Navalo Financial Services Group Limited and its controlled entities

ABN 24 605 753 535

Financial Report - For the year ended 30 June 2024

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General information

About this report

This report for Navalo Financial Services Group Limited and its controlled entities (collectively, the “Group” or "Navalo") for the year ended 30 June 2024. Navalo Financial Services Group Limited (the “Company”) is a for-profit entity limited by shares incorporated and domiciled in Australia.

The Company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
2 Ridge Street, North Sydney, NSW, 2060.	42 Cambridge Street, Collingwood, VIC 3066.

A description of the nature of the Group's operations and its principal activities are included in the directors' report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 August 2024. The directors have the power to amend and reissue the financial statements.

Navalo Financial Services Group Limited and its controlled entities
Directors' report
30 June 2024

The directors submit their report on Navalo Financial Services Group Limited, trading as Payright Limited (the "Company") and its controlled entities (collectively, the "Group" or "Navalo"), for the financial year ended 30 June 2024.

Directors and officers
The names and details of the Company's directors in office during the period and until the date of this report are set out below. Directors were in office for this entire period, unless otherwise stated.

Allan Griffiths - Non-Executive Director (appointed as Director and Chairman 25 January 2023 and resigned as Chairman 31 December 2023)
Andrew Lockhart - Chairman and Non-Executive Director (appointed as Chairman 31 December 2023)
Lisa Davis (appointed as Director 6 February 2024)
Mark Licciardo - Non-Executive Director (appointed as Director 18 October 2023)
Matthew Pringle - Non-Executive Director

Allan Griffiths
Non-Executive Director (Resigned from Chairman 31 December 2023)

Allan has more than 30 years' experience in, and extensive understanding of the financial services industry. Allan held a number of executive positions within the industry, most notably as Chief Executive Officer Aviva Australia (formerly Norwich Union) and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva, he held executive positions with Colonial Ltd. Allan is Chairman of ASX listed Insignia Financial (formerly IOOF), having been appointed Chairman in 2019 and Director since 2014, St Andrew's Insurance Group and Metrics Credit Holdings Pty Ltd as trustee for MCH Investments Trust (a member of the Metrics group) (Metrics) which as at 30 June 2024 held 88.79% of Navalo's issued capital. Metrics also holds 14,545,454 convertible notes issued by the Group. Allan has a Bachelor of Business. Allan is a member of Navalo's Capital Management Committee (CMC).

Andrew Lockhart
Chairman and Non-Executive Director (Appointed as Chairman 31 December 2023)

Andrew has more than 30 years' banking, funds management and financial markets experience and is the Managing Partner and Director of Metrics Credit Holdings Pty Ltd, a leading Australian non-bank corporate lender and alternative asset manager specialising in fixed income, private credit, equity and capital markets, with in-excess of $20bn of assets under management. Andrew has considerable experience in loan origination, structuring and portfolio risk management, previously specialising in leverage and acquisition finance and corporate institutional lending at National Australia Bank. Andrew is also a Non-executive Director of several non-bank finance companies. Andrew holds a Bachelor of Business and Master of Business Administration from Queensland University of Technology. Andrew is a director of MCH Investment Management Services Pty Ltd (a member of the Metrics group) (Metrics). Andrew is Chair of Navalo's CMC.

Lisa Davis
Non-Executive Director (Appointed as Director 6 February 2024)

Lisa has an extensive background in Business Performance Optimisation, the transformation and leadership of large-scale teams to drive customer outcomes. Lisa built her early career with GE Australia in key transformation leadership roles, before moving to a COO role. She has held P&L responsibility in both financial services and consumer products. Lisa has spent 6 years at Equifax, a global Data, Analytics and Tech business, as COO, and has extensive knowledge in leading local teams within a global context and in digital, experience design and operational risk management.

Mark Licciardo
Non-Executive Director (Appointed as Director 18 October 2023)

Mark has extensive experience working with boards of high-profile ASX-listed companies guiding and implementing effective corporate governance practices. He is an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, biotechnology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign-controlled entities and private companies. During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses.

Matthew Pringle
Non-Executive Director

Matthew has extensive experience in corporate finance, audit and assurance, governance and strategy, including over 25 years' experience as a Partner at Pitcher Partners. His roles with Pitcher Partners included leading the corporate finance practice group, senior audit partner and leading the corporate governance and board advisory practice area. Matthew holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant. Matthew is Chair of the Audit and Risk Committee and a member of Navalo's CMC.

Saara Mistry
General Counsel, Chief Risk Officer and Company Secretary

Saara has over 20 years of experience performing numerous in-house legal counsel, compliance and risk professional roles across financial services in Australia, the United Kingdom and the Middle East. She specialises in consumer finance, regulatory compliance and reform, as well as privacy and wealth management compliance. Prior to her role at Navalo, Saara held roles at Barclays Bank in the UK, HSBC in the Middle East and National Australia Bank and Liberty Financial in Australia. She holds a Bachelor of Science/Bachelor of Laws (Hons) from Monash University.

Board Committee Meetings

Attendance of the Directors at meetings of committees of the Board during the year is set out below:

Director	Board Meetings Attended	Board Meetings Held[1]	Audit and Risk Committee meetings Attended	Audit and Risk Committee meetings Held[1]
Allan Griffiths	14	14	4	4
Andrew Lockhart	14	14	4	4
Matthew Pringle	14	14	4	4
Mark Licciardo	10	10	-	-
Lisa Davis	5	6	-	-

[1] The number of meetings held indicates the total number held whilst the Director was in office during the course of the year.

A "-" Denotes the Director is not a member of the relevant committee.

Principal activities
The principal activity of the Company during the financial year ended 30 June 2024 was to provide point of sale consumer finance solutions.
There were no other significant changes in the nature of these activities for the financial year ended 30 June 2024.

Dividends
No dividends have been paid or declared for the financial year ended 30 June 2024 (2023: $nil).

Review of operations
Navalo is a participant in the non-bank finance industry with distribution throughout Australia. It provides consumer finance solutions to encourage point of sale conversion and enables customers to spread the cost of purchases over time.

Summary of financial results for the year ended 30 June 2024

	2024 $'000	2023 $'000	Change $'000	Change %
Net finance income	9,245	8,849	396	4%
Total expenses	(21,161)	(18,584)	(2,577)	14%
Gain(loss) on revaluation of embedded derivative	853	(391)	1,244	(318%)
Loss before income tax expense	(11,063)	(10,126)	(937)	9%

- Net finance income increased to $9.2m for the year 30 June 2024, an increase of 4% from the prior period.
- Increase in expenses for the Group largely resulted from increase in Expected Credit Loss (ECL) driven by an increase in the loan portfolio and increased spend on consultancy and professional fees.
- Finance costs increased due to higher average interest rates and borrowings in the year ended 30 June 2024, supporting operational needs.

Financial Position Summary

	30 June 2024 $'000	30 June 2023 $'000	Change $'000	Change %
Total assets	134,260	125,447	8,813	7%
Total liabilities	(134,846)	(114,634)	(20,212)	18%
Net (liabilities)/assets	(586)	10,813	(11,399)	(105%)
Equity	(586)	10,813	(11,399)	(105%)

Outlook

The historical financial performance of the Group and near-term outlook indicate that the Group lacks sufficient scale to operate profitably in the Buy-Now-Pay-Later and merchant-distributed consumer lending markets. Further, there are significant challenges in terms of accessing sufficient funding to reach the required scale with the current product mix.

Having currently only one distribution channel (via merchants) for its products, and modest take up of the new regulated personal loan product via the merchant network, the Group is vulnerable to industry challenges such as congestion, competitive pressures, and over reliance on a single distribution channel. These challenges create additional headwinds for the Group in its current form, such as being unable to achieve sustainable scale, secure material and cost-effective capital and realise operational efficiencies available to a more diverse lender.

The primary objectives of Navalo are to:

- Accelerate the uptake of the new regulated personal loan product.
- Expand the product offerings.
- Identify new distribution channels for its products.
- Profitable growth of the loan book such that the Group can become profitable.
- Identify other organic and inorganic growth opportunities which may include the acquisition of target companies that may assist in achieving the above objectives and/or accelerating the path to profitability.

As at 30 June 2024 the Group had consolidated net liabilities of $586k (2023: Net Assets of $10.8m) and incurred a loss of $11.1m (2023: $10.1m). The Group's net operating cash outflows were $18.5m for 12-month period year 30 June 2024 (2023: $29.8m).

It is anticipated that further losses will be incurred by the Group as it continues to focus on improving profitability, growth in Australian markets and improving operating systems and efficiencies. The Board and Management of Navalo will continue to explore further capital and/or debt raising to ensure the capital requirements of the Group are adequately supported. The Board is considering a range of financing options with current stakeholders and other third parties to ensure the capital requirements of the business are satisfied moving forward.

Significant changes in the state of affairs and likely developments
There were no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2024.

Significant events after the reporting date
On 10 July 2024, Navalo announced the results of the entitlement offer, raising gross proceeds of $8,994,866 from the issue of 46,365,289 new shares at the offer price of $0.194 per new share. The short term loan of $4.493 million owing by the Group to MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1 (Metrics) was repaid at settlement of the Offer out of the gross proceeds raised. Following completion of the Offer, Metrics' voting power in Navalo (which includes Metrics Business Finance Holdings Pty Ltd's shareholding) is 97.10%.

No other matter or circumstance has arisen since 30 June 2024 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.

Indemnification and insurance of Directors and officers
The Group has indemnified the directors and executives of the Group 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.

As a controlled subsidiary of Metrics, the Group receives coverage under the Metrics insurance program, which includes coverage to insure the directors and executives of the Group 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.

Auditor
KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

Indemnification of auditor
The Group has not, during or since the end of the financial year ended 30 June 2024, 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 ended 30 June 2024, the Group has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Auditor's independence declaration
The directors have received a declaration from the auditor of Navalo Financial Services Group Limited, KPMG (Australia). This has been included on page 7.

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.

Rounding of amounts
The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in accordance with a resolution of the directors.

___________________________	___________________________
Andrew Lockhart	Matthew Pringle
Chairman	Non-Executive Director

22 August 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Navalo Financial Services Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Navalo Financial Services Group Limited for the financial year ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A.R

Andrew Reeves

Partner

Sydney

22 August 2024

Navalo Financial Services Group Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Net finance income			
Fee and finance income	2	20,110	18,161
Finance Costs	2	(13,336)	(10,128)
Other income	2	2,471	816
Net finance income		9,245	8,849
Expenses			
Employee benefits expense	3	(7,555)	(7,518)
Consulting and professional fees		(4,002)	(2,700)
Administration costs		(2,183)	(1,951)
Other expenses		(910)	(888)
Advertising and marketing		(84)	(189)
Rent		(18)	(69)
Expected credit loss	6	(6,388)	(5,144)
Depreciation		(21)	(125)
Total expenses		(21,161)	(18,584)
Operating loss		(11,916)	(9,735)
Gain/(loss) on revaluation on embedded derivative	11	853	(391)
Loss before income tax expense		(11,063)	(10,126)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Navalo Financial Services Group Limited	14	(11,063)	(10,126)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		16	3
Other comprehensive income for the year, net of tax		16	3
Total comprehensive income for the year attributable to the owners of Navalo Financial Services Group Limited		(11,047)	(10,123)

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

Navalo Financial Services Group Limited and its controlled entities
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	4	10,374	9,640
Receivables	6	69,013	63,896
Prepayments and other current assets		1,582	1,627
Total current assets		80,969	75,163
Non-current assets			
Receivables	6	51,420	48,705
Property, plant and equipment		27	12
Other non-current asset		1,844	1,567
Total non-current assets		53,291	50,284
Total assets		134,260	125,447
Liabilities			
Current liabilities			
Trade and other payables	7	4,279	2,501
Loans and borrowings	10	23,206	-
Employee benefits	8	626	544
Total current liabilities		28,111	3,045
Non-current liabilities			
Loans and borrowings	10	106,456	110,516
Employee benefits	8	279	220
Derivative liability	11	-	853
Total non-current liabilities		106,735	111,589
Total liabilities		134,846	114,634
Net (liabilities)/assets		**(586)**	**10,813**
Equity			
Other reserves		724	597
Accumulated losses	14	(60,570)	(49,507)
Deficiency in equity attributable to the owners of Navalo Financial Services Group Limited		(59,846)	(48,910)
Issued capital	9	59,260	59,723
Total (deficiency)/equity		**(586)**	**10,813**

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

Navalo Financial Services Group Limited and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	Issued capital $'000	Share based payment reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	45,895	650	(243)	(39,381)	**6,921**
Loss after income tax expense for the year	-	-	-	(10,126)	**(10,126)**
Other comprehensive income for the year, net of tax	-	-	3	-	**3**
Total comprehensive income for the year	-	-	3	(10,126)	**(10,123)**
Issuance of share capital (note 9)	15,111	-	-	-	**15,111**
Share issuance costs (note 9)	(1,283)	-	-	-	**(1,283)**
Transactions with owners in their capacity as owners:					
Share-based payments (note 3)	-	187	-	-	**187**
Balance at 30 June 2023	59,723	837	(240)	(49,507)	**10,813**

Consolidated	Issued capital $'000	Share based payment reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total deficiency in equity $'000
Balance at 1 July 2023	59,723	837	(240)	(49,507)	**10,813**
Loss after income tax expense for the year	-	-	-	(11,063)	**(11,063)**
Other comprehensive income for the year, net of tax	-	-	16	-	**16**
Total comprehensive income for the year	-	-	16	(11,063)	**(11,047)**
Issuance of share capital (note 9)	508	-	-	-	**508**
Share issuance costs (note 9)	(954)	-	-	-	**(954)**
Share buy back (note 9)	(17)	-	-	-	**(17)**
Transactions with owners in their capacity as owners:					
Share-based payments (note 3)	-	110	-	-	**110**
Revaluation of Goldman Sachs Warrants	-	1	-	-	**1**
Balance at 30 June 2024	59,260	948	(224)	(60,570)	**(586)**

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

Navalo Financial Services Group Limited and its controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		110,255	96,667
Payments to suppliers and employees		(12,727)	(15,878)
Payments to merchants		(103,401)	(101,141)
Interest received		230	89
Interest paid		(12,809)	(9,517)
Interest paid on lease liability		-	(8)
Net cash used in operating activities	4	(18,452)	(29,788)
Cash flows from investing activities			
Purchase for property, plant and equipment		(36)	(10)
Net cash used in investing activities		(36)	(10)
Cash flows from financing activities			
Proceeds from issue of share capital	9	508	15,111
Proceeds from warehouse facility		15,000	18,023
Repayment of warehouse facility		(18,713)	-
Repayment of notes		-	(4,983)
Payment of warehouse facility costs		(723)	(21)
Payment of share issuance costs	9	(56)	(1,284)
Principal portion of lease liability		-	(91)
Proceeds from borrowings	10	23,206	-
Net cash from financing activities		19,222	26,755
Net increase/(decrease) in cash and cash equivalents		734	(3,043)
Cash and cash equivalents at the beginning of the financial year	4	9,640	12,683
Cash and cash equivalents at the end of the financial year	4	10,374	9,640

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

Note 1. Material accounting policies

Basis of preparation
These general purpose financial statements have been prepared for the year ended 30 June 2024 and are 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').

The financial statements have been prepared under the historical cost convention.

Going concern
The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and settle its liabilities in the normal course of business and at amounts stated in the financial report.

As at 30 June 2024 the Group had consolidated net liabilities of $586k (2023: Net Assets of $10.8m) and incurred a loss of $11.1m (2023: $10.1m). The Group's net operating cash outflows were $18.5m for 12-month period year 30 June 2024 (2023: $29.8m).

On 10 July 2024, Navalo announced the results of the entitlement offer, raising gross proceeds of $8,994,866 from the issue of 46,365,289 new Shares at the offer price of $0.194 per new Share.

It is anticipated that further losses will be incurred by the Group as it continues to focus on improving profitability, growth in Australian markets and improving operating systems and efficiencies. The Board and Management of Navalo will continue to explore further capital and/or debt raising to ensure the capital requirements of the Group are adequately supported. The Board is considering a range of financing options with current stakeholders and other third parties to ensure the capital requirements of the business are satisfied moving forward.

The Directors at the date of signing, have reasonable grounds to believe that it will continue to be successful in sourcing sufficient debt and/or equity funding in the future. In the event sourcing new or additional funding arrangements are not successful, the Group has options available including but not limited to slowing down growth, further reductions in operating costs and pursuing alternate strategic opportunities to preserve cash reserves. Accordingly, the Directors believe the going concern basis in which the financial reports are prepared is appropriate.

Should the Group be unsuccessful in achieving the matters set out in the above paragraph, a material uncertainty would exist that may cause significant doubt on the ability of the Group to continue as a going concern, and therefore, whether it will realise its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Key judgements and estimates
In the process of applying the Group’s accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the annual report are found in the following notes:

- Receivables (note 6)
- Convertible notes (note 11)

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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 19.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Navalo Financial Services Group Limited ("Company" or "parent entity") as at 30 June 2024 and the results of all subsidiaries for the year then ended. Navalo Financial Services Group Limited and its subsidiaries together are referred to in these financial statements as the "Group" or "Navalo".

Note 1. Material accounting policies (continued)

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 1. Material accounting policies (continued)

Revenue recognition
Income, including merchant fees, customer fees and interest income are recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate (EIR) method. The Group allocates fee income over the life of the associated end consumer's receivable balance.

Customer fees
Customer fees comprise account keeping fees, establishment fees and payment processing fees. Customer fees are charged dependent on the plan duration and can vary depending on the terms and conditions of each plan. Late fees may also be charged in the event of missed or late repayments.

Merchant fees
Merchant fees are fees paid by merchants in exchange for the Group's payment solution services. It is derived from the difference between the customer's underlying sale transaction value and the amount paid to the merchant for that transaction.

Finance income
Finance income relates to interest income earned from cash and cash equivalents.

Other revenue
Other revenue, including late fees is recognised when it is received or when the right to receive payment is established.

Expenses
Employee benefits expense
Employee benefits expense are wages and salaries, including non-monetary benefits such as accumulated annual leave, long service leave, termination benefits and employee share-based-payments which are recognised in respect of employees' services up to the reporting date. They are measured as the amounts expected to be paid, when the liabilities are settled. Wages and salaries expenses are recognised as services which are incurred.

Employee entitlement benefits are recognised when the benefits are earned and are measured at the rates paid or payable.
The policy for employee benefit liabilities and share-based payments are set out in note 8 and note 15, respectively.

Finance costs
All finance costs are expensed in the period in which they occur. Directly attributable transaction costs are recognised in the profit and loss statement based on the effective interest rate of these borrowings.

The implementation of the warehouse facility and issuance of convertible notes in 2022, and warehouse facility extension in 2023 incurred borrowing costs which will be amortised over a four-year period. Additionally Funding costs for the Purchase of Class B notes and the OIS Rights Issue have been capitalised in 2024 and will be amortised over a four-year period.

Current vs non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be recognised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be recognised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Deferred tax assets and liabilities are classified as non-current assets and/or liabilities.
The Group classifies all other liabilities as non-current.

Note 1. Material accounting policies (continued)

Cash and Cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Receivables

Receivables are financial assets generated in the ordinary course of business. They are generally due for settlement within 2 to 60 months. If collection of the amount is expected in one year or less, they are classified as current assets otherwise, they are classified as non-current assets. The Group's model is to hold the receivables with the objective to collect the contracted cashflows. Receivables are Initially recognised at fair value and are subsequently measured at amortised cost less an allowance for impairment.

Significant increase in credit risk (SICR)

The provisioning model recognised receivables past due 30 days as the criteria to identify increases in credit risk. In the event of the identification of a SICR, the Group no longer calculates ECL based on 12-month probability default (PD) model but based on lifetime PD.

Definition of default and credit-impaired assets

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

Impairment of receivables

The Group applies the general provision approach to account for ECL on receivables measured at amortised cost. ECLs are based on the difference between the contractual cashflows due in accordance with the receivable terms and all the cash flows that the Group expects to receive.

ECL on Stage 1 receivables are calculated based on the 12 month PD model. In the event of the identification of a SICR, the Group no longer calculates ECL based on 12-month PD but based on lifetime PD. Lifetime PD leverages off the Group's 12-month PD model and extends it to a lifetime PD where it looks forward to the contractual loan maturity to estimate future losses expected to be incurred on its receivables. The ECL model is further adjusted to reflect current and forward-looking information, including macro-economic factors that are not captured within the base ECL calculations, which may affect the ability of the customers to settle the receivables. Management has enhanced the impact of the macro-economic factors in 2023, to capture the rising interest rates, increased cost of living pressures and rising inflation on their customers.

At each reporting date, the Group assesses impairment risk of the receivables and movements in the ageing of outstanding receivables to estimate the ECLs. The Group classifies its receivables into three stages and measures the ECL based on credit migration between the stages.

On a monthly basis, the Group provides for Expected Credit Losses based on movements in receivable balances, in addition to reflecting the impact of write-offs that are assessed monthly in both Australia and New Zealand.

Note 1. Material accounting policies (continued)

Stage	Ageing	Measurement basis
Stage 1	Up to 30 days past due	Although there is usually no objective evidence of impairment in stage 1, an ECL has been determined based on a probability of a default event occurring over the next 12 months.
Stage 2	30 to 89 days past due	When a receivable is past due between 30 to 89 days, it is an indication that credit risk has increased. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of the receivables.
Stage 3	90 days or more past due	Stage 3 includes receivables aged 90 days or more past due where there is objective evidence of impairment at reporting date. Ageing of 90 days or more is considered to have an adverse impact on the estimated future cash flows of the receivables.

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Accrued interest is settled monthly, quarterly or half-yearly throughout the period.

Employee benefit liabilities
The Group recognised a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 corporate bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Liabilities for employee benefits where the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date are presented as current. Liabilities for employee benefits where the Group has an unconditional right to defer settlement for at least 12 months after the reporting date are presented as non-current.

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.

Equity
Ordinary shares
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. Ordinary shares have no par value and entitle the holder to the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amount paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

Options
Options are issued as part of Employee Options Grant and Director Options Grant. Refer to note 15 for further details

Note 1. Material accounting policies (continued)

Loans and borrowings
Loans and borrowings are financial liabilities, initially recognized at the fair value of the consideration received less directly attributable transaction costs.
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees which are directly attributable to the establishment of the loan facilities that are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

Derecognition
Loans and borrowings are derecognised when the obligation under the liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is derecognised in the consolidated statement of profit or loss and other comprehensive income.

Employee share ownership plans (ESOP)
The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value was determined by the Directors and management using an adjusted form of the Black-Scholes-Merton Model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).
At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods where there is a corresponding credit to equity. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The recognised expense arising from equity settled share-based payment plans during the period is shown in note 15. During the year ended 30 June 2024, the Group had the following share-based payment plans in place:
- Employee Gift Offer
- Employee Options Grant
- Director Options Grant

There have been no cancellations to any of the plans during the reporting period.

Cessation of employment
Where an employee ceases employment with the Company during the restriction period, the employee will be entitled to keep their shares and the dealing restriction will cease at the time of the employment ends.

Note 1. Material accounting policies (continued)

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.

Convertible Notes
The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

The fair value of the convertible note liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Share-based payments
Equity-settled and cash-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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 1. Material accounting policies (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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 that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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.

Note 1. Material accounting policies (continued)

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New and amended Accounting Standards and Interpretations adopted

There are no new or amended standards adopted by the Group for the first time for their annual reporting period commencing 1 July 2023 that have had any material impact on the Group's accounting policies nor have had any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended Accounting Standards and Interpretations not yet mandatory

Any new or amended Accounting Standards and Interpretations that are not mandatory have not been early adopted by the Group.

Note 2. Net fee and finance income

	Consolidated	
Fee and finance income	**2024**	**2023**
	$'000	**$'000**
Customer fees	6,695	6,415
Merchant fees	13,185	11,657
Finance Income	230	89
Fee and finance income	20,110	18,161

Other Income	Consolidated	
	2024	**2023**
	$'000	**$'000**
Debt Sale Income	1,875	-
Late Payment Fees	355	302
Government Grant Revenue	-	449
Other	241	65
Total other income	2,471	816

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Finance costs		
Interest expense	(12,310)	(9,041)
Amortisation of borrowing costs	(960)	(1,016)
Other fees	(66)	(71)
Total finance costs	(13,336)	(10,128)

Note 3. Expenses

	Consolidated 2024 $'000	Consolidated 2023 $'000
Employee benefits expense		
Salary costs	7,445	7,331
Share-based payment	110	187
Total employee benefits expense	7,555	7,518

Note 4. Cash and cash equivalents

	Consolidated 2024 $'000	Consolidated 2023 $'000
Cash at bank	8,274	8,140
Restricted cash[1]	2,100	1,500
Total cash and cash equivalents	10,374	9,640

[1] Under the terms of the warehouse facility arrangement, the Group is required to satisfy the requirement for a minimum $2.1m cash (2023: $1.5m) and the Group has therefore held this cash as restricted.

Reconciliation of net loss after tax to net cash flows from operating activities	Consolidated 2024 $'000	Consolidated 2023 $'000
Loss for the year	(11,063)	(10,126)
Adjustments for:		
Depreciation on property, plant and equipment	21	45
Depreciation on right-of-use assets	-	80
Expected credit losses (net of debts written-off)	6,388	5,144
Amortisation and write-off of borrowing costs[1]	960	1,016
Share-based payments expense	110	187
Changes in assets and liabilities:		
(Increase) in receivables	(15,552)	(22,256)
(Increase) in other assets and prepayments	(573)	(1,453)
(Decrease)/Increase in trade and other payables	1,953	(2,799)
(Decrease)/Increase in employee benefit liabilities	157	(17)
(Decrease)/Increase in embedded derivative liability	(853)	391
Net cash flows used in operating activities	(18,452)	(29,788)

Changes in liabilities arising from financing activities	**At 1 June 2023**	**Cash inflows**	**Cash outflows**	**Non-cash movements**	**At 30 June 2024**
2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Borrowings[1]	110,516	38,144	(19,374)	376	129,662
Derivative Liability[2]	853	-	-	(853)	-
Total liabilities from financing activities	111,369	38,144	(19,374)	(477)	129,662

Note 4. Cash and cash equivalents (continued)

Changes in liabilities arising from financing activities	**At 1 July 2022**	**Cash inflows**	**Cash outflows**	**Non-cash movements**	**At 30 June 2023**
2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Borrowings[1]	97,383	18,023	(5,004)	114	110,516
Derivative Liability[2]	462	-	-	391	853
Lease liabilities	91	-	(83)	(8)	-
Total liabilities from financing activities	97,936	18,023	(5,087)	497	111,369

[1]Relates to warehouse facility loan. Refer to note 10 for further information. Net non-cash movement for warehouse loan and convertible notes includes the amortisation of funding costs for warehouse facility and convertible notes.
[2]Relates to fair value movement in embedded derivative of convertible note. Refer to note 11 for further information.

Note 5. Income tax

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Non-current assets		
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(11,063)	(10,126)
Tax at the statutory tax rate of 30%	(3,319)	(3,038)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payment expenses	33	56
Other non-assessable income	(139)	(135)
Other non-deductible expenses	2	3
Impact of change in tax rate	-	(2,261)
Total	(3,423)	(5,375)
Current year tax losses not recognised	3,423	5,375
Income tax expense	-	-

Tax losses

The Group has net unrecognised deferred tax assets of $23.3 m (2023: $15.7m). The unused tax losses belong to the Navalo income tax consolidated group. The deferred tax asset in relation to the Group's unused tax losses have not been recognised as the directors have determined it is not probable at this stage that the benefit will flow to the Group.

The unrecognised tax losses can be carried forward indefinitely, subject to the meeting the continuity of ownership test or business continuity test. During the year ended 30 June 2024, the Navalo income tax consolidated group failed the continuity of ownership test, and as a result the Group will be required to satisfy the business continuity test in order to carry forward and utilise the tax losses in the future. Management performed an assessment to confirm Navalo’s ability to satisfy the requirements of the business continuity test at 30 June 2024.

Australian income tax consolidation legislation
Navalo Financial Services Group Limited and its wholly-owned Australian-controlled entities have implemented the tax consolidated legislation as of 6 October 2017. The head entity, Navalo Financial Services Group Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

Note 5. Income tax (continued)

	Consolidated 2024 $'000	Consolidated 2023 $'000
Deferred tax liabilities relate to the following:		
Other assets - prepayments	(80)	(77)
Unrealised gain/(loss) on revaluation of embedded derivative	(480)	(224)
Total unrecognised deferred tax liabilities	(560)	(301)
Deferred tax assets relate to the following:		
Intangible assets	609	426
Property, plant and equipment	(3)	(2)
Provision for ECL	2,277	2,560
Deferred income	790	546
Employee benefits	318	269
Capital raising costs	367	777
Unused tax losses	19,508	11,465
Total unrecognised deferred tax assets	23,866	16,041
Net unrecognised deferred tax asset	23,306	15,740

Note 6. Receivables

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current assets		
Receivables	73,380	68,861
Less: Provision for expected credit loss	(4,367)	(4,965)
Total current receivables	69,013	63,896
Non-current assets		
Receivables	54,685	52,498
Less: Provision for expected credit loss	(3,265)	(3,793)
Total non-current receivables	51,420	48,705
	120,433	112,601

Movements in the provision for expected credit losses were as follows:	Consolidated 2024 $'000	Consolidated 2023 $'000
Opening provision	(8,758)	(6,916)
Provided in the year	(6,388)	(5,144)
Debts written-off[1]	7,514	3,302
Closing provision	(7,632)	(8,758)

[1] Debts written-off during the year ended 30 June 2024 are not recoverable and are still subject to enforcement activity.

Note 7. Trade and other payables

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current liabilities		
Trade payables	2,440	944
GST Payable	177	386
Interest payable	455	335
Other payable	1,207	836
Total trade and other payables	4,279	2,501

Note 8. Employee benefits

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current liabilities		
Annual leave	626	544
Non-current liabilities		
Long-Service Leave	279	220
Total employee benefits	905	764

Note 9. Issued Capital

	Consolidated 2024 $'000	Consolidated 2023 $'000
Authorised fully paid ordinary shares	59,260	59,723

	2024 Number of shares	2024 Share Capital $'000	2023 Number of shares[3]	2023 Share Capital $'000
Opening balance	7,047,480	59,723	97,434,313	45,896
Shares issued[1]	1,790,014	508	783,450,876	15,111
Share issuance costs	-	(954)	-	(1,284)
Share Consolidation[4]	-	-	(873,837,709)	-
Share buy back[2]	(60,238)	(17)	-	-
Closing balance	8,777,256	59,260	7,047,480	59,723

Note 9. Issued Capital (continued)

[1]On 29 February 2024, the Company announced it had received a funding package that included a placement of $508,005.97 through the issue of 1,790,014 ordinary shares to Metrics Business Finance Holdings Pty Ltd (MBFH), a related party of Metrics at a price per share of $0.2838.
[2]On 26 April 2024, the Company announced it had completed the acquisition of 60,238 ordinary shares from shareholders at a cost of $17,095.49 pursuant to the equal access buy-back announced by the Company on 20 March 2024.
[3]The Group raised $15,110,914 of authorised share capital in financial year ended 2023. This included issuing 109.9 million ordinary shares for $0.045 per share between December and January (100.8 million issued to MCH Investment Management), and issuing 671 million ordinary shares for $0.015 between March and April (640.4 million issued to MCH Investment Management).
[4]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares was consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

Note 10. Loans and borrowings

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current liabilities		
Borrowings [1]	18,713	-
Borrowings with related parties [2]	4,493	-
Total current liabilities	23,206	-
Non-current liabilities		
Warehouse loan facilities [3]	99,615	104,301
Convertible notes (note 11)	6,841	6,215
Total non-current liabilities	106,456	110,516
Total loans and borrowings	129,662	110,516

[1]This represents a $18.7m loan facility lent for the purpose of purchasing Class B notes in the warehouse, secured by a general security agreement against the assets of the Group.
[2]This represents short term, unsecured loan of $4.5m from MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1, a related party entity which was repaid on 15 July 2024.
[3]Warehouse loan facilities represents net drawn balance less funding costs directly attributable to the establishment of the loan facilities and are secured against assets of $128.1m (2023: $121.4m).

Warehouse facilities	Available Limit 2024 $'000	Drawn 2024 $'000	Interest Margin 2024 %	Available Limit 2023 $'000	Drawn 2023 $'000	Interest Margin 2023 %
Class A[1]	140,000	101,472	4.50%	100,000	89,872	4.71%
Class B [2,3]	-	-	-	18,750	16,776	9.25%
	140,000	101,472		118,750	106,648	

Note 10. Loans and borrowings (continued)

[1] On 14 September 2023, Navalo announced the warehouse facility was extended for Class A notes held by Goldman Sachs to a limit of $140.0m, these notes mature on 20 September 2027. This facility is eligible to be drawn down to 80%, with the Company retaining the remaining 20%.
[2] On 27 May 2024, the Company refinanced its Class B Notes. This was achieved by buying the Mezzanine Debt provider iPartners out of their $18.7m in notes funded by a Loan Facility of up to $25.0m to hold the Loan Notes expiring on 30 June 2025. The Company now holds the Class B notes within Payright Trust 2022-1 expiring on 18 June 2027, interest is payable to the Company for the facility on the 27th of each month at a rate of BBSW + 3%. The Drawn Balance at 30 June 24 is $18.7m.

Note 11. Derivatives

As at grant date	**$'000**
Face value of convertible notes	8,000
Embedded derivative	(1,600)
Capitalised borrowing costs	(558)
Net convertible note as at grant date	5,842

Carrying value of convertible notes	**2024 $'000**	**2023 $'000**
Opening balance	6,215	5,842
Finance costs	1,346	1,093
Interest paid	(720)	(720)
Closing balance	6,841	6,215

Value of derivative liability	**2024 $'000**	**2023 $'000**
Opening fair value of embedded derivative	(853)	(462)
Fair value gain/(loss)	853	(391)
Closing derivative liability value	-	(853)

Black-Scholes valuation inputs	**2024**	**2023**
Share Price	$0.19	$0.51
Exercise Price	$4.54	$4.54
Volatility	70%	75%
Risk Free Rate	4.18%	4.03%
Effective Life (Years)	1.5	2.5
Dividend Yield	0%	0%
Derivative valuation per note	$0.000	$0.024

Note 11. Derivatives (continued)

Key terms:
- Issue Date 13 May 2022
- Number of notes issued 35,555,560
- Principal value of notes $8.0m
- Maturity date May 2026
- Interest accrues on the principal at a fixed rate of interest of 9% p.a. until the date of redemption or conversion
- Interest is payable semi-annually in arrears
- Conversion may be exercised at the option of the note holder at any time from 13 November 2022 to 13 May 2026
- Current conversion price $4.54 (after adjustments for share consolidation and capital raisings)

The convertible notes have two components, host debt of $6.4m and an embedded derivative of $1.6m at initial recognition. The host debt component is accounted at amortised cost, recognised interest expense over the life of the instrument and the embedded derivative is measured at fair value, with changes in fair value recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Group is required to revalue the embedded derivative of the convertible notes at each reporting date.

Note 12. Capital Management

This note provides information about components of our equity as well as our capital management policies. In order to maintain or adjust the capital structure, we may issue or repay debt, return capital to shareholders or issue new shares.

A summary of the Group's equity and debt attribution is as follows:	Notes	Consolidated 2024 $'000	Consolidated 2023 $'000
Shareholders' equity	9	59,260	59,723
Debt	10	129,662	110,516
Total		188,922	170,239

Debt covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants, including loan to value ratio, and non-financial covenants including concentration limits per state and industry.
Under the terms of the warehouse facility arrangement, the Group is required to satisfy the requirement for a minimum $2.1m cash upon each payment date, and the Group has therefore held this cash as restricted.
The Group is also required to maintain the balance of the Liquidity Reserve Account (account in the name of the Trustee) in an amount equal to two times the monthly senior entitlements, being primarily:
•Trustee, Security Trustee, Manager fees and Trust expenses
•Servicer Senior Fees
•Interest on the Class A Loan Notes and Class B Notes
These have been complied during the year, and as at 30 June 2024 and 30 June 2023. Refer to note 10 for more information on loans and borrowings.

Note 13. Financial instruments and risk management

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include receivables and cash and cash equivalents.

The Group's underlying business activities result in exposure to operational risks and a number of financial risks, including interest rate, market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks whilst the Board of Directors reviews and agrees policies for managing each of these risks.

This note summarises how we manage these financial risks.

Managing our interest rate risk

The Group's principal financial liabilities comprise of loans and borrowings which are subject to floating interest rate movements. The main purpose of these financial liabilities is to finance the group's operations. The Group's principal financial assets including receivables and cash and cash equivalents.

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At balance date, the Group had the following mix of financial assets and financial liabilities exposed to variable interest rate.

	2024 $'000	2024 Weighted average interest rate %	2023 $'000	2023 Weighted average interest rate %
Financial Assets - subject to interest rate risk				
Cash and cash equivalents	10,374	4.35%	9,640	4.10%
Financial Liabilities - subject to interest rate risk				
Loans and borrowings - current	18,713	7.30%	-	-
Warehouse Class A Notes	101,472	8.80%	89,472	8.11%

The sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

The impact of sensitivity analysis to interest rate on cash and cash equivalents is not material to the Group.

Based on the variable rate component of the loans and borrowings held at year end, if interest rates had changed by +/- 100 basis points from the year rates with all other variables held constant, the impact on the Group's finance cost would have been $1.2m higher / $1.2m lower (2023: $895k higher / $895k lower).

Managing our credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers through outstanding receivables.

The Group's exposure to credit risk arises from potential default of its receivables, with a maximum exposure equal to the gross amount of the receivables.
Credit risk also arises from cash held with banks and financial institutions.

Financial assets	**Notes**	**Consolidated 2024 $'000**	**Consolidated 2023 $'000**
Cash and cash equivalents	4	10,374	9,640
Gross receivables	6	128,065	121,359
Liquidity reserve		1,844	1,567

Note 13. Financial instruments and risk management (continued)

Credit risk related to receivables

The provision for expected credit loss represents management's best estimate at reporting date of the expected credit losses based on their experienced judgement. The expected credit loss model (ECL) is detailed in note 6.

The Group regularly reviews the adequacy of the provision for expected credit loss to ensure that it is sufficient to mitigate credit risk exposure in terms of financial reporting. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The credit score parameters are regularly updated and adjusted to changing market conditions, to ensure losses remain within provisioning parameters as set by the Directors.

Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group deals with a large number of individually insignificant customers. As such the credit risk is spread and not concentrated in a small number of customers. In addition, the Group focuses on maintaining a balance of its receivables book across diversified industry groups, with any identified concentration of credit risks controlled and managed accordingly.

30 June 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Up to 30 days past due	**Aged 30 to 89 days**	**Aged 90 days or more past due**	
ECL[1] rate (%)	2.09	40.92	92.48	
ETGCD ($'000)[2]	120,370	3,853	3,841	128,065
ECL ($'000)[1]	(2,518)	(1,603)	(3,511)	(7,632)

30 June 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Up to 30 days past due	**Aged 30 to 89 days**	**Aged 90 days or more past due**	
ECL[1] rate (%)	2.50	50.40	91.60	
ETGCD ($'000)[2]	113,743	2,524	5,092	121,359
ECL ($'000)[1]	(2,823)	(1,273)	(4,662)	(8,758)

[1]Estimated credit loss.
[2]Estimated exposure at default (EAD) and total gross carrying amount at default.

ECL provision balance changes due to the migration of financial assets between stages:	**2024 $'000**	**2023 $'000**
Stage 1 to stage 2	437	419
Stage 1 to Stage 3	1,304	1,042
Stage 2 to Stage 1	(166)	(302)
Stage 2 to Stage 3	68	81
Stage 3 to Stage 1	(91)	(152)
Stage 3 to Stage 2	(21)	(14)
	1,531	1,074

Note 13. Financial instruments and risk management (continued)

A sensitivity analysis was undertaken by increasing /(decreasing) the loss given default by 5%. This resulted in an increase/(decrease) in the provision of ECL by $571,301 and ($571,301) respectively (2023: $647,531 and ($647,531) respectively).

A sensitivity analysis was also undertaken by increasing /(decreasing) the probability of default by 10%. This resulted in an increase/(decrease) in the provision of ECL by $397,384 and ($397,384) respectively (2023: $380,268 and ($380,268) respectively).

Managing our liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities. The Group mitigates funding and liquidity risks by ensuring it has:

•sufficient funds on hand to meet its working capital and investment objectives
•is focused on improving operational cashflow
•has adequate flexibility in financing facilities to balance the growth objectives with short-term and long-term liquidity requirements; and
•complied with all debt covenants.

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to ensure there is sufficient cash allocated to fund working capital requirements.

Management monitors rolling budgets of the Group's liquidity reserve (comprising of any undrawn borrowing facilities (note 10) and cash and cash equivalents on the basis of expected cash flows and expected cash restrictions.

The Group had access to the following undrawn loans and borrowings as at the end of the reporting period.

	2024	2023
	$'000	$'000
Expire within one year		
Borrowings[1]	6,287	-
Expire beyond one year		
Notes[2]	38,528	12,502

[1]Borrowings of $25m to fund Class B Notes, Expires June 2025.
[2]Class A Notes Extension from $100m to $140m, Expires in June 2027.

The Group's non-derivatives financial liabilities consist of trade payable and other payables, and loans and borrowings.

The carrying amounts of our financial liabilities at reporting date are as follows:

		Consolidated	
	Note	2024	2023
		$'000	$'000
Financial Liabilities			
Trade & Other Payables [1]	7	4,102	2,115
Loans and Borrowings	10	125,169	110,516
Embedded Derivative	11	-	853
Total		129,271	113,484

Note 13. Financial instruments and risk management (continued)

[1]Financial Liabilities for trade and other payables excludes nonfinancial liabilities such as GST Payable.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 June 2024	On Demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Trade Payables	-	2,440	-	-	-	2,440
Accrued Interest	-	455	-	-	-	455
Other Payables	-	-	1,207	-	-	1,207
Loans and Borrowings	-	2,959	27,019	117,606	-	147,584
Total Exposure	-	5,854	28,226	117,606	-	151,686

30 June 2023	On Demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Trade Payables	-	944	-	-	-	944
Accrued Interest	-	335	-	-	-	335
Other Payables	-	-	836	-	-	836
Loans and Borrowings	-	2,580	6,972	133,242	-	142,794
Total Exposure	-	3,859	7,808	133,242	-	144,909

Note 14. Accumulated losses

	Consolidated 2024 $'000	Consolidated 2023 $'000
Accumulated losses at the beginning of the financial year	(49,507)	(39,381)
Loss after income tax expense for the year	(11,063)	(10,126)
Accumulated losses at the end of the financial year	(60,570)	(49,507)

Note 15. Employee share ownership plans

A transaction will be classified as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments. There have been no cancellations or modifications to any of the plans during the year ended 30 June 2024.

This note summarises the primary employee share plans and the key movements in the share-based payment arrangements during the year ended 30 June 2024.

Note 15. Employee share ownership plans (continued)

	Employee Gift Offer		Employee Options Grant		Director Options Grant	
	Number 2024	Number 2023	Number 2024	Number 2023	Number 2024	Number 2023
Outstanding at the beginning of the period	343	40,817	6,188	773,369	33,000	4,125,000
Granted during the year ended 30 June 2024	-	-	-	-	-	-
Forfeited during the year ended 30 June 2024	-	-	-	-	-	-
Exercised during the year ended 30 June 2024	(343)	-	-	-	-	-
Share Consolidation[1]	-	(40,474)	-	(767,181)	-	(4,092,000)
Outstanding at the end of the period	-	343	6,188	6,188	33,000	33,000

[1]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares were consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023. There was no further impact from capital raises performed during year ended 30 June 2024 and change of control.

Employee Gift Offer

In financial year ended 30 June 2021, in consideration of providing employees with the opportunity to share the Company's future success in performance and growth, the Company granted 833 of restricted shares per eligible employee, for nil consideration pursuant to the terms of the Employee share ownership plan ("ESOP").

The key terms of the employee gift offer are as follows:

• There is no initial cost to the recipient to participate in the employee gift offer, but the restricted shares will be restricted from trading for three years from grant date whilst being employed by the Group.
• The employee gift shares are allocated to each eligible employee with the number of restricted shares determined by dividing the $1,000 remuneration value by the IPO offer price of $1.20.

In the reporting year ended 30 June 2024, the Group has issued 343 employee shares under employee gift offer in share capital (2023: $nil).

Cessation of employment
Where an employee ceases employment with the Company during the restriction period, the employee will be entitled to keep their shares and the dealing restriction will cease at the time of the employment ends.

Employee Options Grant
To motivate employees to grow the Company and share in its financial success, align the interests of employees and shareholders, and attract and retain employees, a total of 1,168,152 options (in aggregate) was awarded to eligible employees of the Company under the terms of the ESOP in year ended 30 June 2021. There were no changes made to these awarded options since the year ended 30 June 2021.

The key terms of the employee options grant are as follows:

•Until the Employee Options Grant vest and ordinary shares are issued, the participant is not entitled to exercise any voting rights attached to the Performance Rights and is not entitled to any dividend payments.
•Vesting will occur on expiry of a three-year term, subject to continuity of employment and the options will lapse if not exercised upon expiry of a four-year term after the grant date.

Note 15. Employee share ownership plans (continued)

Cessation of employment
The Board has discretion to determine the manner in which a recipient's unvested awards will be dealt with in the event that they cease employment with the Company, including to determine that some or all awards vest or lapse. Vested rights or options must be exercised within 60 days of cessation of employment, save that where a recipient ceases employment by reason of termination for cause or breaches restraints, vested awards will lapse.

Fair value of options granted

The fair value is estimated using a binomial option pricing model. The following table lists the inputs to the model for grants made:

	Grant on 31 October 2020
Expiry date	31 October 2024
Exercise price [2]	$0.63
Option life	4 years
Risk free rate	0.207%
Dividend yield	0%
Expected volatility[1]	36.0742%

[1]Expected volatility was calculated on the underlying security over a specified period, considering a comparable group of companies.
[2]As a result of the share consolidation, the corresponding exercise price increased on a 1:125 basis to $78.74 as at 30 June 2023. There was no further impact from capital raises performed during year ended 30 June 2024 and change of control.

The assessed fair value at grant date of options granted during the year ended 30 June 2021 reporting period was at $0.3638 per option. In the year ended 30 June 2024, the Group has recognised $33k of share-based payment expense in the statement of profit or loss (2023: $33k).

Director Options Grant

The options were granted with an exercise price equal to 175% of the listing price. The premium pricing of CEO exercise right on their Options is designed to incentivise the former CEOs and Directors to promote the Company's long-term growth post listing. There were no changes made to these awarded options 2023.
The options will vest subject to continuity of employment and will vest immediately upon expiry of a three-year period from date of issue.

The key terms of the Director Options Grant are as follows:

•The grant is for a fixed number of options exercisable for shares in the Company on a 1:1 basis. The number of shares that would be acquired on exercise of the options is an aggregate total of 4,125,000 (33,000 post share consolidation);
•Until the Director Options Grant vest and ordinary shares are issued, the participant is not entitled to exercise any voting rights attached to the options and is not entitled to any dividend payments.

Cessation of employment
The Board has discretion to determine the manner in which a recipient's unvested awards will be dealt with in the event that they cease employment with the Company, including to determine that some or all awards vest or lapse.

During the financial year ended 2023, certain Directors with unvested awards resigned. The board elected to allow Directors to continue to maintain their Director options. Vested rights or options must be exercised within 60 days of cessation of employment, save that where a recipient ceases employment by reason of termination for cause or breaches restraints, vested awards will lapse.

Fair value of options granted

The fair value is estimated using a binomial option pricing model. The following table lists the inputs to the model for grants made:

Note 15. Employee share ownership plans (continued)

	Grant on 23 December 2020
Expiry date	23 December 2024
Exercise price [2]	$2.10
Option life	4 years
Risk free rate	0.207%
Dividend yield	0%
Expected volatility[1]	36.0742%

[1]Expected volatility was calculated on the underlying security over a specified period, considering a comparable group of companies.
[2] As a result of the share consolidation, the corresponding exercise price increased on a 1:125 basis to $262.50 as at 30 June 2023. There was no further impact from capital raises performed during the year ended 30 June 2024 and no change of control.

The assessed fair value at grant date of options granted during the year ended 2021 reporting period was at $0.1161 per option. In the year ended 30 June 2024, the Group has recognised $77k of share-based payment expense in the statement of profit or loss (2023: $155k).

Note 16. Key management personnel compensation

Key management personnel (KMP) refer to those who have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group are the same as those directors listed in the directors' report.

	2024 **$**	**2023** **$**
Short-term employee benefits	1,958,967	1,822,413
Post-employment benefits	114,881	125,113
Long-term benefits	12,452	13,334
Share-based payments	67,726	115,844
Total	2,154,026	2,076,704

Note 17. Remuneration of auditors

The auditor of Navalo Financial Services Group Limited and its controlled entities is KPMG (Australia). Amounts received or due and receivable by KPMG (Australia) for:

	Consolidated	
	2024 **$**	**2023** **$**
Fees to the group auditor for audit and review of financial statements - KPMG[1]	391,200	305,448
Other assurance services - KPMG[1]	-	27,000
Non-audit (other) related fees	8,025	130,834
	8,025	157,834
Total	399,225	463,282

[1]For the year ended 30 June 2023, the auditor of Navalo Financial Services Group Limited and its controlled entities was Ernst & Young.

Note 18. Commitments and Contingencies

The Group had no capital commitments as at 30 June 2024 (2023: Nil).

The Group had no contingent liabilities or contingent assets at 30 June 2024 (2023: Nil).

The Group did not have any guarantees as at 30 June 2024 (2023: Nil).

Note 19. Parent entity information

The financial information for the parent entity, Navalo Financial Services Group Limited, has been prepared on the same basis as the consolidated financial statements, except for the accounting of investments in subsidiaries which is accounted for at cost less impairment, if any.

MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1 is the immediate parent entity of the Company and Metrics Credit Holdings Pty Ltd is the ultimate parent entity.

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 2024.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2024 (2023:Nil).

	2024 $'000	**2023 $'000**
Assets		
Current Assets	13,447	7,167
Non-Current Assets	19,849	6,761
Total Assets	33,296	13,928
Liabilities		
Current Liabilities	(26,254)	(1,388)
Non-Current Liabilities	(279)	(220)
	(26,533)	(1,608)
Net Assets	6,763	12,320
Equity		
Share Capital	59,260	59,723
Accumulated Losses	(53,445)	(48,240)
Share-Based Payment Reserve	948	837
	6,763	12,320

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 (2023: Nil).

Note 20. Related party transactions

Transactions and their terms and conditions with related parties

Lease Agreement

The Group holds a 12-month lease agreement with Metrics Credit Holdings Pty Ltd as trustee for the MCH Investments trust, for ground level of 42 Cambridge Street, Collingwood, 3066 at $6,050 per annum.

Note 20. Related party transactions (continued)

Convertible Note
MCH Investments Trust holds 14,545,454 convertible notes issued by the Company.

Secondment Agreement

Myles and Piers Redward resigned as Joint-CEO's effective 25 January 2023 and were appointed into executive positions within the Group, receiving the same salary of $316k per annum. Stewart Creighton replaced Myles and Piers Redward as CEO on an interim basis. Mr Creighton is providing services to the Group under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics) for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company.

The secondment agreements for Mr Creighton is on standard commercial terms. MCHCS is a wholly-owned subsidiary of Metrics Credit Holdings Pty Ltd ACN 150 647 091 and a related body corporate of MCH Investment Management Services Pty Ltd, which as trustee of the MCP Credit Trust 1. The terms of the secondment agreement include a full-time engagement with a daily rate payable of $1,575 by the Group. The secondment agreements may be terminated on 30 days written notice by either party (or such other notice period as agreed by the parties) or immediately for cause, with fees paid up to termination date.

Receiving of services from related parties

The Group has services arrangements in place with related parties, these transactions were conducted with normal employee, customer or supplier relationships under arm's length dealings and on ordinary commercial terms, except for the lease agreement.
Metrics Credit Holdings Pty Ltd provided capital and debt structuring advisory services totally $987,714 (including GST). This amount was outstanding at 30 June 2024.

Funding Package received from Metrics in February 2024

The funding package is comprised of:
• a placement of $508,005.97 through the issue of 1,790,014 ordinary shares to Metrics Business Finance Holdings Pty Ltd (a related party of Metrics) (MBFH) at a price per share of $0.2838 (Placement); and
• a short term loan facility from MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1 (a related party of Metrics) of up to $4,493,000 (Loan).

	Consolidated	
The following transactions occurred with related parties:	**2024**	**2023**
	$'000	**$'000**
Lease agreement	6	1
Secondment agreement	620	406
Related party Directors	170	119
Close family members	-	434
Short term loan	4,493	-
Trade payables	988	-

Note 21. Events after the reporting period

On 10 July 2024, Navalo announced the results of the entitlement offer, raising gross proceeds of $8,994,866 from the issue of 46,365,289 new shares at the offer price of $0.194 per new share. The short term loan of $4.493 million owing by the Group to MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1 (Metrics) was repaid at settlement of the Offer out of the gross proceeds raised. Following completion of the Offer, Metrics' voting power in Navalo (which includes Metrics Business Finance Holdings Pty Ltd's shareholding) is 97.10%.

No other matter or circumstance has arisen since 30 June 2024 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.

Note 22. Subsidiaries

The consolidated financial statements include the financial statements of Navalo Financial Services Group Limited as the ultimate parent, and results of the following subsidiaries:

Name	Country of incorporation	% of equity interest[1] 2024 %	% of equity interest 2023 %	Tax residency	Principal Activity
Navalo Holdings Pty Ltd	Australia	100%	-	Australia	Holding Company
Navalo Services Pty Ltd	Australia	100%	-	Australia	Holding Company
Navalo Personal Finance Pty Ltd	Australia	100%	-	Australia	Holding Company
Devizo Finance Pty Ltd	Australia	100%	100%	Australia	To provide technology-enabled payments solutions for consumers in Australia
Devizo Finance NZ Limited	New Zealand	100%	100%	New Zealand	To provide technology-enabled payments solutions for consumers in New Zealand
Devizo NZ Limited	New Zealand	100%	100%	New Zealand	Holding Company
Payright Trust 2022-1	Australia	100%	100%	Australia	Trust holding warehouse loan receivables

[1]The proportion of ownership interest is equal to the proportion of voting power held.

Navalo Financial Services Group Limited and its controlled entities
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Navalo Financial Services Group Ltd (the Company)	Body Corporate	Australia	-	Australia
Navalo Holdings Pty Ltd	Body corporate	Australia	100.00%	Australia
Navalo Services Pty Ltd	Body corporate	Australia	100.00%	Australia
Navalo Personal Finance Pty Ltd	Body corporate	Australia	100.00%	Australia
Navalo Commercial Finance Pty Ltd	Body corporate	Australia	100.00%	Australia
Devizo Finance Pty Ltd	Body corporate	Australia	100.00%	Australia
Payright Trust 2022-1	Trust	Australia	100.00%	N/A
Devizo NZ Limited	Body corporate	New Zealand	100.00%	New Zealand
Devizo Finance NZ Limited	Body corporate	New Zealand	100.00%	New Zealand

Basis of preparation
This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of Tax Residency
Section 295 (3A) of the *Corporation Acts 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion of residency.

In determining tax residency, the consolidated entity has applied the following interpretations:
Australian tax residency
The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in *Tax Ruling TR 2018/5.*
Foreign tax residency
The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Partnerships and trusts
Australian tax law generally does not contain corresponding residency tests for partnerships and trusts and these entities are typically taxed on a flow-through basis. Additional disclosures on the tax status of partnerships and trusts have been provided where relevant.

Navalo Financial Services Group Limited and its controlled entities
Directors' declaration
30 June 2024

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 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the 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; and

- the Consolidated entity disclosure statement as at 30 June 2024 set out on page 38 is true and correct.

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

Andrew Lockhart	Matthew Pringle
Chairman	Non-Executive Director

22 August 2024

Independent Auditor's Report

To the members of Navalo Financial Services Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Navalo Financial Services Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the ***Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2024
- 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
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024
- Notes, including material accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1, "Going Concern" in the Financial Report, which indicates that the Group had consolidated net liabilities of $0.6 million, incurred a net operating cash outflow of $18.5 million and a net loss of $11.1 million for the year ended 30 June 2024. The ability of the Group to continue as a going concern is dependent upon maintaining cash reserves and securing additional funding facilities and/or equity, which will be used to support its business growth and working capital. The events or conditions disclosed in the note, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our conclusion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Navalo Financial Services Group Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Andrew Reeves

Partner

Sydney

22 August 2024