Beforepay Group Limited

Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Beforepay Group Limited
ABN:	63 633 925 505
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	101.0%	to	30,709,142
Loss from ordinary activities after tax attributable to the owners of Beforepay Group Limited	down	77.2%	to	(6,635,463)
Loss for the year attributable to the owners of Beforepay Group Limited	down	77.2%	to	(6,635,463)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to $6,635,463 (30 June 2022: $29,139,948).

Refer to 'Review of operations' in the Directors' Report for further commentary on the results for the year ended 30 June 2023.

3. Net tangible assets

	Reporting period	Previous period
	$	$
Net tangible assets per ordinary security	0.58	0.70

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

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Beforepay Group Limited for the year ended 30 June 2023 is attached.

12. Signed

As authorised by the Board of Directors

Date: 28 August 2023

Brian Hartzer
Chair

Sydney

Beforepay

Lending with a purpose

Annual Report 2023

Contents

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

About Beforepay

Beforepay Group Limited (Beforepay) was founded to support working Australians who have not been well-served by the traditional financial services industry. Setting out to disrupt established but outdated practices, Beforepay strives to be an ethical, customer-friendly way to manage temporary cash flow challenges. We advance people relatively small sums of money (around $360 on average) over relatively short periods of time (3-4 weeks on average), to enable people to get through a short-term challenge. We've created a simple, transparent, and affordable fee model designed to give our customers total control – charging only a single transaction fee, zero interest, and no late fees.

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

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

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

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

Customers love Beforepay. We have an average rating of 4.7 stars out of 5 on the Apple App Store (over 20k ratings) and Google Play Store (over 10k ratings).

Customers love Beforepay. We have an average rating of 4.7 stars out of 5 on the Apple App Store and Google Play Store. Common themes included in the 4 and 5 star reviews are ease of use, low fees, and the positive impact that using either our Pay Advance service or Budgeting tool has had on our customers' ability to manage their finances. Two of the most common themes in our negative reviews are from customers who are not eligible for a Pay Advance or from customers who would like to have a higher limit. In addition, reuse rates are high; more than 96% of customers in FY23 who have taken out their first pay advance and successfully repaid, have since returned to take out a second pay advance.

Beforepay has seen rapid growth. Since our commercial launch in August 2020, the company has grown to more than 234,000 Active Users in Australia, reached 1 million registered users and surpassed $1 billion in cumulative pay advances. The number of pay advances, dollar volume of pay advances, and revenue have all grown in line with, or faster than, user growth.

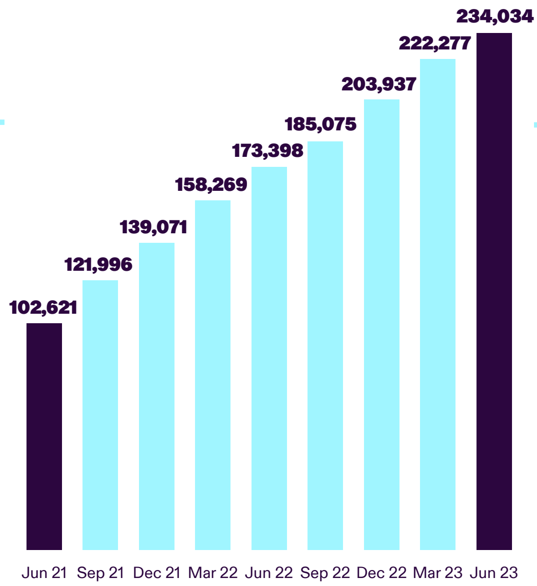
Our decisioning model is powered by machine-learning models, trained and validated on hundreds of millions of data points. We have evaluated over 50,000 features to determine the most significant 500 attributes for each customer, based on their detailed transaction history, to predict the probability of default. As a result, our repayment rates are strong.

We believe many more Australians would benefit from our product. One survey, cited in our prospectus, found that 5.3 million Australians report having limited savings. Our average customer, as of 30 June 2023, had an annualised gross income of $60,469, grossed up for estimated tax.

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

FY2023 Highlights

Active Users



35%

Growth in Active Users YoY to 234,034 in FY23.

1 million

Registered users since inception in 2019.

($3.1m)

EBITDA loss in FY23, down 84% from ($19.5m) in FY22.

96%

Customers who have successfully repaid their first Pay Advance have since taken out a second Pay Advance in FY23.

$628m

Pay Advances in FY23, up 92% from FY22.

FY2023 Highlights

1.9%

Net Transaction Margin in FY23, up from 1.1% in FY22.

2.1%

Net Transaction Loss in FY23, down from 2.4% in FY22.

$21.8m

Cash and cash equivalents at 30 June 2023.

$26.8m

Equity at 30 June 2023.

$1 billion

Cumulative Pay Advances surpassed since inception in 2019.

$42

Average customer acquisition cost in FY23, down 60% from $105 in FY22.

Chair Letter

Dear shareholders,

I am pleased to present to you the 2023 annual report for Beforepay. The past year has been a transformative one for our business, in which we stayed committed to our mission of supporting working Australians, while growing quickly and progressing towards profitability.

Our top priority remains supporting our customers, providing a safe and affordable alternative to traditional lending for Australians who are facing temporary cash flow challenges. This year we have again stayed focused on our customers and have empowered thousands of individuals to avoid the pitfalls of traditional revolving credit.

We are proud to have made substantial strides towards profitability, thanks to robust growth and consistent improvements to our risk model. This progress is a testament to our strong business model, the experience and dedication of our team, and the confidence our customers place in us. We have done this while keeping costs tightly constrained, maintaining cost discipline on overheads while driving increases in marketing efficiency.

This year we began working with two companies to help drive future growth. H&R Block is the distributor for our new Tax Refund Advance product, which allows customers to receive an advance against their anticipated tax refunds. We have also collaborated with Western Union, introducing Beforepay to their Australian customer base.

We were greatly honoured to receive the 'Ethical Lender of the Year' award from Pan Finance.

We are proud to have made substantial strides towards profitability, thanks to robust growth and consistent improvements to our risk model.

We were greatly honoured to receive the 'Ethical Lender of the Year' award from Pan Finance. This recognition is both humbling and gratifying, reflecting our commitment to conducting business in a way that prioritises the financial well-being of our customers.

On the financial side, our share price has seen a significant increase over the year. While we acknowledge that the price remains below the IPO level, we continue to believe that the best way to create value for our shareholders is to focus on driving improved operational performance and delivering sustainable profitability. We recognise that our shares are subject to higher volatility than a typical large-cap investment, but the Board and management believe that we should continue to execute our long-term strategy without being distracted by the share market's short-term views and sentiments.

The regulatory environment around wage-advance products continues to evolve, presenting both challenges and opportunities. We are on the record as supporting appropriate minimum standards for our industry, and while we do not anticipate that the current regulatory change process for the buy-now-pay-later sector will impact us, we remain watchful and are prepared for a range of different outcomes.

Looking to the future, our strategy continues to hinge on achieving sustained profitability, following which we will further explore strategic growth opportunities. We are confident in the potential for significant continued growth within Australia, where we see a total addressable market in the millions of customers. As we continue to consolidate our domestic position, we are turning our attention towards the potential to increase our revenue through additional product offerings and potential offshore growth opportunities.

None of our achievements this year would have been possible without the exceptional team of people who work at Beforepay. I would therefore like to express my heartfelt thanks to all our employees for their dedication, creativity, and perseverance. Your hard work has been instrumental in navigating this year's challenges and will undoubtedly help us achieve our ambitious goals in the years to come.

Finally, we are deeply grateful to you, our shareholders, for your ongoing support and faith in Beforepay. Thanks to your support, we are committed to continuing our journey of growth, financial health, and positive societal impact.

Brian Hartzer
Chairman
Beforepay Group Limited

CEO Letter

Dear fellow shareholders,

The previous year has been one of strong growth and resilience for Beforepay. Over the course of FY2023, we reinforced our commitment to our ethical-lending business model, invested heavily in our risk-management capabilities, and grew the business substantially, all while holding costs tightly in check.

The result is a business that is larger and more resilient than it was twelve months ago, and very well positioned for the future.

The most important achievement of the past year has been supporting more customers than ever with a product that is designed to be safe and affordable. As you know, our flagship wage-advance product offers customers a relatively small amount of money for a short period of time, tiding customers over until they next get paid. We charge only a flat fee, with no interest, late fees, or anything else to pay. Unlike traditional lenders, our incentives are therefore fully aligned with the customer's financial well-being: we would like them to successfully repay their advance.

We grew significantly over the course of the year. We began the year with 173,398 Active Users, and we finished it with 234,034 Active Users. A year ago, in Q4 of FY22, we issued 359,246 pay advances for a total of $107.4m; in Q4 of FY23, we issued 476,048 pay advances for a total of $162.2m. We launched collaborations with H&R Block and with Western Union, introducing our business to new customer segments.

The core of Beforepay is our risk-management capability, and we made significant advances in our risk-modelling and limit management over the course of the year. We upgraded the logic and infrastructure of our risk model and retrained it on our significantly expanded dataset, which now includes more than 1.3 billion user transactions. We sharpened our approach to managing limits, with automated testing of different limits with like-for-like customer cohorts, giving us a better understanding of default elasticity and therefore enabling more accurate limit setting. These changes have supported our unit economics over the course of the year. As a result of these efforts, our Net Transaction Loss declined from 2.4% in FY22 to 2.1% in FY23.

We did all of this while keeping our costs very tightly constrained. Our operating expenses in Q4 of FY22 were $6.1m; that number fell throughout the year to $4.4m in Q4 of FY23. At the same time, our growth and continued strong unit economics increased the Net Transaction Margin from $2.2m in Q4 of FY22 to $4.1m in Q4 of FY23. As a result of these and other improvements, our loss after income tax expense decreased 77% from $29.1m in FY22 to $6.6m in FY23.

We finished the year in Q4 of FY23 with positive EBITDA of $0.5m and a narrow EBTDA loss.

Our balance sheet continues to be strong. As of 30 June 2023, we had a cash position of $21.8m and an equity position of $26.8m. With losses and cash burn at low levels, we feel extremely confident about the future of the business.

We have kept our strategy consistent, driving to profitability in Australia with our current products, continuing to grow while maintaining attractive unit economics and keeping operating expenses flat or declining.

We expect that our core wage-advance product still has years of growth ahead of it in Australia. In addition, we will explore opportunities to accelerate our growth further, whether through geographic expansion or additional products here in Australia. Beforepay has a market-leading data asset, strong capabilities in analytics and risk-management, a large customer base with strong loyalty and advocacy, and a clean, modern technology stack; all formidable advantages as we explore growth at home and overseas.

The number of Active Users increased from 173,398 to

234,034

It has been an exciting year for the company; I am proud of the company's track record of helping Australians while navigating significant changes in the environment. I'd like to thank our employees for all of the milestones we achieved together this year, and I'm proud of the values we live every day. I would like to also extend my thanks to all of our contractors, partners and service providers for their help. As we complete the first leg of our journey, moving the business to ongoing profit and ensuring its long-term sustainability, I'm very much looking forward to next phase ahead of us. Thank you for your participation and support over the past year, and for the years to come.

James Twiss
Chief Executive Officer
Beforepay Group Limited

With losses and cash burn at low levels, we feel extremely confident about the future of the business.

Business Model

Our Product Focus

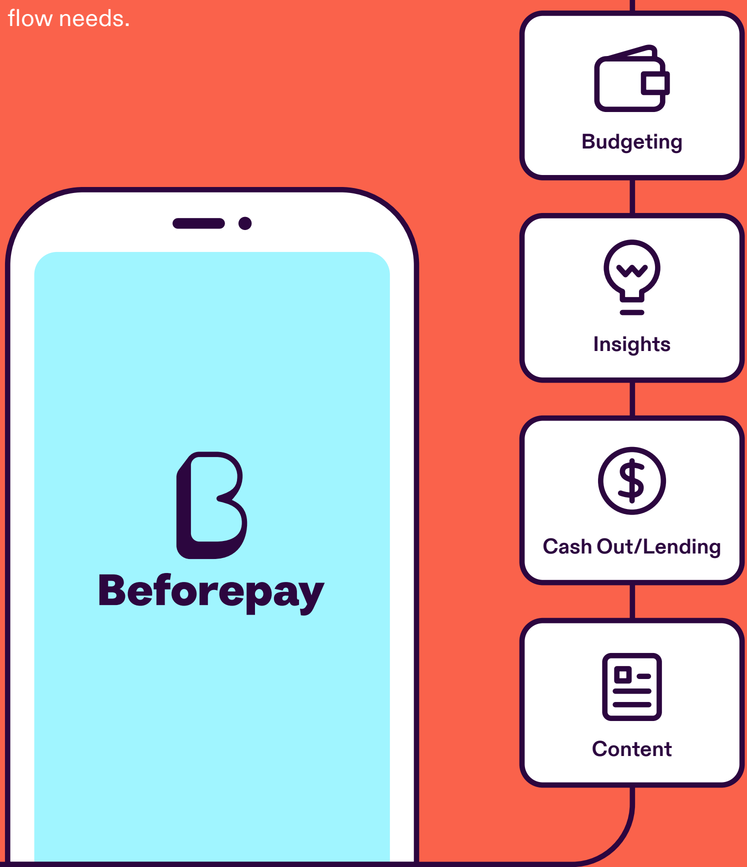
As a mission-driven fintech, Beforepay is transforming the way Australians manage their cash flow. Our innovation lies in our simplicity and ethical stance; we provide a transparent, and affordable alternative to traditional lending solutions that protects consumers from hidden fees and revolving debt, all through a streamlined digital experience.

Our flagship Pay Advance product empowers eligible customers to access up to $2,000 to help with their expenses for a simple 5% fee. This advance, around $360 on average, is normally paid back in an average of 3-4 weeks. To help customers keep debt manageable and build financial resilience, we permit only one advance at a time, to be fully repaid before the next.

Unlike many traditional financial solutions that can have hidden fees, high interest rates, and complex terms, Beforepay's model is transparent and customer-friendly. Customers only ever pay a fixed fee and are provided the flexibility to manage their repayments, reducing the risk of falling into a debt spiral.

Our solutions support financial empowerment, providing customers with in-app tools for budgeting, spending insights, and content on financial health to enhance their ability to make informed fiscal decisions.

Beforepay aims to be the face of ethical lending, committed to improving the relationship between working Australians and their finances, by offering an affordable and straightforward option to support short-term cash flow needs.



Strategic Partnerships

In FY23, Beforepay expanded its strategic footprint by collaborating with Western Union and H&R Block, in Australia.

While we continue to prioritise our direct-to-consumer channel, these collaborations offer a valuable opportunity to enhance the visibility of the Beforepay brand and accelerate our mission of helping working Australians.

We view strategic collaborations as an exciting avenue for growth and brand recognition that complement our core direct channel strategy. Moving forward, we will continue to explore potential collaborations while prioritising our commitment to empowering working Australians.

In partnership with H&R Block, we launched a pilot program that provided eligible customers the option to receive an advance on their tax refunds. This initiative led to the creation of the 'Tax Refund Advance', a new type of product in our suite. Concluding the pilot, the program was launched nationwide in FY24.

Our collaboration with Western Union stemmed from a shared focus on enhancing financial inclusion and is underpinned by shared values and customer demographics and primarily involves cross-referrals. This strategic alignment allows us to reach a broader audience while delivering value to Western Union's customer base.

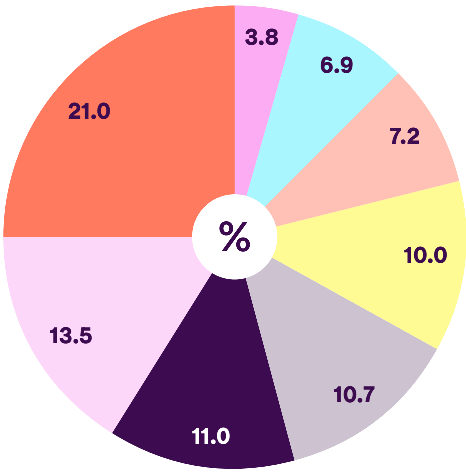
Business Model

Our Customers

Customer breakdown
As at 30 June 2023

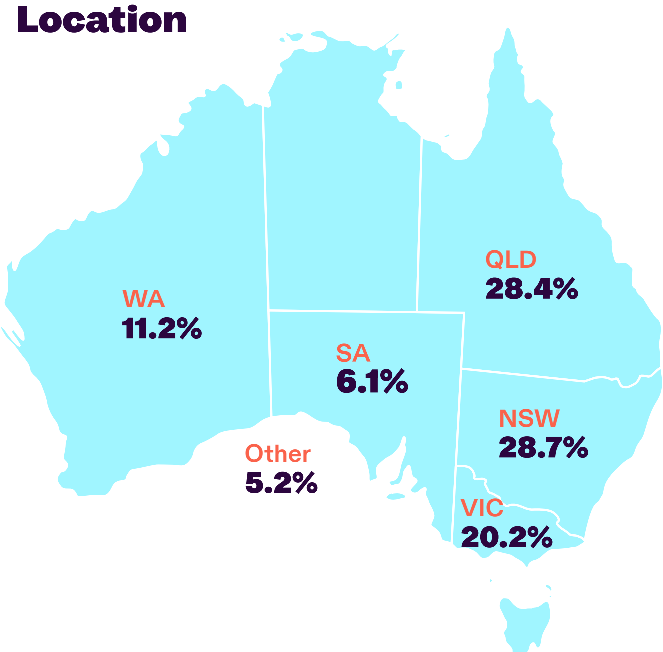
The average Beforepay customer is 34 years old with an annual gross income of $60,469[1].

Industry



- Construction
- Hospitality and Restaurant Services
- Retail Trade
- Healthcare and Social Services
- Transport and Delivery Services
- Manufacturing
- Mining
- Other

Location



Figures are rounded.

1 The average annual individual customer gross income has been derived from all customers who borrowed in June 2023. The average annual individual customer gross income is derived using the annualised net income identified by Beforepay's pay cycle detection tool, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annual individual customer gross income figure may be understated due to ignoring any secondary sources of income.

★★★★★

Beforepay is an absolutely brilliant service to have if you are ever short on money.
– Amanda

It helps me a lot and is easy to access, no hassle, no paperwork, just straightforward. No more high fees and interests. Thank you for helping us, so blessed to have people like you.
– Sene

I have been paid weekly for over 20 years and now I'm suddenly getting paid monthly, Beforepay has helped me with my cash flow until I get everything in order, which will also be helpful in the future.
– Ben

Love it, when no one will help, this lets me gain financial confidence.
– Richi

I like Beforepay for the simple fact that it does not give you too much $$$ therefore you are comfortable at paying back lent amount and your service is fast and accurate.
– Kerrir

Customer Experience

We focus on streamlining the customer experience for overall user satisfaction. The typical experience when a new customer signs up starts with account creation and bank sync, enabling us to perform a proprietary risk assessment powered by our risk model.

Next, a customer undergoes identity verification as part of our Know Your Customer (KYC) process by digitally submitting their identification details. They then select their Cash Out amount, and the funds are dispatched to their account in near real-time through the real-time NPP payment rails.

For repeat users, the process is even more efficient. Once an Advance is fully repaid, a customer selects how much they want to Cash Out (based on their Cash Out limit) and confirm they want the Advance. Funds are then sent to their account.

The entire Beforepay experience is designed to be intuitive, with a regular focus on enhancing our customers' experience.

New users:

cash in as little as 5 minutes[2]

Create account and sync bank

Automated AI based risk assessment

KYC verification

Select pay advance amount

Funds cleared to bank account

Returning users:

cash in under one minute[1]

Select pay advance amount

Funds cleared to bank account

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

2 Possible timing for a new Beforepay user; experiences may vary.

Business Model

Data-Driven Risk Management

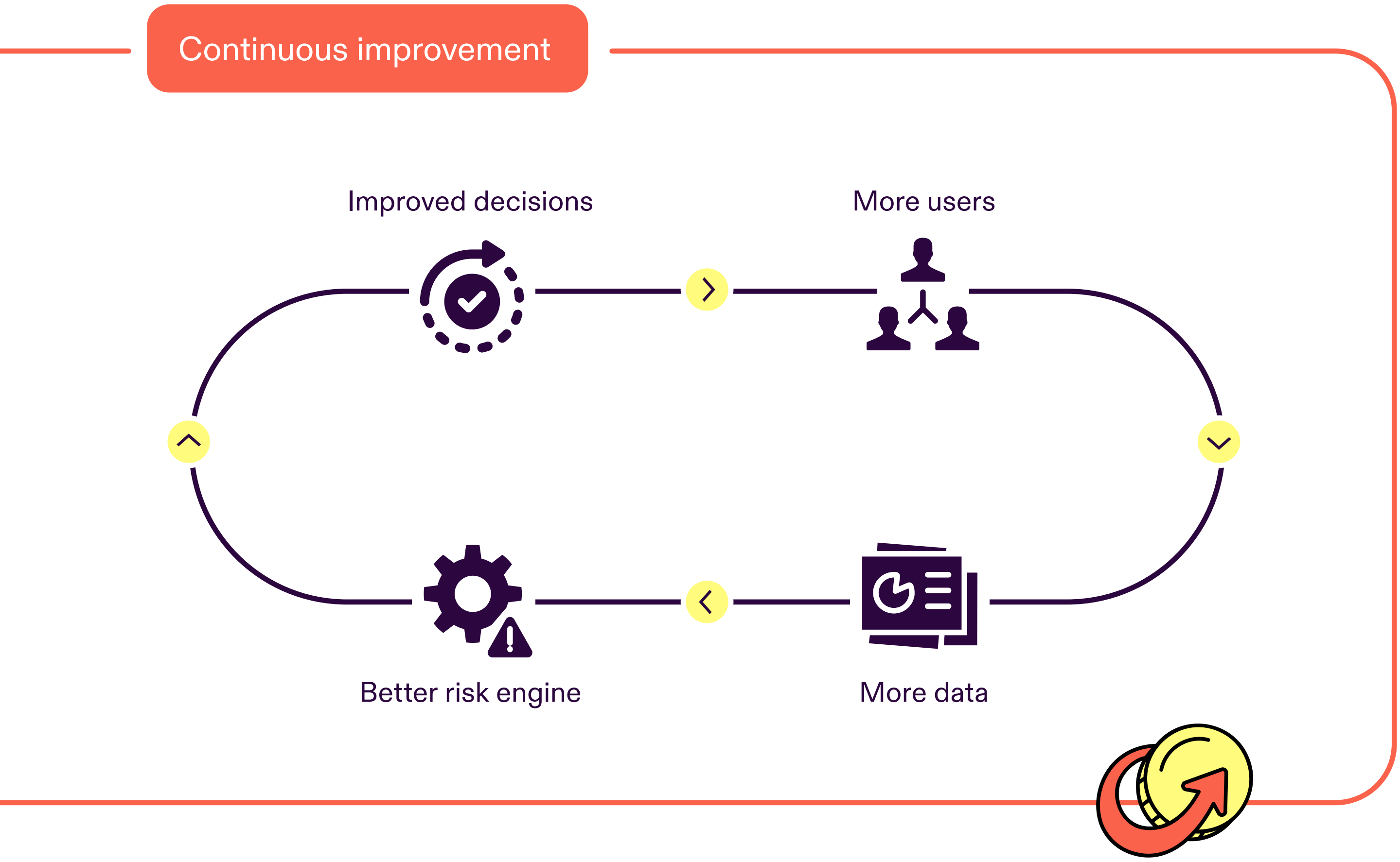
500

attributes calculated for each user

Automated limit testing

to determine elasticity of default

Machine-learning models supported by 1.3 billion data points



Enhanced Risk Decisioning

We have continued to improve the design and capabilities of our machine-learning-powered model. This model is built on the transactional insights from millions of advances.

Our team of data scientists has continued to improve the risk model through advanced statistics, natural language processing (NLP), and machine learning. We regularly fine-tune our model by training it on more recent data and adding new features.

Our expansive database, boasting over one billion data points, is divided into three segments to enable effective model training, hyperparameter tuning, and rigorous testing. This approach harnesses strategies in machine learning and predictive modelling, ensuring comprehensive and robust risk analysis.

In our endeavour to understand individual financial behaviour, we evaluate 50,000 features per customer in testing. Features range from factors such as average monthly grocery expenditure to savings stability. Through this exhaustive exploration, we select and refine the most significant 500 attributes. This focused approach enables us to form a comprehensive risk profile for each of our customers.

The core of our risk management is a sophisticated machine-learning model. It is designed to identify commonalities among customers who have defaulted, distinguishing them from those who have not, using the training sample. This methodical process allows us to pinpoint potential risk indicators with precision.

The model is further refined using the hyperparameter tuning sample. By adjusting the parameters and weights, we optimise our model's predictive capabilities. The result is a final model that scores users based on the most relevant subset of the 500 attributes.

In our final step, we validate the effectiveness of our model through testing against a reserved sample.

This step ensures the model's practical utility, affirming its performance in real-world scenarios.

By consistently refining our risk models and methodologies, we are committed to maintaining unparalleled precision in risk management. This ongoing effort plays a critical role in protecting the financial wellbeing of our customers and creating value for our shareholders.

People & Culture

Our People

Beforepay's office is located in Sydney. Whilst our employees are Australia-based, we also engage overseas contractors, primarily providing customer support in the Philippines and technology support in Bangladesh.

As at 30 June 2023, Beforepay had 30 full-time equivalent (FTE) employees (excluding casuals and contractors) across management, finance, product, legal and risk, IT and marketing, a reduction of 21% from the prior corresponding period.

Our offshore contractor base (supporting our Product, Marketing and IT) increased by 107% to 31 contractors as at 30 June 2023 from 15 contractors in the prior corresponding period, driven primarily by additional customer support contractors in the Philippines to accommodate the growth of the business.

Breakdown of employees as at 30 June 2023:

Function	FTE as at 30 June 2023	FTE as at 30 June 2022
CEO	1	1
Finance	3	5
Product & Marketing	11	16
Legal, Risk and HR	4	3
IT	11	13
Total	**30**	**38**

Our core values

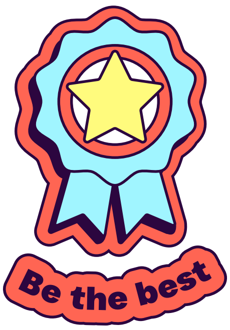
At Beforepay our values guide our decisions and actions. They reflect our commitment to our customers, employees and stakeholders.

We continue to focus our attention on driving our core values through all aspects of the way we work, but importantly through our:

- Code of Conduct;
- Quarterly Values Recognition Awards;
- Performance review process; and
- Annual Beforepay Values workshops and regular engagement surveys.

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

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



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

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

Inclusion & Diversity

At Beforepay, we are committed to fostering an inclusive and diverse workforce. Building upon the foundation set by our Diversity Policy, we strive to achieve measurable objectives approved by the Board with guidance from the Remuneration and Nomination Committee. These measurable objectives are:

- by the end of 2025, 40% of all Company employees will be women;
- by the end of 2025, 30% of women will be in Beforepay leadership positions; and
- by the end of 2025, 30% of our Board will comprise women, whilst acknowledging that gender is non-binary.

During the reporting period, we remained committed to increasing gender diversity and creating a more inclusive environment, particularly women in leadership positions, where we have surpassed the target we set for 2025.

As of 30 June 2023, we have made progress towards these goals, but recognise that there is further work to be done:

- 42% of Company employees are women, which represents an increase of 11% from the prior reporting period;
- 29% of leadership positions are held by women, which represents an increase of 7% from the prior reporting period;
- we are pleased that 50% of the executive team reporting to the CEO are female; and
- 0% of our Board is composed of women, which represents a decrease of 17% from the prior reporting period. This is a result of the retirement of Natasha Davidson in November 2022, where her role was not replaced, given the Company's focus on costs.

To promote an equitable and inclusive culture, we employ several key strategies:

- we prioritise fair compensation practices, as outlined in our Remuneration Policy;
- we conduct periodic gender-based pay analyses to ensure fairness and address any discrepancies; and
- we actively promote inclusivity within our organisation by supporting and celebrating various cultural events and observances. Some of these include International Women's Day, NAIDOC Week, and Wear it Purple Day. We acknowledged International Women's Day by hosting a panel discussion across the Company and foster a deeper understanding the challenges faced by women in the financial services and technology sectors.

50%

of executives reporting to CEO are women

We acknowledged International Women's Day by hosting a panel discussion across the Company

Employee Wellbeing

At Beforepay, we foster a vibrant company culture that promotes social engagement and prioritises employee wellbeing. We continue to prioritise employee wellbeing through our Social Engagement & Wellbeing Plan that is tailored to support employee engagement as well as physical, and mental wellbeing. We provide our employees with access to an Employee Assistance Program that offers confidential mental health support and serves as a resource for employees facing professional or personal challenges. We also offer flexible work arrangements to all employees to cater for diverse needs and achieve a healthy work-life integration. During the reporting period, in addition to events such as Wellbeing Month, and R U OK Day, which are aimed at raising awareness and promoting mental health and inclusivity within our organisation, we also organise initiatives to further enhance a sense of community, such as a steps challenge. These initiatives are intended to encourage open conversations and provide resources for self-care, and also to promote a sense of belonging and teamwork among our diverse workforce, contributing to a fun and supportive work environment. As we move forward, Beforepay is committed to expanding our employee wellbeing initiatives and ensuring that they align with the evolving needs and expectations of our workforce.

Social Responsibility

At Beforepay, we are committed to being a socially responsible organisation, driving our mission to support working Australians. We aim to help customers through advancing money in an ethical and responsible way. To make a positive impact on the communities we serve, we dedicated a day for the Australia-based team to serve at the Cook4Good Program through Kids Giving Back.

Founded in 2012, Kids Giving Back is a not-for-profit organisation that provides volunteering opportunities for children, teens, families, and corporates across NSW with over 50 charity partners it supports, primarily through cooking programs for the homeless in Sydney, creating the Next Generation of Generosity.

According to the Australian Institute of Health and Welfare, people experiencing homelessness, and those at risk of homelessness are among Australia's most socially and economically disadvantaged.[1] In Australia, there are over 122,000 people experiencing homelessness on any given night, and over 17,600 children younger than 12 years are homeless.[2]

On the day, the Beforepay team learnt facts which debunked common misconceptions and preconceived notions about homelessness including during an urban walk with Rough Edges, a community group that runs a program to support the homeless and marginalised communities in Darlinghurst. We then worked together to prepare meals for the homeless, which were distributed to the Alfresco Community Kitchen, in Sydney.

The opportunity to connect with our community and create a positive impact gave us a renewed sense of purpose and connection with the work we do day-to-day to help our customers.

1. Homelessness and Homelessness Services, Australian Institute of Health and Welfare, 2021.
2. Australian Bureau of Statistics (2021) Estimating Homelessness, Census, 2021.

Financial Report

Directors' Report

30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Beforepay Group Limited (referred to hereafter as 'Beforepay', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

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

Brian Hartzer – Chair
Daniel Moss – Non-Executive Director
Stefan Urosevic – Non-Executive Director
Patrick Tuttle – Non-Executive Director
Luke Bortoli – Non-Executive Director
Natasha Davidson – Non-Executive Director (directorship ceased on 21 November 2022)

Principal activities

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

Business objectives

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of the Australian Securities Exchange (ASX) for the whole of the reporting period (being 30 June 2023) in a way that is consistent with its business objectives.

Corporate Governance Statement

The directors and management are committed to conducting the business of Beforepay Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Beforepay Group Limited has adopted and complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year, was approved by the Board of Directors (the 'Board') as part of the Annual Report and can be found on the Investor Relations page at www.beforepay.com.au/investor-hub/corporate-governance.

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 $6,635,463 (30 June 2022: $29,139,948). Revenue from ordinary activities in the current year was $30,709,142 representing an increase of 101% on the previous financial year (30 June 2022 ('FY22'): $15,275,910).

In the financial year ended 30 June 2023 ('FY23'), Beforepay made significant progress on its path towards profitability, driven by increased customer numbers, strong advance volume and revenue growth, continued positive unit economics, effective risk management, and disciplined cost control. Pleasingly, Beforepay achieved an underlying EBITDA profit of $0.54 million (unaudited) for the quarter ending 30 June 2023 ('Q4 FY23'), up 117% compared to the prior year loss of ($3.24 million) in Q4 FY22, the first positive quarterly EBITDA since inception in 2019.

During FY23, the number of pay advances grew by 41%, to 1,713,873, and the total volume of pay advances increased by 92% to $628 million. This lifted our cumulative pay advances since inception in 2019 to over $1 billion (unaudited), a significant milestone for the Company. Our Average Pay Advance rose by 37% from $268 in FY22 to $366, while the number of active customers increased 35% from 173,398 to 234,034 during the year. Beforepay has now registered over 1 million users (unaudited) since inception. The company has maintained a strong balance sheet with cash on hand of $21.8 million and a total equity position of $26.8 million as at 30 June 2023. Beforepay continues to carry no debt at the operating-company level, only debt used to finance receivables.

During the financial year, Beforepay successfully collaborated with Western Union introducing Western Union customers to the Beforepay service and introducing Beforepay customers to Western Union. In September 2022, we announced the launch of our new Tax Refund Advance ('TRA') product, to be rolled out for the July-August 2023 tax season in collaboration with H&R Block, a leading provider in taxation services.

In a broader recognition of our customer-first approach and the value and integrity of our service offering to our customers, Beforepay was recognised as the 2023 Ethical Lender of the Year in the Global Pan Finance Awards.

Key risks

There are a number of potential risks associated with Beforepay and the industry in which it operates, which may impact its future financial performance. These have largely remained consistent with those set out in Beforepay's Annual Report dated 31 August 2022.

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

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

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

Beforepay may experience a security or data breach including from cyberattacks

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

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

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

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

Inaccurate data used in Beforepay's credit assessment process could result in poor customer outcomes or inaccurate financial reporting

Data plays a key role in how we provide our product to customers. Poor data quality could result in deficiencies in our credit systems and processes, therefore negatively impacting our decision making in the provision of Beforepay's products and services.

Beforepay could face significant losses to its customer base if incorrect credit modelling outcomes result in poor customer sentiment and reduced usage of the product. This data is also used in financial reporting, and regulatory remediation due to incorrect financial reporting could impact Beforepay's compliance requirements and further increase costs for Beforepay.

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

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

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

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

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

The financial services sector, and in particular the provision of financial services to consumers, is undergoing a significant period of government and regulatory scrutiny. Inadequate controls resulting in non-compliance with existing laws could attract fines and reputational damage, amongst other things. While Beforepay keeps abreast of actual and upcoming changes to laws and regulations, including potential reforms to the Short-Term Credit Exemption that Beforepay currently relies on to provide its products, the Australian Privacy Law and AML/CTF Law, it cannot predict with certainty the changes that may occur in the future or the impact of those changes on Beforepay's business. Additionally, under the Consumer Data Right (CDR) regime, if most banks turn off screen scraping, we may need to move to open banking with a short turnaround time. There is a risk that actual or proposed changes to laws and regulations may require Beforepay to change its business model, strategy, compliance framework and financing arrangements, which could have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of its shares.

Other key risks

Other key risks include the risk of heavy reliance on mobile application stores and performance marketing for distribution of the product, reputation risk, investment risk (such as macroeconomic conditions and share market conditions), operational risk arising from a number of factors, including human error, processing and communication errors and employees not carrying out their duties responsibly, and the risk that Beforepay is unable to attract and retain key personnel to support its growth plans.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The Group has signed, on 28 July 2023, a non-binding indicative term sheet for a senior secured loan facility with two lenders relating to the refinance of the current Debt Facility which is expected to be completed in or around September 2023, following the Group's satisfaction of required conditions precedent prior to finalisation of the refinance.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

As noted in the CEO letter in the annual report, our priority for FY24 is continuing towards achieving sustainable profitability. In scaling the business to meet the volume growth in pay advances, we will remain tightly focused on controlling operating expenses, improving net interest margin, whilst growing the number of Active Users.

We will continue to optimise our core product capability and introduce further product extensions where we see clear affinity with our product offering.

As the Company approaches profitability, we may start to explore additional growth opportunities.

Environmental regulation

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

Information on directors

Name:	Brian Hartzer
Title:	Chair and Non-Executive Director
Qualifications:	BA (Hons), CFA
Experience and expertise:	In addition to his role as Chair of Beforepay, Brian is currently Chairman of Reejig, a Sydney-based HR technology start-up, and a senior advisor to Quantium, a data science company. Brian was the CEO of Westpac Banking Corporation from 2015 to 2019. Prior to joining Westpac Brian was CEO of the Retail & Wealth Management division of the Royal Bank of Scotland Group in the United Kingdom. Prior to that he held several senior leadership roles at Australian and New Zealand Banking Group Limited, including running the Retail and Consumer Finance divisions of the bank. He is also President of the Board of Trustees of the Australian Museum.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	284,294 ordinary shares
Interests in options:	385,765 options over ordinary shares

Name:	Daniel Moss
Title:	Non-Executive Director
Qualifications:	BBus, MAICD
Experience and expertise:	Daniel is experienced in managing financial services businesses. He is a founding partner and the Managing Director of VFS Group, a firm specialising in wealth management. He has over 15 years' experience in investment markets, specialising in equities, derivatives and portfolio construction. Daniel is also an active seed stage investor managing multiple venture investments dealing in high growth, disruptive companies. He is an experienced Director having taken board seats on several portfolio companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares:	858,029 ordinary shares
Interests in options:	943,465 options of ordinary shares

Name:	Patrick Tuttle
Title:	Non-Executive Director
Qualifications:	B Econ., Member of Chartered Accountants Australia and New Zealand
Experience and expertise:	Patrick previously acted as divisional finance director for a range of operating businesses within Macquarie Bank Limited, before becoming finance director of Pepper Group in 2001. Patrick became CEO of Pepper Group's Australian mortgage lending and asset finance business in 2008, before also being appointed as Co-Group CEO of Pepper's global business in 2012. Patrick is currently Non-Executive Chairman of COG Financial Services Limited (ASX:COG) and Openpay Group (ASX:OPY), and serves as a Non-Executive Director of Shift, Azora Finance, Azora Asset Finance, Weel Holdings Pty Limited. He was a former non-executive director of Douugh Limited (ASX:DOU). Patrick is also a Non-Executive Director of Australian Ireland Fund Limited (registered charity) and a former Deputy Chairman of the Australian Securitisation Forum, Inc.
Other current directorships:	Non-Executive Chairman of COG Financial Services Limited (ASX:COG) and OpenPay Group (ASX:OPY)
Former directorships (last 3 years):	Douugh Limited (ASX:DOU)
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	29,326 ordinary shares
Interests in options:	197,065 options over ordinary shares

Name:	Stefan Urosevic
Title:	Non-Executive Director
Qualifications:	GAICD, CPA, MBA, F FIN, GradDipFP
Experience and expertise:	Stefan is currently an Executive Director and the Chief Financial Officer at VFS Group a holistic wealth management firm based in Sydney. Stefan has extensive experience in Wealth Management, Financial Planning, Corporate Advisory and Venture Capital Investing. Stefan served as a Non-Executive Director on the board of Grow Inc. and continues to serve as the Responsible Manager for the company. Further Stefan currently serves as a Non-Executive Director of CTSA Group & TogetherAI. Stefan holds an MBA from Deakin University, is a Fellow of the Financial Services Institute of Australasia (FINSIA), is a member of the Certified Practicing Accountants Australia and is a Graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	749,825 ordinary shares
Interests in options:	943,465 options over ordinary shares

Name:	Luke Bortoli
Title:	Non-Executive Director
Qualifications:	PhD, Economics, University of Sydney
Experience and expertise:	Luke is a growth focused executive, director and investor with a specialisation in the technology and blockchain sectors. Most recently, Luke was the Chief Financial Officer at Afterpay Limited, one of the world's fastest growing payments platforms and the largest Buy Now Pay Later (BNPL) operator globally and an ASX 20 listed company. Prior to that, he was the Global Head of Strategy and CFO of Special Projects at Aristocrat, Luke was a financial institutions and technology focused investment banker specialising in M&A and capital raising at UBS. Luke is currently Chair of ASX listed EML Payments Limited and is the Chief Financial Officer at Pilbara Minerals Limited, an ASX 50 producer of battery minerals powering the clean energy, electric vehicle revolution.
Other current directorships:	EML Payments Limited (ASX:EML)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee
Interests in shares:	26,791 ordinary shares
Interests in options:	218,565 options over ordinary shares

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

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

Company secretaries

Elena Chan, an employee of Beforepay, and Elizabeth Spooner, an employee of Automic, a corporate secretarial provider, serve as joint company secretaries to the Company. Elena was appointed on 31 August 2022, and Elizabeth was appointed on 14 May 2021.

Elena joined Beforepay in 2021 as General Counsel and Chief Risk Officer. Elena has over 19 years' experience in the financial services industry, advising across a full range of legal, governance, compliance, and risk matters. Prior to joining Beforepay, Elena held various leadership roles across legal, business and risk at Westpac. Elena has also worked in law firms and other corporations in Australia and the United Kingdom, including Morgan Stanley, Simmons & Simmons, Henry Davis York (now Norton Rose Fullbright), and PricewaterhouseCoopers. Elena holds a double degree in Law and Commerce (Finance) from the University of New South Wales and is a Graduate of the Australian Institute of Company Directors.

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

Meetings of directors

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Brian Hartzer	11	11	–	7	4	4
Daniel Moss	11	11	–	7	3	4
Stefan Urosevic	11	11	6	7	–	4
Patrick Tuttle	11	11	7	7	–	4
Luke Bortoli	10	11	6	7	4	4
Natasha Davidson (directorship ceased on 21 November 2022)	2	3	3	3	2	2

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

Remuneration report (audited)

The 2023 financial year was a significant year for the Company, with strong business performance on several metrics including the value of total pay advances which reached $628 million in FY23, while the number of active customers increased 35% from 173,398 to 234,034 during the year. Beforepay has now registered over 1 million users. Positive unit economics was achieved with Net Transaction Margin (1.9% in FY23), and declining Net Transaction Loss (2.1% in FY23), despite the difficult macroeconomic backdrop for the fintech sector. Beforepay achieved an underlying EBITDA profit of $0.54 million for the quarter ending 30 June 2023 ('Q4 FY23'), up 117% on the prior year loss of ($3.24 million) in Q4 FY22, the first time since inception in August 2019.

In the reporting period, the Board has been focused on ensuring that the structure of executive remuneration for the coming year achieves a balance between cost control, and creating an environment where we can attract and retain the appropriate talent to support the Company's growth objectives. For this reason, in FY23, we developed an executive remuneration structure in line with our Remuneration Policy which drives both short-term and long-term results achievement via an annual incentive program. This program combines eligibility to earn short-term incentives (STI) and long-term incentives (LTI) based upon the achievement of financial and non-financial key performance indicators for the financial year. More detail on the executive remuneration annual incentive plan is outlined in this report.

Guided by our Remuneration Policy and the Key Performance Measures set by the Board, the outcomes for executive key management personnel (as described below), namely the Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO'), paid in the reporting period was $160,000 STI for the CEO and $11,292 STI for the CFO in FY22, with a tilt towards equity reward with a grant of 1,842,308 options and 40,413 performance rights made to the executive key management personnel in the reporting period. 1,585,768 executive key management personnel options vested during the reporting period.

Introduction

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

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

The report has been prepared and audited against the disclosure requirements set out in the *Corporations Act 2001* (Cth).

Key management personnel

This remuneration report discloses the FY23 remuneration arrangements and outcomes for the people listed below, who are those individuals within the Company that have been determined to be key management personnel (KMP) in the financial year ended 30 June 2023.

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

Directors

- Brian Hartzer – Chair
- Daniel Moss – Non-Executive Director
- Patrick Tuttle – Non-Executive Director
- Stefan Urosevic – Non-Executive Director
- Luke Bortoli – Non-Executive Director
- Natasha Davidson – Non-Executive Director (directorship ceased on 21 November 2022)

Executive KMPs

- Jamie Twiss – Chief Executive officer
- Michael Bencsik – Chief Financial officer

Principles used to determine the nature and amount of remuneration

The Group's remuneration policy aims to ensure reward for performance is competitive and appropriate for the results delivered. The remuneration policy was reviewed by the Remuneration and Nomination Committee (RNC) in FY23, with no substantive changes being made to the overall framework of how the Company incentivises staff, as set out in the policy.

Remuneration strategy

The Board is responsible for setting our remuneration framework to ensure the framework aligns reward with the achievement of strategic objectives and the creation of value for shareholders.

The RNC assists the Board by being responsible for determining and reviewing remuneration arrangements for our directors and executives, noting that the performance of the Group depends on the quality of its directors and executives.

Broadly, our remuneration strategy is to:

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

We consider that our remuneration framework conforms to market best practice for the delivery of reward.

For FY23, the Company continues to weigh total variable remuneration to long term equity grants (rather than STI/cash).

The remuneration strategy is underpinned by the following remuneration principles:

- Remunerate for performance and behaviour: We pay employees for their performance and behaviours aligned to:
  - our vision and strategy;
  - customer and shareholder interests and support for the creation of longer-term company performance achievement and shareholder value;
  - sustainable outperformance and discouragement of poor performance; and
  - supporting our risk culture in driving longer-term value.
- Remunerate competitively: We aim to pay our employees competitively against the external market, having regard to their capability and experience. Our intention is to pay employees in a range around the middle of the market in relation to their total award opportunity (or somewhere above for exceptional talent), taking into account the size of the Company. The Company currently use the Aon Radford framework and other data sets for its remuneration benchmarking to align with market remuneration.
- Remunerate fairly: We ensure that we pay fairly by comparing and calibrating employee pay outcomes across a number of different categories including across different genders, full-time roles and part-time roles. By doing this comparison, we confirm that what we pay is fair and equitable compared to other employees doing similar roles in comparable companies.

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

2022 Remuneration Report

The Remuneration Report for the financial year ended 30 June 2022 was adopted with shareholder support at the 2022 Annual General Meeting on the 21 November 2022 with a vote of 99.31% in favour. The Company received no specific feedback on its Remuneration Report at the 2022 Annual General Meeting.

Non-executive directors' remuneration

The non-executive directors' aggregate remuneration has remained the same for the FY23 period as for FY22.

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

The ASX listing rules require the aggregate non-executive directors' remuneration to be determined periodically by a general meeting. As set out in the IPO prospectus dated 29 November 2021 and the 2022 Annual Report, the maximum annual aggregate remuneration available to non-executive directors was set at $700,000. For the year ended 30 June 2023, the fees payable to the non-executive directors did not exceed $700,000 in aggregate.

As set out in the initial public offering (IPO) prospectus dated 29 November 2021 and 2022 Annual Report, each director will be granted options equivalent to a value of up to $25,000 per annum in the following three periods:

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

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

The first and second of these grants of options took place on 30 June 2022 and 30 June 2023 respectively. Each grant was of a value of $25,000 worth of options to each director.

The following terms attach to the options granted on 30 June 2022 and 30 June 2023 and the options intended to be granted in the third and final period:

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

Fixed remuneration, consisting of base salary and superannuation, are reviewed annually by the RNC based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

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

The STI program is designed to align the targets of the various business teams with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved.

The long-term benefits include long service leave and equity-based payments. Options and/or performance rights are awarded to executives over a period of one, two, three and four years based on continuous employment and/or other performance conditions. Options are also awarded on a discretionary basis, having regard to the same measures as noted above for the STI program.

Making appropriately structured equity incentive awards under our annual LTI grant cycle is a key component of our remuneration arrangements for executives. Some LTI grants were brought forward to June 2022 so that options granted to executives, including the CEO, could qualify for the 'start-up' tax concessions in the *Income Tax Assessment Act 1997* (Tax Act), as from 1 July 2022 these concessions would no longer be available.

FY23

For the FY23 period, to ensure executive KMP's incentive structure is aligned with the creation of longer-term company performance and shareholder value, the KPIs attaching to the STI program for executive KMPs were:

- Strategy: Drive strategic priorities and ensure that they are progressed and managed appropriately (Weighting: 20%);
- Growth: Grow customer base (Weighting: 30%);
- Profitability: Achieve profitability whilst managing risks effectively (Weighting: 30%); and
- People & Culture: People and culture capability remains strong to support growth (Weighting: 20%).

The above KPIs are measured against criteria including but not limited to the progression of key strategic goals, new Active User numbers, Average Pay Advance, Net Transaction Loss, EBITDA, employee turnover and employee engagement survey results.

The STI target opportunity for the CEO and the CFO for the 2023 financial year are $160,000 and $50,000 respectively.

The LTI target opportunity for the CEO and the CFO for the 2023 financial year are $500,000 and $100,000 respectively.

The Board will consider the amount of the STI and LTI for CEO and CFO in respect of the FY23 reporting year in August 2023.

FY22

In September 2022 the STI and LTI target outcomes for the CEO and CFO were resolved by the Board in consideration of the achievement of KPI outcomes from the FY22 year.

As a result, Jamie Twiss was paid a cash bonus of $160,000 (STI) and granted 1,842,308 options (LTI), being 100% of the STI and 95.8% LTI target for FY22. Michael Bencsik, who joined on 11 April 2022, was paid a cash bonus of $11,292 (STI) and granted 40,413 performance rights (LTI), being 100% of the STI and 85% of the LTI target for FY22, each of which were prorated for the period of service in FY22.

Consolidated entity performance and link to remuneration

As noted above, remuneration for certain individuals is linked to the performance of the Group. The cash bonus and incentive payments are at the discretion of the Board and/or RNC.

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

Use of remuneration consultants

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

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

The Company paid an amount of $43,450 to Ernst & Young in the 2023 financial year for remuneration advisory services provided by Ernst & Young in respect of the 2022 financial year.

An agreed set of protocols for the engagement of advisers are in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include, where practicable, requiring that the consultant not communicate with affected key management personnel without a member of the RNC being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence.

Details of remuneration

Amounts of remuneration

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

		Short-term benefits	Short-term benefits		Post-employment benefits	Share-based payments		
	Financial year	Cash salary and fees[1]	Cash bonus	Non-monetary	Super-annuation	Equity-settled	Termination benefits	Total
		$	$	$	$	$	$	$
Non-Executive Directors								
Brian Hartzer	2023	181,818	–	–	19,091	32,521	–	233,430
	2022[2]	180,441	–	–	18,044	88,940	–	287,425
Daniel Moss	2023	82,500	–	–	8,473	32,521	–	123,494
	2022	63,797	–	–	6,379	160,657	–	230,833
Stefan Urosevic	2023	82,500	–	–	8,473	32,521	–	123,494
	2022	62,447	–	–	6,244	160,657	–	229,348
Patrick Tuttle	2023	87,500	–	–	9,188	32,521	–	129,209
	2022	64,141	–	–	6,414	4,066	–	74,621
Luke Bortoli	2023	93,049	–	–	9,770	40,771	–	143,590
	2022[2]	36,250	–	–	3,625	4	–	39,879
Natasha Davidson	2023[2]	37,064	–	–	3,892	7,521	–	48,477
	2022	121,894	–	–	12,189	4,066	–	138,149
Executive Directors								
Guo Fang Mao	2023	–	–	–	–	–	–	–
	2022[2]	126,121	–	–	9,545	–	–	135,666
Tarek Ayoub	2023	–	–	–	–	–	–	–
	2022[2]	18,727	–	–	–	–	–	18,727
Other Key Management Personnel								
Jamie Twiss	2023	326,432	160,000	–	42,092	112,897	–	641,421
	2022	326,432	–	–	23,568	95,469	–	445,469
Michael Bencsik	2023	296,432	11,292	–	26,478	11,791	–	345,993
	2022[2]	67,050	–	–	5,692	1,494	–	74,236
David Brady	2023	–	–	–	–	–	–	–
	2022[3]	240,455	50,000	–	23,568	40,690	201,905	556,618
Total ($)	2023	1,187,295	171,292	–	127,457	303,064	–	1,789,108
	2022	1,307,755	50,000	–	115,268	556,043	201,905	2,230,971

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

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

3 Mr Brady ceased as CFO on 8 April 2022 and was entitled to termination benefits following cessation of his employment with the Company. Termination benefits incorporate cash salary and fees of $180,394, superannuation of $2,108 and equity-settled share-based payments of $19,403. A $20,000 one-off STI cash bonus (in FY22 but prior to the Company's listing) and a $30,000 one-off STI cash bonus which was subject to the Company's ASX listing occurring was paid during the year.

Remuneration linked to performance

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

Name	Fixed remuneration 2023	At risk – STI 2023	At risk – LTI 2023
Non-Executive Directors			
Brian Hartzer	86.07%	–	13.93%
Daniel Moss	73.67%	–	26.33%
Stefan Urosevic	73.67%	–	26.33%
Patrick Tuttle	74.83%	–	25.17%
Luke Bortoli	71.61%	–	28.39%
Natasha Davidson[1]	84.49%	–	15.51%
Executive Key Management Personnel			
Jamie Twiss	57.45%	24.94%	17.61%
Michael Bencsik	93.33%	3.26%	3.41%

1 Represents remuneration up until the date of resignation.

Service agreements

Name:	Jamie Twiss
Title:	Chief Executive Officer
Qualifications:	BA, MBA
Commencement date:	20 May 2021
Term of agreement:	Under Mr Twiss's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party six months' written notice (or by the company making payment of his salary in lieu of part of or all of the notice period). Mr Twiss's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $351,724 (inclusive of superannuation). STI: Mr Twiss is eligible to participate in annual incentive and bonus schemes. LTI: Mr Twiss is entitled to participate in the company's Long Term Incentive Plan ('LTIP').
Other benefits:	Mr Twiss may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the company.

Name:	Michael Bencsik
Title:	Chief Financial Officer
Qualifications:	B Com, MBA, FCPA, FCCA, F FIN, GAICD, JP
Commencement date:	11 April 2022
Term of agreement:	Under Mr Bencsik's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party three months' written notice (or by the company making payment of his salary in lieu of part of or all of the notice period). Mr Bencsik's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $321,724 (inclusive of superannuation). STI: Mr Bencsik is eligible to participate in the company's performance incentive plan and receive a discretionary annual bonus, dependent on the Group and Mr Bencsik meeting certain financial and performance objectives. LTI: Mr Bencsik is entitled to participate in the company's LTIP. Further details on the options he has previously been granted under the LTIP (including vesting conditions) are set out below.
Other benefits:	Mr Bencsik may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the company.

Shares and options issued to directors and other key management personnel

Issue of shares

No shares in the Company were issued to directors and other key management personnel as part of compensation for the reporting period ended 30 June 2023.

Grant of options

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

Name	Number of options	Exercise price	Grant Date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2023	Average fair value of options at grant date (post share split)[8]	Average fair value of options at 30 June 2023
Non-Executive Directors								
Brian Hartzer	60,600	$0.8793	05-Jul-21	Vested	05-Jul-31	60,600	$0.37	$0.17
	60,600	$0.8793	05-Jul-21	Market cap[2] of $250 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $500 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $1 billion	05-Jul-31	–	$0.37	
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Daniel Moss	799,900	$1.3000	20-Sep-20	Vested	30-Jun-24	799,900	$0.25	$0.17
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested	30-Jun-28	59,952	$0.17	
Stefan Urosevic	799,900	$1.3000	20-Sep-20	Vested	30-Jun-24	799,900	$0.25	$0.17
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Patrick Tuttle	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	$0.17
	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	
	17,900	$1.3000	16-Nov-20	16-Nov-23	30-Jun-24	–	$0.28	
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Luke Bortoli	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	$0.17
	75,000	$1.3000	21-Nov-22	Vested	21-Nov-27	75,000	$0.05	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Natasha Davidson	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	$0.28
	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	–	$0.28	
	17,900	$1.3000	16-Nov-20	16-Nov-23	30-Jun-24	–	$0.28	

Name	Number of options	Exercise price	Grant Date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2023	Average fair value of options at grant date (post share split)[8]	Average fair value of options at 30 June 2023
Other Key Management Personnel								
Jamie Twiss	719,100	$0.8793	09-Jul-21	Vested	09-Jul-31	719,100	$0.31	$0.10
	239,800	$0.8793	09-Jul-21	20-May-24	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	20-May-25	09-Jul-31	–	$0.31	
	239,700	$0.8793	09-Jul-21	Market cap of $250 million	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	Market cap of $500 million	09-Jul-31	–	$0.31	
	239,800	$0.8793	09-Jul-21	Market cap of $1 billion	09-Jul-31	–	$0.31	
	550,000	$0.2940	30-Jun-22	Vested	30-Jun-27	550,000	$0.10	
	550,000	$0.2940	30-Jun-22	275,000 on every 20 May	30-Jun-27	–	$0.10	
	1,100,000	$0.2940	30-Jun-22	Performance-based hurdles[4]	30-Jun-27	183,334	$0.10	
	1,442,308	$0.4450	21-Sep-22	480,769 each year[3]	21-Sep-27	–	$0.26	
	100,000	$0.4450	21-Sep-22	Vested	21-Sep-27	100,000	$0.26	
	100,000	$0.4450	21-Sep-22	50,000 on every 20 May	21-Sep-27	–	$0.26	
	200,000	$0.4450	21-Sep-22	Performance-based hurdles[4]	21-Sep-27	33,334	$0.26	
Michael Bencsik	50,000	$0.4050	29-Apr-22	Vested	29-Apr-27	50,000	$0.22	$0.20
	137,500	$0.4050	29-Apr-22	12,500 every 3 months[5]	29-Apr-27	12,500	$0.22	

1 Continuous employment or service to the Company is a vesting condition for each unvested option on issue.
2 Market cap represents the market capitalisation of the Company.
3 Options will commence vesting every 12 months after 21 September 2022 for 3 years.
4 (1) 216,668 Options vested on the first profitable quarter for the Company, on an earnings before interest, taxes, depreciation, and amortisation (EBITDA) basis. Tranches of 183,334 of the Options granted 30 June 2022 and 33,334 of the Options granted 21 September 2022 will vest on the satisfaction of each of the following remaining performance hurdles, each of which must be achieved on or prior to 30 June 2027; (2) the first month with revenue above $3.13 million, excluding one-off or extraordinary revenue items, revenue received in the form of government grants, rebates or allowances, or any revenue that has been manufactured to achieve the revenue milestone; (3) the first month with revenue above $3.55 million, excluding one-off or extraordinary revenue items, revenue received in the form of government grants, rebates or allowances, or any revenue that has been manufactured to achieve the revenue milestone; (4) market capitalisation of the Company reaching $50 million or a trade sale at or above that value for a period of 20 ASX trading days or more; (5) market capitalisation of the Company reaching $100 million or a trade sale at or above that value for a period of 20 ASX trading days; and (6) market capitalisation of the Company reaching $200 million or a trade sale at or above that value for a period of 20 ASX trading days or more.
5 Option will commence vesting every 3 months after 11 April 2023 for 3 years.
6 Option will commence vesting every 3 months after 17 May 2022 for 3 years.
7 There were no vesting conditions attached to these Options. However, if the director leaves the Company, any options held by the director will lapse.
8 Average fair value of options at grant date relate to post share split.

All options were granted over unissued fully paid ordinary shares in the Company. No options have been exercised by any KMP in the reporting period. There have not been any alterations to the terms or conditions of the grant since the grant date. The number of options previously granted to executive KMPs was determined having regard to the satisfaction of performance measures and weightings in previous financial years.

The values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below. The value of options granted during the year represents the value as at the respective grant date of the options.

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Non-Executive Directors				
Brian Hartzer	25,000	–	–	10.71%
Daniel Moss	25,000	–	–	20.24%
Stefan Urosevic	25,000	–	–	20.24%
Patrick Tuttle	25,000	–	–	19.35%
Luke Bortoli	33,250	–	–	23.16%
Natasha Davidson	–	–	32,500	–
Other Key Management Personnel				
Jamie Twiss	479,000	–	–	74.68%
Michael Bencsik	–	–	–	–

Grant and value of performance rights

40,413 performance rights were issued to Michael Bencsik on 21 September 2022. No other performance rights in the Company were issued to directors and other key management personnel as part of compensation for the reporting period ended 30 June 2023.

The value of the performance rights issued to Michael Bencsik was $19,196 as at grant date and $19,398 as at 30 June 2023.

Additional disclosures relating to key management personnel

Equity holdings of key management personnel

The movement during the reporting period in the number of shares in the Company held by each of the key management personnel of the Group, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions[1]	Other[2]	Balance at the end of the year
Non-Executive Directors					
Brian Hartzer	184,294	–	100,000	–	284,294
Daniel Moss	623,430	–	234,599	–	858,029
Stefan Urosevic	598,868	–	150,957	–	749,825
Patrick Tuttle	29,326	–	–	–	29,326
Luke Bortoli	1,566	–	25,225	–	26,791
Natasha Davidson	2,933	–	–	(2,933)	–
Other Key Management Personnel					
Jamie Twiss	434,663	–	–	–	434,663
Michael Bencsik	–	–	–	–	–
	1,875,080	–	510,781	(2,933)	2,382,928

1 Additions relate to shares purchased on-market after listing.

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

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

Option holding

The movement during the reporting period in the number of options over ordinary shares in the Company held by each of the key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other[1]	Balance at the end of the year
Options over ordinary shares					
Non-Executive Directors					
Brian Hartzer	325,813	59,952	–	–	385,765
Daniel Moss	883,513	59,952	–	–	943,465
Stefan Urosevic	883,513	59,952	–	–	943,465
Patrick Tuttle	137,113	59,952	–	–	197,065
Luke Bortoli	83,613	134,952	–	–	218,565
Natasha Davidson[1]	137,113	–	–	(83,613)	53,500
Other Key Management Personnel					
Jamie Twiss	4,118,000	1,842,308	–	–	5,960,308
Michael Bencsik	200,000	–	–	–	200,000
	6,768,678	2,217,068	–	(83,613)	8,902,133

1 Represents options held by Ms Davidson on the date she ceased to be KMP (i.e. 21 November 2022).

83,613 Options held by Ms Davidson lapsed on the date she ceased to be KMP (i.e. 21 November 2022).

No other options granted to KMP were forfeited or lapsed during the year ended 30 June 2023.

Performance rights holding

The movement during the reporting period in the number of performance rights in the Company held by each of the key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Non-Executive Directors					
Brian Hartzer	–	–	–	–	–
Daniel Moss	–	–	–	–	–
Stefan Urosevic	–	–	–	–	–
Patrick Tuttle	–	–	–	–	–
Luke Bortoli	–	–	–	–	–
Natasha Davidson	–	–	–	–	–
Other Key Management Personnel					
Jamie Twiss	–	–	–	–	–
Michael Bencsik	–	40,413	–	–	40,413
	–	40,413	–	–	40,413

Loans to key management personnel and their related parties

There were no loans to key management personnel of the Company, including their personally related parties, during the year ended 30 June 2023 (2022: $nil).

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel and their personally related parties, during the year ended 30 June 2023.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
1 July 2019	1 January 2025	$0.38	213,000
24 July 2019	1 January 2025	$0.38	106,500
15 August 2020	15 August 2025	$0.44	11,500
19 August 2020	19 August 2025	$0.44	58,100
20 September 2020	30 June 2024	$1.30	1,599,800
30 September 2020	30 September 2025	$0.20	1,650
1 November 2020	1 November 2025	$0.20	5,500
16 November 2020	30 June 2024	$1.30	107,000
17 November 2020	17 November 2025	$0.20	35,200
17 November 2020	1 January 2025	$0.20	200,000
2 December 2020	2 December 2025	$0.20	118,700
1 January 2021	1 January 2025	$0.20	200,000
4 January 2021	4 January 2026	$0.88	9,900
8 January 2021	8 January 2026	$0.20	15,400
27 January 2021	30 June 2024	$1.30	358,200
1 February 2021	1 February 2026	$0.88	53,400
22 February 2021	22 February 2026	$0.88	14,300
5 July 2021	5 July 2031	$0.88	242,200
9 July 2021	9 July 2026	$0.88	959,000
21 July 2021	21 July 2026	$0.88	19,402
1 September 2021	1 September 2026	$0.88	445,500
29 April 2022	29 April 2027	$0.41	1,371,584
30 June 2022	30 June 2027	$0.39	501,678
30 June 2022	30 June 2027	$0.29	2,780,556
21 September 2022	21 September 2027	$0.45	1,842,308
21 November 2022	21 November 2027	$1.30	75,000
30 June 2023	30 June 2028	$0.54	299,760
			11,645,138

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

Shares issued on the exercise of options

The following ordinary shares of Beforepay Group Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
17 November 2020	$0.20	17,600

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Brian Hartzer
Chairman

28 August 2023

Sydney

Auditor's Independence Declaration

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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 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

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

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

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

Ernst & Young

Ernst & Young

Simon Hannigan
Partner
28 August 2023

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue			
Beforepay income	5	30,709,142	15,275,910
Other income	6	1,383,922	544,734
Interest revenue – cash at bank		13,806	34,701
Expenses			
Direct service cost		(1,989,475)	(1,870,839)
Fair value loss on convertible notes		–	(3,428,279)
Employee benefits expense	7	(9,808,793)	(7,953,115)
Settlement expense		–	(1,584,000)
Depreciation and amortisation expense	7	(483,694)	(621,790)
IPO related expenses		(292,061)	(2,135,480)
Expected credit losses expense	10	(14,160,451)	(8,110,976)
Occupancy expenses		(39,088)	(61,165)
Advertising and marketing expenses		(5,243,553)	(12,840,762)
Professional and consultancy expenses		(1,511,672)	(2,701,373)
Software licences		(10,955)	(10,615)
Technical suppliers		(942,597)	(535,006)
Convertible note issuance expenses		–	(171,273)
Other expenses		(1,012,095)	(1,246,566)
Finance costs	7	(3,247,899)	(1,724,054)
Loss before income tax expense		(6,635,463)	(29,139,948)
Income tax expense	8	–	–
Loss after income tax expense for the year attributable to the owners of Beforepay Group Limited		(6,635,463)	(29,139,948)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year attributable to the owners of Beforepay Group Limited		(6,635,463)	(29,139,948)

		$	$
Basic earnings per share	33	(0.14)	(0.84)
Diluted earnings per share	33	(0.14)	(0.84)

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

Statement of Financial Position

As at 30 June 2023

		Consolidated	
		2023	2022
	Note	$	$
Assets			
Current assets			
Cash and cash equivalents	9	21,777,857	28,367,245
Trade and other receivables	10	41,809,245	27,334,970
Right-of-use assets	13	366, 736	–
Other assets	11	854,951	993,969
Total current assets		64,808,789	56,696,184
Non-current assets			
Property, plant and equipment	12	108,142	178,844
Intangibles	14	63,027	93,610
Right-of-use assets	13	–	732,436
Other assets	11	193,310	193,310
Total non-current assets		364,479	1,198,200
Total assets		65,173,268	57,894,384
Liabilities			
Current liabilities			
Trade and other payables	15	4,307,237	3,032,641
Borrowings	16	33,285,145	–
Lease liabilities	17	401,941	348,731
Employee benefits		310,707	286,968
Total current liabilities		38,305,030	3,668,340
Non-current liabilities			
Trade and other payables	15	–	544,500
Borrowings	16	–	20,614,771
Lease liabilities	17	–	401,941
Provisions	18	40,814	37,136
Total non-current liabilities		40,814	21,598,348
Total liabilities		38,345,844	25,266,688
Net assets		26,827,424	32,627,696
Equity			
Issued capital	19	80,271,145	80,267,625
Reserves	20	1,766,011	934,340
Accumulated losses		(55,209,732)	(48,574,269)
Total equity		26,827,424	32,627,696

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

Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	$	$	$	$
Balance at 1 July 2021	6,023,575	172,753	(19,434,321)	(13,237,993)
Loss after income tax expense for the year	–	–	(29,139,948)	(29,139,948)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(29,139,948)	(29,139,948)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	74,244,050	–	–	74,244,050
Share-based payments (note 32)	–	761,587	–	761,587
Balance at 30 June 2022	80,267,625	934,340	(48,574,269)	32,627,696

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	$	$	$	$
Balance at 1 July 2022	80,267,625	934,340	(48,574,269)	32,627,696
Loss after income tax expense for the year	–	–	(6,635,463)	(6,635,463)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(6,635,463)	(6,635,463)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	3,520	–	–	3,520
Share-based payments (note 32)	–	831,671	–	831,671
Balance at 30 June 2023	80,271,145	1,766,011	(55,209,732)	26,827,424

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

Statement of Cash Flows

For the year ended 30 June 2023

		Consolidated	
		2023	2022
	Note	$	$
Cash flows from operating activities			
Receipts from repayment of customers advances		604,969,723	300,731,347
Receipts of Beforepay income		25,110,381	15,254,141
Payments to suppliers and employees		(19,181,039)	(23,991,855)
Advances to customers		(627,950,414)	(327,294,063)
Interest received		13,806	34,701
Interest and other finance costs paid		(2,880,469)	(1,492,819)
Research and development rebate received		1,371,804	555,835
Commission income		12,118	–
Net cash used in operating activities	31	(18,534,090)	(36,202,713)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(16,709)	(111,602)
Payments for intangibles	14	–	(29,788)
Net cash used in investing activities		(16,709)	(141,390)
Cash flows from financing activities			
Proceeds from issue of shares	19	3,520	35,002,601
Proceeds from borrowings		12,348,130	13,933,450
Proceeds from issue of convertible notes		–	11,657,500
Share issue transaction costs and IPO expenses		–	(5,026,923)
Borrowings transaction costs		(41,508)	(310,504)
Repayment of borrowings		–	(246,991)
Repayment of lease liabilities		(348,731)	(309,570)
Net cash from financing activities		11,961,411	54,699,563
Net (decrease)/increase in cash and cash equivalents		(6,589,388)	18,355,460
Cash and cash equivalents at the beginning of the financial year		28,367,245	10,011,785
Cash and cash equivalents at the end of the financial year	9	21,777,857	28,367,245

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

Notes to the Financial Statements

30 June 2023

Note 1. General information

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

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

Suite 2, Level 6
50 Carrington Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Going concern

During the year ended 30 June 2023, the Group incurred a loss after tax of $6,635,463 (30 June 2022: $29,139,948) and had net operating cash outflows of $18,534,090 (30 June 2022: $36,202,713) and net investing cash outflows of $16,709 (30 June 2022: $141,390). and net financing cash inflows of $11,961,411 (30 June 2022: $54,699,563). Further, the Group has a net current assets position of $59,966,668 at 30 June 2023 (30 June 2022: $53,027,844), as well as net assets position of $26,827,424 (30 June 2022: $32,627,696).

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

The Group's existing loan facility agreement as disclosed in note 16, which has a drawn amount of $33,285,145 (30 June 2022: $20,937,015) expires in January 2024 ("the Debt Facility"), and as a result requires refinancing within five months of the signing date of this financial report, or the Group will be required to obtain alternative debt or equity funding.

As at the date of this financial report, the Group had signed on 28 July 2023, a non-binding indicative term sheet for a senior secured loan facility with two lenders relating to the refinance of the current Debt Facility which, subject to the fulfilment of conditions precedent, is expected to be completed in or around September 2023.

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

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

In the event that the Group is unable to refinance the Debt Facility in accordance with the terms included in the non-binding indicative term sheet dated 28 July 2023, prior to its current maturity date of January 2024 then additional funding, in either the form of debt (in excess of current Debt Facility limits) or equity will be required to support the business.

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

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.

Critical accounting estimates

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

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 2023 and the results of all subsidiaries for the year then ended. Beforepay Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The Group recognises revenue as follows:

Beforepay income

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

Interest revenue

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

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the periods necessary to match them with the costs that they are intended to compensate.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade receivables and customer advances receivable

Customer advances receivable

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

Allowance for expected credit losses on customer advances receivable

The Group applies the general provision approach under *AASB 9 Financial Instruments* to account for expected credit losses (ECLs) on consumer receivables measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the Beforepay terms and all the cash flows that the Group expects to receive.

Due to the short-term nature of the customer receivables, the ECLs approximates the lifetime ECL. The Group uses ageing of customer advances receivable as the basis for ECL measurement given the short duration of consumer payment terms (maximum 62 days).

At each reporting date, the Group assesses impairment risk on initial recognition of the customer advances receivable and movements in the ageing of outstanding customer receivables to estimate the ECL.

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

The Group has defined these stages as follows:

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

Receivables are written off when the Group has no reasonable expectation of recovery. Any subsequent recoveries following write off are credited to expected credit loss expense 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, its carrying value is written off.

Financial assets at amortised cost

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

Impairment of financial assets

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

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

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

Property, plant and equipment

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

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

Computer equipment	2-3 years

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

Right-of-use assets

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

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

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

Intangible assets

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

Research and development

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

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

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

Lease liabilities

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

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

Finance costs

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

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

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

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

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax (GST) and other similar taxes

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. 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.

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

Note 4. Operating segments

Identification of reportable operating segments

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

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

Note 5. Beforepay income

	Consolidated	
	2023	2022
	$	$
Beforepay income	30,709,142	15,275,910

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

All revenue is derived in Australia.

Note 6. Other income

	Consolidated	
	2023	2022
	$	$
Research and development tax incentive	1,371,804	544,734
Commission income	12,118	–
Other income	1,383,922	544,734

Research and development tax incentive

Research and development ('R&D') tax incentive grant received during the year ended 30 June 2023 relates to the Group's R&D claim for the tax year ended 30 June 2022. Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit and loss over the periods necessary to match them with the costs that they are intended to compensate.

Commission income

Commission income was received during the year ended 30 June 2023 and relates to Beforepay's Compare and Save platform, powered by CIMET, which allows customers to compare and directly switch to a range of electricity, gas, mobile and internet providers.

Note 7. Expenses

	Consolidated	
	2023	2022
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	27,929	27,270
Computer equipment	58,945	79,337
Office equipment	537	–
Right-of-use assets	365,700	361,605
Total depreciation	453,111	468,212
Amortisation		
Development costs	30,583	153,578
Total depreciation and amortisation	483,694	621,790
Finance costs		
Interest and finance charges paid/payable on borrowings	2,822,591	1,412,039
Interest and finance charges paid/payable on lease liabilities	57,878	80,780
Unwinding of the discount on provisions	3,678	3,337
Amortisation of loan establishment fees	363,752	227,898
	3,247,899	1,724,054
Leases		
Short-term lease payments	39,088	61,165
Employee benefits expense		
Employee benefits expense excluding share-based payments	8,402,796	6,647,239
Share-based payments expense	831,671	761,587
Defined contribution superannuation expense	574,326	544,289
	9,808,793	7,953,115

Note 8. Income tax

	Consolidated 2023	Consolidated 2022
	$	$
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(103,400)	(199,522)
Increase in deferred tax liabilities	103,400	199,522
Deferred tax – origination and reversal of temporary differences	–	–
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(6,635,463)	(29,139,948)
Tax at the statutory tax rate of 25%	(1,658,866)	(7,284,987)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	207,918	190,397
Non-assessable research and development incentive	(342,951)	(136,183)
Other non-deductible expenses	2,980	40,016
Tax losses and temporary differences not recognised as deferred tax assets	1,790,919	7,190,757
Income tax expense	–	–

	Consolidated 2023	Consolidated 2022
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	26,983,173	22,502,024
Potential tax benefit @ 25%	6,745,793	5,625,506

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 and the Group has sufficient future taxable income against which to utilise these losses.

	Consolidated 2023	Consolidated 2022
	$	$
Deferred tax assets not recognised – temporary differences		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	2,213,393	1,606,730
Payables and accrued expenses	664,818	161,006
Provisions	224,005	217,151
Leases	100,486	187,668
Financing costs	2,570,697	2,570,697
Capital raising costs	175,144	394,652
Total deferred tax assets not recognised at 25%	5,948,543	5,137,904

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 2023	Consolidated 2022
	$	$
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued and provided for expenses	103,400	199,522
Offset against deferred tax liabilities	(103,400)	(199,522)
Deferred tax asset	–	–
Movements:		
Opening balance	–	–
Credited to profit or loss	103,400	199,522
Offset against deferred tax liabilities	(103,400)	(199,522)
Closing balance	–	–

	Consolidated 2023	Consolidated 2022
	$	$
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	15,045	16,413
Property, plant and equipment and leases	88,355	183,109
Offset by deferred tax assets	(103,400)	(199,522)
Deferred tax liability	–	–
Movements:		
Opening balance	–	–
Charged to profit or loss	103,400	199,522
Offset by deferred tax assets	(103,400)	(199,522)
Closing balance	–	–

Note 9. Cash and cash equivalents

	Consolidated	
	2023	2022
	$	$
Current assets		
Cash at bank	21,404,446	27,826,631
Cash held by service providers	373,411	540,614
	21,777,857	28,367,245

Note 10. Trade and other receivables

	Consolidated	
	2023	2022
	$	$
Current assets		
Receivables – customer advances	39,900,314	26,406,845
Less: Allowance for expected credit losses	(6,284,756)	(3,858,106)
	33,615,558	22,548,739
Other receivables	8,131,016	4,786,231
GST receivable	62,671	–
	41,809,245	27,334,970

During the year ended 30 June 2023, the Group issued customer advances totalling $627,950,414 (2022: $327,269,251).

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 and bad debts

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

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

	Consolidated	
	2023	2022
	$	$
Historical transaction loss recovered	(6,183,812)	(2,409,737)
Expected credit losses provided for	20,344,263	10,520,713
	14,160,451	8,110,976

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

	Expected credit loss rate[1]		Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022	2023	2022
Consolidated	%	%	$	$	$	$
Not overdue	4.2%	4.2%	32,901,966	21,688,622	1,389,526	911,242
Overdue to 61 days	60.6%	52.3%	5,340,481	3,715,965	3,237,363	1,944,606
Greater than 61 days	100.0%	100.0%	1,657,867	1,002,258	1,657,867	1,002,258
			39,900,314	26,406,845	6,284,756	3,858,106

1. Expected credit loss rate is calculated gross of transaction loss recovered.

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

	Consolidated	
	2023	2022
	$	$
Opening balance	3,858,106	2,535,406
Additional provisions recognised	20,344,262	10,515,291
Receivables written off during the year as uncollectable	(11,733,800)	(6,691,203)
Unused amounts reversed	(6,183,812)	(2,501,388)
Closing balance	6,284,756	3,858,106

Note 11. Other assets

	Consolidated	
	2023	2022
	$	$
Current assets		
Prepayments	854,951	993,969
Non-current assets		
Security deposits	193,310	193,310
	1,048,261	1,187,279

Note 12. Property, plant and equipment

	Consolidated	
	2023	2022
	$	$
Non-current assets		
Leasehold improvements – at cost	139,645	139,645
Less: Accumulated depreciation	(55,199)	(27,270)
	84,446	112,375
Computer equipment – at cost	216,100	204,733
Less: Accumulated depreciation	(195,199)	(138,264)
	20,901	66,469
Office equipment – at cost	3,332	–
Less: Accumulated depreciation	(537)	–
	2,795	–
	108,142	178,844

Reconciliations

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

	Leasehold improvements	Computer equipment	Leasehold improvements in progress	Office equipment	Total
Consolidated	$	$	$	$	$
Balance at 1 July 2021	–	103,779	70,070	–	173,849
Additions	69,575	42,027	–	–	111,602
Transfers in/(out)	70,070	–	(70,070)	–	–
Depreciation expense	(27,270)	(79,337)	–	–	(106,607)
Balance at 30 June 2022	112,375	66,469	–	–	178,844
Additions	–	14,724	–	3,332	18,056
Transfers in/(out)	–	(1,347)	–	–	(1,347)
Depreciation expense	(27,929)	(58,945)	–	(537)	(87,411)
Balance at 30 June 2023	84,446	20,901	–	2,795	108,142

Note 13. Right-of-use assets

	Consolidated	
	2023	2022
	$	$
Current Assets		
Buildings – right-of-use	1,094,041	–
Less: Accumulated depreciation	(727,305)	–
	366,736	–
Non-current assets		
Buildings – right-of-use	–	1,094,041
Less: Accumulated depreciation	–	(361,605)
	–	732,436
	366,736	732,436

The Group leases land and buildings for its offices under agreement for a period of 3 years, ending 30 June 2024, with options to extend at the Group's discretion. On renewal, the terms of the lease are renegotiated. Management has exercised significant judgement in determining whether an extension option is reasonably certain to be exercised.

The total cumulative value of payments under lease extension options not expected to be exercised is $560,070.

Reconciliations

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

	Buildings – right-of-use
Consolidated	$
Balance at 1 July 2021	–
Additions	1,094,041
Depreciation expense	(361,605)
Balance at 30 June 2022	732,436
Depreciation expense	(365,700)
Balance at 30 June 2023	366,736

Note 14. Intangibles

	Consolidated	
	2023	2022
	$	$
Non-current assets		
Development – at cost	444,153	444,153
Less: Accumulated amortisation	(381,126)	(350,543)
	63,027	93,610

Reconciliations

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

	Development costs
Consolidated	$
Balance at 1 July 2021	217,400
Additions	29,788
Amortisation expense	(153,578)
Balance at 30 June 2022	93,610
Amortisation expense	(30,583)
Balance at 30 June 2023	63,027

Note 15. Trade and other payables

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Trade and settlement payables	1,014,821	1,580,856
Accrued expenses	3,164,474	1,034,228
Other payables	127,942	178,142
GST payable	–	239,415
	4,307,237	3,032,641
Non-current liabilities		
Settlement payables	–	544,500
	4,307,237	3,577,141

Refer to note 22 for further information on financial instruments.

Settlement payable

On 31 October 2021, Beforepay Ops Pty Limited entered into a deed of settlement with a supplier in respect of a dispute that arose during late September and October 2021. In consideration of the settlement and the grant of a license to Beforepay Ops Pty Limited and its related bodies corporate, Beforepay Ops Pty Limited will, amongst other things, make monthly payments to the supplier from October 2021 to May 2024, totalling $1,584,000 (GST inclusive). The settlement results in an expense and a corresponding payable of $1,584,000, recognised in the income statement during the year ended 30 June 2022. The payable will reduce over the term of the settlement period, as the Group meets the payment schedule in place under the settlement deed. As at 30 June 2023, the balance payable is $544,500 and is disclosed in trade and settlement payables.

Note 16. Borrowings

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Loan – Longreach Credit Investors Pty Ltd	33,285,145	–
	33,285,145	–
Non-current liabilities		
Loan – Longreach Credit Investors Pty Ltd	–	20,937,015
Loan – Longreach Credit Investors Pty Ltd – establishment fees	–	(322,244)
	–	20,614,771
	33,285,145	20,614,771

Loan – Longreach Credit Investors Pty Ltd

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

The secured debt facility has a limit of $45,000,000 and expires in January 2024. The available commitment as at 30 June 2023 per the debt facility agreement was $33,285,145 (30 June 2022: $20,700,000) and it increases in non-linear increments over its term to a maximum commitment of $45,000,000 on and from 15 December 2023.

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 undrawn fee of 7.00% per annum on any undrawn commitment under the Financing Facility in excess of $2 million above pre-determined drawing amounts; and
- a 2.00% prepayment fee, where amounts are prepaid under the Financing Facility within 16 months of financial close.

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

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

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

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

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

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

Financing arrangements

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

	Consolidated	
	2023	2022
	$	$
Total facilities		
Loan – Longreach Credit Investors Pty Ltd	45,000,000	45,000,000
Used at the reporting date		
Loan – Longreach Credit Investors Pty Ltd	33,285,145	20,937,015
Unused at the reporting date		
Loan – Longreach Credit Investors Pty Ltd	11,714,855	24,062,985

Refer to note 22 for further information on financial instruments.

Note 17. Lease liabilities

	Consolidated	
	2023	2022
	$	$
Current liabilities		
Lease liability	401,941	348,731
Non-current liabilities		
Lease liability	–	401,941
	401,941	750,672

Reconciliations

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

	Consolidated	
	2023	2022
	$	$
Lease liability as at start of the year	750,672	–
Additions	–	1,060,242
Accretion of interest	57,878	80,780
Payments – principal	(348,731)	(309,570)
Payments – interest	(57,878)	(80,780)
Lease liability as at end of the year	401,941	750,672

Note 18. Provisions

	Consolidated	
	2023	2022
	$	$
Non-current liabilities		
Lease make good	40,814	37,136

Lease make good

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

Movements in provisions

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

	Lease make good
Consolidated – 2023	$
Carrying amount at the start of the year	37,136
Additional provisions recognised	3,678
Carrying amount at the end of the year	40,814

Note 19. Issued capital

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	$	$
Ordinary shares – fully paid	46,479,882	46,462,282	80,271,145	80,267,625

Movements in ordinary share capital

Details	Date	Number of Shares	$
Balance	1 July 2021	240,164	6,023,575
Capital reorganisation – share split (1 to 100)	8 October 2021	23,776,236	–
Conversion of convertible notes into ordinary shares	11 January 2022	12,168,952	41,495,789
Issue of shares	11 January 2022	10,263,930	35,000,001
Shares issued on exercise of share options	29 June 2022	13,000	2,600
Less issue costs net of taxation		–	(2,254,340)
Balance	30 June 2022	46,462,282	80,267,625
Shares issued on exercise of share options	19 January 2023	17,600	3,520
Balance	30 June 2023	46,479,882	80,271,145

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 20. Reserves

	Consolidated	
	2023	2022
	$	$
Share-based payments reserve	1,766,011	934,340

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 32 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:

	Share-based payments
Consolidated	$
Balance at 1 July 2021	172,753
Share-based payments	761,587
Balance at 30 June 2022	934,340
Share-based payments	831,671
Balance at 30 June 2023	1,766,011

Note 21. Dividends

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

Note 22. Financial instruments

Financial risk management objectives

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

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

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

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

Market risk

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

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

	2023		2022	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$	%	$
Loan – Longreach Credit Investors Pty Ltd	9.50%	33,285,145	9.50%	20,937,015
Net exposure to cash flow interest rate risk		33,285,145		20,937,015

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 from the date of advance issuance.

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 2023	Consolidated 2022
	$	$
Loan – Longreach Credit Investors Pty Ltd	11,714,855	24,062,985

* The available commitment as at 30 June 2023 was $33,285,145 (30 June 2022: $20,700,000) and it increases in non-linear increments over its term to a maximum commitment of $45,000,000 on and from 15 December 2023.

The finance facilities which mature in January 2024 have an average maturity of 7 months (2022: 1 year).

Remaining contractual maturities

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2023	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	–	1,014,821	–	–	–	1,014,821
Other payables	–	127,942	–	–	–	127,942
Interest-bearing – fixed rate						
Lease liability	9.75%	423,483	–	–	–	423,483
Convertible notes payable	–	–	–	–	–	–
Loan – Longreach Credit Investors Pty Ltd	9.50%	33,285,145	–	–	–	33,285,145
Total non-derivatives		34,851,391	–	–	–	34,851,391

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

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

Note 23. Fair value measurement

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

Other than trade and other payables, the fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 24. Key management personnel disclosures

Compensation

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

	Consolidated	
	2023	2022
	$	$
Short-term employee benefits	1,358,587	1,357,755
Post-employment benefits	127,457	115,268
Share-based payments	303,064	556,043
Termination benefits	–	201,905
	1,789,108	2,230,971

Note 25. Remuneration of auditors

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

	Consolidated	
	2023	2022
	$	$
Audit services – Ernst & Young		
Audit or review of the financial statements	319,000	323,000
Other services – Ernst & Young		
IPO due diligence and transaction support	–	500,000
Remuneration and taxation advice	43,450	60,300
	43,450	560,300
	362,450	883,300

Note 26. Contingent liabilities

	Consolidated	
	2023	2022
	$	$
Bank guarantees	193,310	193,310

Note 27. Commitments

The Group had no capital commitments as at 30 June 2023 and 30 June 2022.

Note 28. Related party transactions

Parent entity

Beforepay Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

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

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	$	$
Expenses to related parties:		
Interest expense – Director affiliated entities	–	20,000

During the year ended 30 June 2022, Lavalhars Pty Ltd, a related party, purchased $100,000 in convertible notes, issued by the Company. These notes converted to equity on the Group's 30 January 2022 IPO. Interest expense associated with the convertible notes for the year ended 30 June 2023 was $nil (2022: $20,000).

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	$	$
Loss after income tax	(6,631,943)	(29,137,348)
Total comprehensive loss	(6,631,943)	(29,137,348)

Statement of financial position

	Parent	
	2023	2022
	$	$
Total current assets	100	100
Total assets	26,827,624	32,627,896
Total current liabilities	–	–
Total liabilities	200	200
Equity		
Issued capital	80,267,625	80,265,025
Share-based payments reserve	1,766,011	934,340
Accumulated losses	(55,206,212)	(48,571,669)
Total equity	26,827,424	32,627,696

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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 30. 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 2023	Ownership interest 2022
		%	%
Beforepay Finance Pty Ltd	Australia	100%	100%
Beforepay Ops Pty Limited	Australia	100%	100%
Beforepay IP Pty Ltd	Australia	100%	100%

Note 31. Cash flow information

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

	Consolidated 2023	Consolidated 2022
	$	$
Loss after income tax expense for the year	(6,635,463)	(29,139,948)
Adjustments for:		
Depreciation and amortisation	483,694	621,790
Share-based payments	831,671	761,587
Fair value loss on convertible notes	–	3,428,279
Non-cash finance costs	367,430	231,235
IPO and consultancy expenses included in financing activities	–	2,772,583
Change in operating assets and liabilities:		
Increase in trade and other receivables	(14,474,275)	(18,456,481)
Decrease in prepayments	139,018	1,097,860
Decrease in government grants receivable – Research and development rebate	–	11,101
Increase in trade and other payables	730,096	2,323,509
Increase in employee benefits	23,739	145,772
Net cash used in operating activities	(18,534,090)	(36,202,713)

Non-cash investing and financing activities

	Consolidated 2023	Consolidated 2022
	$	$
Additions to the right-of-use assets (note 13)	–	1,094,041
Shares issued on conversion of convertible notes	–	41,495,789
	–	42,589,830

Changes in liabilities arising from financing activities

Consolidated	Loan – Attvest Finance Pty Ltd $	Convertible notes payable $	Loan – Longreach Credit Investors Pty Ltd $	Lease liabilities $	Total $
Balance at 1 July 2021	246,991	27,310,010	6,763,927	–	34,320,928
Net cash from/(used in) financing activities	(246,991)	11,657,500	13,933,450	(309,570)	25,034,389
Acquisition of leases	–	–	–	1,060,242	1,060,242
Converted to issued share capital	–	(41,495,789)	–	–	(41,495,789)
Payment of capitalised transaction costs	–	–	(310,504)	–	(310,504)
Amortisation of capitalised transaction costs	–	–	227,898	–	227,898
Changes in fair values	–	3,428,279	–	–	3,428,279
Other changes	–	(900,000)	–	–	(900,000)
Balance at 30 June 2022	–	–	20,614,771	750,672	21,365,443
Net cash from/(used in) financing activities	–	–	12,348,130	(348,731)	11,999,399
Payment of capitalised transaction costs	–	–	(41,508)	–	(41,508)
Amortisation of capitalised transaction costs	–	–	363,752	–	363,752
Balance at 30 June 2023	–	–	33,285,145	401,941	33,687,086

Note 32. Share-based payments

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

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

Legacy LTIP

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

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

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

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

LTIP

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

Performance rights

During the financial year ended 30 June 2023, performance rights which will convert into fully paid ordinary shares on vesting, were issued to employees for $nil consideration. The vesting period for these performance rights for non-executive staff is 2 years and for executive staff is 3 years.

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

2023							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
01/07/2019	01/01/2025	$0.38	213,000	–	–	(39,936)	173,064
24/07/2019	01/01/2025	$0.38	106,500	–	–	(26,624)	79,876
15/08/2020	15/08/2025	$0.44	11,500	–	–	(4,310)	7,190
19/08/2020	19/08/2025	$0.44	58,100	–	–	(29,048)	29,052
20/09/2020	30/06/2024	$1.30	1,599,800	–	–	–	1,599,800
30/09/2020	30/09/2025	$0.20	1,650	–	–	–	1,650
01/11/2020	01/11/2025	$0.20	5,500	–	–	(3,436)	2,064
16/11/2020	30/06/2024	$1.30	107,000	–	–	–	107,000
17/11/2020	17/11/2025	$0.20	35,200	–	(17,600)	–	17,600
17/11/2020	01/01/2025	$0.20	200,000	–	–	(87,500)	112,500
02/12/2020	02/12/2025	$0.20	118,700	–	–	(59,348)	59,352
01/01/2021	01/01/2025	$0.20	200,000	–	–	(125,000)	75,000
04/01/2021	04/01/2026	$0.88	9,900	–	–	(5,113)	4,787
08/01/2021	08/01/2026	$0.20	15,400	–	–	–	15,400
27/01/2021	30/06/2024	$1.30	358,200	–	–	–	358,200
01/02/2021	01/02/2026	$0.88	53,400	–	–	–	53,400
22/02/2021	22/02/2026	$0.88	14,300	–	–	(6,253)	8,047
05/07/2021	05/07/2031	$0.88	242,200	–	–	–	242,200
09/07/2021	09/07/2026	$0.88	959,000	–	–	–	959,000
21/07/2021	21/07/2026	$0.88	19,402	–	–	–	19,402
01/09/2021	01/09/2026	$0.88	445,500	–	–	(7,500)	438,000
29/04/2022	29/04/2027	$0.41	1,371,584	–	–	(506,918)	864,666
30/06/2022	30/06/2027	$0.39	501,678	–	–	(83,613)	418,065
30/06/2022	30/06/2027	$0.29	2,780,556	–	–	–	2,780,556
21/09/2022	21/09/2027	$0.45	–	1,842,308	–	–	1,842,308
21/11/2022	21/11/2027	$1.30	–	75,000	–	–	75,000
30/06/2023	30/06/2028	$0.54	–	299,760	–	–	299,760
			9,428,070	2,217,068	(17,600)	(984,599)	10,642,939
Weighted average exercise price			$0.64	$0.49	$0.20	$0.36	$0.64

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

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

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

		2023	2022
Grant date	Expiry date	Number	Number
01/07/2019	30/06/2024	173,064	146,440
12/08/2019	11/08/2024	79,876	73,220
15/08/2020	14/08/2025	7,190	6,471
19/08/2020	19/08/2025	29,052	25,421
20/09/2020	30/06/2024	1,599,800	1,599,800
30/09/2020	30/09/2025	1,650	1,650
01/11/2020	31/10/2025	2,064	2,064
16/11/2020	16/11/2025	71,200	107,000
17/11/2020	16/11/2025	130,100	3,200
04/01/2021	03/01/2026	6,587	3,659
08/01/2021	07/01/2026	90,400	77,900
27/01/2022	30/06/2024	358,200	358,200
22/02/2021	21/02/2026	7,238	5,286
23/02/2021	22/02/2026	3,942	2,190
03/03/2021	02/03/2026	32,796	18,220
20/04/2021	19/04/2026	59,352	3,102
31/05/2021	30/05/2026	3,102	3,102
01/07/2021	01/07/2031	60,600	60,550
09/07/2021	09/07/2031	479,400	239,750
01/09/2021	31/08/2026	193,037	–
16/11/2021	30/06/2024	–	35,600
29/04/2022	29/04/2027	325,006	–
30/06/2022	30/06/2027	854,284	–
21/09/2022	21/09/2027	133,334	–
		4,701,274	2,772,825

The weighted average remaining contractual life of options outstanding at the end of the financial period was 3.75 years (2022: 4.0 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
19/09/2022	21/09/2027	$0.475	$0.45	50%	0%	3.16%	$0.10
21/11/2022	21/11/2027	$0.415	$1.30	50%	0%	3.16%	$0.17
30/06/2023	30/06/2028	$0.470	$0.54	50%	0%	3.16%	$0.17

Note 33. Earnings per share

	Consolidated	
	2023	2022
	$	$
Loss after income tax attributable to the owners of Beforepay Group Limited	(6,635,463)	(29,139,948)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	46,470,142	34,526,123
Weighted average number of ordinary shares used in calculating diluted earnings per share	46,470,142	34,526,123
	$	$
Basic earnings per share	(0.14)	(0.84)
Diluted earnings per share	(0.14)	(0.84)

The weighted average number of ordinary shares for the year ended 30 June 2022 has been restated for the effect of the capital reorganisation that took place on 8 October 2021 in accordance with *AASB 133 Earnings per share*.

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

Note 34. Events after the reporting period

The Group has signed, on 28 July 2023, a non-binding indicative term sheet for a senior secured loan facility with two lenders relating to the refinance of the current Debt Facility which is expected to be completed in or around September 2023, following the Group's satisfaction of required conditions precedent prior to finalisation of the refinance.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

30 June 2023

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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Brian Hartzer
Chairman

28 August 2023

Sydney

Independent Auditor's Report

to the members of Beforepay Group Limited

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Building a better working world

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Beforepay Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other 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 2023 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 and/or refinance debt.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Provision for Expected Credit Losses

Why significant	How our audit addressed the key audit matter
As described in Notes 2, 10 and 22, the provision for expected credit losses ("ECL") is determined in accordance with *AASB 9 Financial Instruments* ("AASB 9"). This was a key audit matter due to the size of the 30 June ECL provision (30 June 2023: $6.3 million), and the degree of judgment and estimation associated with the calculations. Key areas of judgment included: ▸ the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model. ▸ determining the estimated loss rates on customer advances receivable, which is based on historical default rates as well as actual repayment of year end customer advances receivable subsequent to balance date.	We involved our actuarial specialists to assist in the testing of the mechanics of the underlying model and key model assumptions. In addressing the adequacy of the provision for expected credit losses for exposures assessed on a collective basis, our audit procedures included the following: ▸ Assessed whether the Group's methodology for calculation of ECL is in accordance with the requirements of AASB9; ▸ Assessed the default rates applied with reference to historical loss rates incurred; ▸ Compared cash collections received post 30 June 2023 to the provisions recognized to assess the adequacy of the provision for customer advances receivable at 30 June 2023; and ▸ Assessed the adequacy of the related disclosures in the financial report.

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Beforepay Income

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2023 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

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.

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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.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 18 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Beforepay Group Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Simon Hannigan
Partner
Sydney
28 August 2023

Shareholder Information

30 June 2023

The shareholder information set out below was applicable as at 1 August 2023.

Number of security holders

At the specified date, there were 1091 holders of ordinary shares (quoted and unquoted), 46 holders of options (unquoted) over ordinary shares and 19 holders of performance rights (unquoted). These were the only classes of equity securities on issue.

Distribution of equitable securities

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

	Ordinary shares		
Holding Ranges	Holders	Total shares	% of total shares issued
Above 0 up to and including 1,000	374	190,956	0.41
Above 1,000 up to and including 5,000	336	897,219	1.92
Above 5,000 up to and including 10,000	102	755,039	1.62
Above 10,000 up to and including 100,000	237	8,100,510	17.37
Above 100,000	42	36,698,658	78.68
Total	**1,091**	**46,642,382**	**100.00**

The number of shareholders holding less than a marketable parcel was 318 holders (based on a share price of $0.5300).

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

	Options over ordinary shares		
Holding Ranges	Holders	Total options	% of total options issued
Above 0 up to and including 1,000	2	865	0.01
Above 1,000 up to and including 5,000	10	25,550	0.24
Above 5,000 up to and including 10,000	6	43,995	0.41
Above 10,000 up to and including 100,000	15	580,665	5.48
Above 100,000	13	9,954,264	93.86
Total	**46**	**10,605,339**	**100.00**

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

	Performance Rights		
Holding ranges	Holders	Total performance rights	% of total performance rights issued
Above 0 up to and including 1,000	–	–	–
Above 1,000 up to and including 5,000	5	12,600	2.62
Above 5,000 up to and including 10,000	6	41,731	8.67
Above 10,000 up to and including 100,000	6	157,047	32.64
Above 100,000	2	269,764	56.07
Total	**19**	**481,142**	**100.00**

Restricted securities

As at 1 August 2023, there are 11,633,064 fully paid ordinary shares and 2,010,400 options over ordinary shares which are subject to ASX mandatory escrow arrangements:

Number and type of restricted securities	Restricted security period
11,633,064 Ordinary shares	until 17 January 2024, being 24 months from the date of commencement of official quotation
2,010,400 Options over ordinary shares	until 17 January 2024, being 24 months from the date of commencement of official quotation

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number of shares	% of total shares issued
BNP Paribas Nominees Pty Ltd ATF IB AU Noms Retail Client DRP	12,433,882	26.66
Youbek Pty Ltd ATF Capricorn A/C	5,500,000	11.79
Jopean Pty Ltd ATF Jopean A/C	4,500,000	9.65
Buttonwood Nominees PTY LTD	2,155,261	4.62
Dempsey Capital Pty Ltd ATF Alium Alpha Fund A/C	1,788,876	3.84
Cheq Invest Pty Ltd ATF Cheq Invest Unit A/C	1,235,925	2.65
HSBC Custody Nominees (Australia) Limited A/C 2	820,860	1.76
M & S Skyleisure Pty Ltd ATF M Skyleisure A/C	731,454	1.57
M & S Skyleisure Pty Ltd ATF S Skyleisure A/C	731,454	1.57
Victory Park Capital Advisors ATF VPC Spec Lending IIH LP A/C	629,516	1.35
Mr Alan Patrick Ferris	552,900	1.19
Focusthree LP	528,697	1.13
Mr Alexander Douglas	483,178	1.04
Mr James Spencer Twiss & Ms Liana Downey	420,000	0.90
CPF Group Pty Limited	347,105	0.74
Ilwella Pty Ltd	341,593	0.73
BNP Paribas Noms Pty Ltd ATF DRP	279,063	0.60
Mr Alexander Malcolm Douglas	222,166	0.48
Mr Brian Charles Hartzer	217,013	0.47
Symon Capital Pty Ltd	202,998	0.44
National Nominees Limited	193,725	0.42
Total Top 20 Shareholders	**34,315,666**	**73.57**
Total Issued Capital	**46,642,382**	**100.00**

Shareholder Information continued

As at 1 August 2023, Beforepay had received the following substantial shareholder notifications. No other substantial shareholder notices have been received.

	Ordinary shares	
	Number of shares	% of total shares issued
Mr Tarek Ayoub	5,500,000	11.79
Mr Guo Fang Mao	4,500,000	9.65
Alium Alpha Fund	4,442,781	9.53
Beforepay Group Limited(1)	11,633,064	24.94

(1) Beforepay Group Limited has a technical relevant interest in itself due to restrictions on the disposal of shares under mandatory escrow arrangements imposed in accordance with ASX Listing Rules disclosed in the Replacement Prospectus dated 29 November 2022, give Beforepay Group Limited a deemed relevant interest in these shares under section 608(1)(c) of the *Corporations Act 2001 (Cth) (Act).* However, Beforepay Group Limited has no right to acquire these shares or to exercise or control the exercise of, a right to vote attached to these shares.

Voting rights

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

2023 Corporate Governance Statement

This corporate governance statement sets out Beforepay Group Limited's ACN 633 925 505 (**Company**) current compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (Fourth Edition*) (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, this corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 28 August 2023 and has been approved by the board of the Company (**Board**).

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

<table>
<tr><th>ASX Principles and Recommendations</th><th>Comply (Yes/No)</th><th>Explanation</th></tr>
<tr><td>1.5. A listed entity should:
(a) have and disclose a diversity policy;
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
(c) disclose in relation to each reporting period:
(1) the measurable objectives set for that period to achieve gender diversity;
(2) the entity's progress towards achieving those objectives; and
(3) either : (i) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes) or, (ii) if the company is a relevant employer" under the Workplace Gender Equality Act 2012 (Cth), the company's most recent "Gender Equality Indicators", as defined in and published under that Act.</td><td>Yes</td><td>The Company has adopted a Diversity Policy, a copy of which is available on the Company's website.
The Diversity Policy sets out that the Board, in consultation with the Remuneration and Nomination Committee (RNC), has responsibility to set measurable objectives for achieving gender diversity in the composition of the Board, Senior Executives and the workforce generally.
The Company is committed to increasing gender diversity within the Company as a whole and striving to create a more diverse workforce. The following measurable objectives and targets have been set by the RNC and approved by the Board to achieve gender diversity:
• by the end of 2025 the Board will comprise of at least 30% women;
• by the end of 2025 the Company's people in leadership positions will comprise of at least 30% women; and
• by the end of 2025 women will make up at least 40% of all Company employees,
whilst acknowledging that gender is not binary.
As at 30 June 2023, the gender diversity statistics for the Company were as follows:
<table><tr><th></th><th>Female</th><th>Male</th><th>Female Proportion</th></tr><tr><td>Staff</td><td>13</td><td>18</td><td>42%</td></tr><tr><td>Leadership Positions</td><td>4</td><td>10</td><td>29%</td></tr><tr><td>Board Members</td><td>0</td><td>5</td><td>0%</td></tr></table>The Company aims to create a more equitable culture by regularly assessing the gender base pay, supporting staff to develop as inclusive leaders.</td></tr>
<tr><td>1.6. A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</td><td>Yes</td><td>The RNC has established processes for periodically evaluating the performance of the Board, its Committees and individual Directors. The RNC's obligations and processes in this regard are further detailed in the RNC Charter, a copy of which is available on the Company's website.
The Company has undertaken a performance evaluation for the Board, its Committees and individual Directors in accordance with the adopted performance evaluation process during this reporting period.</td></tr>
</table>

<table>
<tr><th>ASX Principles and Recommendations</th><th>Comply (Yes/No)</th><th>Explanation</th></tr>
<tr><td>1.7. A listed entity should:
(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</td><td>Yes</td><td>The RNC has established processes for periodically evaluating (at least once every reporting period) the performance of the Company's Senior Executives. The RNC's obligations and processes in this regard are further detailed in the RNC Charter, a copy of which is available on the Company's website.
The Company has undertaken a performance evaluation for the Senior Executives in accordance with the adopted performance evaluation process during this reporting period.</td></tr>
<tr><td colspan="3">2. Structure the Board to be effective and add value</td></tr>
<tr><td>2.1. The Board of a listed entity should:
(a) have a nomination committee which:
(1) has at least three members, a majority of whom are independent directors; and
(2) is chaired by an independent director;
and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence, and diversity to enable it to discharge its duties and responsibilities effectively.</td><td>Yes</td><td>The Company has formed the RNC. A copy of the RNC Charter is available on the Company's website.
The RNC is comprised of Luke Bortoli (Chair of RNC), Daniel Moss and Brian Hartzer, all of whom are Non-Executive Directors. Two Directors (Brian Hartzer and Luke Bortoli) are independent Directors.
The RNC is chaired by Luke Bortoli, who is an independent Director. Natasha Davidson was Chair of RNC and a Non-Executive Director until her directorship ceased on 21 November 2022.
The RNC met on 4 occasions during the reporting period. Details of each member's attendance at RNC meetings is set out on page 28 of the Annual Report.</td></tr>
<tr><td>2.2. A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td><td>Yes</td><td>The Board has had regard to the appropriate mix of skills and expertise required from Management and the Directors to achieve the objectives of the Company.
The Company has a Board Skills Matrix setting out the mix of skills that the Board currently has. A copy of this is available on the Company's website.</td></tr>
</table>

<table>
<tr><th>ASX Principles and Recommendations</th><th>Comply (Yes/No)</th><th>Explanation</th></tr>
<tr><td>2.3. A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, affiliation, or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director.</td><td>Yes</td><td>The Board Charter sets out the Board's adopted criteria and policy for determining whether a Director is independent. The RNC is responsible for assessing the independence of each Non-Executive Director.
The Board is comprised of five Directors:
• Brian Hartzer, appointed 5 July 2021
• Daniel Moss, appointed 5 June 2019
• Patrick Tuttle, appointed 16 November 2020
• Stefan Urosevic, appointed 5 June 2019
• Luke Bortoli, appointed 1 February 2022
During the reporting period, Natasha Davidson was also a Director until her directorship ceased on 21 November 2022.
The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement. Details of Director options have been set out in the Remuneration Report.
The Board has determined that three Directors are independent: Brian Hartzer; Luke Bortoli; and Patrick Tuttle. Accordingly, a majority of the Board is comprised of independent Directors.
The length of service of each Director is disclosed above.</td></tr>
<tr><td>2.4. The majority of the board should be independent directors.</td><td>Yes</td><td>As noted above in 2.3 a majority of the Board is comprised of independent Directors.</td></tr>
<tr><td>2.5. The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</td><td>Yes</td><td>The Board has appointed Brian Hartzer, an independent Director, as Chair. Mr Hartzer does not hold the position of CEO, in compliance with corporate governance best practice.</td></tr>
</table>

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

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
4. Safeguard the integrity of corporate reports		
4.1. The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes	The Company has formed an Audit and Risk Committee (**ARC**). A copy of the ARC Charter is available on the Company's website. The ARC is comprised of Patrick Tuttle (Chair of ARC), Luke Bortoli and Stefan Urosevic, all of whom are Non-Executive Directors and two of whom are independent Directors (Patrick Tuttle and Luke Bortoli). Natasha Davidson was also a member of ARC and Non-Executive Director until her directorship ceased on 21 November 2022. The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The ARC met on 7 occasions during the reporting period. Details of each member's attendance at ARC meetings is set out on page 28 of the Annual Report.
4.2. The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Before the Board approves the Company's financial statements for the last financial period, the Board received a declaration that, in the opinion of the CEO and CFO, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
6.4. A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Yes	The Company will ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
6.5. A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	All security holders have the option to receive communications from, and send communications to, the Company and its security registry electronically. The Company's approach to communicating with security holders is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.
7. Recognise and manage risk		
7.1. The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes	The Company has formed the ARC. A copy of the ARC Charter is available on the Company's website. The ARC is comprised of Patrick Tuttle (Chair of ARC), Luke Bortoli and Stefan Urosevic, all of whom are Non-Executive Directors and two of whom (Patrick Tuttle and Luke Bortoli) are independent Directors. Natasha Davidson was also a member of ARC and Non-Executive Director until her directorship ceased on 21 November 2022. The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The ARC met on 7 occasions during the reporting period. Details of each member's attendance at ARC meetings is set out on page 28 of the Annual Report.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
7.2. The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	In this reporting period, the Board (as recommended by ARC) reviewed the Company's risk management framework (in line with its annual review cycle) and has made a number of minor improvements to satisfy itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.
7.3. A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	Yes	The Company has various quality assurance strategies throughout the business, but has not established a discreet internal audit function. The Board (as recommended from ARC) considers that the current size and nature of the Company's operations does not necessitate the need for an internal audit function at this time. The ARC is responsible for evaluating and continually improving the effectiveness of the Company's governance, risk management and internal control processes. This committee facilitates the oversight of risks and actions being undertaken by Management to mitigate risks to an acceptable level. The Board is satisfied that the processes in place to identify the Company's material business risks are appropriate and that these risks are being managed effectively. The Company's risk management processes continue to be monitored and reported against. During the reporting period, the Board and ARC undertook a review as to whether there is a need for an internal audit function and determined that there was no such need. The Board and ARC will continue to periodically review whether there is a need for an internal audit function and its scope if needed. The Board is prepared to adopt an internal audit function if deemed necessary in the future.
7.4. A listed entity should disclose whether it has any material exposure to environmental or social risks and if it does, how it manages or intends to manage those risks.	Yes	The Company does not have material exposure to environmental or social risks. The Company intends that the ARC will be responsible for monitoring and receiving reports on environmental and social risks, and if they do arise, to manage them according to the ARC Charter, a copy of which is available on the Company's website.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
8. Remunerate fairly and responsibly		
8.1. The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	The Company has formed the RNC. A copy of the RNC Charter is available on the Company's website. The RNC is comprised of Luke Bortoli (Chair of RNC), Daniel Moss and Brian Hartzer, all of whom are Non-Executive Directors. Two (Luke Bortoli and Brian Hartzer) are independent Directors. The RNC is chaired by Luke Bortoli who is an independent Director. Natasha Davidson was Chair of RNC and a Non-Executive Director until her directorship ceased on 21 November 2022. The RNC met on 4 occasions during the reporting period. Details of each member's attendance at RNC meetings is set out on page 28 of the Annual Report.
8.2. A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company has disclosed its policies and practices regarding the remuneration of Non-Executive Directors in the Company's Remuneration Report within the Annual Report.
8.3. A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company's Securities Trading Policy and remuneration policies prohibit participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant. A copy of the Securities Trading Policy is available on the Company's website.

Glossary

Term	Definition
AAS	Australian Accounting Standards issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
Active Users	A customer of Beforepay, who has taken out an advance in the previous 12 months from the date of the relevant information. This includes customers who have not repaid their most recent Cash Out and are not eligible to re-borrow until they have done so. The figures presented on Active Users are unaudited.
Average Annual Customer Gross Income	The average annual individual customer gross income has been derived from all customers who borrowed in June 2023. The average annual individual customer gross income is derived using the annualised net income identified by Beforepay's pay cycle detection tool, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annual individual customer gross income figure may be understated due to ignoring any secondary sources of income.
Average Pay Advance	Total dollar volume of pay advances in a period divided by the number of Pay advances in that period. The figures presented on average pay advance are unaudited.
App	Either one of the two smartphone applications of Beforepay, one for iOS devices and one for Android or the web application, as appropriate in its context.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
Beforepay	The Company and its controlled entities (and, where the context requires, the businesses conducted by those entities).
Beforepay Finance	Beforepay Finance Pty Ltd ACN 636 670 525 (a wholly owned subsidiary of the Company).
Beforepay IP	Beforepay IP Pty Ltd ACN 633 930 015 (a wholly owned subsidiary of the Company).
Beforepay Ops	Beforepay Ops Pty Ltd ACN 633 930 159 (a wholly owned subsidiary of the Company).
Beforepay Income	The transactions fees charged to customers on advances. Beforepay income is calculated and charged based on a fixed percentage (5%) of the amount advanced.
Board or Board of Directors	The board of directors of the Company.
Cash Out or pay advances	An advance made or offered by Beforepay to a user. The figures presented on pay advances are unaudited.
Company	Beforepay Group Limited (ACN 633 925 505).
Commission Income	Commission income earned on Beforepay's Compare and Save platform.
Convertible Notes	Means convertible notes issued by the Company and which converted to Shares in connection with the Listing.
Corporations Act	*Corporations Act 2001* (Cth).
Credit Model	Beforepay's proprietary credit risk scoring model.

Glossary continued

Term	Definition
Customer Acquisition Costs	Advertising and marketing expenses attributable to customer acquisition divided by the number of first time cash outs. The figures presented on customer acquisition costs are unaudited.
Director	A member of the Board.
Duration	The average across all Pay advances of the time required to repay the Pay advance, weighted by the dollar size of each Pay advance. A Pay advance that is not repaid within 62 days is assumed to have a duration of 62 days.
EBITDA	Earnings before interest, taxation, depreciation and amortisation (adjusted). The figures presented on EBITDA are unaudited.
Group	The Company and each of its subsidiaries.
Gross Transaction Loss	Expected credit loss expense excluding recoveries.
GST	Goods and services tax (GST) imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board.
Interest income	Interest earned on cash at bank. It is not the fee that Beforepay charges to its customers.
Key Management Personnel	The Directors, Michael Bencsik, Chief Financial Officer and James Twiss, Chief Executive Officer.
KYC	Know your customer.
Longreach	Longreach Credit Investors Pty Ltd.
LTIP	The Company's long-term incentive scheme.
Management	The executive management team of Beforepay.
Net Transaction Loss	Actual and expected credit losses (net of recoveries). It comprises customer defaults plus current advances provisioned during the period. The figures presented on net transaction loss are unaudited.
Net Transaction Loss %	Net transaction loss as a percentage of pay advances plus fees. The figures presented on net transaction loss % are unaudited.
Net Transaction Margin	Comprises Beforepay income (being Beforepay pay advance fee income) less the variable costs associated with facilitating the pay advance transaction (net of recoveries). Variable costs include net transaction loss, third party funding costs and direct service costs. Net transaction margin is a management metric used to measure the gross margin on pay advances. The figures presented on net transaction margin are unaudited.
Net Transaction Margin %	Net transaction margin as a percentage of pay advances. The figures presented on net transaction margin% are unaudited.
Non-Executive Director	A member of the Board who does not form part of the Company's management. Presently this constitutes all of the Directors.

Glossary continued

Term	Definition
Pay Advances or pay advances	The aggregate dollar value of Cash Outs in a specified period to a user. The figures presented on pay advances are unaudited.
Pay on Demand	Pay-on-demand, being the product offered by Beforepay via Cash Outs.
Recoveries	Monies repaid by customers after a Pay advance has defaulted at 62 days after the date of issuance (net of costs) of the recovery.
Recoveries %	Recoveries divided by gross transaction loss.
Reuse rate %	Percentage of customers who have successfully repaid their first pay advance and have since taken out a second pay advance in the current financial year. The figures presented on reuse rate are unaudited.
RNC	Remuneration and Nominations Committee.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Automic Pty Ltd (ACN 152 260 814).
VWAP	Volume-weighted average price.

Corporate Directory

As at 30 June 2023

Directors

Brian Hartzer – Chair
Daniel Moss
Stefan Urosevic
Patrick Tuttle
Luke Bortoli

Company secretaries

Elena Chan
Elizabeth Spooner

Notice of annual general meeting

The details of the annual general meeting of Beforepay Group Limited are:

Deutsche Bank Tower
Level 5, 126 Philip Street
Sydney NSW 2000

2:00pm, Wednesday 22 November 2023

Registered office

Suite 2, Level 6
50 Carrington Street
Sydney NSW 2000

Tel: +61 1300 870 711

Principal place of business

Suite 2, Level 6
50 Carrington Street
Sydney NSW 2000

Tel: +61 1300 870 711

Share registry

Automic Pty Limited
Deutsche Bank Tower
Level 5, 126 Philip Street
Sydney NSW 2000

Tel: +61 2 9698 5414

Auditor

Ernst & Young
EY Centre
200 George Street
Sydney NSW 2000

Stock exchange listing

Beforepay Group Limited shares are listed on the Australian Securities Exchange (ASX code: B4P)

Website: www.beforepay.com.au

Beforepay

www.beforepay.com.au