Level 2, 789 Toorak Road
Hawthorn East 3123
1300 338 496

APPENDIX 4D 2023 HALF YEAR REPORT
UNDER ASX LISTING RULE 4.2A

Company Details

Name of Entity: Payright Limited

ACN: 605 753 535

Reporting Period: 1 July 2022 to 31 December 2022

Prior Corresponding Period: 1 July 2021 to 31 December 2021

Results for Announcement to the Market

Consolidated Statutory Results Summary

Key Information		Change from the period ended 31 December				
				2022		2021
		%		$		$
Total income from ordinary activities	up	16.0	to	9,115,442	from	7,859,489
Loss from ordinary activities after tax attributable to the ordinary equity holders of Payright Limited	down	18.1	to	(4,920,584)	from	(6,007,199)
Total comprehensive loss attributable to the ordinary equity holders of Payright Limited	down	20.7	to	(4,780,398)	from	(6,030,917)

Financial Performance

The 16.0% increase in total income from ordinary activities was primarily attributable to increased fee income growth driven by underlying loan volume growth for the period.

Improved focus on profitable new merchant acquisition and measured industry vertical diversification strategy resulted in an increase in total merchant stores by 11% to 3,997 (31 December 2021: 3,617).

The Group reported a 20.7% improvement in Net Losses After Tax (NLAT) compared to the prior year. The Company undertook a detailed review of its cost base and its business operations to enable it to operate a leaner, more capital-efficient structure which included a material reduction in head count and workforce costs which resulted in ~35% of staff positions including contractors being made redundant. As a result, Operating expenses for the period were $9,553,789, an improvement of 3.4% from pcp of $9,893,438. The decrease in operating spend was mostly the result of salary reductions following the restructure, only partially offset by an increase in Expected Credit Losses (ECL) and Consulting & Professional Fees

Net finance costs for the half year ended 31 December 2022 were $4,598,175, an increase of $681,030 (or 17.4%) versus the prior year due to higher average borrowings in the period supporting growth in underlying loan receivables.

Further information on the results is detailed in the 'Review of Operations' section of the Directors' report which is part of the interim report.

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Net Tangible Assets

	31 December 2022	31 December 2021
Net tangible assets per ordinary share	$0.03	$0.13

Dividends

No dividends have been paid or declared for the half-year ended 31 December 2022.

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying 31 December 2022 half-year Interim Report (which includes the Directors' Report).

This document should be read in conjunction with the Group's 2022 Annual Report and any public announcements made during the period, pursuant to the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Results of this report were extracted from the consolidated financial statements for the half-year ended 31 December 2022 which was audited by Ernst & Young.

Peter McCluskey - Director   Matthew Pringle - Director

-ENDS-

For further information please contact:

investors@payright.com.au

This announcement was authorised by the Board of Directors of Payright Limited

Payright Limited

and its controlled entities

Consolidated interim financial report for the half-year ended 31 December 2022

payright

ABN 24 605 753 535

The directors submit their report on Payright Limited (the "Company") and its controlled entities (collectively, the "Group" or "Payright") for the half-year ended 31 December 2022.

Directors

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

Allan Griffiths
Chairman and Non-Executive Director (appointed as Director 25 January 2023)

Peter McCluskey
Chairman and Non-Executive Director (resigned as Chairman 25 January 2023)

Andrew Lockhart
Non-Executive Director

Matthew Pringle
Non-Executive Director

Paul Cowan
Non-Executive Director (resigned as Director 25 January 2023)

Lindley Edwards
Non-Executive Director (resigned as Director 25 January 2023)

Myles Redward
Executive Director (resigned as Director 25 January 2023)

Piers Redward
Executive Director (resigned as Director 25 January 2023)

Director qualifications, experience and special responsibilities

Allan Griffiths

Chairman and Non-Executive Director – appointed Director and Chairman 25 January 2023

Allan has more than 30 years' experience in, and deep 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 Insignia Financial (formerly IOOF), St Andrew's Insurance Group and Metrics Credit Partners Pty Ltd.

Peter McCluskey

Chair and Non-Executive Director – resigned as Chairman 25 January 2023

Peter has been a corporate restructuring professional for 33 years and has strong relationships within the Australian and international finance sectors. He has managed the conflicting agendas of diverse parties in large banking syndicates in some of the biggest restructuring assignments in Australia. He is currently a Special Advisor in Restructuring Services at KPMG. Peter was Managing Partner at Ferrier Hodgson's Melbourne office for 12 years where he had exposure to a broad range of industries due to his engagement in corporate restructuring projects and was recognised for his ability to manage and resolve complex matters. Peter is also currently a Director of ASX listed PointsBet Holdings Ltd, an ASX 200 listed company, having held this position since November 2018. Peter also Chairs PointsBet's Audit, Risk and Compliance Committee and is a member of the Remuneration and Nomination Committee. Peter has a Bachelor of Business (Accounting) from Swinburne University and is a Registered Liquidator and Official Liquidator with ASIC.

Andrew Lockhart

Non-Executive Director

Andrew has more than 30 years' banking, funds management and financial markets experience and is a Managing Partner and Director of Metrics Credit Partners 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 $14bn 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) which at 31 December 2022 held 34.71% of Payright's issued capital. Metrics also holds 14,545,454 convertible notes issued by Payright. MCH Investment Management Services Pty Ltd further increased its holding to 52.5% on completion of the capital raise, completed on 12 January 2023. Metrics also held 14,545,454 convertible notes on 12 January 2023.

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 a member and Chair of the Audit and Risk Committee. Matthew is also a member of the Remuneration and Nomination Committee.

Paul Cowan

(Non-Executive Director – resigned as Director 25 January 2023)

Paul has over 30 years of experience in the financial services industry, currently serving as Executive Director of River Capital Pty Ltd and as a director of numerous privately held entities. He has served on a number of public company Board's including Cash Converters International, Brumby's Bakeries and also as Chairman of ASX listed Prime Financial Group resigning as Chairman and Director in March 2019. Prior to joining River Capital in 2003, Paul served as Chief Executive Officer of Lowell Capital Limited. Paul has a Bachelor of Economics from Monash University and is a qualified Chartered Accountant. Prior to his resignation, Paul was a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Lindley Edwards

(Non-Executive Director – resigned as Director 25 January 2023)

Lindley is Chief Executive Officer of Australasian corporate advisory and transaction consulting firm AFG Venture Group, which was formed in 2010 through the merger of Asean Focus Group and Venture Group, a company Lindley founded in 1996. She also serves as non-executive director on the boards of the Coral Sea Cable Company Ltd (as Chair), Techstacked Pty Ltd and Australian Life Sciences Pty Ltd. Lindley has more than 30 years' experience in financial, advisory, banking and business as well as consulting to boards and senior executive teams. She has held positions including as Vice President at Citibank, Associate Director at Macquarie Bank and Private Client Manager at Banque National de Paris. Lindley has a PhD in Philosophy. She holds a Bachelor of Business Accounting (Monash University) and a Bachelor of Business Banking and Finance (Victoria University). Prior to her resignation, Lindley was a member and Chair of the Remuneration and Nomination committee and as a member of the Audit and Risk Committee.

Myles Redward

(Co-Founder and Joint Chief Executive Officer – resigned as Director and CEO 25 January 2023)

In his role as Joint CEO, Myles had responsibility for finance, legal & compliance, technology, investor relations and projects at Payright. Myles has over 20 years experience working within Moody's, Bank of Ireland and GE Capital. He spent his earlier years in finance heading up the planning and analysis function at GE Capital and developing his detailed understanding of financial modelling and accounting practices in the context of the consumer finance industry. Myles has a Bachelor of Business Management degree from Monash University and is a qualified CPA Accountant. As at 31 December 2022 Myles and his controlled entities held 6.40% of Payright's issued capital. Following completion of the Capital Raise in January 2023, Myles and his controlled entities no longer hold more than 5% of Payright's issued Capital.

Piers Redward

(Co-Founder and Joint Chief Executive Officer – resigned as Director and CEO 25 January 2023)

In his role as Joint CEO, Piers had responsibility for sales, marketing, operations, business development, product and people & culture at Payright. Piers has over 15 years of experience in the consumer finance industry where he has developed deep expertise across business and consumer finance, specialising in interest free payment plans, credit cards, commercial and consumer leasing and personal loans. Prior to establishing Payright, Piers led sales and distribution functions at FlexiGroup (Humm - HUM) and Now Finance (Wingate Consumer Finance) as well as client services and collections at Esanda Finance. Piers holds a Diploma of Business (Management) from RMIT University. As at 31 December 2022, Piers and his controlled entities held 6.74% of Payright's issued capital. Following completion of the Capital Raise in January 2023, Piers and his controlled entities no longer hold more than 5% of Payright's issued Capital.

Company Secretary

Saara Mistry

Saara has over 20 years of experience performing numerous in-house legal counsel, compliance and risk professional roles across financial services in Australia, United Kingdom and the Middle East. She specialises in consumer finance, regulatory compliance and reform, as well as privacy and wealth management compliance. Her previous employment includes 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.

Senior Executives

Name	Position
Myles Redward	Previously Joint Chief Executive Officer (CEO) having reigned from this role on 25 January 2023 remains employed as senior executive following resignation.
Piers Redward	Previously Joint Chief Executive Officer (CEO) having reigned from this role on 25 January 2023 remains employed as senior executive following resignation.
Stewart Creighton	Interim Chief Executive Officer (CEO) Appointed 25 January 2023
David Leach	Chief Financial Officer (CFO) Resigned 11 January 2023
Tom Kellaway	Interim Chief Financial Officer (CFO) Appointed 11 January 2023

Myles & Piers Redward resigned as co-CEO's effective 25 January 2023 and were appointed into executive positions within the Company.

Stewart Creighton replaced Myles & Piers Redward as CEO on an interim basis. Mr Creighton is providing services to the Company under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics) for a period of 6 months. The secondment agreement is on standard commercial terms and on an arms-length basis. 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, is a substantial shareholder of Payright, holding 52.5% of the issued share capital of Payright following the completion of the capital raising undertaken by the Company announced on 30 November 2022.

David Leach resigned as CFO effective from 11 January 2023 and was replaced by Tom Kellaway, who is providing services to the Company on an interim basis under a secondment agreement with MCHCS (a related body corporate of Metrics) for a period of 6 months, on the same terms as Mr Stewart Creighton.

Dividends

No dividends have been paid or declared for the half-year ended 31 December 2022 (30 June 2022: $nil).

Principal activities

The principal activity of the Group during the half-year ended 31 December 2022 was to provide point of sale consumer finance solutions.

In December 2022, the Company provided notice to its New Zealand customers that it would be suspending origination to focus on core markets in Australia as a part of plan to reposition activities towards sustainable profitability.

There were no other significant changes in the nature of these activities for the half-year ended 31 December 2022.

Review of operations

The Group (trading as "Payright") is an established participant in the rapidly growing non-bank finance industry with operations across Australia. It provides interest-free finance solutions to encourage point of sale conversion and enables customers to spread the cost of purchases over time.

The Group continued to demonstrate growth capabilities despite challenging market conditions. To ensure ongoing sustainability, the Group undertook strategic reviews around target and existing growth sectors, as well as undertaking an internal restructuring. The internal restructure was completed in November 2022, resulting in a reduction in headcount by ~35%. Further refining of the company's strategic direction is expected in 2023, with a renewed focus on achieving sustainable, measured and profitable growth and expanding and diversifying its existing product offering.

Summary of financial results for the half-year ended 31 December 2022[1]

	31 December 2022 ($)	31 December 2021 ($)	Change
Total income	9,115,442	7,859,489	16.0%
Operating expenses	(9,553,789)	(9,869,720)	3.2%
Net finance costs	(4,598,175)	(3,917,245)	-17.4%
Depreciation	(61,840)	(79,723)	22.4%
Gain on revaluation of embedded derivative	177,778	-	-
NLAT	(4,920,584)	(6,007,199)	18.1%
Basic and diluted EPS (cents)[2]	(0.06)	(0.10)	40.0%

[1] Throughout this report, certain non-IFRS information, such as Net Loss after Tax (NLAT), Gross merchandise value (GMV), Average transaction value, Total merchants and Total customers are used. Such information is used to assist readers to better understand the financial performance of the Group in each financial period. Non-IFRS information is not audited.

[2] Calculation of diluted EPS does not take into account the 35,555,560 of convertible notes issued, 2,714,079 of warrants issued, 4,125,000 of shares which may be issued under the director options grant (30 June 2022: 4,125,000) and 773,369 (30 June 2022: 773,369) of shares issued under the employee options grant because they are anti-dilutive as at the reporting period.

Group financial performance and reported results

Group income totalled $9.12m for the half-year ended 31 December 2022, an increase of 16.0% from the prior comparative period (pcp). The increase in income reflects continued expansion within the consumer lending market. During the reporting period, the following key activities supported the increase in income:

- Total GMV increased by 8% compared to the prior period.
- An uplift in focus on profitable new loan book origination following a review of merchant relationships and where appropriate, a renegotiation of terms to maximise the economics of loans written over the period.
- The focus on profitable new merchant acquisition and measured industry vertical diversification strategy resulted in an increase in total merchant stores by 11% to 3,997 (31 December 2021: 3,617).

The Group reported a 20.7% improvement in Net Losses After Tax (NLAT) compared to the prior year. The Company undertook a detailed review of its cost base and its business operations to enable it to operate a leaner, more capital-efficient structure which included a material reduction in head count and workforce costs which resulted in ~35% of staff positions including contractors being made redundant. As a result, Operating expenses for the period were $9,553,789, an improvement of 3.4% from pcp of $9,893,438. The decrease in operating spend was mostly the result of salary reductions following the restructure, only partially offset by an increase in Expected Credit Losses (ECL) and Consulting & Professional Fees.

Net finance costs for the half year ended 31 December 2022 were $4,598,175, an increase of $681,030 (or 17.4%) versus the prior year due to higher average borrowings in the period supporting growth in underlying loan receivables.

The Group also recorded a $177,778 gain on the revaluation of the embedded derivative component of the convertible notes issued on May 13, 2022. This embedded derivative is required to be revalued at each subsequent reporting period.

As a result, the net loss after tax (NLAT) of the Group for the half year ended 31 December 2022 was $4,780,398 (31 December 2021: $6,007,199).

Financial position and cash flow

Cash flows

Cash as at 31 December 2022 was $6,343,489 (30 June 2022: $12,682,758). Cash receipts from customers in the half year period were $47,171,802 (31 December 2021: $37,677,176), representing a 25.2% increase, with payments to merchants up 5.0% compared to the period ended 31 December 2021. As a result, net cash flows used in operating activities for the half year were ($20,524,258) (31 December 2021: ($25,135,326)) being 22.1% lower than pcp.

The decrease in cash flows used in investing activities for the half year ended 31 December 2022 was $24,005 (or 100%).

The decrease in total cash flows from financing activities for the half year ended 31 December 2022 was $17,824,172 (or 54.4%).

As of 31 December 2022, the Group has a total undrawn facility balance of $16,777,000 (30 June 2022: $29,127,000).

Cash flow summary	31 December 2022	31 December 2021	Change
	$	$	%
Net cash flows used in operating activities	(20,524,257)	(25,135,326)	18.3%
Net cash used in investing activities	-	(24,005)	-100.0%
Net cash flows from financing activities	14,184,990	32,009,161	55.7%
Net increase in cash and cash equivalent	(6,339,269)	6,849,830	-173.0%

Financial position

Total assets have increased from 30 June 2022 by 6.99% to $117,949,040, led by growth of the Company's loan receivables portfolio. Total net receivables as at 31 December 2022 is $108,825,362 representing an increase from 30 June 2022 of 14%.

Total liabilities have increased by 11.2% to $114,852,362 mainly due to the proceeds from loans and borrowings.

Net equity as at 31 December 2022 was $3,096,537, a decrease from 30 June 2022 of $3,825,878. The decrease was predominantly due to the operating loss for the period.

Financial position summary	31 December 2022	30 June 2022	Change
	$	$	%
Total assets	117,949,040	110,247,033	7.0%
Total liabilities	114,258,520	103,324,618	11.2%
NET ASSETS	3,690,520	6,922,415	(55.3%)
EQUITY	3,690,520	6,922,415	(55.3%)

Outlook

Payright has commenced a significant strategic review with a focus on the sustainability of the group's lending activities and ensuring improvement in the credit quality and risk management activities of the company. The Group announced a capital raising of $5.03 million on 30 November 2022 that completed on 12 January 2023. The Capital raise was sub-underwritten by Metrics, and as a result of shareholder participation in the capital raising, Metrics total shareholding in the Company increased to 52.5%, which has remained as at the date of this report.

The Group raised $1.876 million of authorised share capital and accordingly issued 41,723,285 ordinary shares for $0.045 per share between 6 December 2022 and 12 December 2022 as part of its broader capital raising activities announced on 30 November 2022. A further $3.154 million of authorised share capital was raised through to the completion of the capital raise that was completed on 12 January 2023.

Board and Management changes that have taken effect from 25 January 2023 are aligned with the Group's plan to focus on profitability, sustainability, expanded product range and improved credit risk management. Strategic areas of attention in executing these plans include:

- Focused sales activity on existing, higher margin merchants; looking to maximise transaction volumes and grow Payright's share of business from existing merchants
- Ongoing review of merchant profitability, ensuring highest net profit merchant volumes are prioritised
- Development of a licensed consumer lending product for planned launch during calendar year ended 31 December 2023
- Ongoing analysis of cost drivers, including further efficiency activities to reduce overhead costs
- Increasing attention to credit risk management, arrears and collections activities

The Group's strategic focus makes note of current macroeconomic and interest rate conditions, as well as preparing to take advantage of growth opportunities over the coming 12 months.

Payright expects to raise further equity and debt in CY23 to enable the delivery of its strategic objectives and ensure growth activities are appropriately funded.

Significant change in the state of affairs

As noted, the completion of the Capital Raise announced on 30 November 2022 and completed on 12 January 2023 has seen a change of control event occur, with Metrics shareholding now exceeding 50% of ordinary capital issued. This change of control was followed by changes to Executive and Non-Executive roles as outlined in the Significant Events After the Reporting Date section.

The company's operations in New Zealand were sub-scale, making it increasingly difficult for the business to deliver a viable customer offering. As a result, the company has taken action to suspend further growth activities in New Zealand to ensure risk management and capital allocation aligns with the strategic objectives of the business.

There have been no changes to the business' core service offering or funding structures.

Significant events after the reporting date

The following significant events occurred after the reporting date:

- Completion of capital raise announced on 30 November 2022, resulting in increase of Metrics shareholding to 52.5% and a change of control event occurring.
- Resignation of Directors Lindley Edwards, Paul Cowan, Myles Redward and Piers Redward – effective 25 January 2023.
- Resignation as Chairman by Peter McCluskey effective 25 January 2023 (Peter remains as a Non-Executive Director of Payright).
- Appointment of Allan Griffiths as Non-Executive Director and Chairman - effective 25 January 2023.
- Resignation as Co-Chief Executive Officer's of Myles Redward and Piers Redward – effective 25 January 2023 (Myles and Piers remain employed in an executive capacity but are no longer the Co-CEO's of the group).
- Appointment of Stewart Creighton as interim Chief Executive Officer - effective 25 January 2023.
- Resignation of David Leach as Chief Financial Officer - effective 11 January 2023.
- Appointment of Tom Kellaway as interim Chief Financial Officer - effective 11 January 2023.
- Completion of capital raise announced on 30 November 2022 and completed on 12 January 2023, resulting in the shareholding of Metrics reaching 52.5% and a Change of Control event occurring.
- Completion of the capital raise announced on 30 November 2022 with an additional $3.154 million of authorised share capital raised after 31 December 2022 that was completed on 12 January 2023.

Likely developments and expected results or operations

There are no other developments and expected results or operations, other than those mentioned in the 'Outlook' section.

Environmental regulation

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Share Options

There were no share options issued during the half-year to 31 December 2022 (4,125,000 options on issue at 30 June 2022).

Indemnification and insurance of directors and officers

A deed of indemnity, insurance and access has been entered into with each Director of the Group.

During the financial year the Group paid a premium for Directors' and Officers' Liability insurance. Further disclosure is prohibited under the terms of the contract.

Indemnification of auditor

To the extent permitted by law and professional regulations, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable external legal costs) arising from the audit engagement including any negligent, wrongful or wilful act or omission by the Group. The indemnity does not apply to any loss resulting from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to Ernst & Young during or since the half-year ending 31 December 2022.

Non-audit services

The Directors have assessed the independence of the Group's external auditor, Ernst & Young (Australia), for the half-year ended 31 December 2022. The assessment was conducted in accordance with the requirements of the *Corporations Act 2001*. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the half- year ended 31 December 2022.

The directors are satisfied that the provision of non-audit services during the financial year, by the Group's external auditor, Ernst & Young (Australia), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reason:

All non-audit services have been reviewed and approved by the Board to ensure that they do not impact the integrity and objectivity of the auditor.

Auditor's independence

The directors have received a declaration from the auditor of Payright Limited, Ernst & Young (Australia). This has been included on page 6. Signed in accordance with a resolution of the directors.

Peter McCluskey - Director	Matthew Pringle - Director
24 February 2023	24 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

Auditor's independence declaration to the Directors of Payright Limited

As lead auditor for the review of the half-year financial report of Payright Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

John MacDonald
Partner
24 February 2023

Financial Statements

For the half-year ended 31 December 2022

About this report

This is the interim report for Payright Limited and its controlled entities (collectively, the "Group"). Payright Limited (the "Company") is a for-profit entity limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX: PYR).

The interim report of Payright Limited for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of Directors on 24 February 2023.

The registered office of the Group is Level 1, 55 Whitehorse Road, Balwyn, VIC 3103.

The principal place of business of the Group is Suite 4 Level 2, 787-789 Toorak Road, Hawthorn East, VIC 3123.

The directors have the power to amend and reissue the financial statements.

Reading the financials

Section introduction

Introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the interim report which are relevant to that section or note.

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Half-year ended 31 December 2022 ($)	2021 ($)
Fee income	2.1	8,917,442	7,678,089
Other income	2.1	174,709	181,400
Finance income		23,291	-
Total revenue		**9,115,442**	**7,859,489**
Administration costs		(711,339)	(754,122)
Consulting and professional fees		(1,344,566)	(874,340)
Depreciation		(61,840)	(79,723)
Employee benefits expense		(4,241,424)	(5,303,205)
Expected credit loss		(2,633,808)	(1,879,750)
Marketing and advertising		(143,763)	(504,146)
Rent and occupancy		(43,054)	(27,148)
Other expenses		(435,835)	(527,009)
Operating loss		(500,187)	(2,089,954)
Finance costs		(4,598,175)	(3,917,245)
Gain on embedded derivative	4.3	177,778	-
Loss before tax		(4,920,584)	(6,007,199)
Income tax expense		-	-
Loss for the half-year		(4,920,584)	(6,007,199)
Other comprehensive loss for the half-year			
Foreign currency translation movements		140,186	(23,718)
Total comprehensive loss for the half-year		(4,780,398)	(6,030,917)
Loss per share of loss attributable to the ordinary equity holders of the Parent		Cents	Cents
Basic and diluted loss per share	2.2	(0.06)	(0.10)

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

Consolidated Statement of Financial Position

	As at	31 Dec 2022 ($)	30 June 2022 ($)
Assets			
Current assets			
Cash and cash equivalents	3.1	6,343,489	12,682,758
Receivables	3.2	62,094,150	54,590,543
Prepayments and other current assets		1,323,797	877,260
Total current assets		69,761,436	68,150,561
Non-current assets			
Receivables	3.2	46,731,212	40,989,113
Property, plant and equipment		32,333	47,387
Right-of-use assets		40,137	80,276
Other assets		1,383,922	979,696
Total non-current assets		48,187,604	42,096,472
Total assets		117,949,040	110,247,033
Liabilities			
Current liabilities			
Trade and other payables	3.2	3,143,910	4,605,268
Loans and borrowings	4.2	4,547,990	4,557,541
Lease liabilities		45,380	90,763
Employee benefit liabilities		468,269	621,440
Total current liabilities		8,205,549	9,875,012
Non-current liabilities			
Loans and borrowings	4.2	105,606,947	92,825,843
Derivative liability	4.3	284,444	462,222
Employee benefit liabilities		161,580	161,541
Total non-current liabilities		106,052,971	93,449,606
Total liabilities		114,258,520	103,324,618
Net assets		3,690,520	6,922,415
Equity			
Issued capital	4.1	47,383,468	45,895,387
Other reserves		608,479	407,872
Accumulated losses		(44,301,427)	(39,380,844)
Total Equity		3,690,520	6,922,415

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

Consolidated Statement of Changes in Equity

For the half-year period	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 July 2021	44,505,454	174,257	(116,526)	(26,718,762)	17,844,423
Loss for the period	-	-	-	(6,007,199)	(6,007,199)
Other comprehensive loss	-	-	(23,718)	-	(23,718)
Total Comprehensive loss	-	-	(23,718)	(6,007,199)	(6,030,917)
Transactions with owners in their capacity as owners					
Share-based payments	-	155,945	-	-	155,945
	-	155,945	-	-	155,945
Balance at 31 December 2021	44,505,454	330,202	(140,244)	(32,725,961)	11,969,451
Balance at 1 July 2022	45,895,387	650,639	(242,768)	(39,380,843)	6,922,415
Loss for the period	-	-	-	(4,920,584)	(4,920,584)
Other comprehensive loss	-	-	140,186	-	140,186
Total Comprehensive Loss	-	-	140,186	(4,920,584)	(4,780,398)
Transactions with owners in their capacity as owners:					
Shares issued on initial public offering		-	-	-	-
Issuance of share capital	1,876,326	-	-	-	1,876,326
Conversion of convertible notes		-	-	-	-
Warrants issued		-			-
Employee shares issued	-	-	-	-	-
Share issuance costs	(388,244)	-	-	-	(388,244)
Share-based payments	-	60,421	-	-	60,421
	1,488,082	60,421		-	1,548,503
Balance at 31 December 2022	47,383,469	711,060	(102,582)	(44,301,429)	3,690,520

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

Consolidated Statement of Cash Flows

	Note	Half-year ended 31 December 2022 ($)	2021 ($)
Cash Flows from Operating Activities			
Receipts from customers		47,171,802	37,677,176
Payments to suppliers and employees		(8,328,676)	(7,599,535)
Payments to merchants		(54,415,508)	(51,812,358)
Interest received		201,069	-
Interest paid		(5,148,929)	(3,392,736)
Interest paid on lease		(4,016)	(7,873)
Net cash flows used in operating activities		**(20,524,258)**	**(25,135,326)**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment Restricted cash		-	(24,005)
Net cash flows used in investing activities		**-**	**(24,005)**
Cash Flows from Financing Activities		-	-
Proceeds from issuance of share capital		1,876,326	-
Payment of share issuance costs		(388,244)	-
Proceeds from issuance of notes payable		-	35,172,312
Repayment of notes payable		-	(6,285,000)
Payment of notes issuance costs		-	(660,203)
Proceeds from Warehouse facility		13,175,000	-
Payment of Warehouse facility costs		(21,338)	-
Payment to restricted cash account		(404,225)	-
Proceeds from subordinated loans		-	3,850,000
Payment of related party loans		-	(24,368)
Payments of principal portion of lease liabilities		(52,529)	(43,580)
Net cash flows from financing activities		**14,184,990**	**32,009,161**
Net increase in cash and cash equivalents		(6,339,269)	6,849,830
Cash and cash equivalents at the beginning of the period		12,682,758	7,088,279
Cash and cash equivalents at the end of the period	3.1	**6,343,489**	**13,938,109**

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2022

Section 1: Basis of preparation

This section explains basis of preparation of our interim report and provides a summary of our key accounting estimates and judgements.

1.1 Basis of preparation of the interim report

The consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The half-year consolidated financial statements have been prepared on a historical cost basis and are presented in Australian dollars ($).

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022.

1.2 Significant changes in the current reporting period

There have been no significant changes in the current reporting period.

1.3 Going concern

The financial statements have been prepared on the 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.

As at 31 December 2022 the Group had consolidated net assets of $3,690,519 (30 June 2022: $6,922,415), incurred a loss of $4,920,584 (31 December 2021: $6,030,917), and had net operating cash outflows of $20,524,257 (31 December 2021: $25,135,326). 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 operational systems and efficiencies.

The Board and Management of Payright will continue to explore further capital and/or debt raising to ensure the capital requirements of the Group are adequately supported.

The Group, in the consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared a cash flow forecast to assess the cash requirements of the business for the next 12 months. The Directors believe that it will continue to be successful in sourcing sufficient debt and/or equity funding in the future, as and when required. 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.

A capital raise, announced on 30 November 2022 was successfully completed on 12 January 2023, resulting in $5.03m in capital being made available to the Company. $1.876 million of the capital raise proceeds was received prior to 31 December 2022, with the balance received on completion of the capital raise on 12 January 2023.

1.4 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022. Several amendments and interpretations apply for the first time in 2023, but do not have a material impact on the interim consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1.5 Terminology used

Earnings before income tax expense, depreciation and amortisation (EBTDA) reflects profit or loss for the period prior to including the effect of depreciation and amortisation. Management uses EBTDA, in combination with other financial measures, primarily to evaluate the Group's operating performance.

1.6 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 interim report are found in the following notes:

Note	Section	Page
3.2	Receivables	18
4.3	Convertible notes	24
5.2	Employee share ownership plans	26

1.7 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer/s, who are considered Chief Operating Decision Makers (CODM).

The Group provides services to customers and merchants in Australia and New Zealand, which commenced operations during the years ended 30 June 2016 and 30 June 2019, respectively. During the half year ended 31 December 2022, management decided to suspend operations in New Zealand to focus on furthering efficient growth in Australian markets. The CODM monitors the operating results on a consolidated basis, and accordingly, the Group has concluded that it has one reportable segment.

Section 2: Performance for the period

This section explains the Group's results and performance, as well as our earnings per share for the period. It also provides selected details about our cash and cash equivalents performance for the period.

2.1 Income

	Half-year ended 31 Dec	
	2022 ($)	2021 ($)
Fee income		
Customer fees	3,183,860	2,768,241
Merchant fees	5,733,582	4,909,848
Total fee income	8,917,442	7,678,089
Finance income	23,291	-
Other income	174,709	181,400
Total income	9,115,442	7,859,489

Recognition and measurement

Income from merchant fees, consumer 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 recognizes fee income over the life of the associated 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.

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 income

Sundry income consists mainly of late payment fees received from customers. Other income consists of Late Payment Fees $141,530 (31 December 2021: $105,327) and Recoveries on Bad Debts $33,179 (31 December 2021: $74,695).

2.2 Loss per share

This note outlines the calculation of Loss Per Share (EPS) which is the amount of post-tax loss attributable to each share.

We calculate basic and diluted EPS. Diluted EPS reflects the effects of the equity instruments allocated to our employee share schemes under Payright's share-based payment plans, the convertibles notes, and warrants issued.

The following table reflects the loss and share data used in the basic and diluted EPS calculations.

	Half-year ended 31 December	
	2022 ($)	2021 ($)
Loss attributable to the equity holders of the parent	(4,920,584)	(6,007,199)
WANOS[1] for basic earnings per share	81,071,976	59,361,741
Loss per share:		
Basic and diluted EPS[2]	(0.06)	(0.10)

[1] Weighted average number of ordinary shares (WANOS)

[2] Basic and diluted earnings per share attributable to the ordinary equity holders of the company

Recognition and measurement

Basic Earnings Per Share

Basic EPS is calculated by dividing the loss for the half-year attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the half-year period.

Diluted Earnings Per Share

Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half-year period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (if any).

The adjustment for the calculation of diluted EPS in the adjacent table does not take into account the 35,555,560 of convertible notes issued, 2,714,079 of warrants issued to Goldman Sachs International, 4,125,000 of shares which may be issued under the director options grant (30 June 2022: 4,125,000) and 773,369 (30 June 2022: 773,369) of shares issued under the employee options grant because they are anti-dilutive as at the reporting period.

Section 3: Our core assets and working capital

This section describes the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.

3.1 Cash and cash equivalents

	Consolidated	
	31 December 2022 $	30 June 2022 $
Current		
Cash on hand	500	500
Cash at banks	4,842,989	11,182,258
Restricted Cash [1]	1,500,000	1,500,000
Subtotal	6,343,489	12,682,758

[1] Under the terms of the warehouse facility arrangement, the Group is required to satisfy the requirement for a minimum $1.5m cash upon each payment date, and the Group has therefore held this cash as restricted.

3.2 Receivables

	Consolidated	
	31 December 2022 $	30 June 2022 $
Current		
Receivables	67,265,587	58,540,539
Provision for expected credit loss	(5,171,437)	(3,949,996)
	62,094,150	54,590,543
Non-current		
Receivables	50,631,152	43,954,953
Provision for expected credit loss	(3,899,940)	(2,965,840)
	46,731,212	40,989,113
Total receivables	**108,825,362**	**95,579,656**
Movements in the provision for expected credit losses were as follows:		
Opening provision	(6,915,837)	(4,804,958)
Provided in the period	(2,633,808)	(4,791,216)
Debts written-off[1]	478,268	2,680,337
Closing provision	**(9,071,377)**	**(6,915,837)**

[1] Debts written-off during the period are not recoverable and are still subject to enforcement activity.

Recognition and measurement

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 contractual 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 utilises 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 of 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 months 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.

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. During the half-year, the Group has recorded $2.63m in loss allowance due to an increase in the gross carrying amount of the receivables.

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.

Set out below is the information about the credit risk exposure on the Group's receivable using the ECL model adopted by management.

31 December 2022

	Loans receivable			
	Days past due			
	Stage 1 – Up to 30 days past due	Stage 2 – Aged 30 to 89 days	Stage 3 – Aged 90 days or more past due	Total
	$	$	$	$
ECL[1] rate	2.51%	47.79%	90.32%	7.70%
ETGCD[2]	109,433,593	2,874,257	5,476,353	117,784,203
ECL[1]	(2,751,909)	(1,373,473)	(4,945,995)	(9,071,377)

30 June 2022

	Loans receivable			
	Days past due			
	Stage 1 – Up to 30 days past due	Stage 2 – Aged 30 to 89 days	Stage 3 – Aged 90 days or more past due	Total
	$	$	$	$
ECL[1] rate	2.9%	49.9%	81.1%	6.7%
ETGCD[2]	96,354,787	2,664,525	3,476,179	102,495,491
ECL[1]	(2,765,291)	(1,330,752)	(2,819,793)	(6,915,836)

[1] Estimated credit loss

[2] Estimated total gross carrying amount at default

ECL provision balance changes due to the migration of financial assets between stages from 30 June 2022 were:

	31 December 2022 $	30 June 2022 $
Stage 1 to stage 2	643,551	387,570
Stage 1 to Stage 3	1,244,282	1,072,454
Stage 2 to Stage 1	(309,522)	(257,801)
Stage 2 to Stage 3	214,102	(25,866)
Stage 3 to Stage 1	(120,596)	(148,225)
Stage 3 to Stage 2	(46,076)	(28,970)

The provision for expected credit loss represents management's best estimate at reporting date of the expected credit losses based on their experience and professional judgment. There are no other provisions recorded against any other financial assets of the Group as at reporting date.

Key estimates – provision for expected credit losses

Management estimates and judgement are utilised in measuring provision for ECLs and determining whether the risk of default has increased significantly since initial recognition of the receivables. The Group considers both quantitative and qualitative information in determining the ECLs on its receivables.

The measurement of the provision for ECL is a result of:

- probability of default
- loss given default
- exposure at default

The probability of default has been developed by analysing customer credit score (sourced from independent third party) and days past due, against the proportion of those balances that have defaulted over time, to form a basis to determine the PD. The loss given default is based on historical loss experienced. The exposure at default represents the present value of the estimated customer receivable at the reporting date.

Given the near-term outlook on interest rates, the Group has applied a macro-economic overlay in adjusting the results of the ECL model. The Group's ECL assumptions and methodologies are reviewed regularly.

3.3 Trade and other payables

	Consolidated	
	31 December 2022	30 June 2022
	$	$
Trade payables	898,288	1,705,247
Customer deposits	31,084	119,379
Accrued interest	276,370	821,525
GST payable	638,352	748,574
Other[1]	1,299,816	1,210,543
Total trade and other payables	3,143,910	4,605,268

[1] Other is inclusive of PAYG Withholding.

Recognition and measurement

Trade and other payables are financial liabilities, 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.

Trade and other payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Accrued Interest

Accrued Interest is settled quarterly or half-yearly throughout the period.

Section 4: Our capital and risk management

This section sets out the policies and procedures applied to manage our capital structure and the financial risks we are exposed to. We manage our capital structure in order to maximise shareholders' return, maintain optimal cost of capital and provide flexibility for strategic investments.

4.1 Equity

Share capital

	Consolidated	
	31 December 2022	30 June 2022
Authorised fully paid ordinary shares	47,383, 468	45,895,387

Movements in ordinary shares	Number of Shares	Share Capital $
At 1 July 2021	89,100,980	44,505,454
Shares issued[1]	8,333,333	1,500,000
Share issuance costs	-	(110,067)
At 30 June 2022	97,434,313	45,895,387
Shares issued[2]	41,723,285	1,876,326
Share issuance costs	-	(388,244)
At 31 December 2022	139,157,598	47,383,469

[1]On 13 May 2022, the Group raised $1,500,000 of authorised share capital and accordingly issued 8,333,333 ordinary shares for $0.18per share (6,818,181 to MCH Investment Management and 1,515,152 to Fincap Custodians Australia).

[2]The Group raised $1,876,326 of authorised share capital and accordingly issued 41,723,285 ordinary shares for $0.045 per share between 6 December 2022 and 12 December 2022 as part of its broader capital raising activities announced on 30 November 2022.

Recognition and measurement

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 5.2 for further details.

4.2 Loans and borrowings

	Consolidated	
	31 December 2022 $	30 June 2022 $
Current		
Secured		
Notes payable	4,547,990	4,557,541
	4,547,990	**4,557,541**
Unsecured		
Loans from related parties	-	-
Notes payable – Current		
Current Loans and Borrowings	**4,547,990**	**4,557,541**
Non-current		
Secured		
Secured loans	99,188,037	86,983,824
	-	-
Subordinated loans	99,188,037	86,983,824
Unsecured		
Convertible Note	6,418,910	5,842,019
	105,606,947	92,825,843
Total loans and borrowings	**110,154,937**	**97,383,384**

Secured notes are secured against assets of $117,896,739 (30 June 2022: $102,495,492) inclusive of Australia and New Zealand.

Secured notes with a gross value of $106,632,290 (30 June 2022: $94,222,567) were issued to institutional and professional investors at fixed interest rates and are expected to be settled when due:

Series	Drawn amount $	Interest rate	Maturity date
Class A[1]	85,872,000	4% plus 1-month BBSW	16 May 2026
Class B[1]	16,101,000	9.25%	16 May 2026
NZ (3)[2]	1,163,000	10% plus 1-month BKBM	21 April 2023
NZ (4)[3]	3,496,000	10% plus 1-month BBSW	21 April 2023

[1] The $125m warehouse facility includes Class A portion by senior lender Goldman Sachs and Class B portion by mezzanine arranger iPartners. This facility is eligible to be drawn down to 95%, with Payright retaining the remaining 5%.

As at 31 December 2022, the undrawn portion of the warehouse facility related to senior and mezzanine notes is $16,777,000.

[2] The group entered into new senior secured NZ Series 3 note with lender iPartners. Fully drawn amount converted from NZ$1,246,000 at exchange rate of 1.0711.

[3] The group entered into new senior secured NZ Series 4 note with lender iPartners, fully drawn amount denominated in AUD.

Recognition, measurement and classification

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.

4.3 Convertible Notes & Warrants

Recognition, measurement and classification

As at grant date	$
Face value of convertible notes	8,000,001
Embedded derivative	(1,600,000)
Capitalised borrowing costs	(557,982)
Net Convertible Note	**5,842,019**

As at 30 June 2022	$
Fair value of embedded derivative at initial recognition	(1,600,000)
Fair value movement	1,137,778
Closing value	**(462,222)**

As at 31 December 2022	$
Fair value of embedded derivative at 30 June 2022	(462,222)
Fair value movement	177,778
Closing value	**(284,444)**

On 13 May 2022, the Group issued 35,555,560 convertible notes. The total amount raised from the convertible note issue was $8,000,001. The convertible notes mature on the 4th anniversary of the issue date, being 13 May 2026. Interest will accrue on the principal amount of each convertible note at a fixed rate of interest of 9% p.a. accruing daily (from the issue date until the date of redemption or conversion). Interest is payable semi-annually in arrears (payable on 30 September and 31 March each year).

The convertible notes may be exercised at the option of the note holder at any time during the period commencing 6 months after the issue date (13 November 2022) and ending on the 4th anniversary of the issue date, being 13 May 2026. The convertible notes may also be exercised at the option of the note holder if a material event (as defined) occurs within 6 months after the issue date.

In the event of conversion, the convertible notes convert into the number of shares determined in accordance with the exchange ratio, being the principal outstanding divided by the conversion price. The conversion price is defined in the deed poll as the initial conversion price or the adjusted conversion price (as applicable) and sets out a mechanism for the Conversion Price to be adjusted in the event of capital raising activities undertaken by the Company. As a result of the Company's capital raising activities announced on 30 November 2022 and completed in January 2023, the conversion price has been lowered to $0.1291

Convertible notes that have not otherwise been converted, redeemed, or cancelled will be redeemed on the earlier of the voluntary redemption by the company, the occurrence of an event of default or change of control, or the maturity date. The redemption amount is determined as the principal amount plus any accrued by unpaid interest.

In addition, 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, recognized interest expense over the life of the instrument and the embedded derivative is measured at fair value, with changes in fair value recognized in profit or loss. The valuation of the embedded derivative as at 31 December is $284,444 (30 June 2022: $462,222) as per the Black-Scholes Methodology.

The Group is required to revalue the derivative at each reporting date.

4.4 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

Interest rate risk is the risk that the 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 risk:

	Notes	Consolidated 31 December 2022 $	Consolidated 30 June 2022 $
Financial assets			
Cash and cash equivalents	3.1	6,343,489	12,682,758
Financial Liability Warehouse class A notes	4.2	85,872,000	75,742,000
Total exposure		92,215,489	88,424,758

The Group's exposure to market interest rates relates to the Group's cash and cash equivalents.

The Group's exposure to market interest rates relates to the Group's cash and cash equivalents.

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

During the half year ended 31 December 2022, the weighted average of the variable interest rate component for cash and cash equivalents subject to interest rate risk was 3.10% (30 June 2022: 0.85%). At half-year, 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 secured loans held at half-year, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the impact on the Group's finance cost would have been $905,310 higher (June 31 2022: $754,720 higher).

Managing our foreign exchange risk

Foreign currency risk is the risk that the value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when income or expenses denominated in a foreign currency). The Group's consolidated financial statements for the half year ended 31 December 2022 can be affected by movements in the New Zealand Dollar.

The Group's current exposure to foreign exchange risk is minimal and management will continue to monitor its foreign operations and transactions pro-actively.

Section 5: Our people

We are working to build a team of passionate and skilled operators to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.

5.1 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, in addition to the executive management personnel listed in the remuneration report of the Annual Report as at 30 June 2022.

KMP compensation for the half-year is shown as follows:

	31 December 2022 $	31 December 2021 $
Short-term employee benefits	835,013	778,004
Post-employment benefits	68,327	53,577
Other long-term benefits	6,555	16,668
Share-based payments	115,845	105,015
	1,025,740	953,264

Other transactions with our KMP and their related parties

During the half-year ended 31 December 2022, apart from transactions disclosed in Note 5.1 of the interim report, there were no other transactions with our KMP and their related parties.

5.2 Employee share ownership plans (ESOP)

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.

This note summarises the primary employee share plans and the key movements in the share-based payment arrangements during the period.

Recognition and measurement

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.

5.2 Employee share ownership plans (continued)

During the half-year ended 31 December 2022, 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 or modifications to any of the plans during the half-year period.

Employee Gift Offer

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 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.

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.

Summary of Shares Issued under the Employee Gift Offer

The following table illustrates the number of, and movements in shares granted during the half-year period:

	31 December 2022 Number	30 June 2022 Number
Outstanding at the beginning of the period	40,817	40,817
Granted during the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding at the end of the period	40,817	40,817

No additional employee shares were gifted during the half year ended 31 December 2022 (30 June 2022: 40,817).

For the six months ended 31 December 2022, the Group has recognised $nil of IPO share issuance costs in the share capital (31 December 2021: $48,980) as a result of the employee gift offer.

For the six months ended 31 December 2022, the Group hasn't issued any employee shares under employee gift offer in share capital (30 June 2022: $48,980).

5.2 Employee share ownership plans (continued)

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 FY21. There were no changes made to these awarded options during the half year ended 31 December 2022.

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.

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 group, 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.

Summary of Shares Issued under the Employee Options Grant

The following table illustrates the number of, and movements in options granted during the half-year period:

	31 December 2022 Number	30 June 2022 Number
Outstanding at the beginning of the period	773,369	1,168,152
Granted during the period	-	-
Forfeited during the period	-	(394,783)
Exercised during the period	-	-
Outstanding at the end of the period	773,369	773,369

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	$0.63
Option life	4 years
Risk free rate	0.207%
Dividend yield	0%
Expected volatility*	36.0742%

*Expected volatility was calculated on the underlying security over a specified period, considering a comparable group of companies.

The assessed fair value at grant date of options granted during the FY21 reporting period was at $0.3638 per option.

For the six months ended 31 December 2022, the Group has recognised $55,910 of share-based payment expense in the statement of profit or loss (31 December 2021: $65,873).

5.2 Employee share ownership plans (Continued)

Director Options Grant

The options were granted to the former co-CEO's Messrs Piers and Myles Redward and former Director Paul Cowan with an exercise price equal to 175% of the listing price. These options were provided to co-CEO's Messrs Redward at the time of the Company's Initial Public Offering (IPO). The premium pricing of CEO exercise right on their Options is designed to incentivise them to promote the Company's long-term growth post listing and to continue their directorship with the Company for the prescribed performance. There were no changes made to these awarded options during the half year ended 31 December 2022.

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;
- 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 their Directorship 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 Directorship, save that where this occurs by reason of termination for cause or breaches restraints, vested awards will lapse. After the reporting date there were 3 Directors (Messrs M Redward, P Redward and P Cowan) who resigned their position as Director and therefore had their employment in the capacity of Director cease under the terms of the ESOP. The Board has exercised their discretion and allowed each of the former Directors to retain their unvested Director Option awards in accordance with the ESOP plan rules at a revised exercise price of $2.09

Summary of Shares Issued under Director Options Grant

The following table illustrates the number of, and movements in options granted during the half-year period:

	31 December 2022 Number	30 June 2022 Number
Outstanding at the beginning of the period	4,125,000	4,125,000
Granted during the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding at the end of the period	4,125,000	4,125,000

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 23 December 2020
Expiry date	23 December 2024
Exercise price	$2.10
Option life	4 years
Risk free rate	0.207%
Dividend yield	0%
Expected volatility*	36.0742%

*Expected volatility was calculated on the underlying security over a specified period, considering a comparable group of companies.

The assessed fair value at grant date of options granted during the FY21 reporting period was ended was at $0.1161 per option.

For the six months ended 31 December 2022, the Group has recognised $77,256 of share-based payment expense in the statement of profit or loss (31 December 2021: $90,072).

Section 6: Other information

This section provides other information and disclosures not included in the other sections, for example related party transactions and significant events occurring after the reporting date.

6.1 Related party transactions

Transactions and their terms and conditions with other related parties

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.

Transactions with other related parties are as follows:

Receiving of services from:	31 December 2022 $	31 December 2021 $
Key management personnel of the Group	338,341	206,254
Close family members of the directors	158,817	226,156

6.2 Events after the reporting date

The following significant events occurred after the reporting date:

- Completion of capital raise announced on 30 November 2022 and completed on 12 January 2023, resulting in the shareholding of Metrics reaching 52.5% and a change of control event occurring.
- Completion of the capital raise announced on 30 November 2022 with an additional $3.154 million of authorised share capital raised after 31 December 2022 that was completed on 12 January 2023.
- Resignation of Directors Lindley Edwards, Paul Cowan, Myles Redward and Piers Redward – effective 25 January 2023.
- Resignation of Chairman Peter McCluskey - effective 25 January 2023 (Peter remains a Director of Payright).
- Appointment of Allan Griffiths as Non-Executive Director and Chairman - effective 25 January 2023.
- Resignation of Co-Chief Executive Officer's Myles Redward and Piers Redward – effective 25 January 2023 (Myles and Piers remain employed in senior executive roles within the Company).
- Appointment of Stewart Creighton as interim Chief Executive Officer - effective 25 January 2023. Mr Creighton is providing services to the Company on an interim basis under a secondment agreement with MCH Corporate Services Pty Ltd for a period of 6 months.
- Resignation of David Leach as Chief Financial Officer - effective 11 January 2023.
- Appointment of Tom Kellaway as interim Chief Financial Officer - effective 11 January 2023. Mr Kellaway is providing services to the Company on an interim basis under a secondment agreement with MCH Corporate Services Pty Ltd for a period of 6 months.
- As reported by the Company in its Annual Report to Shareholders for the period ended 30 June 2022, issued on 30 September 2022, the Company granted 2,714,079 warrants to Goldman Sachs International as part of the consideration for the establishment of the warehouse facility on 16 May 2022 (the Grant date). Details of the warrant arrangements were set out in detail by the Company in section 5.2b of the Annual report for the period ended 30 June 2022. The exercise price at the time of granting was $0.1321 per share. As a result of the capital raising activities undertaken by the Company announced on 30 November 2022 and completed in January 2023, the exercise price has been revised to $0.1248.

In accordance with a resolution of the Directors of Payright Limited we state that:

1. In the opinion of the Directors:

   a. the consolidated financial statements and notes that are set out on pages 6 to 24 and the Directors' report, are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance, for the half- year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
      iii. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities;

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the half-year ended 31 December 2022; and

4. The Directors draw attention to Note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

On behalf of the Directors

Peter McCluskey - Director	Matthew Pringle - Director
24 February 2023	24 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's review report to the members of Payright Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Payright Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1.3 in the financial report, which indicates that the Group incurred a net operating cash outflow of $20.5 million and a net loss of $4.9 million for the half year ended 31 December 2022. 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. These conditions, along with other matters set forth in Note 1.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Building a better
working world

Directors' responsibilities for the half-year financial report

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

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

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

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

Ernst & Young

John MacDonald
Partner
Melbourne

24 February 2023