth Nominees Pty Limited ATF HSBC Cust Nom AU Ltd 11 A/C	2,165,515	4.66%
Dempsey Capital Pty Ltd ATF Alium Alpha Fund A/C	1,527,686	3.29%
HSBC Custody Nominees (Australia) Limited A/C 2	1,389,640	2.99%
Cheq Invest Pty Ltd ATF Cheq Invest Unit A/C	1,235,925	2.66%
M & S Skyleisure Pty Ltd ATF M Skyleisure A/C	731,454	1.57%
M & S Skyleisure Pty Ltd ATF S Skyleisure A/C	731,454	1.57%
Victory Park Capital Advisors ATF Vpc Spec Lending IIH Lp A/C	629,516	1.35%
Focusthree LP	528,697	1.14%
HSBC Custody Nominees (Australia) Limited	438,117	0.94%
Beachlane Proprietary Limited ATF The Beachlane Invstmnt A/C	435,478	0.94%
Mr Alexander Douglas	422,384	0.91%
Mr James Spencer Twiss & Ms Liana Downey	420,000	0.90%
Ilwella Pty Ltd	341,593	0.74%
Bnp Paribas Noms Pty Ltd ATF DRP	279,063	0.60%
Dempsey Capital Pty Ltd ATF Alium Alpha A/C	261,190	0.56%
Viktoriia Spenceley	237,400	0.51%
Mr Alexander Malcolm Douglas	222,166	0.48%
Capital Telecommunications Pty Ltd	218,000	0.47%
Total Top 20 Shareholders	**30,980,871**	**66.68%**
Total Remaining Shareholders	**15,481,411**	**33.32%**
TOTAL	**46,462,282**	**100%**

Substantial holders

As at 1 August 2022, Beforepay had received the following substantial shareholder notifications. No other substantial shareholder notices have been received.

Name	Number of shares	Percentage of issued capital
Tarek Ayoub	5,500,000	11.84%
Guo Fang Mao	4,500,000	9.69%
Alium Alpha Fund	4,442,781	9.56%

Voting rights

All fully paid ordinary shares carry one vote per share. There are no voting rights attached to options until exercised.

On-market buy back

There is no current on-market buy-back being undertaken by the Company.

2022 Corporate Governance Statement

In the financial year ended 30 June 2022, the Company implemented a suite of frameworks, policies, procedures including:

- Board and Board Committee Charters, the Delegations Policy and relevant instruments specifying roles and accountability between both the Board and management;
- the Beforepay Code of Conduct and other Corporate Governance policies, such as the Whistleblower Policy, Anti-Bribery and Anti-Corruption Policy, Disclosures & Communications Policy, Diversity Policy, and Securities Trading Policy. These are available on Beforepay's website https://www.beforepay.com.au/investor-hub/corporate-governance;
- a new Remuneration Policy that outlines our approach to talent acquisition and retention as well as referencing our core values which support our strategic objectives; and
- revised Risk Management Framework that is aligned with AS/NZS ISO 31000-2018, Risk Management – Principles and Guidelines which articulates our risk appetite and profile , as set by the Board.

Our Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (Fourth Edition)* (ASX Principles and Recommendations). It sets out the Company's corporate governance practices that were in operation on admission of the Company to the Official List of the ASX. The ASX Principles and Recommendations are not mandatory. However, we have adopted the ASX Principles and Recommendations as outlined in this Corporate Governance Statement which is current as at 1 August 2022 and has been approved by the Board. The Company's Appendix 4G has been lodged with the ASX and is also available on the Company's website at https://www.beforepay.com.au/investor-hub/asx-announcements.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
1. Lay solid foundations for management and oversight		
1.1. A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of the Board and management of the Company (Management); and (b) those matters expressly reserved to the Board and those delegated to Management.	Yes	A Board Charter is available on the Company's website, which sets out: (a) the respective roles and responsibilities of the board and management; and (b) those matters expressly reserved to the board and those delegated to management.
1.2. A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in the company's possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	Appropriate background checks have been undertaken prior to the appointment of all Directors and Senior Executives, including prior to putting someone forward for election as a Director. The Company will provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.
1.3. A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has a written agreement in place with each Director and Senior Executive setting out the terms of their appointment.
1.4. The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the chair of the Board (Chair), on all matters to do with the proper functioning of the Board.

<table>
<tr><th>ASX Principles and Recommendations</th><th>Comply (Yes/No)</th><th>Explanation</th></tr>
<tr><td>1.5. A listed entity should:
(a) have and disclose a diversity policy;
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
(c) disclose in relation to each reporting period:
(1) the measurable objectives set for that period to achieve gender diversity;
(2) the entity's progress towards achieving those objectives; and
(3) either: (i) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes) or, (ii) if the company is a relevant employer" under the Workplace Gender Equality Act 2012 (Cth), the company's most recent "Gender Equality Indicators", as defined in and published under that Act.</td><td>Yes</td><td>The Company has adopted a Diversity Policy, a copy of which is available on the Company's website.
The Diversity Policy sets out that the Board, in consultation with the Remuneration and Nomination Committee (RNC), has responsibility to set measurable objectives for achieving gender diversity in the composition of the Board, Senior Executives and the workforce generally.
The Company is committed to increasing gender diversity within the Company as a whole and striving to create a more diverse workforce. The following measurable objectives and targets have been set by the RNC and approved by the Board to achieve gender diversity:
• by the end of 2025 the Board will comprise of at least 30% women;
• by the end of 2025 the Company's people in leadership positions will comprise of at least 30% women; and
• by the end of 2025 women will make up at least 40% of all Company employees,
whilst acknowledging that gender is not binary.
As at 30 June 2022, the gender diversity statistics for the Company were as follows:
<table><tr><th></th><th>Female</th><th>Male</th><th>Female Proportion</th></tr><tr><td>Staff</td><td>11</td><td>24</td><td>31%</td></tr><tr><td>Leadership positions</td><td>4</td><td>14</td><td>22.2%</td></tr><tr><td>Board Members</td><td>1</td><td>5</td><td>16.7%</td></tr></table>The Company aims to create a more equitable culture by regularly assessing the gender base pay, supporting staff to develop as inclusive leaders.</td></tr>
</table>

<table>
<tr><th>ASX Principles and Recommendations</th><th>Comply (Yes/No)</th><th>Explanation</th></tr>
<tr><td>1.6. A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</td><td>Yes</td><td>The RNC has established processes for periodically evaluating the performance of the Board, its Committees and individual Directors. The RNC's obligations and processes in this regard are further detailed in the RNC Charter, a copy of which is available on the Company's website.
The Company has undertaken a performance evaluation for the Board, its Committees and individual Directors in accordance with the adopted performance evaluation process during this reporting period.</td></tr>
<tr><td>1.7. A listed entity should:
(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</td><td>Yes</td><td>The RNC has established processes for periodically evaluating (at least once every reporting period) the performance of the Company's Senior Executives. The RNC's obligations and processes in this regard are further detailed in the RNC Charter, a copy of which is available on the Company's website.
The Company has undertaken a performance evaluation for the Senior Executives in accordance with the adopted performance evaluation process during this reporting period.</td></tr>
<tr><td colspan="3">2. Structure the Board to be effective and add value</td></tr>
<tr><td>2.1. The Board of a listed entity should:
(a) have a nomination committee which:
(1) has at least three members, a majority of whom are independent directors; and
(2) is chaired by an independent director;
and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence, and diversity to enable it to discharge its duties and responsibilities effectively.</td><td>Yes</td><td>The Company has established an RNC. A copy of the RNC Charter is available on the Company's website.
The RNC membership is comprised of Natasha Davidson (Chair of RNC), Daniel Moss, Luke Bortoli (from 1 March 2022) and Brian Hartzer, (from 5 July 2022) all of whom are Non-Executive Directors. Three Directors of the RNC (Natasha Davidson, Brian Hartzer and Luke Bortoli) are independent Directors. The RNC is chaired by Natasha Davidson, who is an independent Director.
The RNC met on four occasions during the reporting period. Each meeting was fully attended by the members of RNC at that time.</td></tr>
</table>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
2.2. A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	The Board has had regard to the appropriate mix of skills and expertise required from Management and the Directors to achieve the objectives of the Company. The Company has a Board Skills Matrix setting out the mix of skills that the Board currently has. A copy of this is available on the Company's website.
2.3. A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation, or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	The Board Charter sets out the Board's adopted criteria and policy for determining whether a Director is independent. The RNC is responsible for assessing the independence of each Non-Executive Director. The Board is comprised of six Directors: • Brian Hartzer, appointed 5 July 2021 • Daniel Moss, appointed 5 June 2019 • Natasha Davidson, appointed 16 November 2020 • Patrick Tuttle, appointed 16 November 2020 • Stefan Urosevic, appointed 5 June 2019 • Luke Bortoli, appointed 1 February 2022 The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgment . Details of Director options have been disclosed in the Remuneration Report. The Board has determined that four Directors are independent: Brian Hartzer; Natasha Davidson; Luke Bortoli; and Patrick Tuttle. Accordingly, a majority of the Board is comprised of independent Directors. The length of service of each Director is specified above.
2.4. The majority of the board should be independent directors.	Yes	As noted above in 2.3 a majority of the Board comprises independent Directors.
2.5. The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The Board has appointed Brian Hartzer, an independent Director, as Chair. Brian Hartzer does not hold the position of CEO, in compliance with corporate governance best practice.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
2.6. A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	All new Directors undertake an induction program to ensure they have the skills and knowledge necessary to perform their role as Directors effectively. The Company periodically reviews the Directors' mix of skills and provides continuing education and professional development opportunities for Directors to maintain the skills and knowledge needed to perform their roles effectively.
3. Instil a culture of acting lawfully, ethically and responsibly		
3.1. A listed entity should articulate and disclose its values.	Yes	The Company has articulated and disclosed its values in its Code of Conduct, a copy of which is available on the Company's website.
3.2. A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives, and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes	The Company has adopted a Code of Conduct which applies to its Directors, Senior Executives and employees. A copy of the Code of Conduct is available on the Company's website. Under the Code of Conduct, material breaches of the Code are reported to the Board in accordance with its terms and Beforepay's policies and procedures.
3.3. A listed entity should: (a) have and disclose a Whistleblower Policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	The Company has adopted a Whistleblower Policy, a copy of which is available on the Company's website. Under the Whistleblower Policy, the Board is to be informed of any incidents reported in accordance with the Whistleblower Policy.
3.4. A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	Yes	The Company has adopted an Anti-Bribery and Corruption Policy, a copy of which is available on the Company's website. Under the Anti-Bribery and Corruption Policy, material breaches of the policy are reported to the Board.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
4. Safeguard the integrity of corporate reports		
4.1. The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes	The Company has established an Audit and Risk Committee (ARC). A copy of the ARC Charter is available on the Company's website. The ARC membership is comprised of Patrick Tuttle (Chair of ARC), Natasha Davidson, Luke Bortoli (from 1 March 2022) and Stefan Urosevic, all of whom are Non-Executive Directors and three of whom are independent Directors (Patrick Tuttle, Luke Bortoli and Natasha Davidson). The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The ARC met on eight occasions during the reporting period. Each meeting was fully attended by the members of ARC at that time.
4.2. The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Before the Board approved the Company's financial statements for the last financial period, the Board received a declaration that, in the opinion of the CEO and CFO, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
4.3. A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	Where periodic corporate reports are not audited or reviewed by an external auditor, the Company ensures it employs processes which minimise the chance of error in the report. Our verification processes involve a review of source materials supporting the statements and formal verification by the relevant internal stakeholder such that the portion of the report to which that internal stakeholder has contributed is true and accurate prior to receiving approval by ARC or the Board.
5. Make timely and balanced disclosure		
5.1. A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.	Yes	The Company has adopted a formal continuous disclosure policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1. A copy of the Disclosure and Communication Policy is available on the Company's website.
5.2. A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	The Company ensures that the Board receives copies of all material market announcements promptly after they have been made. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
5.3. A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Yes	Where the Company gives a new and substantive investor or analyst presentation, it releases a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
6. Respect the rights of security holders		
6.1. A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company maintains a website at https://beforepay.com.au/investor-hub/corporate-governance which provides information about the Company and its governance to investors.
6.2. A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Yes	The Company has an investor relations program that facilitates effective two-way communication with investors.
6.3. A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	The Company has adopted a Disclosure and Communication Policy which details the manner in which shareholders may participate and have the opportunity to ask and/or submit questions in advance of the general meeting where a Shareholder is unable to attend. A copy of the Disclosure and Communication Policy is available on the Company's website.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
6.4. A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Yes	The Company will ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
6.5. A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	All security holders have the option to receive communications from, and send communications to, the Company and its security registry electronically. The Company's approach to communicating with security holders is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
7. Recognise and manage risk		
7.1. The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes	The Company has established an ARC. A copy of the ARC Charter is available on the Company's website. The ARC membership is comprised of Patrick Tuttle (Chair of ARC), Natasha Davidson, Luke Bortoli and Stefan Urosevic, all of whom are Non-Executive Directors and three (Patrick Tuttle, Luke Bortoli and Natasha Davidson) are independent Directors. The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The ARC met on eight occasions during the reporting period. Each meeting was fully attended by the members of ARC at that time.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
7.2. The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	The Company recognises that the identification and management of risks that could impact the Company's strategic, operational and financial objectives is essential to good corporate governance and the protection of long-term shareholder value. In this reporting period, the Board (as recommended by ARC) reviewed the Company's risk management framework (in line with its annual review cycle) and has made a number of improvements to satisfy itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. The Company uses risk management at all levels of the organisation to mitigate potential threats, improve its preparedness to respond to crises and emerging risks, and consider appropriate risks of pursuing or not pursuing opportunities presented or explored.
7.3. A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	Yes	The Company has various quality assurance strategies throughout the business, but has not established a formal internal audit function. The Board (as recommended from ARC) considers that the current size and nature of the Company's operations does not necessitate the need for an internal audit function at this time. The ARC is responsible for evaluating and continually improving the effectiveness of the Company's governance, risk management and internal control processes. This committee facilitates the oversight of risks and actions being undertaken by Management to mitigate risks to an acceptable level. The Board is satisfied that the processes in place to identify the Company's material business risks are appropriate and that these risks are being managed effectively. The Company's risk management processes continue to be monitored and reported against. The Board and ARC will periodically review whether there is a need for an internal audit function and its scope, if needed. The Board is prepared to adopt an internal audit function if deemed necessary in the future.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
7.4. A listed entity should disclose whether it has any material exposure to environmental or social risks and if it does, how it manages or intends to manage those risks.	Yes	The Company does not have material exposure to environmental or social risks. However, Beforepay is committed to being a responsible company that does not cause harm to our people, communities and the environment. As part of Beforepay's focus on building environment, Social and Governance (ESG) capability and data-driven infrastructure, ESG risk has been identified as its own risk class in the latest Beforepay Risk Management Framework. Our emphasis in the reporting period was in respect of the soundness of our governance which remains one of our most material ESG priorities. The Company intends that the ARC will be responsible for monitoring and receiving reports on environmental and social risks, and if they do arise, to manage them according to the ARC Charter and our risk management framework referred to above. A copy of the ARC Charter is available on the Company's website.
8. Remunerate fairly and responsibly		
8.1. The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	The Company has established an RNC. A copy of the RNC Charter is available on the Company's website. The RNC membership is comprised of Natasha Davidson (Chair of RNC), Daniel Moss, Luke Bortoli (from 1 March 2022) and Brian Hartzer (from 5 July 2022), all of whom are Non-Executive Directors. Three (Natasha Davidson, Luke Bortoli and Brian Hartzer) are independent Directors. The RNC is chaired by Natasha Davidson who is an independent Director. The RNC met on four occasions during the reporting period. Each meeting was fully attended by the members of RNC at the time.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
8.2. A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company has disclosed its policies and practices regarding the remuneration of Non-Executive Directors in the Company's Remuneration Report within the Annual Report.
8.3. A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company's Securities Trading Policy and remuneration policies prohibit participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant. A copy of the Securities Trading Policy is available on the Company's website.

Glossary

Term	Definition
AAS	Australian Accounting Standards issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
ACL	Australian Credit Licence.
Active Users	A customer of Beforepay, who has taken out an advance in the previous 12 months from the date of the relevant information. This includes customers who have not repaid their most recent Cash Out and are not eligible to re-borrow until they have done so.
Average Pay advance	Total dollar volume of pay advances in a period divided by the number of Pay advances in that period.
app	Either one of the two smartphone applications of Beforepay, one for iOS devices and one for Android or the web application, as appropriate in its context.
ASIC	Australian Securities and Investments Commission.
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth).
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
Beforepay	The Company and its controlled entities (and, where the context requires, the businesses conducted by those entities).
Beforepay Finance	Beforepay Finance Pty Ltd ACN 636 670 525 (a wholly owned subsidiary of the Company).
Beforepay IP	Beforepay IP Pty Ltd ACN 633 930 015 (a wholly owned subsidiary of the Company).
Beforepay Ops	Beforepay Ops Pty Ltd ACN 633 930 159 (a wholly owned subsidiary of the Company).
Beforepay Income	The transactions fees charged to customers on advances. Beforepay income is calculated and charged based on a fixed percentage (5%) of the amount advanced.
Board or Board of Directors	The board of directors of the Company.
Cash Out or Pay Advances	An advance made or offered by Beforepay to a user.
Company	Beforepay Group Limited (ACN 633 925 505).
Constitution	The constitution of the Company.
Convertible Notes	Means convertible notes issued by the Company and which converted to Shares in connection with the Listing.
Corporations Act	*Corporations Act 2001* (Cth).
COVID-19	A contagious disease formally known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).
Credit Model	Beforepay's proprietary credit risk scoring model.
Director	A member of the Board.
Duration	The average across all Pay advances of the time required to repay the Pay advance, weighted by the dollar size of each Pay advance. A Pay advance that is not repaid within 62 days is assumed to have a duration of 62 days.

Glossary continued

Term	Definition
EBITDA	Earnings before interest, taxation, depreciation and amortisation (adjusted).
Group	The Company and each of its subsidiaries.
Gross Transaction Loss	Expected credit loss expense excluding recoveries.
GST	Goods and services tax (GST) imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board.
Interest income	Interest earned on cash at bank. It is not the fee that Beforepay charges to its customers.
Key Management Personnel	Michael Bencsik, Chief Financial Officer and James Twiss, Chief Executive Officer.
KYC	Know your customer.
Longreach	Longreach Credit Investors Pty Ltd.
LTIP	The Company's long-term incentive scheme.
Management	The executive management team of Beforepay.
Net Transaction Loss	Actual and expected credit losses (net of recoveries). It comprises customer defaults plus current advances provisioned during the period.
Net Transaction Loss %	Net transaction loss as a percentage of pay advances plus fees.
Net Transaction Margin	Comprises Beforepay income (being Beforepay pay advance fee income) less the variable costs associated with facilitating the pay advance transaction (net of recoveries). Variable costs include net transaction loss, third party funding costs and direct service costs. Net transaction margin is a management metric used to measure the gross margin on pay advances.
Net Transaction Margin %	Net transaction margin divided by Beforepay income.
Non-Executive Director	A member of the Board who does not form part of the Company's management. Presently this constitutes all of the Directors.
Pay Advances	The aggregate dollar value of Cash Outs in a specified period to a user.
Pay on Demand	Pay-on-demand, being the product offered by Beforepay via Cash Outs.
Recoveries	Monies repaid by customers after a Pay advance has defaulted at 62 days after the date of issuance (net of costs) of the recovery.
Recoveries %	Recoveries divided by gross transaction loss.
RNC	Remuneration and Nominations Committee.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Automic Pty Ltd (ACN 152 260 814).
VWAP	Volume-weighted average price.

Corporate Directory

Directors

Brian Hartzer – Chair and Non-Executive Director

Natasha Davidson – 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

David Hwang

Elizabeth Spooner

Notice of annual general meeting

Deutsche Bank, Tower
Level 5, 126 Phillip St
Sydney NSW 2000

11:00 a.m. Monday, 21 November 2022

Registered Office

Suite 2, Level 6
50 Carrington Street
Sydney NSW 2000

www.beforepay.com.au

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Share registry

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000

1300 288 664

ASX Listing

ASX Code: B4P

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www.beforepay.com.au