Beforepay Group Limited

ABN 63 633 925 505

Annual Report - 30 June 2021

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 the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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 - Chairman (appointed 5 July 2021)
Danny Moss - Non-Executive Director
Stefan Urosevic - Non-Executive Director
Patrick Tuttle - Non-Executive Director (appointed 16 November 2020)
Natasha Davidson - Non-Executive Director (appointed 16 November 2020)
Dean Mao - Executive Director (resigned 19 July 2021)
Tarek Ayoub - 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 salary advances.

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 $18,767,172 (30 June 2020: $649,987).

Significant changes in the state of affairs
The company raised $4,167,605 via the issue of ordinary shares in Beforepay Group Limited during the financial year.

In November 2020, the company registered and commenced trading under the business name Beforepay.

During the financial year, the company raised $20,455,500 via the issue of convertible notes.

On 14 May 2021, via a resolution of shareholders, the parent company, Cheq Limited changed its name to Beforepay Group Limited.

On 20 May 2021, the company appointed a new CEO, Mr Jamie Twiss. Jamie previously worked for Westpac Banking Corporation as Chief Strategy Officer and then Chief Data Officer. Before that, he was the Managing Director, Americas for First State Investments, the asset-management firm owned at the time by Commonwealth Bank of Australia. Prior to that, he held a strategy role with Commonwealth Bank, and before that he worked for McKinsey & Company in the United States and in Australia.

On 9 June 2021 a debt facility agreement was signed 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). The total facility is $45,000,000 and it expires in June 2023. Beforepay Group Limited has granted security over the shares it owns in each of the borrower and the guarantors, but is not a guarantor under the terms of the facility. The terms of the debt facility are as set out in note 17 to the financial statements.

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
On 7 July 2021, Beforepay Group Limited entered into a domain transfer agreement with, amongst others, Grouse Limited and Chrisco Hampers Australia Limited, in relation to the purchase and transfer of domain names connected to the Beforepay name.

The purchase price payable for the above domain names was $187,500 (including GST) and comprised of $87,500 cash consideration and the issuance of 100,000 convertible notes with a face value of $1 each. The notes were issued to one of the sellers, Mr Geoffrey Michael Spong, and were on terms substantially similar to the notes issued in the most recent capital raise.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

The Group is currently pursuing a listing on the Australian Securities Exchange.

The Group is currently in the process of raising approximately $10,757,500 via the issue of convertible notes to be issued in September 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

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

Information on directors

Name:	Brian Hartzer
Title:	Non-Executive Director and Chairman
Qualifications:	Princeton University Graduate; Chartered Financial Analyst.
Experience and expertise:	Brian Hartzer is an experienced executive, leadership mentor and investor who served as CEO of the Westpac Banking Group from 2015 to 2019. Prior to his time as Westpac’s CEO, Brian spent 15 years in senior executive roles at major banks in Australia and the UK. These roles included CEO at Westpac and divisional chief executive roles at the Royal Bank of Scotland Group and ANZ Banking Group. Brian’s banking career has had a strong emphasis on the use of data: He set up the database marketing department at ANZ in the mid 1990s, headed ANZ’s credit card and consumer finance business, and through his various roles was a strong advocate for the application of data and data science in delivering personalised customer service, strong revenue growth, and effective risk management. Prior to joining ANZ, Brian spent ten years as a financial services strategy consultant at First Manhattan Consulting Group, which pioneered the use of customer profitability analysis and segmentation in banking. Brian currently works as a senior advisor to both Sayers, a Melbourne-based investment and advisory firm, and to Quantium, a Sydney-based data science company. He is also an angel investor in and advisor to several Fintech and technology start-ups. Brian serves as a Trustee of the Australian Museum and as Chairman of the Australian Museum Foundation Trust.
Special responsibilities:	None

Name:	Danny Moss
Title:	Non-Executive Director
Qualifications:	BBus, MAICD
Experience and expertise:	Danny 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. Danny 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.
Special responsibilities:	Member of the Remuneration Committee

Name:	Stefan Urosevic
Title:	Non-Executive Director
Qualifications:	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 member of the Australian Institute of Company Directors.
Special responsibilities:	Member of the Audit and Risk Committee

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 GetCapital, Azora Finance, Azora Asset Finance, Divipay and Douugh Limited. He is also a Non-Executive Director of Australian Ireland Fund Limited (registered charity) and a former Deputy Chairman of the Australian Securitisation Forum, Inc.
Special responsibilities:	Chairman of the Audit and Risk Committee

Name:	Natasha Davidson
Title:	Non-Executive Director
Qualifications:	Master of Law; Honours in Law
Experience and expertise:	Natasha has been a practising attorney for over 25 years specialising in equity capital markets and mergers & acquisitions. She is the former President and Chair of the Australian Financial Markets Association, Capital Raising Committee. She has been a senior executive across both governance and commercial growth mandates in listed and non-listed SaaS technology companies and is a Fellow of the Governance Institute of Australia.
Special responsibilities:	Member of the Audit and Risk Committee and Chair of the Remuneration Committee

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 in her role at Automic. She holds a double degree in Bachelor of Business Administration and Bachelor of Arts majoring in Human Resources, and a Graduate Diploma of Applied Corporate Governance from the Governance Institute. Elizabeth is in the final stages of completing her Juris Doctor degree from Australian National University. She is an Associate of the Governance Institute of Australia, a Member of the Australian Institute of Company Directors, a Member of the Australian HR Institute and a NSW Justice of the Peace.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Danny Moss	7	7	-	-	3	3
Stefan Urosevic	7	7	-	-	-	-
Patrick Tuttle	4	4	-	-	-	-
Natasha Davidson	4	4	-	-	3	3
Dean Mao	4	4	-	-	-	-
Tarek Ayoub	4	4	-	-	-	-

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

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	$37.55	2,130
24 July 2019	1 January 2025	$37.55	1,065
15 August 2020	15 August 2025	$43.52	115
19 August 2020	19 August 2025	$43.52	581
20 September 2020	30 June 2024	$130.00	15,998
30 September 2020	30 September 2025	$20.00	66
1 November 2020	1 November 2025	$20.00	55
16 November 2020	30 June 2024	$130.00	1,070
17 November 2020	17 November 2025	$20.00	352
17 November 2020	1 January 2025	$20.00	2,000
4 January 2021	4 January 2026	$87.93	99
8 January 2021	8 January 2026	$20.00	154
1 January 2021	1 January 2025	$20.00	2,000
27 January 2021	30 June 2024	$130.00	3,582
15 February 2021	15 February 2026	$87.93	59
22 February 2021	22 February 2026	$87.93	143
1 February 2021	1 February 2026	$87.93	534
2 December 2020	2 December 2025	$20.00	1,603
24 November 2020	24 November 2025	$20.00	44
30 April 2021	30 April 2026	$87.93	63
31 May 2021	31 May 2026	$87.93	106
5 July 2021	5 July 2031	$87.93	2,422
9 July 2021	9 July 2026	$87.93	9,590
21 July 2021	21 July 2026	$87.93	203
1 September 2021	1 September 2026	$87.93	4,653
			48,687

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.

Included in these options were options granted as remuneration to the following directors and officers of the company and the group during the year:

Name of officer	Date granted	Exercise price of share options	Number of options granted
Danny Moss	20 September 2020	$130.00	7,999
Stefan Urosevic	20 September 2020	$130.00	7,999
Patrick Tuttle	16 November 2020	$130.00	535
Michael Cerbara	2 September 2020	$20.00	176
Natasha Davidson	16 November 2020	$130.00	535
David Brady	12 October 2020	$20.00	2,176
Christopher Richardson	14 December 2020	$20.00	2,154
James Twiss	9 July 2021	$87.93	9,590
Elena Chan	1 September 2021	$87.93	2,048

Subsequent to year end (5 July 2021), Mr Brian Hartzer was issued 2,422 options at an exercise price of $87.93 per option. The options were issued in conjunction with the commencement of Mr Hartzer's directorship.

No further options were granted to any other directors or the five most highly remunerated officers of the company since the end of the financial year.

Shares issued on the exercise of options
There were no ordinary shares of Beforepay Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

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.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Danny Moss
Director

8 September 2021

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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 2021, 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; and

b. No contraventions of 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
8 September 2021

	Note	Consolidated 2021 $	2020 $
Revenue			
Beforepay income	4	4,502,696	44,784
Other income	5	79,500	398,675
Expenses			
Payment platform expense		(1,416,639)	(21,050)
Employee benefits expense		(2,985,749)	(262,196)
Depreciation and amortisation expense		(182,343)	(78,826)
Receivables written off and provided for	9	(5,065,186)	(48,348)
Occupancy expenses		(188,205)	(45,496)
Advertising and marketing expenses		(2,965,490)	(68,841)
Professional and consultancy expenses		(1,360,960)	(226,106)
Software licences		(7,308)	(56,772)
Technical suppliers		(156,406)	(139,892)
Convertible note issuance expenses		(1,200,415)	-
Fair value loss on convertible notes		(6,854,510)	-
Other expenses		(785,014)	(80,618)
Finance costs	6	(181,143)	(53,781)
Loss before income tax expense		(18,767,172)	(638,467)
Income tax expense	7	-	(11,520)
Loss after income tax expense for the year attributable to the owners of Beforepay Group Limited		(18,767,172)	(649,987)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Beforepay Group Limited		(18,767,172)	(649,987)

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

Beforepay Group Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	8	10,011,785	825,793
Trade and other receivables	9	9,730,772	148,083
Government grants receivable		11,101	312,175
Other assets	10	2,091,829	-
Total current assets		21,845,487	1,286,051
Non-current assets			
Property, plant and equipment	11	173,849	13,302
Intangibles	12	217,400	335,710
Other	13	241,027	1,414
Total non-current assets		632,276	350,426
Total assets		22,477,763	1,636,477
Liabilities			
Current liabilities			
Trade and other payables	14	1,253,632	160,607
Borrowings	15	246,991	350,000
Employee benefits		141,196	28,463
Other	16	-	447,495
Total current liabilities		1,641,819	986,565
Non-current liabilities			
Borrowings	17	34,073,937	-
Total non-current liabilities		34,073,937	-
Total liabilities		35,715,756	986,565
Net assets/(liabilities)		(13,237,993)	649,912
Equity			
Issued capital	18	6,023,575	1,316,715
Reserves	19	172,753	346
Accumulated losses		(19,434,321)	(667,149)
Total equity/(deficiency)		(13,237,993)	649,912

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	400,100	-	(17,162)	382,938
Loss after income tax expense for the year	-	-	(649,987)	(649,987)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(649,987)	(649,987)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	916,615	-	-	916,615
Share-based payments (note 30)	-	346	-	346
Balance at 30 June 2020	1,316,715	346	(667,149)	649,912

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
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 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 18)	4,706,860	-	-	4,706,860
Share-based payments (note 30)	-	172,407	-	172,407
Balance at 30 June 2021	6,023,575	172,753	(19,434,321)	(13,237,993)

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

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from repayment of customers advances (inclusive of GST)		80,688,717	1,009,478
Receipts of Beforepay income		4,034,732	7,601
Payments to suppliers and employees (inclusive of GST)		(12,988,381)	(730,131)
Advances to customers (inclusive of GST)		(92,971,250)	(1,132,706)
Interest and other finance costs paid		(138,654)	(53,781)
Government grants received		55,000	62,000
Research and development rebate received		301,074	-
Net cash used in operating activities	29	(21,018,762)	(837,539)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(208,104)	(25,604)
Payments for intangibles	12	(20,436)	(402,234)
Net cash used in investing activities		(228,540)	(427,838)
Cash flows from financing activities			
Proceeds from issue of shares	18	4,591,176	1,782,960
Proceeds from borrowings		7,250,556	350,000
Proceeds from convertible notes		19,555,500	-
Share issue transaction costs		(331,811)	(41,890)
Borrowings transaction costs		(282,127)	-
Repayment of borrowings		(350,000)	-
Net cash from financing activities		30,433,294	2,091,070
Net increase in cash and cash equivalents		9,185,992	825,693
Cash and cash equivalents at the beginning of the financial year		825,793	100
Cash and cash equivalents at the end of the financial year	8	10,011,785	825,793

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

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 an unlisted 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 8 September 2021. 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.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

IFRS Interpretations Committee guidance on cloud computing arrangement
In April 2021, the International Financial Reporting Standards Interpretations Committee ('IFRIC') issued a final agenda decision, configuration or customisation costs in a cloud computing arrangement. Cloud computing arrangements are ones in which a customer does not have possession of the underlying software. The decision discusses (i) whether a customer receives a software asset at the contract commencement date or a service over the contract term and (ii) whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed. The Group's accounting policy has historically been to expense all costs related to cloud computing arrangements.

Impact of adoption
The amendment did not have an impact on the Group.

Going concern

During the year ended 30 June 2021, the Group incurred a loss after tax of $18,767,172 (30 June 2020: loss after tax of $649,987) and had net operating cash outflows of $21,018,762 (30 June 2020: $837,539) and net investing cash outflows of $228,540 (30 June 2020: $427,838). Further, the Group has net a net liability position of $13,237,993 (30 June 2020: net assets of $649,912).This net liability has arisen due to the Group's facility agreement with Longreach Credit Investors of $7,003,565 (2020: $nil) and convertible notes payable of $27,310,010 (2020: $nil). Key terms of the Longreach Credit facility and the convertible notes are disclosed in note 17 to this financial report.

Note 2. Significant accounting policies (continued)

The Group's business model is to make payments to customers in advance of those customers receiving regular income in the form of wages. As a result of the ongoing growth of the Group, the Group continues to seek additional capital, accessed in the form of both external debt and equity funding. Such capital will support future growth in customer loans, development of the Group's platform and the Group's continued expansion.

In June 2021, the Company entered into a $45.0 million loan facility with Longreach Credit Investors, expiring in June 2023. This facility is primarily to fund expansion growth in customer loans. The Group has complied with the covenants on its loan facility up to the date of this report. In order to continue to be complaint with the financial covenants, the Group will need additional funding in the form of equity to support the business. The financial statements have been prepared on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.

The directors have considered the above factors and believe that the Group will be able to continue as a going concern by raising additional equity as required, as it has demonstrated its ability to raise the following external debt and equity during the year, and subsequent to the year end up to the date of this report:

- Equity capital - $4.7m (net of costs) via the issue of ordinary shares in August and September 2020.
- Convertible notes, issued as such:
  - $20,455,500 during the year ended 30 June 2021; and
  - $10,757,500, issued in September 2021

In addition to the above, as at the date of signing of the 30 June 2021 financial report, the Group is seeking to raise approximately $40.0m via an initial public offering in late calendar year 2021.

The directors believe that the funds available from existing cash reserves and debt facilities, combined with those that would become available from the yet to be concluded convertible notes issuance and initial public offering, 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. Furthermore, as the Group's convertible notes will convert to ordinary shares in the event of a successful IPO, the directors believe the balance sheet will be strengthened additionally by the current IPO process being pursued.

In the event that:

- the Group is unable to raise further equity through successful IPO; or
- existing debt facilities are not maintained in accordance with financial covenant requirements; or
- the Group's customer loans receivable growth exceeds current plans; or
- the Group's results materially underperform current expectations,

then additional funding, in either the form of debt (in excess of current facility limits) or equity will be required to support the business. As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

Note 2. Significant accounting policies (continued)

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 27.

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 2021 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.

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.

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.

Note 2. Significant accounting policies (continued)

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 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.

Note 2. Significant accounting policies (continued)

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 consumer 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, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. 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.

Note 2. Significant accounting policies (continued)

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.

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.

Patents and trademarks
Significant costs associated with patents and trademarks are capitalised as an asset.

Formation costs
Costs in relation to the formation of the Group are capitalised as an asset. These costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 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.

Leases

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 on a straight-line basis.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2021. 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.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 4. Beforepay income

	Consolidated	
	2021 $	2020 $
Beforepay income	4,502,696	44,784

Beforepay income consists of the transaction fees charged to customers on advances. Beforepay income is calculated and charged based on a fixed percentage of the amount advanced.

Note 5. Other income

	Consolidated 2021 $	Consolidated 2020 $
Government grants	79,500	86,500
Research and development tax incentive	-	312,175
Other income	79,500	398,675

Government grants
Government grants (COVID-19) represents grants received from the Government comprising of:
(i) JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The Group was eligible for the JobKeeper payment scheme for the fortnights from 30 March 2020 on the condition that employee benefits continue to be paid during that period. The Group has elected to repay JobKeeper relating to the current and prior year, being amounts of $42,000 and $24,000 respectively. Accordingly, the Group has recognised an expense of $66,000 in 'other expenses' as a result of this.
(ii) Cash Boost support payments - during the year the Group received payments from the Australian Government as part of its ‘Boosting Cash Flow for Employers’ scheme in response to the Coronavirus (‘COVID-19’) pandemic. These non-tax assessable amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Group will comply with any conditions attached.

Research and development tax incentive
The Group expects to lodge a claim for the 2021 financial year, however as the Group was unable to measure this claim at 30 June 2021, the Group had not recognised revenue for the current year. Amounts receivable at 30 June 2020 were received during the current year.

Note 6. Expenses

	Consolidated 2021 $	Consolidated 2020 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	138,654	53,781
Amortisation of loan establishment fees	42,489	-
Finance costs expensed	181,143	53,781
Leases		
Short-term lease payments	188,205	45,496
Superannuation expense		
Defined contribution superannuation expense	210,153	53,608
Share-based payments expense		
Share-based payments expense	172,407	346

Note 7. Income tax

	Consolidated 2021 $	Consolidated 2020 $
Income tax expense		
Deferred tax - origination and reversal of temporary differences	-	11,520
Aggregate income tax expense	-	11,520
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(34,141)	(84,146)
Increase in deferred tax liabilities	34,141	95,666
Deferred tax - origination and reversal of temporary differences	-	11,520
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(18,767,172)	(638,467)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(4,879,465)	(175,578)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	44,916	95
Non-assessable research and development incentive	-	(103,036)
Non-deductible research and development expenses	-	89,021
Other non-deductible expenses	129,048	18,838
Deferred tax liability relating to capitalised research and development	-	90,275
Tax losses and temporary differences not recognised as deferred tax assets	4,705,501	91,905
Income tax expense	-	11,520

	Consolidated 2021 $	Consolidated 2020 $
Amounts (credited)/charged directly to equity		
Deferred tax assets	-	(11,520)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	5,358,560	428,390
Potential tax benefit @ 25% (2020: 26%)	1,339,640	111,381

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.

Note 7. Income tax (continued)

	Consolidated 2021 $	Consolidated 2020 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	1,276,055	13,296
Payables and accrued expenses	97,015	36,694
Provisions	35,299	7,827
Convertible notes	1,852,477	-
Capital raising costs	66,659	11,520
Total deferred tax assets not recognised	3,327,505	69,337

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 2021 $	Consolidated 2020 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	-	13,295
Accrued expenses	34,141	36,615
Recognition of income tax losses	-	34,236
Offset against deferred tax liabilities	(34,141)	(84,146)
	-	-
Amounts recognised in equity:		
Capital raising costs	-	11,520
Offset against deferred tax liabilities	-	(11,520)
	-	-
Deferred tax asset	-	-
Movements:		
Opening balance	-	-
Credited to profit or loss	34,141	84,146
Credited to equity	-	11,520
Offset against deferred tax liabilities	(34,141)	(95,666)
Closing balance	-	-

Note 7. Income tax (continued)

	Consolidated 2021 $	Consolidated 2020 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	34,141	95,666
Offset by deferred tax assets	(34,141)	(95,666)
Deferred tax liability	-	-
Movements:		
Opening balance	-	-
Charged to profit or loss	34,141	95,666
Offset by deferred tax assets	(34,141)	(95,666)
Closing balance	-	-

Note 8. Current assets - cash and cash equivalents

	Consolidated 2021 $	Consolidated 2020 $
Cash at bank	9,035,169	825,793
Cash held by service providers	976,616	-
	10,011,785	825,793

Note 9. Current assets - trade and other receivables

	Consolidated 2021 $	Consolidated 2020 $
Receivables - customer advances	10,321,554	148,246
Less: Allowance for expected credit losses	(2,535,406)	(48,348)
	7,786,148	99,898
Other receivables	1,944,624	48,185
	9,730,772	148,083

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 2021 $	Consolidated 2020 $
Non-recoverable amounts written-off	2,578,369	-
Expected credit losses provided for	2,486,817	48,348
	5,065,186	48,348

Note 9. Current assets - trade and other receivables (continued)

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

Consolidated	Expected credit loss rate 2021 %	Expected credit loss rate 2020 %	Carrying amount 2021 $	Carrying amount 2020 $	Allowance for expected credit losses 2021 $	Allowance for expected credit losses 2020 $
Not overdue	3.8%	9.9%	4,203,017	40,289	157,613	3,248
Overdue to 61 days	21.3%	25.4%	4,752,794	84,300	1,012,050	21,443
Greater than 61 days	100.0%	100.0%	1,365,743	23,657	1,365,743	23,657
			10,321,554	148,246	2,535,406	48,348

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

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	48,348	-
Additional provisions recognised	5,074,981	48,348
Receivables written off during the year as uncollectable	(2,578,369)	-
Unused amounts reversed	(9,554)	-
Closing balance	2,535,406	48,348

Note 10. Current assets - other assets

	Consolidated 2021 $	Consolidated 2020 $
Prepayments	2,091,829	-

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Computer equipment - at cost	162,768	25,604
Less: Accumulated depreciation	(58,989)	(12,302)
	103,779	13,302
Leasehold improvements in progress - at cost	70,070	-
	173,849	13,302

Note 11. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Computer equipment $	Leasehold improvements in progress $	Total $
Balance at 1 July 2019	-	-	-
Additions	25,604	-	25,604
Depreciation expense	(12,302)	-	(12,302)
Balance at 30 June 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

Note 12. Non-current assets - intangibles

	Consolidated 2021 $	2020 $
Development - at cost	414,365	393,929
Less: Accumulated amortisation	(196,965)	(65,655)
	217,400	328,274
Patents and trademarks - at cost	-	3,960
Formation costs - at cost	4,345	4,345
Less: Accumulated amortisation	(4,345)	(869)
	-	3,476
	217,400	335,710

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 $	Patents and trademarks $	Formation costs $	Total $
Balance at 1 July 2019	-	-	-	-
Additions	393,929	3,960	4,345	402,234
Amortisation expense	(65,655)	-	(869)	(66,524)
Balance at 30 June 2020	328,274	3,960	3,476	335,710
Additions	20,436	-	-	20,436
Write off of assets	-	(3,960)	-	(3,960)
Amortisation expense	(131,310)	-	(3,476)	(134,786)
Balance at 30 June 2021	217,400	-	-	217,400

Note 13. Non-current assets - other

	Consolidated 2021 $	2020 $
Other deposits	241,027	1,414

Other deposit consists of rental bond and the guarantee which the Group committed to in June 2021. The lease will commence on 1 July 2021 and the future cash outflow relating to the lease amounted to $1,786,521.

Note 14. Current liabilities - trade and other payables

	Consolidated 2021 $	2020 $
Trade payables	638,246	5,693
Accrued expenses	356,440	136,995
Other payables	258,946	17,919
	1,253,632	160,607

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2021 $	2020 $
Loans payable to shareholders	-	350,000
Loan - Attvest Finance	246,991	-
	246,991	350,000

Refer to note 21 for further information on financial instruments.

Loans to shareholders
Loans to shareholders were repayable 12 months from issuance, on 31 October 2020. Interest was payable, monthly in arrears, at a rate of 15% per annum. These loans were repaid in full during the year ended 30 June 2021. Included in loans from shareholders at 30 June 2020 was $250,000 from related party shareholders. Refer to note 26 for related party loan information.

Loan - Attvest Finance
The loan is unsecured and is repayable in December 2021. Interest is payable, monthly in arrears, at a rate of 6.75% per annum.

Note 16. Current liabilities - other

	Consolidated 2021 $	2020 $
Subscriptions received in advance	-	447,495

Subscriptions received in advance
Subscriptions received in advance represents funds received for ordinary shares that were issued subsequent to the end of the financial year ended 30 June 2020.

Note 17. Non-current liabilities - borrowings

	Consolidated 2021 $	Consolidated 2020 $
Convertible notes payable	27,310,010	-
Loan - Longreach Credit Investors Pty Ltd	7,003,565	-
Loan - Longreach Credit Investors Pty Ltd - establishment fees	(239,638)	-
	34,073,937	-

Refer to note 21 for further information on financial instruments.

Convertible notes

The Group issued convertible notes with a value of $20,455,500 during the year (2020: $nil).

Costs associated with the convertible notes issuances of $1,200,415 were expensed during the year, as incurred.

The convertible notes have the following key terms:

- Maturity date: 2-year expiry from the date of issuance, or such other date as agreed between the parties.

- Interest rate / coupon: 10% per annum. Interest capitalises to the loan balance.

- Conversion terms: The notes may convert earlier than their maturity date, in the event of an IPO event or Control event:
  1) *IPO event, being:*
     a) Receipt by the Group Company or its Related Body Corporate of conditional approval from the ASX or any other financial market approved by the Board for the Company or its Related Body Corporate to be admitted to either the official list of the ASX or other such financial market, as applicable, in a form acceptable to the Company or its Related Body Corporate (at its sole discretion) and subject only to customary conditions; and
     b) passing of a resolution by the Board to issue and allot the Shares pursuant to an IPO.
  2) *Control Event,* meaning the sale, transfer or disposal of all or substantially all of the business and assets of the Group, or the completion of an acquisition by any person or persons of all or substantially all of the Shares in the consolidated Group, or, in relation to a takeover offer or scheme of arrangement under the Corporations Act, an offer by any person or persons to acquire all of the Shares in the consolidated Group that becomes unconditional.

- Conversion price: Each convertible note will convert at the following prices, under the following terms:

Conversion event	Conversion Price Within 12 months from issuance	Conversion Price More than 12 months from issuance
IPO Event	The lesser of: i. 80% of the issue price of Shares; and ii. Share price calculated at a pre-IPO company valuation of $100m ('Maximum conversion price')	The lesser of: i. 70% of the issue price of Shares; and ii. Share price calculated at a pre-IPO company valuation of $100m ('Maximum conversion price')
Control Event	The lesser of: i. 80% of the price per shares at which the Control Event occurred; and ii. Maximum conversion price	The lesser of: i. 70% of the price per shares at which the Control Event occurred; and ii. Maximum conversion price

Loan – Longreach Credit Investors Pty Ltd ('Longreach')

On 9 June 2021 a debt facility agreement was signed 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). Further, Beforepay Group Limited has granted security over the shares it owns in each of the borrower and the guarantors, but is not a guarantor under the terms of the facility. The terms of the debt facility are as follows:

Note 17. Non-current liabilities - borrowings (continued)

The secured debt facility has a limit of $45,000,000 and expires in June 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; 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%.
- 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 that it is satisfied that Beforepay Finance has complied with its credit policies in relation to loans to its customers and that Longreach will accordingly no longer review Beforepay Finance's compliance with those credit policies (which Longreach is otherwise entitled to do on a 3-monthly basis), 85% of the value of customer advances aged less than 30 days overdue at that date; or
- in all other cases, 80% of the value of customer advances aged less than 30 days overdue at that date; and
- 100% of the cash balance standing to the credit of a bank account jointly controlled by the Group and Longreach as at that date.

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

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

	Consolidated	
	2021	2020
	$	$
Total facilities		
Loan - Longreach Credit Investors Pty Ltd	45,000,000	-
Used at the reporting date		
Loan - Longreach Credit Investors Pty Ltd	7,003,565	-
Unused at the reporting date		
Loan - Longreach Credit Investors Pty Ltd	37,996,435	-

Note 18. Equity - issued capital

	Consolidated 2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	240,164	172,329	6,023,575	1,316,715

Movements in ordinary share capital

Details	Date	Number of Shares	$
Balance	1 July 2019	150,000	400,100
Issue of shares	19 November 2019	852	34,992
Issue of shares	26 November 2019	21,477	900,473
Less issue costs net of taxation		-	(18,850)
Balance	30 June 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

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.

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 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 2020 Annual Report.

Note 19. Equity - reserves

	Consolidated 2021 $	Consolidated 2020 $
Share-based payments reserve	172,753	346

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 30 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 2019	-
Share-based payments	346
Balance at 30 June 2020	346
Share-based payments	172,407
Balance at 30 June 2021	172,753

Note 20. Equity - dividends

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

Note 21. 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.

Note 21. Financial instruments (continued)

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:

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Shareholder loans	-	-	15.00%	350,000
Loan - Attvest Finance	6.75%	246,991	-	-
Convertible notes payable	10.00%	27,310,010	-	-
Loan - Longreach Credit Investors Pty Ltd	9.50%	7,003,565	-	-
Net exposure to cash flow interest rate risk		34,560,566		350,000

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	
	2021 $	**2020 $**
Loan - Longreach Credit Investors Pty Ltd	37,996,435	-

Note 21. Financial instruments (continued)

Subject to the continuance of satisfactory credit ratings, the finance facilities may be drawn at any time and have an average maturity of 2 years (2020: n/a).

Remaining contractual maturities

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

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	638,246	-	-	-	638,246
Other payables	-	258,946	-	-	-	258,946
Interest-bearing - fixed rate						
Loan - Attvest Finance	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

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	5,693	-	-	-	5,693
Other payables	-	17,919	-	-	-	17,919
Interest-bearing - fixed rate						
Other loans	15.00%	350,000	-	-	-	350,000
Total non-derivatives		373,612	-	-	-	373,612

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above, with the exception of convertible notes. Convertible notes are expected to convert in late calendar 2021 on completion of a successful initial public offering on the ASX by the Group.

Note 22. 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
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2021	Level 1 $	Level 2 $	Level 3 $	Total $
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:

Consolidated	Convertible notes $
Balance at 1 July 2019	-
Balance at 30 June 2020	-
Additions	20,455,500
Losses recognised in profit or loss	6,854,510
Balance at 30 June 2021	27,310,010
Total losses for the current year included in profit or loss that relate to level 3 liabilities held at the end of the current year	6,854,510

Note 22. Fair value measurement (continued)

The level 3 liabilities unobservable inputs and sensitivity are as follows:

Unobservable Input	Input	Sensitivity - (increase unobservable input by 10%)	Sensitivity - (decrease unobservable input by 10%)
Implied volatility	50%	Decrease fair value of convertible notes by $349,667.	No impact
Enterprise value	$40,670,700	No impact	Decrease fair value of convertible notes by $174,833.
Liquidity premium	21%	Decrease fair value of convertible notes by $874,167.	Increase fair value of convertible notes by $2,972,167.

Note 23. 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 2021 $	Consolidated 2020 $
Short-term employee benefits	905,936	131,290
Post-employment benefits	72,947	13,782
Share-based payments	128,628	-
	1,107,511	145,072

Note 24. 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 2021 $	Consolidated 2020 $
Audit services - Ernst & Young		
Audit or review of the financial statements	165,000	60,000
Other services - Ernst & Young		
Remuneration and taxation advice	50,000	-
	215,000	60,000

Note 25. Contingent liabilities

	Consolidated 2021 $	Consolidated 2020 $
Bank guarantees	193,310	-

Note 26. Related party transactions

Parent entity
Beforepay Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 23.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2021 $	2020 $
Expenses to related parties:		
Training expenses - Director affiliated entities - note (a)	31,234	-
Interest expense - Director affiliated entities (note (b))	14,866	25,000
Interest expense - Director affiliated entities (note (c))	4,410	-
Broker commission expense - Director affiliated entities (note (d))	571,612	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021 $	2020 $
Current payables:		
Interest payable - Director affiliated entities (note a)	-	6,250

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

	Consolidated	
	2021 $	2020 $
Non-current borrowings:		
Loans payable - Director affiliated entities (note b)	-	250,000
Convertible notes held by Director affiliated entities (note c)	104,410	-

Options granted to directors
The following options were granted as remuneration to the following directors of the company during the year:

Name	Date granted	Exercise price of share options	Number of options granted
Danny Moss	20 September 2020	$130.00	7,999
Stefan Urosevic	20 September 2020	$130.00	7,999
Patrick Tuttle	16 November 2020	$130.00	535
Natasha Davidson	16 November 2020	$130.00	535

Note 26. Related party transactions (continued)

Note (a):
The amount represents amounts paid to Symon Capital Pty Ltd, an entity controlled by Stephen Moss. Symon Capital Pty Ltd provided executive training services to the executives of Group on an arm length basis. Stephen Moss is the father of Danny Moss, who is a director of the company.

Note (b):
At 30 June 2020, the Group had the following loans payable to director controlled entities:
- Deejlink Pty Ltd, an entity controlled by Danny Moss. This loan, of $50,000, was issued on 1 November 2019. The loan is unsecured and has a one-year fixed term and interest 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 (2020: $5,000) of which $nil (2020: $1,250) was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid August 2020.
- Trinity Financial Markets Pty Ltd, an entity controlled by Stefan Urosevic. This loan, of $100,000, was issued on 1 November 2019. The loan is unsecured and has a one-year fixed term and interest 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 (2020: $10,000), of which $nil (2020: $2,500) was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid August 2020.
- Lavalhars Pty Ltd, an entity controlled by Stephen Moss. This loan of $100,000 was issued on 1 November 2019. The loan is unsecured and has a one-year fixed term and interest 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 (2020: $10,000), of which $nil (2020: $2,500) was payable by the Group at 30 June 2021. This loan and all outstanding interest was repaid August 2020.

Note (c):
During the year ended 30 June 2021, Lavalhars Pty Ltd, an entity controlled by 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 2021 was $4,410. As at 30 June 2021, convertible notes and capitalised interest totalling $104,410 was payable by the Group. Convertible notes held by related parties were issued on the terms described in note 17.

Note (d):
The amount represents amounts paid to UKM brokers Pty Limited, an entity controlled by Danny Moss and 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.

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $	2020 $
Profit/(loss) after income tax	(19,445,135)	10,814
Total comprehensive income	(19,445,135)	10,814

Note 27. Parent entity information (continued)

Statement of financial position

	Parent 2021 $	Parent 2020 $
Total current assets	26,274,640	2,121,594
Total assets	13,116,618	2,125,370
Total current liabilities	-	797,495
Total liabilities	26,354,611	797,495
Equity		
Issued capital	6,023,575	1,316,715
Share-based payments reserve	172,753	346
Retained profits/(accumulated losses)	(19,434,321)	10,814
Total equity/(deficiency)	(13,237,993)	1,327,875

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 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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

Note 28. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Beforepay Finance Pty Ltd	Australia	100%	100%
Beforepay Ops Pty Limited	Australia	100%	100%
Beforepay IP Pty Ltd	Australia	100%	100%

Note 29. Cash flow information

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

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax expense for the year	(18,767,172)	(649,987)
Adjustments for:		
Depreciation and amortisation	182,343	78,826
Write off of non-current assets	3,960	-
Share-based payments	172,407	346
Fair value loss on convertible notes	6,854,510	-
Non-cash finance costs	42,489	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(8,922,302)	(149,497)
Decrease in deferred tax assets	-	11,520
Increase in prepayments	(2,091,829)	-
Increase in government grants receivable	301,074	(312,175)
Increase in trade and other payables	1,093,025	154,965
Increase in employee benefits	112,733	28,463
Net cash used in operating activities	(21,018,762)	(837,539)

Changes in liabilities arising from financing activities

Consolidated	Loans payable to shareholders $	Loan - Attvest Finance $	Convertible notes payable $	Loan - Longreach Credit Investors Pty Ltd $	Total $
Balance at 1 July 2019	-	-	-	-	-
Net cash from financing activities	350,000	-	-	-	350,000
Balance at 30 June 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

Note 30. Share-based payments

During the financial year ended 30 June 2020, an Employee Option Plan has been established by the Group whereby share options have been issued to certain employees. 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.

Note 30. Share-based payments (continued)

The vesting conditions vary for each grant of options. At 30 June 2021, 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; and
- 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.

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

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	$37.55	2,130	-	-	-	2,130
24/07/2019	01/01/2025	$37.55	1,065	-	-	-	1,065
15/08/2020	15/08/2025	$43.52	-	115	-	-	115
19/08/2020	19/08/2025	$43.52	-	581	-	-	581
20/09/2020	30/06/2024	$130.00	-	15,998	-	-	15,998
30/09/2020	30/09/2025	$20.00	-	66	-	-	66
01/11/2020	01/11/2025	$20.00	-	55	-	-	55
16/11/2020	30/06/2024	$130.00	-	1,070	-	-	1,070
17/11/2020	17/11/2025	$20.00	-	352	-	-	352
17/11/2020	01/01/2025	$20.00	-	2,000	-	-	2,000
04/01/2021	04/01/2026	$87.93	-	99	-	-	99
08/01/2021	08/01/2026	$20.00	-	154	-	-	154
01/01/2021	01/01/2025	$20.00	-	2,000	-	-	2,000
27/01/2021	30/06/2024	$130.00	-	3,582	-	-	3,582
15/02/2021	15/02/2026	$87.93	-	59	-	-	59
22/02/2021	22/02/2026	$87.93	-	143	-	-	143
01/02/2021	01/02/2026	$87.93	-	534	-	-	534
02/12/2020	02/12/2025	$20.00	-	1,603	-	-	1,603
24/11/2020	24/11/2025	$20.00	-	44	-	-	44
30/04/2021	30/04/2026	$87.93	-	63	-	-	63
31/05/2021	31/05/2026	$87.93	-	106	-	-	106
			3,195	28,624	-	-	31,819
Weighted average exercise price			$37.55	$102.31	$0.00	$0.00	$95.81

2020

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	$37.55	-	2,130	-	-	2,130
24/07/2019	01/01/2025	$37.55	-	1,065	-	-	1,065
			-	3,195	-	-	3,195
Weighted average exercise price			$0.00	$37.55	$0.00	$0.00	$37.55

Note 30. Share-based payments (continued)

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

Grant date	Expiry date	2021 Number	2020 Number
01/07/2019	30/06/2024	931	-
12/08/2019	11/08/2024	515	-
		1,446	-

The weighted average remaining contractual life of options outstanding at the end of the financial period was 3.3 years (2020: 4.5 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
15/08/2020	15/08/2025	$41.067	$43.52	70.00%	-	0.43%	$20.19
19/08/2020	19/08/2025	$84.230	$43.52	70.00%	-	0.43%	$55.78
20/09/2020	30/06/2024	$84.230	$130.00	70.00%	-	0.39%	$25.27
30/09/2020	30/09/2025	$84.230	$20.00	70.00%	-	0.39%	$67.98
01/11/2020	01/11/2025	$84.230	$20.00	70.00%	-	0.29%	$67.93
16/11/2020	30/06/2024	$84.230	$130.00	70.00%	-	0.29%	$27.50
17/11/2020	17/11/2025	$84.230	$20.00	70.00%	-	0.29%	$66.92
17/11/2020	01/01/2025	$84.230	$20.00	70.00%	-	0.29%	$67.33
24/11/2020	24/11/2025	$84.230	$20.00	70.00%	-	0.29%	$66.92
02/12/2020	02/12/2025	$84.230	$20.00	70.00%	-	0.34%	$67.95
01/01/2021	01/01/2026	$84.230	$20.00	70.00%	-	0.37%	$66.88
01/01/2021	01/01/2025	$84.230	$20.00	70.00%	-	0.37%	$67.36
04/01/2021	04/01/2026	$84.230	$87.93	70.00%	-	0.37%	$41.68
27/01/2021	30/06/2024	$84.230	$130.00	70.00%	-	0.37%	$22.55
01/02/2021	01/02/2026	$84.230	$87.93	70.00%	-	0.48%	$41.77
15/02/2021	15/02/2026	$84.230	$87.93	70.00%	-	0.48%	$41.77
22/02/2021	22/02/2026	$84.230	$87.93	70.00%	-	0.48%	$41.77
30/04/2021	30/04/2026	$84.230	$87.93	70.00%	-	0.69%	$41.93
31/05/2021	31/05/2026	$84.230	$87.93	70.00%	-	0.70%	$41.94

Note 31. Events after the reporting period

On 7 July 2021, Beforepay Group Limited entered into a domain transfer agreement with, amongst others, Grouse Limited and Chrisco Hampers Australia Limited, in relation to the purchase and transfer of domain names connected to the Beforepay name.

The purchase price payable for the above domain names was $187,500 (including GST) and comprised of $87,500 cash consideration and the issuance of 100,000 convertible notes with a face value of $1 each. The notes were issued to one of the sellers, Mr Geoffrey Michael Spong, and were on terms substantially similar to the notes issued in the most recent capital raise.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Note 31. Events after the reporting period (continued)

The Group is currently pursuing a listing on the Australian Securities Exchange.

The Group is currently in the process of raising approximately $10,757,500 via the issue of convertible notes to be issued in September 2021.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 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.

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

Danny Moss
Director

8 September 2021

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

Opinion

We have audited the financial report of Beforepay Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2021 and of its consolidated 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.

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

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

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

The directors of the 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.

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

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.

Ernst & Young

Simon Hannigan
Partner
Sydney
8 September 2021