# Annual Report 2022

Payright Limited

ABN 24 605 753 535

payright

payright

# FY22 highlights

## Financial

**$102.5m**
Gross receivables (loan book), up 48% vs. pcp

**$16.3m**
Revenue, up 34% vs. pcp

**$316.8m**
Cumulative GMV FY16 – FY22

**$17.4m**
Future contracted revenue

**$119.6m**
GMV up 41% vs. pcp

**77k**
Customers, up 44% vs. pcp

## Operational

- Signed $125m Warehouse facility in late FY22
- Launched mobile app in Aug 2021, with over 70,000 downloads in FY22
- Diversified merchant vertical mix strategy supported by acquisition of flagship merchants Bevilles, O'Brien Electrical and Plumbing, Swimart, Auto Super Shoppes (NZ) – within core Retail, Home Improvement and Automotive Sectors
- Post 30 June, granted Australian Credit Licence, providing ability to launch licenced product

# Chair's Report

**Peter McCluskey**
**Non-Executive Director – Chair**

## Dear Shareholders,

## I present to you Payright Limited's Annual Report for the year ending 30 June 2022, the Company's second Annual Report as an ASX listed Company.

Payright is an established participant in the rapidly growing consumer lending industry with operations across Australia and New Zealand, providing interest-free finance solutions to encourage point-of-sale conversion and enabling customers to spread the cost of purchases over time.

Payright continued its growth momentum across FY22, delivering strong operational performance in challenging economic conditions, with a focus on large-ticket purchases, considered transactions and credit assessed borrowers.

Total revenue for the year ended 30 June 2022 was $16.3 million, up 34% vs. prior comparable period, while gross receivables increased to $102.5 million, up 48%.

Key activities supporting this growth included a focused industry vertical diversification strategy, which resulted in an increase in total merchant stores to 3,899; a continued emphasis on higher value transactions which saw Gross Merchandise Value (GMV) grow by 41%; and the implementation of a milestone warehouse funding arrangement which reduced Payright's funding costs. Concurrent with the establishment of the warehouse, Payright raised $9.5 million through a combination of an equity placement and unsecured convertible notes.

During the year we welcomed Andrew Lockhart, Managing Partner of Metrics Credit Partners, to the Board as a Non-Executive Director following the investment by Metrics Credit Partners into Payright in May 2022. Andrew is already contributing his expertise and experience to the Board and team. Additionally, I was appointed Chair of Payright on October 15th, 2021.

Payright remains acutely aware of the evolving macro-economic circumstances, which will most likely require a further equity raise in FY23 and appropriate cost optimisation initiatives. In parallel, Payright remains focused on growing and strengthening our merchant-led strategy and its path to profitability.

I wish to thank our customers, merchants, and investors for their support, along with everyone in the Payright team for their extraordinary efforts.

**Peter McCluskey,**
Non-Executive Director – Chair

# Co-CEO's Report

**Myles Redward** **Piers Redward**
**Co-Founders & Co-Chief Executive Officers**

## Dear Fellow Shareholders,

**We are incredibly proud of the progress we have made in the past 12 months in challenging economic conditions. We have continued to deliver growth across our key performance metrics, whilst implementing strategies to ensure we have a clear roadmap to reaching profitability.**

Across the year we signed flagship merchants in key verticals across the Home Improvement, Retail and Automotive sectors, including Stratco, Australian Outdoor Living, Bevilles, Masseuse Massage Chairs, Jim's Energy and Auto Super Shoppe (NZ), increasing our merchant stores to 3,899, up 14% on prior comparable period.

In August 2021, we launched our app, enabling customers to access all our products through their mobile phones. Having surpassed 70,000 downloads, the app continues to grow incrementally in both customer acquisition and volume growth from the channel, proving a valuable customer acquisition tool and a powerful tool for customer satisfaction and convenience.

In May 2022, driven by our gross receivables which have now exceeded $100 million, we settled on our first warehouse facility of $125 million. The facility significantly lowered our cost of funds compared to the previous funding arrangements, whilst also validating our offering as an established player for larger ticket purchases.

Concurrent with the implementation of the warehouse facility, we raised $9.5 million via convertible notes and equity placement to ensure sufficient flexibility to support growth in the facility along with day-to-day operational requirements.

Looking ahead to FY23, we remain focused on navigating the evolving macro-economic climate, which most likely will include an appropriate capital raise and additional cost optimisation initiatives to continue to progress on our path to profitability. Payright remains committed to growing and strengthening our merchant led strategy, which has been key to the business and its success since our inception.

Lastly, we also feel it appropriate to mention that as major shareholders in the business, like you, we are disappointed in the decline of our share price and are actively engaging with the investment community to ensure our value proposition and point-of-difference in the market are communicated and well understood.

We have an established and embedded point of sale lending offering with approximately 77k customers with 3,899 merchant partners and continue to target areas of the lending landscape that are underserviced by the major players. We would like to thank the Payright team, merchants, partners and indeed our customers for supporting us over the past 12-months in what has been a very successful year. Your support is deeply appreciated and has enabled our business' vision to come to life. Thank you also to our loyal shareholders for their ongoing support and belief. What we have achieved this year gives us confidence for the future and we look forward to executing our strategy and delivering value on your investment in us.

Yours sincerely,

**Piers Redward** **Myles Redward**

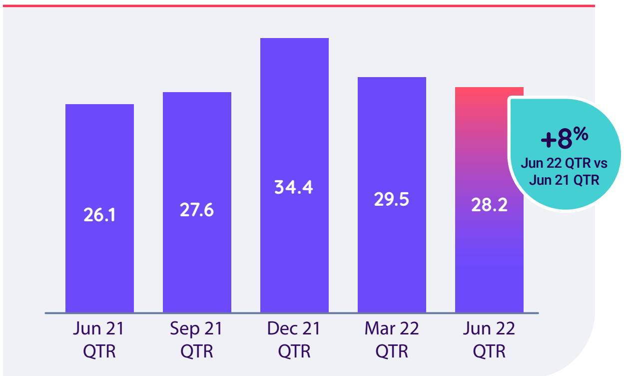
Co-Founders & Co-Chief Executive Officers

# $102.5m

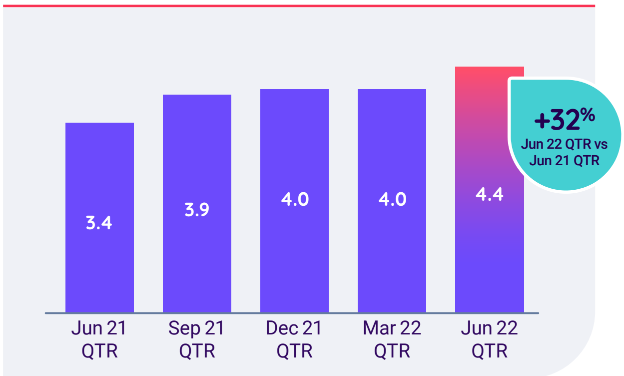
## 48% growth in Gross Receivables vs Jun 21


Gross Receivables ($M)

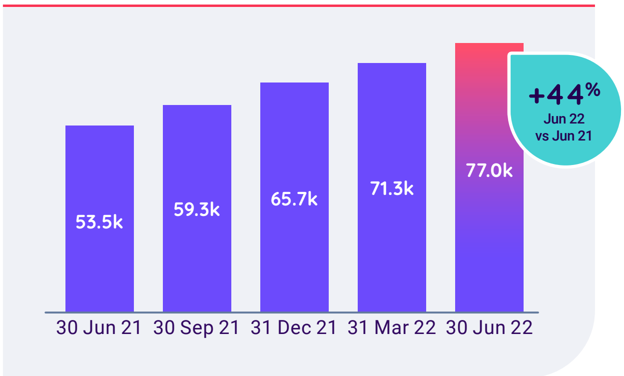
### GMV ($M)



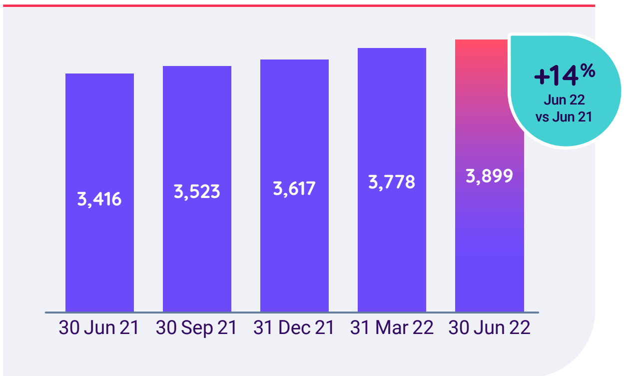

### Revenue ($M)




### Total Customers



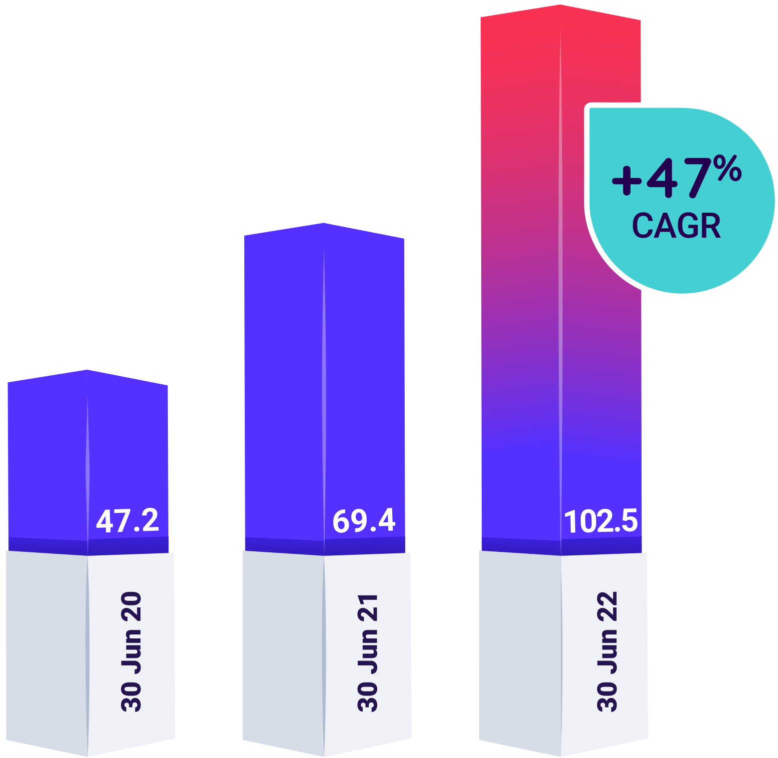

### Total Merchant Stores (#)



Growth
Metrics

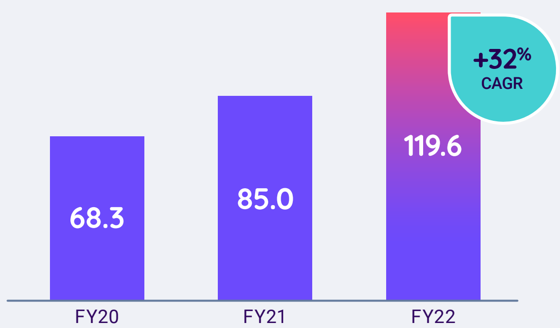
# Receivables accelerating

All key growth metrics continue to climb, delivering over $100M in receivables in FY22.

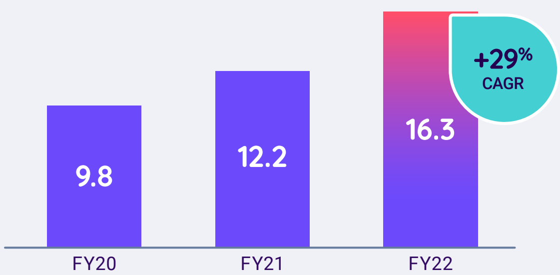



Full Year Gross Receivables ($M)

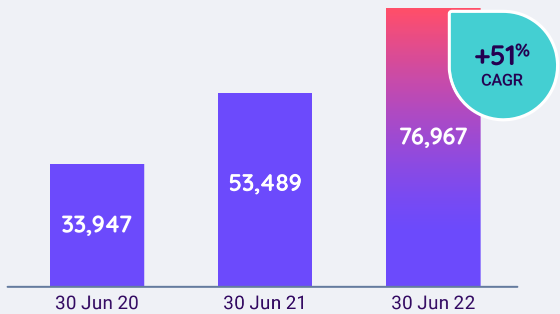
Full Year GMV ($M)



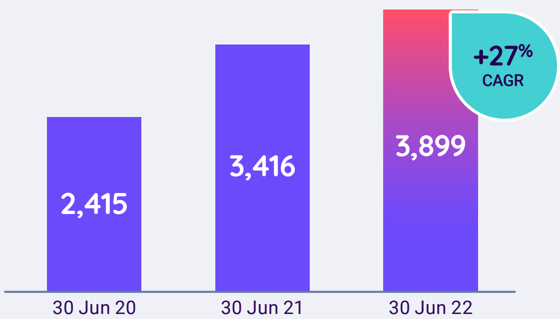

Full Year Revenue ($M)




Total Customers




Total Merchant Stores (#)

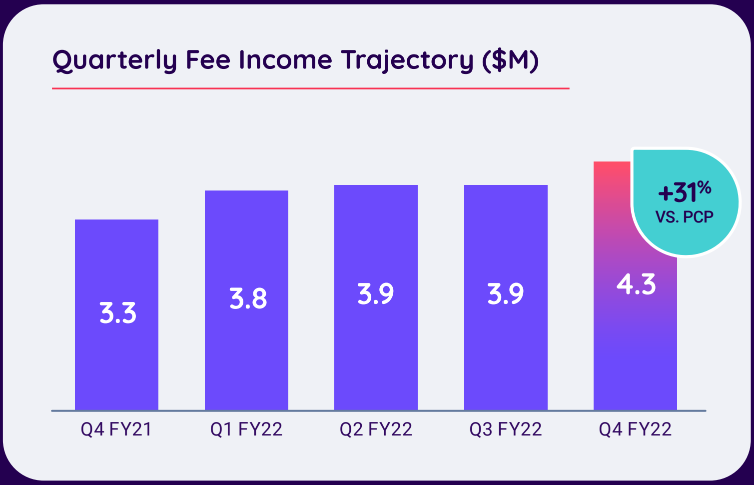


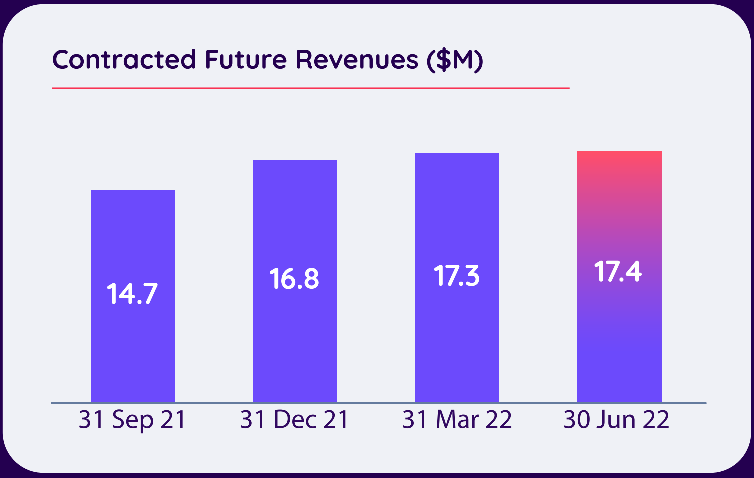
# $17.4m

## Contracted future revenues

as at 30 June

- AASB9 requires revenue to be recognised over the life of the loan. With an average loan term of ~29 months, the majority of revenue from the periods lending activity, will be recognised in subsequent periods
- Fee income for the June quarter was $4.3 million, up 31% vs. pcp
- Fee income from lending activity yet to be recognised increased to $17.4 million as at 30 June to be received in cash in subsequent periods



# The Payright difference

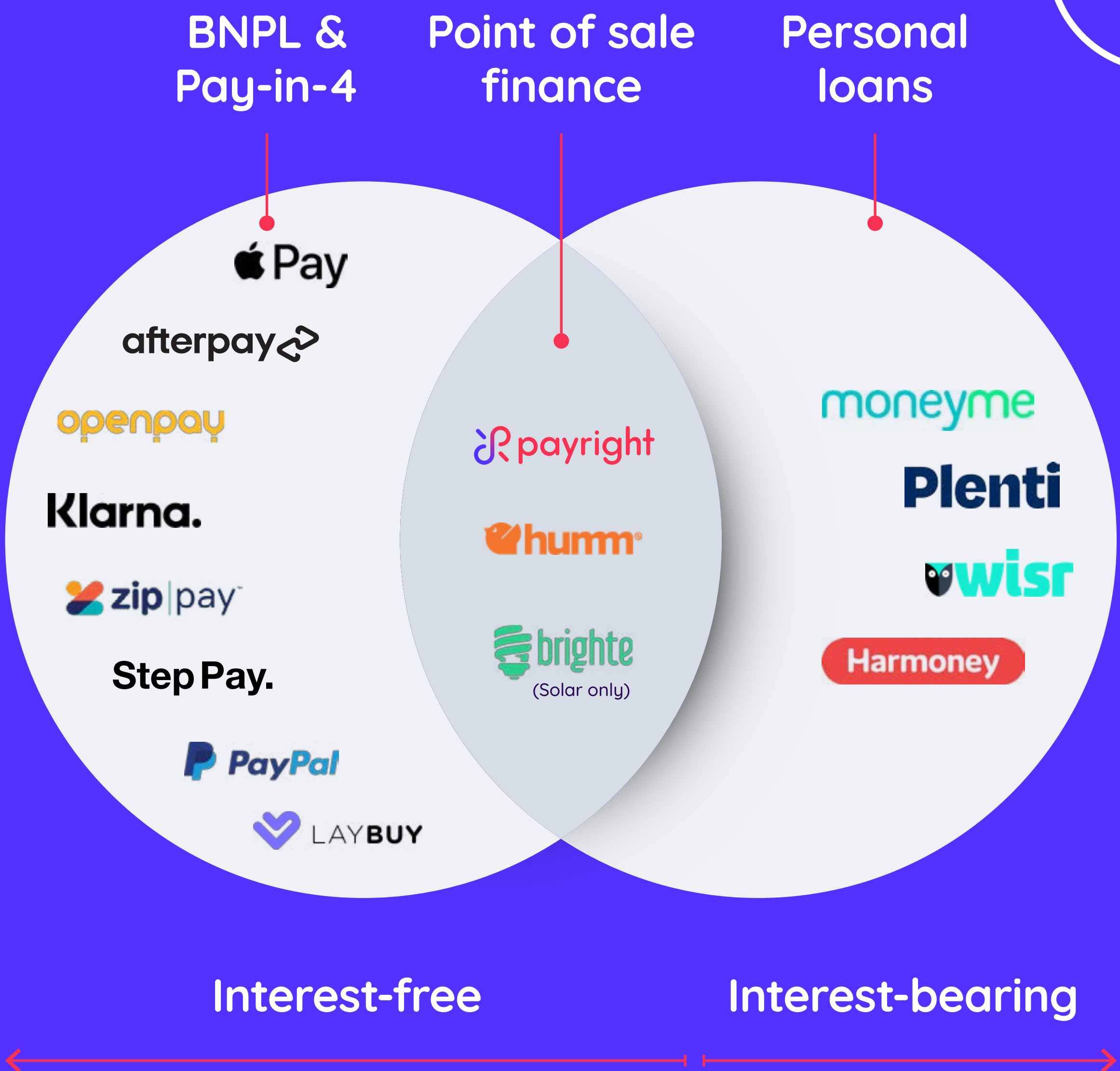
## Carving out our niche in the consumer lending landscape.

- Loans originated through a trusted and rapidly growing merchant network
- Servicing a diverse mix of sectors
- Embedded into the merchant's sale process, offering real time credit assessment and decisioning at the time of transaction
- Revenue deferred and recognised over the lifetime of the loan (like Personal Loan products) providing sustainable future income
- A stable customer demographic, typically older than the broader sector demographic with more secure employment and residential status than reported by BNPL providers

| | BNPL & Pay-in-4 | payright | Personal Loans |
|---|---|---|---|
| **Typical loan range** | $0 to $2k | $2k to $20k | Up to $50k |
| **Typical loan term** | 6 weeks or 4 equal installments | Up to 60 months | Up to 60 months |
| **Credit check^** | Typically no | Typically yes | Typically yes |
| **Merchant Relationship** | Yes | Yes | No |
| **Performance metrics** | GMV<br>Number of Transactions | Loan book<br>New loan originations | Loan book<br>New loan originations |
| **Revenue recognition** | Short term revenue | AASB 9 – Revenue recognised over life of the loan | AASB 9 – Revenue recognised over life of the loan |
| **Target customer** | Gen Z | Gen X and Y | Gen X and Y |
| **Distribution channels** | Originated through merchant network | Originated through merchant network | Direct to consumer |

^ The AFIA BNPL Code of Practice requires credit checks (or equivalent) for loans over $2,000.

# The competitive landscape

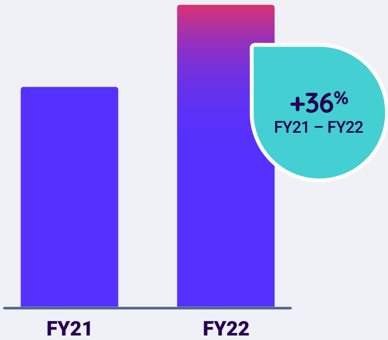



Information from publicly available sources as at Feb 2022.

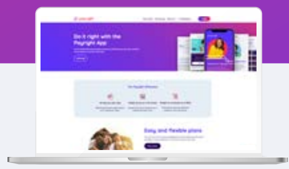
# Significant growth across all channels

## Point-of-sale

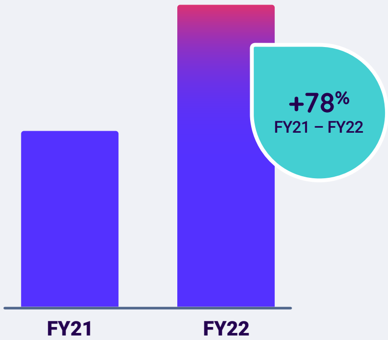

Designed to integrate into the consultative sales process as a conversion lever.



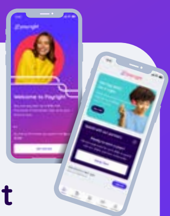

## Online



Seamless UX enables a quick and simple application and checkout, increasing conversion for high-value eCommerce transactions.




## Via the App



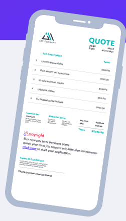
Powered by the Payright App, pre-approval takes only minutes. Simplified QR code express checkout enables a seamless path to purchase.

New to FY22

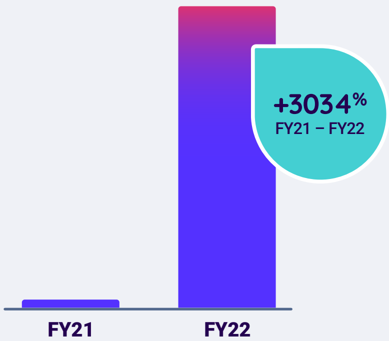
**77k+**

downloads

## Quotes & Invoices



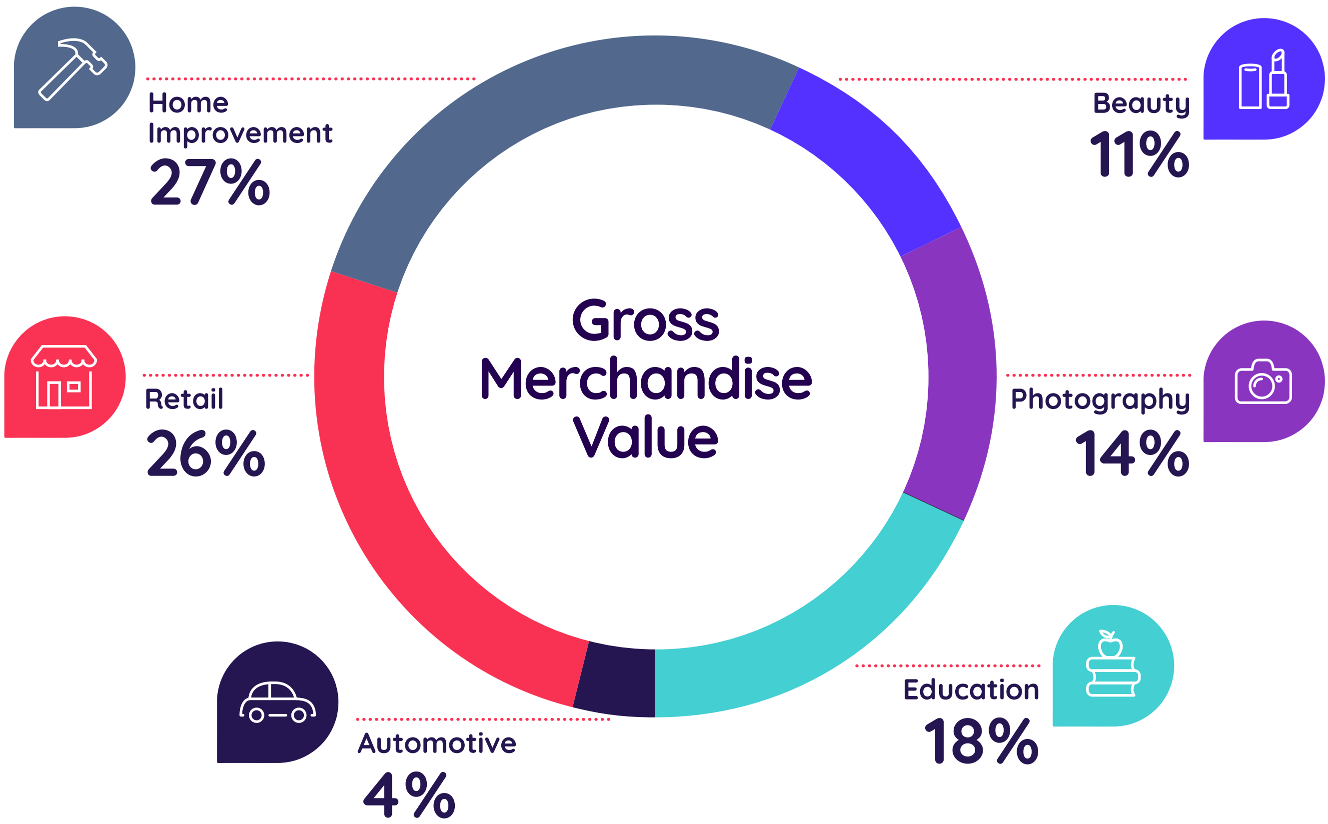

Quick application links on quotes and invoices to land the job, and encourage quick, easy payment.



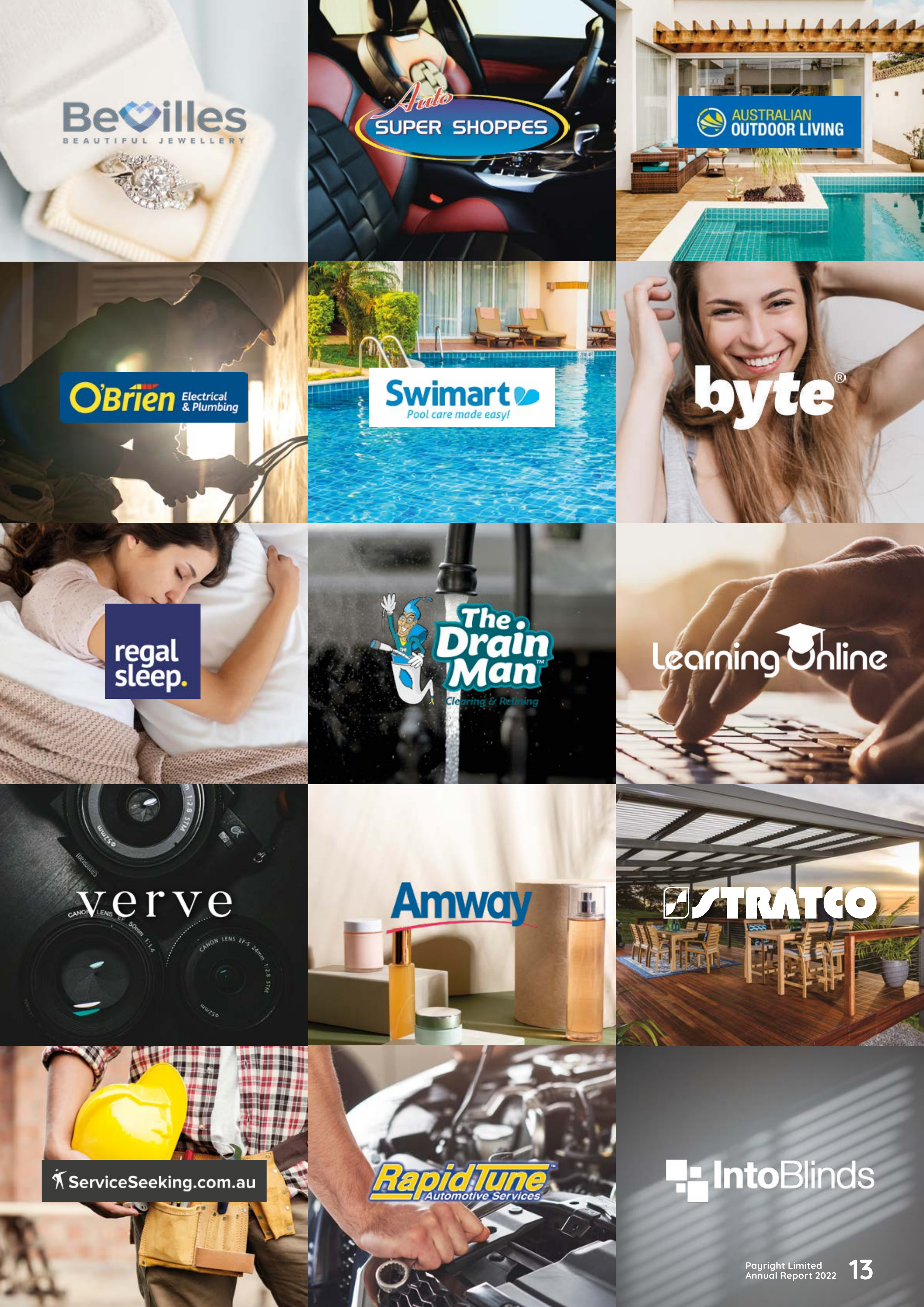

# Diversified merchant portfolio

**Payright's ongoing GMV growth has been driven by a deepening of targeted, strategic partnerships in key merchant verticals.**

## GMV contribution by vertical




Based on FY22 full year GMV contribution by vertical.


Bevilles
BEAUTIFUL JEWELLERY
Auto SUPER SHOPPES
AUSTRALIAN OUTDOOR LIVING
O'Brien Electrical & Plumbing
Swimart
Pool care made easy!
byte
regal sleep.
The Drain Man
Clearing & Relining
Learning Online
verve
Amway
STRATCO
ServiceSeeking.com.au
RapidTune
Automotive Services
IntoBlinds

# Robust lending foundations

**Payright continues to closely monitor and manage its arrears position in accordance with market conditions. Our detailed and rigorous credit decisioning, supported by robust underwriting practices underpin Payright's responsible approach to lending.**

Robust underwriting supported by proprietary credit decisioning algorithm

Bank statement verification when required

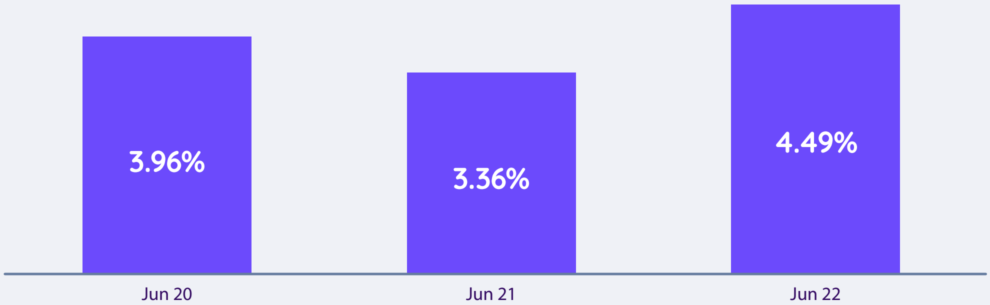
Credit and ID checks performed where appropriate

Low-risk customer demographic*

*** In FY22, 77% of PYR customers were 30+ years old**

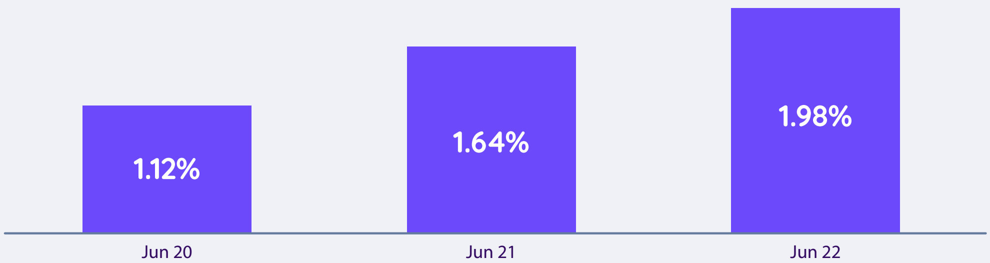
# Credit quality

## 30+ Days Arrears (% of Loan Book Receivables)




- Arrears at 30 June increased to 4.49%, up 1.13% on prior year
- **Outsourced collections support appointed in early FY23 in addition to Australian team to increase collections resource by over 100%**

## Losses/Cumulative GMV




- Whilst well within provisioning, losses increased to 1.98% as at 30 June, up 0.34% from the prior year. An uplift in arrears management practices and an increase in collections resource ensure arrears and losses remain a key focus area
- **Provisioning levels currently set at 6.75% of Gross Receivables**

# Outlook

## Payright remains focused on navigating the evolving macro-economic climate

# FY23 objectives

- Likely further capital raise, identification and implementation of additional cost optimisation strategies
- Refinement of pricing strategies
- Continued merchant acquisition in strength verticals: Home Improvement, Health & Beauty and large-ticket Retail
- Deepen existing merchant and partner relationships and grow PYR share of business

# Meet Payright's leadership

## Myles Redward

**Co-Founder and Joint Chief Executive Officer**

Myles co-founded the Payright business in 2015 and serves as Director and Joint Chief Executive Officer. Myles has more than 20 years' experience in credit and risk for major corporations including Moody's, Bank of Ireland and GE Capital. At GE Capital, Myles led the corporate level planning and analysis function. Myles has a detailed understanding of financial modelling and accounting practices in the context of the consumer finance industry.

## Piers Redward

**Co-Founder and Joint Chief Executive Officer**

Piers co-founded the Payright business in 2015 and serves as Director and Joint Chief Executive Officer. Piers has in excess of 15 years' experience building and scaling businesses having worked for corporations such as ANZ's Esanda Finance business, FlexiGroup and Wingate Consumer Finance, managing multiple brands (including Flexirent, Lombard Finance, Once Credit, Now Finance and Mac Credit). Piers has a deep understanding of the Buy Now Pay Later (BNPL) sector and has extensive experience in Sales, Marketing and product development across various consumer lending products.

## David Leach

**Chief Financial Officer (CFO)**

David is a senior finance executive with over 20 years' experience in Financial Services across Australia and the United States. David's experience includes over 8 years at National Australia Bank, with roles including Head of Finance for the Corporate, Institutional and Specialised Businesses division; and over 6 years at Bank of the West, a subsidiary of BNP Paribas, with relevant roles including Executive Vice President, Business and Cost Performance Management, and Interim CFO. David holds a Masters of Business Administration degree in Finance & Accounting from New York University's Stern School of Business, and a Bachelor of Arts degree in Economics from Haverford College.

## Saara Mistry

### General Counsel, Chief Risk Officer and Company Secretary

Saara has over 20 years of experience as in-house legal counsel, compliance and risk professional 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.

## Mark Evans

### Chief Technology Officer

Mark comes from a 30+ year career at ANZ Bank where he held a wide range of leadership roles across technology, large scale operations and business management. Relevant roles included Head of Technology for the ANZ Retail Bank, Head of Operations for ANZ Cards where he was responsible for issuing, acquiring and consumer credit, General Manager Electronic Banking Services, providing electronic banking, payments and cash management products and services to the Bank's SME, Business and Institutional customers. Mark subsequently spent 8 years as Southern Region Manager for a US software company "eFunds" who provided EFT Payments switching software.

## Tere Green

### Chief Commercial Officer

Tere is a seasoned sales professional with 14 years of experience spanning personal loans, leasing, line of credit, interest free cards and Buy Now Pay Later across the Australian and New Zealand markets. Prior to joining Payright, Tere held senior leadership roles with payments FinTech's Zip Co and Openpay, along with financial services companies Now Finance and FlexiGroup. Tere has a Bachelor of Arts degree from the University of Otago.

## Rob May

### Chief Product Officer

Rob has over 25+ years' experience in sales, marketing, risk and executive management across several consumer lending businesses spanning Australia and New Zealand and was instrumental in establishing BNPL in Australia Rob has held senior management positions for including Managing Director (2010 to 2017) of Certegy Ezi-Pay BNPL (now known as Humm) which included managing 145 employees, and achieving $600M annualised volume across 10,000 merchant partners and generating $40M NPAT. Rob was also a Senior Executive of FlexiGroup (Humm group) from 2010 to 2017 and has consulted to a number of leading consumer lending companies in Australia including Payright since Feb 2021.

# Meet Payright's board

## Myles Redward

**Co-Founder and
Joint Chief Executive Officer**

Details on previous page.

## Piers Redward

**Co-Founder and
Joint Chief Executive Officer**

Details on previous page

## Peter McCluskey

**Chair and
Non-Executive Director
(appointed on 15 October 2021)**

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 is also currently a Director of ASX listed PointsBet Holdings Ltd, an ASX 200 listed company. He also chairs PointsBet's Audit, Risk and Compliance Committee and is a member of the Remuneration and Nomination Committee.

## Paul Cowan

**Non-Executive Director**

Paul has served as Director of the Company since 2017, when the Company was very much in its infancy. During this time Paul assisted the Company in its establishment of early-stage funding programs, the development of corporate growth strategies, and the introduction of key relationships to support the Company's growth aspirations. Paul has over 30 years of experience in the financial services industry, and has served as a director of both private and public entities. Paul is a member of the Audit and Risk Committee and the Nominations and Remuneration Committee.

## 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 is the Chair of the Audit and Risk Committee, and a member of the Remuneration and Nomination Committee.

## Lindley Edwards

### Non-Executive Director

Lindley is Chief Executive Officer of Australasian corporate advisory and transaction consulting firm AFG Venture Group. Lindley is also Chair of the Coral Sea Cable Company Ltd, and non-executive director of 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 is a member and Chair of the Remuneration and Nomination Committee. Lindley is also a member of the Audit and Risk Committee.

## Andrew Lockhart

### Non-Executive Director (appointed 27 May 2022)

Andrew has more than 30 years' banking, funds management and financial markets experience and is the 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 $13bn 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 is a director of MCH Investment Management Services Pty Ltd (a member of the Metrics group).

# Directors' Report

The directors submit their report on Payright Limited (the "Company") and its controlled entities (collectively, the "Group" or "Payright") for the financial year ended 30 June 2022.

## Directors

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

| | |
|---|---|
| **Peter McCluskey** | Chairman and Non-Executive Director (appointed 15th October 2021) |
| **Piers Redward** | Executive Director |
| **Myles Redward** | Executive Director |
| **Paul Cowan** | Non-Executive Director |
| **Matthew Pringle** | Non-Executive Director |
| **Lindley Edwards** | Non-Executive Director |
| **Andrew Lockhart** | Non-Executive Director (appointed 27th May 2022) |

## Director qualifications, experience and special responsibilities

### Peter McCluskey

#### (Chair and Non-Executive Director – appointed on 15 October 2021)

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 is 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.

### Piers Redward

#### (Co-Founder and Joint Chief Executive Officer)

In his role as Joint CEO, Piers takes 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. Piers holds 9.14% of Payright's issued capital.

### Myles Redward

#### (Co-Founder and Joint Chief Executive Officer)

In his role as Joint CEO, Myles takes responsibility for finance, legal & compliance, technology, investor relations and projects at Payright. Myles has over 15 years of experience working within Moody's, Bank of Ireland and GE Capital. He spent his earlier years in finance where he headed up the planning and analysis function at GE Capital 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. Myles holds 9.14% of Payright's issued capital.

## Paul Cowan

### (Non-Executive Director)

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 degree from Monash University and is a qualified Chartered Accountant. Paul is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Paul holds 1.67% of Payright's issued capital.

## 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 currently serves on the board of Anglicare Victoria. 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.

## Lindley Edwards

### (Non-Executive Director)

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

## Andrew Lockhart

### (Non-Executive Director – appointed 27 May 2022)

Andrew has more than 30 years' banking, funds management and financial markets experience and is the 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 $13bn 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 holds 9.51% of Payright's issued capital. Metrics also holds 14,545,454 convertible notes issued by Payright.

## Company Secretary

### Saara Mistry

Saara has over 20 years of experience as in-house legal counsel, compliance and risk professional 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.

## Directors' meetings

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

| Director | Held[1] | Attended |
|---|---|---|
| Peter McCluskey | 11 | 11 |
| Andrew Lockhart | 1 | 1 |
| Paul Cowan | 17 | 16 |
| Piers Redward | 17 | 17 |
| Myles Redward | 17 | 17 |
| Matthew Pringle | 17 | 17 |
| Lindley Edwards | 17 | 17 |

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

### Board Committee meetings

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

| | Audit and Risk Committee | | Remuneration & Nomination Committee | |
|---|---|---|---|---|
| Director | Held[A] | Attended | Held[A] | Attended |
| Peter McCluskey | [B] | | [B] | |
| Andrew Lockhart | [B] | | [B] | |
| Paul Cowan | 3 | 3 | 2 | 2 |
| Piers Redward | [B] | [B] | [B] | [B] |
| Myles Redward | 3 | 2[B] | [B] | [B] |
| Matthew Pringle | 3 | 3 | 2 | 2 |
| Lindley Edwards | 3 | 3 | 2 | 2 |

A. The number of meetings held indicates the total number held whilst the Director was a member of the relevant committee during the course of the year.
B. Denotes the Director is not a member of the relevant committee.

## Dividends

No dividends have been paid or declared for the financial year ended 30 June 2022 (30 June 2021: $nil).

## Principal activities

The principal activity of the Group during the financial year was to provide merchants with flexible lending finance solutions to offer their customers, intended for higher value transactions that are more-considered purchases rather than smaller impulse-driven buys.

Merchants are paid upfront, net of the merchant fee typically on the same day and include a diverse mix of broad- reaching products and services across a range of different merchant verticals and industries including retail, home improvement, education, photography, health & beauty and after-market automotive.

The Group provides services to merchants, along with its customers, in Australia and New Zealand ("NZ").

There were no significant changes in the nature of these activities for the financial year ended 30 June 2022.

## Review of operations

The Group (trading as "Payright") is an established participant in the rapidly growing consumer lending industry with operations across Australia and New Zealand. 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 its growth momentum, delivering strong operational performance in challenging economic conditions, remaining focused on top-line sustainable growth through customer acquisition and expansion in merchant volume and diversification.

### Summary of financial results for the financial year ended[1]

| | 2022 $ | 2021 $ | Change % |
|---|---|---|---|
| Total income | 16,315,017 | 12,174,383 | 34.0% |
| Operating expenses | (20,205,306) | (18,721,538) | 7.9% |
| Net finance costs | (9,733,946) | (6,027,820) | 61.5% |
| Depreciation | (175,624) | (158,975) | 10.5% |
| Gain on revaluation of embedded derivative | 1,137,778 | – | – |
| **NLAT** | **(12,662,081)** | **(12,733,950)** | **(0.6%)** |
| Basic and diluted EPS (cents)[2] | (0.18) | (0.22) | – |

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 users of financial statements 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 2021: 4,125,000) and 773,369 (30 June 2021: 1,168,152) 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 $16,315,017 for the year ended 30 June 2022, an increase of 34% from the prior comparative period (pcp). The increase in income reflects continued expansion within the growing consumer lending market and the evolution of the Group's vision of making payments frictionless, flexible and affordable for consumer payment and lending needs. During the reporting period, the following key activities supported the increase in income:

- A focused industry vertical diversification strategy resulted in an increase in total merchant stores by 14% to 3,899 (30 June 2021: 3,416). The addition of flagship partners Stratco, Bevilles and Swimart allows expansion of the Group's merchant footprint in key verticals such as Home Improvement and bigger ticket retail; and
- Gross Merchandise Value (GMV) growth and a higher average transaction value of ~$4,000 (30 June 2021: $3,558). This was a combined result of the Group's continued focus on higher value transactions, targeting less congested industry types with a more mature demographic of end customer.

The Group reported an improvement in operating loss from the prior year of 39% driven by increased income. Operating expenses for the year were $20,205,306, an increase of $1,483,768 (or 7.9%) from pcp of $18,721,538. The increase was mainly driven by the Group's continued investment in its people, along with a 50% increase in expected credit loss on the customer loan book as gross receivables increased 48% to $102,495,492 (30 June 2021: $69,382,617) partially offset by reduction in marketing & advertising spend.

Net finance costs for the year were $9,733,946, an increase of $3,706,126 (or 61.5%) versus the prior year due to higher average loans and borrowings held in the period as well as the required establishment costs for the new warehouse facility, and early settlement of existing borrowings and associated interest.

The Group also recorded a $1,137,778 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 before tax of the Group for year ended 30 June 2022 was $12,662,081 (30 June 2021: $12,733,950).

## Financial position and cash flow

| Cash flow summary | 30 June 2022 $ | 30 June 2021 $ | Change % |
|---|---|---|---|
| Net cash flows used in operating activities | (41,964,515) | (32,559,236) | 28.9% |
| Net cash used in investing activities | (799,762) | (111,437) | 617.7% |
| Net cash flows from financing activities | 48,358,756 | 31,530,543 | 53.4% |
| **Net (decrease)/increase in cash and cash equivalent** | **5,594,479** | **(1,140,130)** | **590.7%** |

| Financial position summary | 30 June 2022 $ | 30 June 2021 $ | Change % |
|---|---|---|---|
| Total assets | 110,247,033 | 72,362,683 | 52.4% |
| Total liabilities | (103,324,618) | (54,518,260) | 89.5% |
| **NET ASSETS** | **6,922,415** | **17,844,423** | **(61.2%)** |
| **EQUITY** | **6,922,415** | **17,844,423** | **(61.2%)** |

### Cash flows

Cash as at 30 June 2022 was $12,682,758 (30 June 2021: $7,088,279). Cash receipts from customers in the year were $80,681,828 (30 June 2021: $57,261,213), representing a 41% increase over pcp with payments to merchants up 43% over pcp which resulted in a large increase in gross receivables of $33,112,875 (30 June 2021: $22,183,313).

As a result, net cash flows used in operating activities for the year were $41,964,515 (30 June 2021: $32,559,236) being 28.9% higher than pcp.

The increase in cash flows used in investing activities for the year ended 30 June 2022 was $688,325 (or 617.7%).

The increase in cash flows from financing activities for the year ended 30 June 2022 was $16,828,213 (or 53.4%).

As of 30 June 2022, the Group has a total undrawn facility balance of $29,127,000 (30 June 2021: $19,326,664).

### Financial position

Total assets have increased from 30 June 2021 by 52.4% to $110,247,033 due mainly to the Group's higher receivables balance. Total net receivables as at 30 June 2022 is $95,579,656 representing an increase from 30 June 2021 of 48%.

Total liabilities have increased by 89.5% to $103,324,618 mainly due to the proceeds from loans and borrowings.

Net equity as at 30 June 2022 was $6,922,415, a decrease from 30 June 2021 of $10,922,008. The decrease was predominantly due to the operating loss for the year.

## Outlook

Payright's top priority remains to grow and strengthen our merchant-led strategy, a key to the business from its inception, and to focus on the path to profitability.

The successful transition to a traditional warehouse funding facility in late FY22 is expected to provide sustainable loan book growth and support the Group's core strategic initiatives:

- continued merchant acquisition from key verticals Home Improvement, Health & Beauty, and large-ticket Retail;
- deepen existing merchant and partner relationships and continue to grow PYR share of business from existing merchants;
- finding continued efficiencies to maintain margin, including pricing strategy refinement and cost optimisation; and
- continued development of a licensed product, following the granting of a credit license in early FY23.

The Group remains aware of the current economic circumstances, its present operating performance and cashflow position and will continue to closely monitor these, and also consider any potential changes to the BNPL regulatory environment. The Group will need to raise further equity and or debt in FY23 to enable it to pursue its business strategy and to fund its operations.

## Significant change in the state of affairs

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

## Significant events after the reporting date

There were no significant events occurring after the reporting period which may significantly affect either the Group's operations or results of those operations or the Group's state of affairs.

## 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.

## Risks and Challenges

The Group operates in a rapidly changing sector and continue to invest in its risk management strategies to mitigate the key risks as they arise. The material business risks for the Group are summarised below.

| Risk areas | How we are managing the risk |
|---|---|
| **Capital and Funding:**<br>Access to capital and funding required to support growth. | Board & Management focus and expertise on funding needs, forecast requirements and realised volumes.<br>Maintain close relationships with core funders.<br>Appointment of advisors in relation to future capital needs and appropriate funding sources. |
| **Rising Interest Rates:**<br>Impact of rising interest rates on debt costs, pricing, loan book performance, volumes and profit margins. | Management committees with focus and expertise to manage risks.<br>Initiatives include:<br>(i) Underwriting analysis and amendments;<br>(ii) Pricing reforms;<br>(iii) Merchant sector diversification; and<br>(iv) Utilisation of credit license to issue regulated, interest bearing loans in addition to current product offering. |
| **Credit, Fraud and AML:**<br>Credit, Fraud and AML procedures insufficient or ineffective leading to increased losses and risk of regulator intervention and enforcement. | Management committees with focus and expertise to manage risks.<br>Robust fraud tools and procedures. Engagement with regulators and independent experts to ensure optimal compliance and efficiencies. |
| **Regulatory:**<br>Inability to respond to regulatory changes and maintain compliance. | Ongoing monitoring of evolving regulatory landscape.<br>Membership of key industry bodies to leverage their platform and influence on matters of regulatory reform.<br>Ongoing dialogue with key regulators. |
| **Strategic:**<br>Lack of appropriate or achievable strategic plan to adapt in a changing environment. | Engagement of corporate advisors to educate on competitive forces.<br>Regular monitoring and reporting on performance against and appropriateness of strategic plan in a changing environment. |
| **Technology and Investment:**<br>Underinvestment in technology, systems and resources needed to support business requirements and strategic initiatives. | Investment in appropriate technology support resources.<br>Regular reporting on capacity and capabilities of existing technology resources to support strategic objectives. |

| Risk areas | How we are managing the risk |
|---|---|
| **Cyber Security & Resilience:**<br>Technological systems suffer a cyberattack from which the business is ill prepared to respond and recover. | Cybersecurity preparedness assessments performed.<br>Staff trained on Cyber prevention and preparedness.<br>Robust software security controls.<br>Business Continuity and Disaster Recovery plans in place. |
| **People:**<br>Inability to attract and retain quality and appropriate people. Insufficient resourcing, knowledge, experience and capability. | Board oversight of remuneration strategy and procedures against business growth objectives.<br>Clear articulation of Company values and performance reviews. |
| **Macro-economic:**<br>Failure to identify macro-economic forces and/or failure to make necessary adjustments to respond to such macro-economic forces. | Management and board expertise and focus on monitoring and identifying macro-economic forces that impact the Company and implementing appropriate responses. |
| **Environment & Climate:**<br>Failure to recognise environmental or climate events and impact on business. | Management committees consider impact of environmental events on business performance and identifying steps to minimise business impact on environment & climate.<br>Further reporting on environmental risks in development. |

## Share Options

During the year, no options to acquire shares in the Company were granted and no shares were issued. Unissued ordinary shares of the Company under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 31 October 2020 | 31 October 2024 | $0.63 | 773,369 |
| 23 December 2020 | 23 December 2024 | $2.10 | 4,125,000 |

## 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 financial year end.

## Non-audit services

The directors have assessed the independence of the Group's external auditor, Ernst & Young (Australia), for the year ended 30 June 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 year ended 30 June 2022.

Details of the amounts paid or payable to Ernst & Young (Australia) for non-audit services provided during the financial year are contained in Note 8.2 of the financial statements.

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 41.

Signed in accordance with a resolution of the directors.

**Piers Redward**
Director

30 September 2022

**Myles Redward**
Director

30 September 2022

# Remuneration Report

## Introduction

This remuneration report outlines the Company's remuneration strategy for the financial year ended 30 June 2022 (the 'Reporting Period') and provides an explanation of the remuneration outcomes for the Reporting Period for the Directors, the Chief Executive Officers (CEOs) and other Key Management Personnel. For the purpose of this report, Key Management Personnel ('KMP') are defined as persons having authority and responsibility for planning, directing and controlling major activities of the Group and include all Non-executive Directors of the Company.

The Directors are pleased to present the Remuneration Report (Report) for the Company for the Reporting Period. These disclosures have been transferred from the financial report and have been prepared and audited as required by section s308(3C) of the *Corporations Act 2001*.

## Key Management Personnel

The following persons are named as KMP for the Reporting Period and their remuneration is disclosed in this Report.

### Executive Directors

| Name | Position |
|---|---|
| Myles Redward | Co-Founder and Joint CEO |
| Piers Redward | Co-Founder and Joint CEO |

### Non-Executive Directors

| Name | Position |
|---|---|
| Peter McCluskey – Appointed 15 October 2021 | Independent Non-executive director and Board Chair |
| Andrew Lockhart – Appointed 27 May 2022 | Non-executive director |
| Paul Cowan | Non-executive director |
| Matthew Pringle | Independent non-executive director and Chair of the Audit and Risk Committee |
| Lindley Edwards | Independent non-executive director and Chair of the Remuneration and Nominations Committee |

### Senior Executives

| Name | Position |
|---|---|
| Adam Tutchener – Resigned 8 July 2021 | Chief Financial Officer (CFO) |
| David Leach – Appointed 15 June 2021 | Chief Financial Officer (CFO) |
| Saara Mistry | General Counsel, Chief Risk Officer, Company Secretary |
| Mark Evans | Chief Technology Officer |

As reported in the Company's FY21 Remuneration Report, Adam Tutchener resigned as CFO effective from 8 July 2021 and was replaced by David Leach who provided services to the Company on an Independent Contractor Agreement on normal commercial terms and on an arm's length basis until September 2021, following which Mr Leach was appointed as Company CFO under a standard-form executive employment agreement.

## Remuneration Framework

The Company's remuneration framework is designed to attract and retain high quality Directors, senior management and staff and motivate them to pursue the long-term growth and success of the Company. It has been developed to align with the Company's values, stakeholder requirements and risk appetite. The Company aims to ensure incentives for non-executive Directors do not conflict with their obligation to bring independent judgement to matters before the Board whilst ensuring appropriate management of Company expenses.

The Remuneration and Nominations Committee (RNC) established in October 2020 is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Directors, the CEOs and other KMP and consists of the three non-executive members of the Board. The RNC is subject to the Remuneration and Nomination Committee Charter which is available on the Company's website at ***investors.payright.com.au***.
The RNC has the role of:

(i) overseeing the Company's remuneration practices;

(ii) reviewing the composition and competencies of the Board and its Committees;

(iii) evaluating the performance of the Board, its Committees and Individual Directors;

(iv) ensuring proper succession plans are in place for consideration by the Board; and

(v) monitoring and assessing the overall performance in relation to safety and sustainability.

The RNC evaluates its performance and the appropriateness of its Charter to determine whether it is functioning effectively in accordance with its Charter and regarding best practice. The Company's Board will also evaluate the RNC's performance as appropriate and the appropriateness of the RNC Charter. No changes were recommended to the RNC Charter during the Reporting Period. In accordance with the RNC Charter, Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and executives. Prior to listing, in October 2020, the Company engaged Remuneration Strategies Pty Ltd (Remuneration Strategies) who confirmed, the remuneration arrangements for the Company's Co-CEOs were reasonable. Remuneration Strategies also recommended a full remuneration review for CEOs post the Company's listing on the ASX in December 2020 that considered appropriate fixed, short term and long-term incentive components to the CEO remuneration.

Remuneration Strategies were engaged on an arm's length basis on ordinary commercial terms and received $10,350 (30 June 2021: $12,650) in compensation for their services. Remuneration Strategies reviewed and provided recommendations on appropriate fixed, short term and long-term remuneration. The Board was satisfied with the recommendations made and that such were made without undue influence from the Co-CEOs due to the independent and arm's length nature of the engagement and the consideration paid. The Group did not implement any changes to its remuneration arrangements during the reporting period and will reconsider the appropriateness of these recommendations in FY23.

## Company Performance

As detailed in this report, the Company's remuneration framework comprises fixed remuneration made up of base salary and superannuation and Long-Term Incentives (LTI) aligned to the delivery of long-term performance and returns to Shareholders delivered through Share Options. Options granted were independently valued and the fair value is recognised over the vesting period.

The Company aims to align executive remuneration to strategic and business objectives and the creation of shareholder value. The below table outlines the Company's performance for the current and previous 4 years.

| | 2022<br>$ | 2021<br>$ | 2020<br>$ | 2019<br>$ |
|---|---|---|---|---|
| Total income | 16,315,017 | 12,174,383 | 9,847,839 | 3,414,041 |
| Operating expenses | (20,205,306) | (18,721,538) | (11,582,655) | (6,174,513) |
| Net finance costs | (9,733,946) | (6,027,820) | (5,645,122) | (1,827,576) |
| Depreciation | (175,624) | (158,975) | (128,828) | (35,871) |
| Gain on revaluation of embedded derivative | 1,137,778 | – | – | – |
| **NLAT** | **(12,662,081)** | **(12,733,950)** | **(7,508,766)** | **(4,623,919)** |
| EPS (cents) | (0.18) | (0.22) | (0.13) | (0.23) |
| Share price as at year end | 0.068 | 0.505 | n/a | n/a |

## Long Term incentives – Options

In October 2020 the Company adopted an Employee Share Ownership Plan (ESOP) to assist in the motivation and retention of selected employees including Directors and other KMP. The ESOP is designed to align the interests of eligible employees more closely with the interests of the Company by providing the opportunity for eligible employees to receive an equity interest in the Company. The ESOP was adopted by the Board on 28 October 2020 and approved by Shareholders at the Company EGM on 30 November 2020 by way of ordinary resolution.

Under the ESOP, eligible employees may be offered awards of Rights, Options or Restricted Shares which are subject to the terms and conditions specified by the Board.

A summary of the key terms of the ESOP are set out below:

| Topic | Summary |
|---|---|
| Eligibility | Employee, Directors and contractors of the Company group, or any other person as determined by the Board. |
| Award | The ESOP permits the Board to grant one or more types of awards, including:<br>• entitlements to acquire Shares (**Rights**), provided that the holder has no interest in the Shares until the Rights vest or are exercised;<br>• rights to acquire Shares which may be subject to satisfaction of conditions and compliance with applicable exercise procedures (including payment of any applicable exercise price), on terms and conditions as determined by the Board (**Options**); and<br>• shares that are subject to dealing restrictions (**Restricted Shares**), (each of these being ESOP Securities). |
| Exercise price | Unless otherwise specified in the Grant Letter, the recipient is not required to pay for a grant of an award under the ESOP. |

Under the ESOP, eligible employees may be offered additional ESOP securities subject to terms and conditions set by the Board. ESOP Securities may be offered to members of Management who join the Company in the future subject to ASX Listing Rules and requisite Shareholder approval.

## Components of Remuneration

In accordance with the ASX Corporate Governance Principles and Recommendations, the structure of non-executive remuneration is separate from the executive remuneration.

### Non-Executive Directors

#### Structure

The Constitution of the Company and the ASX Listing Rules require that the aggregate remuneration of non-executive Directors shall be determined from time to time by a resolution approved by shareholders at a general meeting. Currently the aggregate remuneration threshold is set at $500,000 per annum. Legislated superannuation contributions made on behalf of non-executive Directors are included within the aggregate remuneration threshold.

In accordance with their letters of appointment, the Company's non-executive Directors receive a cash fee for their service. In addition to the cash fee for their contribution and performance as a non-executive Director, Matthew Pringle and Lindley Edwards also receive a separate fee for chairing the Audit and Risk Committee and Remuneration and Nominations Committee, respectively. There are no retirement benefit schemes for non-executive Directors, other than statutory superannuation contributions.

#### Fixed Remuneration

Fees payable to the non-executive Directors for the 2022 financial year inclusive of superannuation contributions are set out in this report in table 1.

### CEOs and other KMPs

#### Structure

At present the Company rewards the CEOs and other KMPs with a level of fixed remuneration commensurate with their position and responsibilities within the Company so as to:

- reward them for Company and individual performance against key performance indicators;
- align their interests with those of shareholders and those of the Company through benchmarking salaries and implementing retention policies; and
- ensure total remuneration is competitive by market standards.

The level of fixed remuneration for CEOs and all Senior Executives who report to the CEOs are subject to RNC and Board approval.

CEOs and other Senior Executives are each a party to either employment or independent contractor agreements with the Company on an arms-length basis and ordinary commercial terms. These agreements entitle those persons to a fixed compensation amount. Employees are also permitted, at the Company's discretion to receive a performance bonus from the Company.

There are no retirement benefit schemes or termination benefits for executive Directors or other Senior Executives, other than statutory superannuation contributions. A Director who performs additional or special duties for the Company at the request of the Board may be paid such additional or special remuneration (as determined by the RNC).

# Remuneration Report continued

## Fixed Remuneration

The fixed remuneration component of the CEOs and Senior Executive's total remuneration package is expressed as a total package consisting of a base salary and statutory superannuation contributions. Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken, and fixed remuneration levels are set with regard to the external market median. The fixed remuneration component is reviewed annually and as otherwise required, taking into account the performance of the individual and the Company. There are no guaranteed increases to fixed remuneration in any contracts of employment.

## Variable remuneration – LTI plan

### Senior Executives

163,987 Options awarded to Adam Tutchener lapsed immediately upon Adam's cessation of employment with the Company on 8 July 2021.

## Contracts for services

### CEOs

The structure of the CEOs' remuneration is in accordance with their employment agreement. The CEOs' employment agreements are for an indefinite term.

In relation to Myles and Piers Redward, each may, and the Company also may, terminate their employment by providing 6 months' notice to the other party. CEOs are entitled to a discretionary bonus based on performance and workload if recommended by the RNC and approved by the Board. There are no termination benefits other than statutory leave and superannuation.

### KMP

All other Senior Executives are each party to either an employment or independent contractor agreement with the Company. These agreements entitle those Senior Executives to a fixed compensation amount. Management employees are permitted to receive a performance bonus from the Company at the Company's discretion.

Under these contracts for services for Senior Executives, either party may generally terminate the employment contract by giving 3 months' notice. The Company may terminate for cause immediately.

## Remuneration of Key Management Personnel

Details of the nature and amount of each major element of remuneration of each KMP are set out in table 1 for the year ended 30 June 2022 and table 2 for the previous reporting period. The remuneration tables are calculated on an accruals basis only and include remuneration relating to the relevant period that the employees are a KMP of the Company.

**Table 1**

| | Short-term benefits | | Allow-ance | Long-term benefits | Post employ-ment benefits | Share based payments | | |
|---|---|---|---|---|---|---|---|---|
| Key Management Personnel 2022 | Salary & Fees $ | Annual Leave $ | Reloc-ation Allow-ance $ | Long Service Leave $ | Superan-nuation $ | Options $ | Total $ | % Perfor-mance Related |
| Myles Redward | 278,306 | 21,413 | – | 4,631 | 23,568 | 30,060 | 357,978 | 8% |
| Piers Redward | 278,306 | 21,413 | – | 4,631 | 23,568 | 30,060 | 357,978 | 8% |
| Paul Cowan | 76,634 | – | – | – | 7,663 | 22,545 | 106,842 | 21% |
| Matthew Pringle | 73,059 | – | – | – | 7,306 | – | 80,365 | – |
| Lindley Edwards | 73,059 | – | – | – | 7,306 | – | 80,365 | – |
| Peter McCluskey (appointed 15 October 2021) | 55,088 | – | – | – | 5,509 | – | 60,597 | – |
| Andrew Lockhart (appointed 27 May 2022) | 5,547 | – | – | – | 555 | – | 6,102 | – |
| Saara Mistry | 210,800 | 16,315 | – | 3,543 | 21,080 | 13,239 | 264,977 | 5% |
| Adam Tutchener (resigned 8 July 2021) | 4,879 | 432 | – | – | 488 | (13,239) | (7,440) | 178% |
| David Leach | 278,254 | 15,747 | 20,000 | 3,413 | 17,676 | – | 335,090 | – |
| Mark Evans | 162,585 | – | – | – | – | 19,940 | 182,525 | 11% |
| **Total** | **1,496,517** | **75,320** | **20,000** | **16,218** | **114,719** | **102,605** | **1,825,379** | **6%** |

# Remuneration Report continued

**Table 2**

| | Short term benefits | | Long-term benefits | Post employment benefits | Share based payments | | |
|---|---|---|---|---|---|---|---|
| **Key Management Personnel 2021** | **Salary & Fees $** | **Annual Leave $** | **Long Service Leave $** | **Superannuation $** | **Options $** | **Total $** | **% Performance Related** |
| Myles Redward | 271,304 | 18,064 | 17,611 | 21,279 | 30,060 | 358,318 | 8% |
| Piers Redward | 271,304 | 23,204 | 12,217 | 21,279 | 30,060 | 358,064 | 8% |
| Paul Cowan | 87,641 | – | | 8,326 | 22,545 | 118,512 | 19% |
| Matthew Pringle (appointed 27 Oct 2020)* | 48,264 | – | | 4,585 | – | 52,849 | – |
| Lindley Edwards (appointed 27 Oct 2020) | 48,264 | – | | 4,585 | – | 52,849 | – |
| Adam Tutchener | 219,542 | 18,237 | (605) | 20,740 | 13,239 | 271,153 | 5% |
| Saara Mistry | 241,994 | 16,727 | 2,446 | 20,714 | 13,239 | 295,120 | 4% |
| Mark Evans | 158,250 | – | | – | 19,940 | 178,190 | 11% |
| **Total** | **1,346,563** | **76,232** | **31,669** | **101,508** | **129,083** | **1,685,055** | **8%** |

* Matthew Pringle, in his capacity as director of Coomara Consulting (ABN 69 769 238 354) provided independent advisory services to Payright In FY21 prior to his appointment as non-executive director. The service arrangement was under arm's length dealings and on ordinary commercial terms, amount paid was $82,500 (including GST).

## Shareholdings of KMP

The number of ordinary shares of Payright Limited held, directly, indirectly or beneficially, by each Director and other KMP, including their personally related entities for the year ended 30 June 2022 and the previous reporting period is as follows:

**Table 3**

| Key Management Personnel | Held at 1-Jul-21 | Purchase | Granted as Remuneration | Held at 30-Jun-22 |
|---|---|---|---|---|
| Myles Redward | 8,907,914 | – | – | 8,907,914 |
| Piers Redward | 8,920,914 | 5,000 | – | 8,925,914 |
| Paul Cowan | 1,662,985 | 36,699 | – | 1,699,684 |
| Matthew Pringle | 50,000 | 50,000 | – | 100,000 |
| Lindley Edwards | 10,196 | – | – | 10,196 |
| Peter McCluskey (appointed 15 October 2021) | – | – | – | – |
| Andrew Lockhart (appointed 27 May 2022) | – | – | – | – |
| David Leach | – | – | – | – |
| Saara Mistry | 207,279 | – | – | 207,279 |
| Mark Evans | 966,804 | 28,000 | – | 994,804 |
| **Total*** | **20,726,092** | **119,699** | **–** | **20,845,791** |

* In addition to the shares held by KMP of the Company as detailed in table 3, Myles Redward's, Piers Redward's and Saara Mistry's mother Pamela Dolphin Redward held 41,666 shares as at 30 June 2022. Myles Redward's, Piers Redward's and Saara Mistry's sibling Ashby Redward who is also an employee of the Company held 8,125 shares as at 30 June 2022. Adam Tutchener held no shares at the date of his resignation.

## Options holdings of KMP

The number of Options over ordinary shares in Payright Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally related entities for the year ended 30 June 2022 and the previous reporting period is as follows:

**Table 4**

| | | | | Balance at 30 June 2022 | |
|---|---|---|---|---|---|
| **Key Management Personnel** | **Held at 1-Jul-21** | **Forfeited Options** | **Held at 30-Jun-22** | **Vested – exercisable and unexercis-able** | **Unvested** |
| Myles Redward | 1,500,000 | – | 1,500,000 | – | 1,500,000 |
| Piers Redward | 1,500,000 | – | 1,500,000 | – | 1,500,000 |
| Paul Cowan | 1,125,000 | – | 1,125,000 | – | 1,125,000 |
| Matthew Pringle | – | – | – | – | – |
| Lindley Edwards | – | – | – | – | – |
| Peter McCluskey (appointed 15 October 2021) | – | – | – | – | – |
| Andrew Lockhart (appointed 27 May 2022) | – | – | – | – | – |
| Adam Tutchener | 163,987 | (163,987) | – | – | – |
| Saara Mistry | 163,987 | – | 163,987 | – | 163,987 |
| Mark Evans | 246,992 | – | 246,992 | – | 246,992 |
| David Leach | – | – | – | – | – |
| **Total*** | **4,699,966** | **(163,987)** | **4,535,979** | **–** | **4,535,979** |

* In addition to the options held by KMP of the Company as detailed in table 4, Myles Redward's, Piers Redward's and Saara Mistry's sibling Ashby Redward who is also an employee of the Company held 99,202 options as at 30 June 2022. Adam Tutchener held no shares at the date of his resignation.

## Share-based Compensation of KMP

Other than as detailed in the preceding sections of this report, no share-based compensation was issued to KMP in the reporting period.

## Related Party Transactions

Transactions with KMP and related parties of KMP were made on normal commercial terms and conditions and at market rates during the Reporting Period.

In addition to the Company's KMP, Ashby Redward is employed by the Company as Product Manager. Mr Ashby Redward is the sibling of Myles Redward, Piers Redward and Saara Mistry. Mr Ashby Redward receives a fixed annual remuneration of $145,217 exclusive of superannuation under an arm's length employment agreement on ordinary commercial terms.

Mrs Emily Redward commenced Parental Leave in April 2021 and returned 2 May 2022. Prior to commencing Parental Leave, Mrs Emily Redward provided services to the Company on an Independent Contractor Services Agreement between the Company and Underline Marketing Group. Mrs Emily Redward was the nominated person under this Agreement and was paid an hourly rate of $150 (excluding superannuation) for services provided. The terms of this engagement were on an arm's length basis on ordinary commercial terms.

Upon returning from Parental Leave in May 2022, Mrs Emily Redward was appointed to the position of Head of Innovation and Strategy under an arm's length part time employment agreement on ordinary commercial terms. The appointment was made following assessment of Mrs Emily Redward's previous experience against the requirements of the role, salary benchmarking the role against similar roles in the job market and finally, Board approval. Mrs Emily Redward receives a fixed annual remuneration of $176,000 pro rata and receives $70,400 annually exclusive of superannuation based on a 0.4 FTE workload.

Mrs Nicole Redward took a period of Parental Leave from January 2021 and returned 22 February 2022. Prior to commencing Parental Leave, Mrs Nicole Redward provided services to the Company on an Independent Contractor Services Agreement between the Company and NJR Services. Mrs Nicole Redward is the nominated person under this Agreement and was paid an hourly rate of $150 (excluding superannuation) for services provided. The terms of this engagement were on an arm's length basis on ordinary commercial terms.

Upon returning from Parental Leave in February 2022, Mrs Nicole Redward was appointed to the position of Head of Business Transformation under an arm's length part time employment agreement on ordinary commercial terms. The appointment was made following assessment of Mrs Nicole Redward's previous experience against the requirements of the role, salary benchmarking the role against similar roles in the job market and finally Board approval. Mrs Nicole Redward receives a fixed annual remuneration of $176,000 pro rata ($88,000 annually exclusive of superannuation based on a 0.5 FTE workload).

Mark Evans provides CTO services to the Company via an independent contractor services agreement with Specialised Resource Solutions Pty Ltd, a company of which Mark Evans is the Principal and Director. Mr Evans is the nominated person under the agreement. This is a fixed price agreement under which Mr Evans is obligated to provide services over the duration of the agreement with a specified completion date at a price of $12,500 monthly plus GST. In addition to the specified deliverables under the contract, Mr Evans is required to operate in the role as the Company's Chief Technology Officer for the duration of the contract term. The terms of this engagement are otherwise on an arm's length basis and ordinary commercial terms. The contract also provides for regular reviews by the Company of progress against the agreed deliverables.

Transactions with the above related parties are summarised for the year ended 30 June 2022 and the previous reporting period is as follows:

**Table 5**

| | Short Term Benefits | | Long-term benefits | Post Employment Benefits | Share Based Payments | |
|---|---|---|---|---|---|---|
| 2022 | Salary & Fees $ | Annual Leave $ | Long Service Leave $ | Superannuation $ | Options $ | Total $ |
| Ashby Redward* | 144,512 | 11,173 | 2,416 | 14,451 | 8,009 | 180,561 |
| Nicole Redward | 43,750 | 2,834 | 614 | 4,375 | – | 51,573 |
| Emily Redward | 73,773 | 3,298 | 714 | 6,417 | – | 84,202 |
| **Total** | **262,035** | **17,305** | **3,744** | **25,243** | **8,009** | **316,336** |

* Ashby Redward also holds 8,125 ordinary shares as at 30 June 2022. Refer to table 3.

**Table 6**

| | Short Term Benefits | | | Long-term benefits | Post Employment Benefits | Share Based Payments | Total |
|---|---|---|---|---|---|---|---|
| 2021 | Salary & Fees $ | Annual Leave $ | Consulting Services $ | Long Service Leave $ | Super-annuation $ | Options $ | $ |
| Ashby Redward* | 139,423 | 12,672 | – | 3,276 | 12,485 | 8,009 | 175,865 |
| Nicole Redward | 66,755 | 9,425 | 126,225 | 2,574 | 5,424 | – | 210,403 |
| Emily Redward** | 11,400 | 44,257 | 187,218 | 6,621 | 1,083 | – | 250,579 |
| Coomera Consulting | – | – | 82,500 | – | – | – | 82,500 |
| Mark Evans | – | – | 158,250 | – | – | 19,940 | 178,190 |
| **Total** | **217,578** | **66,354** | **554,193** | **12,471** | **18,992** | **27,949** | **897,537** |

* Ashby Redward also held 8,125 ordinary shares as at 30 June 2021.

** In relation to Emily Redward, her contractual arrangements were reviewed in FY21, and it was determined she meets the criteria of an employee. Consequently, historic leave accruals for the previous year have been recognised in the current year.

## Loans from Key Management Personnel

The Company made no loans to KMP during the financial year 30 June 2022.

On 30 July 2021, loans made by family trusts controlled by Piers Redward and Myles Redward to the Company in the early stages of the Company's development were repaid to the value of $34,070. The loans were unsecured and had a fixed interest rate of 14%. Total interest charged as at financial year ended 30 June 2021 was $9,385 on loan from Brakus Private Trust and $316 on loan from Myles Redward Family Trust. The repayment made during the year was inclusive of principal and interest component of these loans.

Details are set out below.

| | 2022 $ | 2021 $ |
|---|---|---|
| Loan from Brakus Private Trust* | – | 24,146 |
| Loan from Myles Redward Family Trust* | – | 223 |
| **Total loans from related parties** | **–** | **24,369** |

* Loans from Brakus Private Trust (controlled by Piers Redward) and Myles Redward Family Trust (controlled by Myles Redward).

Signed by Chair of Remuneration and Nomination Committee

**Lindley Edwards**
Director and Chair of Remuneration and Nomination Committee

30 September 2022

# Auditor's Independence Declaration

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Building a better working world

## Auditor's independence declaration to the directors of Payright Ltd

As lead auditor for the audit of the financial report of Payright Ltd for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
30 September 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

# Financial Statements

For the year ended 30 June 2022

## About this report

This is the financial 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 financial report of Payright Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of Directors on 30 September 2022.

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 financial report which are relevant to that section or note.

## Contents

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| Fee income | 3.1 | 15,928,750 | 11,452,275 |
| Other income | 3.1 | 386,142 | 722,098 |
| Finance income | | 125 | 10 |
| **Total revenue** | | **16,315,017** | **12,174,383** |
| Administration costs | | (1,625,123) | (1,122,345) |
| Consulting and professional fees | | (1,941,138) | (2,290,356) |
| Depreciation | 3.2 | (175,624) | (158,975) |
| Employee benefits expense | 3.2 | (10,240,722) | (8,871,596) |
| Expected credit loss | 4.2 | (4,791,216) | (3,188,326) |
| Marketing and advertising | | (542,870) | (2,062,131) |
| Rent and occupancy | | (62,376) | (95,733) |
| Loss on conversion of convertible notes | | – | (357,223) |
| Other expenses | 3.2a | (1,001,861) | (733,828) |
| **Operating loss** | | **(4,065,913)** | **(6,706,130)** |
| Finance costs | 3.2 | (9,733,946) | (6,027,820) |
| Gain on revaluation of embedded derivative | 5.2b | 1,137,778 | – |
| **Loss before tax** | | **(12,662,081)** | **(12,733,950)** |
| Income tax expense | 3.5 | – | – |
| **Loss for the year** | | **(12,662,081)** | **(12,733,950)** |
| **Other comprehensive loss for the year** | | | |
| Foreign currency translation movements | | (126,242) | (106,210) |
| **Total comprehensive loss for the year** | | **(12,788,323)** | **(12,840,160)** |

| | | Cents | Cents |
|---|---|---|---|
| **Loss per share of loss attributable to the ordinary equity holders of the Parent** | | | |
| Basic and diluted loss per share | 3.3 | (0.18) | (0.22) |

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 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3.4 | 12,682,758 | 7,088,279 |
| Receivables | 4.2 | 54,590,543 | 44,605,197 |
| Prepayments and other current assets | | 877,260 | 394,800 |
| **Total current assets** | | **68,150,561** | **52,088,276** |
| **Non-current assets** | | | |
| Receivables | 4.2 | 40,989,113 | 19,972,462 |
| Property, plant and equipment | 4.1 | 47,387 | 92,972 |
| Right-of-use assets | 4.3 | 80,276 | 160,553 |
| Other assets | 4.4 | 979,696 | 48,420 |
| **Total non-current assets** | | **42,096,472** | **20,274,407** |
| **Total assets** | | **110,247,033** | **72,362,683** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 4.5 | 4,605,268 | 3,067,617 |
| Loans and borrowings | 5.2 | 4,557,541 | 16,739,680 |
| Lease liabilities | 4.3 | 90,763 | 94,724 |
| Employee benefit liabilities | 4.6 | 621,440 | 624,072 |
| **Total current liabilities** | | **9,875,012** | **20,526,093** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 5.2 | 92,825,843 | 33,806,894 |
| Derivative liability | 5.2a | 462,222 | – |
| Lease liabilities | 4.3 | – | 83,200 |
| Employee benefit liabilities | 4.6 | 161,541 | 102,073 |
| **Total non-current liabilities** | | **93,449,606** | **33,992,167** |
| **Total liabilities** | | **103,324,618** | **54,518,260** |
| **Net assets** | | **6,922,415** | **17,844,423** |
| **Equity** | | | |
| Issued capital | 5.1 | 45,895,387 | 44,505,454 |
| Other reserves | | 407,872 | 57,731 |
| Accumulated losses | | (39,380,844) | (26,718,762) |
| **Total Equity** | | **6,922,415** | **17,844,423** |

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| | Issued capital (Note 5.1) $ | Share-based payment reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **21,297,765** | **–** | **(10,316)** | **(13,984,812)** | **7,302,637** |
| Loss for the period | – | – | – | (12,733,950) | (12,733,950) |
| Other comprehensive loss | – | – | (106,210) | – | (106,210) |
| **Total Comprehensive Loss** | **–** | **–** | **(106,210)** | **(12,733,950)** | **(12,840,160)** |
| ***Transactions with owners in their capacity as owners:*** | | | | | |
| Shares issued on initial public offering | 18,615,364 | – | – | – | 18,615,364 |
| Conversion of convertible notes | 7,103,285 | – | – | – | 7,103,285 |
| Employee shares issued | 48,980 | – | – | – | 48,980 |
| Share issuance costs | (2,559,940) | – | – | – | (2,559,940) |
| Share-based payments | – | 174,257 | – | – | 174,257 |
| | 23,207,689 | 174,257 | – | – | 23,381,946 |
| **Balance at 30 June 2021** | **44,505,454** | **174,257** | **(116,526)** | **(26,718,762)** | **17,844,423** |
| **Balance at 1 July 2021** | **44,505,454** | **174,257** | **(116,526)** | **(26,718,762)** | **17,844,423** |
| Loss for the period | – | – | – | (12,662,081) | (12,662,081) |
| Other comprehensive loss | – | – | (126,242) | – | (126,242) |
| **Total Comprehensive Loss** | **–** | **–** | **(126,242)** | **(12,662,081)** | **(12,788,323)** |
| Issuance of share capital | 1,500,000 | – | – | – | 1,500,000 |
| Warrants issued | – | 187,271 | – | – | 187,271 |
| Share issuance cost | (110,067) | – | – | – | (110,067) |
| Share-based payments | – | 289,111 | – | – | 289,111 |
| | 1,389,933 | 476,382 | – | – | 1,866,315 |
| **Balance at 30 June 2022** | **45,895,387** | **650,639** | **(242,768)** | **(39,380,843)** | **6,922,415** |

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | 80,681,828 | 57,261,213 |
| Payments to suppliers and employees | | (14,304,180) | (14,170,735) |
| Payments to merchants | | (100,161,374) | (70,307,594) |
| Interest received | | 125 | 10 |
| Interest paid | | (8,165,168) | (5,319,619) |
| Interest paid on lease | 4.3 | (15,746) | (22,511) |
| **Net cash flows used in operating activities** | 3.4 | **(41,964,515)** | **(32,559,236)** |
| **Cash Flows from Investing Activities** | | | |
| Purchase of property, plant and equipment | 4.1 | (49,762) | (111,437) |
| Restricted cash | | (750,000) | – |
| **Net cash flows used in investing activities** | | **(799,762)** | **(111,437)** |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issuance of share capital | 5.1 | 1,500,000 | 18,615,364 |
| Payment of share issuance costs | 5.1 | (110,067) | (2,681,697) |
| Proceeds from issuance of notes payable | 3.4 | 43,823,691 | 22,731,838 |
| Repayment of notes payable | 3.4 | (86,869,000) | (6,605,000) |
| Repayment of subordinated loans | 3.4 | (3,550,000) | – |
| Payment of notes issuance costs | | (630,757) | (453,525) |
| Proceeds from Warehouse facility | 3.4 | 89,623,000 | – |
| Payment of Warehouse facility costs | | (2,753,923) | – |
| Proceeds from issuance of convertible notes | 3.4 | 8,000,000 | – |
| Payment of convertible notes issuance costs | | (587,027) | – |
| Payment of principal portion of lease liabilities | | (87,161) | (76,437) |
| **Net cash flows from financing activities** | | **48,358,756** | **31,530,543** |
| Net increase in cash and cash equivalents | | 5,594,479 | (1,140,130) |
| Cash and cash equivalents at the beginning of the period | | 7,088,279 | 8,228,409 |
| **Cash and cash equivalents at the end of the period** | 3.4 | **12,682,758** | **7,088,279** |

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## Section 1: Corporate information

The consolidated financial statements of Payright Limited (the "Company" or the parent) and its controlled entities (collectively, the "Group") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 30 September 2022. The financial statements are general purpose financial statements. Payright Limited is a limited liability company incorporated and domiciled in Australia and whose shares are publicly traded. The registered office is located at Level 1, 55 Whitehorse Road, Balwyn, VIC 3103. The principal place of business is located at Level 2, Suite 4, 789 Toorak Road, Hawthorn East, VIC 3123.

The nature of the operations and principal activities of the Group are described in the directors' report.

Information on the Group's structure is provided in Note 7.

Information on other related party relationships of the Group is provided in Note 8.1.

## Section 2: Significant accounting policies

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with 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 consolidated financial statements have been prepared on a historical cost basis and is presented in Australian dollars ($).

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022. A list of controlled entities (subsidiaries) at year end is contained in Note 7.2.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Section 2: Significant accounting policies continued

### 2.3 Significant changes in the current reporting period

#### Establishment of $125 million warehouse facility with Goldman Sachs & iPartners

As part of Payright's expansion plans, the Group entered into asset-backed corporate debt facility with Australian and American lenders on 16 of May 2022. A $125m warehouse facility with senior lender Goldman Sachs and mezzanine arranger iPartners was entered into on 16 of May 2022. All existing Australian Loan Notes were repaid or rolled over into the new Warehouse facility.

The warehouse facility has significant benefits for Payright, which include:

- Materially lower cost of funding;
- Balance sheet flexibility and the release of equity capital to scale toward profitability; and
- Potential for Facility to be expanded to meet Payright's future growth needs (subject to lender consent).

In addition, a $9.5m capital raise through an equity placement and unsecured convertible notes was also completed on 16 May 2022 including:

- $1.5m Placement at $0.18 to strategic investor Fincap Australia Pty Ltd and MCH Investment Management; and
- $8.0m Unsecured Convertible Notes with $0.225 Conversion Price.

No changes have been made to the New Zealand loan notes program.

### 2.4 Going concern

As at 30 June 2022 the Group had consolidated net assets of $6,922,415 and incurred a loss of $12,662,081 and had net operating cash outflows of $41,964,515 for the financial year ended 30 June 2022. It is anticipated that further losses will be incurred by the Group as it continues to increase its market share in its core markets of Australia and New Zealand.

In conjunction with the $125m warehouse facility and $9.5m capital raise that the Group secured in H2 of the financial year, the Company will continue to consider its capital structure and mix to support its growth ambitions.

The Group believes 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, rationalising 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.

The following sources of funding have been secured during the financial period.

#### Australia

During the year, the Group has entered into a $125m warehouse facility with senior lender Goldman Sachs and mezzanine arranger iPartners, with all existing Loan Notes repaid. Additionally, a $9.5 million capital raise via equity placement and unsecured convertible notes was completed.

#### New Zealand

The Group was successful in raising its NZ Series 2 loan notes, which has an aggregate face value of NZ$4.1 million, to accelerate growth in the Group's NZ customer receivables. There is no undrawn note facility as at 30 June 2022 (30 June 2021: $2,326,664).

## Section 2: Significant accounting policies continued

### 2.5 New standards, interpretations and amendments

Amendments and interpretations which have been applied for the first time in 2022 did not have a significant effect on the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### 2.6 Terminology used

Earnings before, income tax expense, depreciation and amortisation (EBTDA) reflect profit or loss for the period prior to including the effect of depreciation and amortisation.

Our management uses EBTDA, in combination with other financial measures, primarily to evaluate the Group's operating performance.

### 2.7 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 financial report are found in the following notes:

| Note | Section | Page |
|---|---|---|
| 3.5 | Taxes | 57 |
| 4.2 | Receivables | 62 |
| 5.2a | Convertibles Notes | 72 |
| 5.2b | Warrants | 73 |
| 6.2 | Employee share ownership plans | 83 |

### 2.8 Foreign currency

The Group's consolidated financial statements are presented in Australian dollars ($), which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other operating expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

## Section 2: Significant accounting policies continued

### 2.9 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 liabilities.

The Group classifies all other liabilities as non-current.

### 2.10 Segment information

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

The Group provides services to customers and merchants in Australia and New Zealand, which commenced operations during the year ended 30 June 2016 and 30 June 2019, respectively. While distinct geographic locations exist, the operations in New Zealand are still in an early growth stage. The CODM's monitors the operating results on a consolidated basis, and accordingly, the Group has concluded that it has one reportable segment.

### 2.11 Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

## Section 3: Performance for the year

This section explains our 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.

### 3.1 Income

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Customer fees | 5,699,521 | 4,106,796 |
| Merchant fees | 10,229,229 | 7,345,479 |
| **Total fee income** | **15,928,750** | **11,452,275** |
| Finance income | 125 | 10 |
| Other income | 386,142 | 722,098 |
| **Total revenue** | **16,315,017** | **12,174,383** |

#### Recognition and measurement

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 allocated 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.

**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**

Other income consists mainly Late Payment Fees $225,782 (30 June 2021: $159,857) and Recoveries on Bad Debts $159,142 (30 June 2021: $96,419). During the reporting period to 30 June 2021, other income included government support income such as JobKeeper grant income and Australian Tax Office's cash flow boost totalling $458,000. Such income was not received in the reporting period to 30 June 2022.

## Section 3: Performance for the year continued

### 3.2 Expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Employee Benefits Expense** | | |
| Salary Costs | 9,951,611 | 8,697,339 |
| Share-based payments | 289,111 | 174,257 |
| **Total** | **10,240,722** | **8,871,596** |
| **Depreciation** | | |
| Depreciation on property, plant and equipment | 95,347 | 78,699 |
| Depreciation on right-of-use assets | 80,276 | 80,276 |
| **Total** | **175,623** | **158,975** |
| **Finance costs** | | |
| Interest expense | 9,733,946 | 6,027,820 |
| **Total** | **9,733,946** | **6,027,820** |

#### Recognition and measurement

**Employee benefits expense**

Employee benefits expense are wages and salaries, including non-monetary benefits such as accumulating annual leave, long service leave 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 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 4.5 and 6.2, respectively.

**Depreciation**

Depreciation reflects the use of property, plant and equipment and right-of-use assets over their useful life. Refer to Note 4.1 and Note 4.3 for further details.

**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 May 2022 incurred borrowing costs of $3,340,950 which will be amortised over a four-year period. In addition, the borrowing costs related to the funding program pre-warehouse have been fully amortised and the loss on extinguishment of the Australian loan note funding program was $359,511.

## Section 3: Performance for the year continued

### 3.2a Other expenses

#### Recognition and measurement

Other expenses consist of merchant fees & bank charges related to payment processing, security trustee agent fees, credit check fees and other miscellaneous expenses.

### 3.3 Loss per share

This note outlines the calculation of Loss Per Share (EPS) which is the amount of post-tax profit 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 income and share data used in the basic and diluted EPS calculations.

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| Loss attributable to the equity holders of the parent | (12,662,081) | (12,733,950) |
| WANOS[1] for basic earnings per share | 70,976,774 | 58,297,034 |
| **Loss per share:** | | |
| Basic and diluted EPS[2] | (0.18) | (0.22) |

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 year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

**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 year 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, 4,125,000 of shares which may be issued under the director options grant (30 June 2021: 4,125,000) and 773,369 (30 June 2021: 1,168,152) of shares issued under the employee options grant because they are anti-dilutive as at the reporting period.

## Section 3: Performance for the year continued

### 3.4 Cash and cash equivalents

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Cash on hand | 500 | 386 |
| Cash at banks | 11,182,258 | 7,087,893 |
| Restricted Cash[1] | 1,500,000 | – |
| **Subtotal** | **12,682,758** | **7,088,279** |

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.

#### Reconciliation of net loss after tax to net cash flows from operating activities

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Loss for the year | (12,662,081) | (12,733,950) |
| *Adjustments for:* | | |
| Depreciation on property, plant and equipment | 95,347 | 78,699 |
| Depreciation on right-of-use assets | 80,276 | 80,276 |
| Expected credit losses (net of debts written-off) | 4,791,216 | 3,188,236 |
| Amortisation and write-off of borrowing costs | 1,420,291 | 731,388 |
| Share-based payments expense | 289,111 | 174,257 |
| *Changes in assets and liabilities:* | | |
| (Increase) in receivables | (35,371,794) | (24,357,825) |
| (Increase) in other assets and prepayments | (1,226,462) | (74,691) |
| (Decrease)/Increase in trade and other payables | 1,826,765 | (112,253) |
| (Decrease)/Increase in employee benefit liabilities | (69,406) | 466,627 |
| (Decrease)/Increase in embedded derivative liability | (1,137,778) | – |
| **Net cash flows used in operating activities** | **(41,964,515)** | **(32,559,236)** |

#### Recognition and measurement

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.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the above.

## Section 3: Performance for the year continued

### 3.4 Cash and cash equivalents continued

#### Changes in liabilities arising from financing activities

| 2021 | At 1 July 2020 $ | On adoption of AASB 16 $ | Cash inflows $ | Cash outflows $ | Non-cash movements $ | At 30 June 2021 $ |
|---|---|---|---|---|---|---|
| Notes payable(i) | 34,941,657 | 34,667 | 22,731,838 | (7,058,525) | (3,677,432) | 46,972,205 |
| Cash advance facility(i) | 2,718,625 | – | – | – | (2,718,625) | – |
| Subordinated loans | 3,550,000 | – | – | – | – | 3,550,000 |
| Loans from related parties | 24,369 | – | – | – | – | 24,369 |
| Lease liabilities | 254,361 | – | – | (76,437) | – | 177,924 |
| **Total liabilities from financing activities** | **41,489,012** | **34,667** | **22,731,838** | **(7,134,962)** | **(6,396,057)** | **50,724,498** |

(i) Non-cash movements include the issuance of convertible notes with a face value of $7,000,000 and the conversion of the Group's existing cash advance facility of $2,718,625 into a new secured note facility. Refer to Note 5.1 and 5.2 respectively, for further information.

| 2022 | At 1 July 2021 $ | On adoption of AASB 16 $ | Cash inflows $ | Cash outflows $ | Non-cash movements $ | At 30 June 2022 $ |
|---|---|---|---|---|---|---|
| Notes payable(ii) | 46,972,205 | – | 43,823,691 | (87,499,757) | (1,191,084) | 2,105,055 |
| Warehouse loan and convertible notes(iv) | – | – | 97,623,000 | (3,340,950) | 996,279 | 95,278,329 |
| Subordinated loans | 3,550,000 | – | – | (3,550,000) | – | – |
| Derivative Liability(iii) | – | – | – | – | 462,222 | 462,222 |
| Loans from related parties | 24,369 | – | – | (24,369) | – | – |
| Lease liabilities | 177,924 | – | – | (87,161) | – | 90,763 |
| **Total liabilities from financing activities** | **50,724,498** | **–** | **141,446,691** | **(94,502,237)** | **267,417** | **97,936,369** |

(ii) Movements related to winding down old loan notes program & noncash movement of ($359,511) for loss on old notes program extinguishment. Also includes a foreign exchange movement of ($126,242) for NZ notes.

(iii) Relates to fair value movement in embedded derivative of convertible note. Refer to note 5.2a for further information.

(iv) Relates to warehouse facility loan. Refer to 5.2 note 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.

## Section 3: Performance for the year continued

### 3.5 Taxes

Current income tax is calculated by applying the statutory tax rate to taxable income. Taxable income is calculated as the accounting profit adjusted for differences in income and expenses where the tax and accounting treatments differ.

Deferred income tax, which is accounted for using the balance sheet method, arises because timing of recognition of accounting income is not always the same as taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised on the consolidated statement of financial position.

The tax reconciliation provides a reconciliation of notional income tax expense to prima facie tax payable. The table on the following page details the amount of deferred tax assets and liabilities recognised in the statement of financial position.

#### Recognition and measurement

**Income tax expense**

Our income tax expense is the sum of current and deferred income tax expenses. Current income tax expense is calculated on accounting profit after adjusting for non-taxable and non-deductible items based on rules set by the tax authorities. Deferred income tax expense is calculated at the tax rates that are expected to apply to the period in which the deferred tax asset is realised or the deferred tax liability is settled. Both our current and deferred income tax expenses are calculated using tax rates that have been enacted or substantively enacted at reporting date.

Our current and deferred taxes are recognised as an expense in profit or loss, except when they relate to items that are directly recognised in other comprehensive income or equity. In this case, our current and deferred tax expenses are also recognised directly in other comprehensive income or equity. We generally recognise deferred tax liabilities for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill; and
- The initial recognition of an asset or liability in a transaction that is not a business combination and affects neither our accounting profit nor our taxable income at the time of the transaction.

| | Consolidated | |
|---|---|---|
| | 2022<br>$<br>25% | 2021<br>$<br>30% |
| ***Tax reconciliation*** | | |
| **Accounting loss before income tax** | **(12,662,081)** | **(12,733,950)** |
| Notional income tax at the statutory income tax rate | (3,165,520) | (3,820,185) |
| Accounting loss before income tax from NZ entities | 30,050 | – |
| Share-based payment expenses | 72,278 | 52,277 |
| Other non-deductible expenses | 4,901 | 747 |
| Unrecognised deferred tax assets and liabilities | 3,058,291 | 3,767,161 |
| **Total income tax expense** | **–** | **–** |

## Section 3: Performance for the year continued

### 3.5 Taxes continued

#### Recognition and measurement continued

**Deferred taxes**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried forward unused tax losses and tax credits, can be recognised. Deferred tax assets and deferred tax liabilities are offset in the consolidated statement of financial position where they relate to income taxes levied by the same taxation authority and to the extent that we intend to settle our current tax assets and liabilities on a net basis.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

For our investments in controlled entities and associated entities, recognition of deferred tax liabilities is required unless we are able to control the timing of our temporary difference reversal and it is probable that the temporary difference will not reverse.

For period ended 30 June 2022, deferred tax assets have been recognised up to the extent of deferred tax liabilities. No further deferred tax assets have been recognised as the Directors have determined it is not probable at this stage that the benefit will flow to the Group.

Unrecognised deferred tax assets and liabilities are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered and deferred tax liabilities to be payable.

The table to the right is a summary of the Group's total recognised and unrecognised deferred tax assets and liabilities available for future accounting periods.

#### Tax losses

The Group has unrecognised deferred tax assets on unused tax losses of $7,267,573 (2021 $5,549,762). The unused tax losses whilst have been incurred, have not been recognised by the Group as the directors have determined it is not probable at this stage that the benefit will flow to the Group to recognise the deferred tax asset as at 30 June 2022. The unrecognised tax losses can be carried forward indefinitely, subject to meeting the continuity of ownership or same business test.

#### Australian income tax consolidation legislation

Payright Limited and its wholly owned Australian controlled entities have implemented the tax consolidated legislation as of 6 October 2017. The head entity, Payright 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.

## Section 3: Performance for the year continued

### 3.5 Taxes continued

#### Australian income tax consolidation legislation continued

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Deferred taxes** | | |
| **Deferred tax liabilities relate to the following:** | | |
| Property, plant and equipment | 6,914 | (12,980) |
| ROU asset | (20,069) | (48,166) |
| Other assets – prepayments | (37,420) | – |
| Derivative Liability | (284,445) | – |
| **Total deferred tax liabilities** | **(335,020)** | **(61,146)** |
| **Deferred tax assets relate to the following:** | | |
| Intangible assets | 239,416 | – |
| ROU lease liability | 22,691 | 53,377 |
| Provision for ECL | 1,681,496 | 1,394,867 |
| Deferred income | 671,951 | 668,264 |
| Employee benefits | 236,514 | 278,361 |
| Capital raising costs | 581,489 | 957,191 |
| Unused tax losses | 7,267,573 | 5,549,762 |
| **Total deferred tax assets** | **10,701,130** | **8,901,822** |
| **Net deferred tax assets** | **10,366,110** | **8,840,676** |

**Key estimates: current and deferred taxes**

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and deferred tax liabilities are recognised on the consolidated statement of financial position. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit or loss and other comprehensive income in future periods.

## Section 3: Performance for the year continued

### 3.5 Taxes continued

#### Other taxes

Income, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the income or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flow.

## Section 4: Our core assets and working capital

This section describes our core long-term tangible assets underpinning 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.

### 4.1 Property, plant and equipment

| | Leasehold Improvements $ | Office and Computer Equipment $ | Furniture, and Fittings $ | Total $ |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 July 2020 | 45,466 | 97,996 | 7,641 | 151,103 |
| Additions | – | 111,437 | – | 111,437 |
| Disposals | – | (1,490) | – | (1,490) |
| **As at 30 June 2021** | **45,466** | **207,943** | **7,641** | **261,050** |
| | | | | |
| Additions | – | 49,762 | – | 49,762 |
| Disposals | – | – | – | – |
| **As at 30 June 2022** | **45,466** | **257,705** | **7,641** | **310,812** |

## Section 4: Our core assets and working capital continued

### 4.1 Property, plant and equipment continued

| | Leasehold Improvements – Accumulated depreciation $ | Office and Computer Equipment – Accumulated depreciation $ | Furniture, and Fittings – Accumulated depreciation $ | Total $ |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| As at 1 July 2020 | 1,740 | 86,766 | 2,363 | 90,869 |
| Depreciation expense for the year | 18,186 | 60,320 | 193 | 78,699 |
| Disposals | – | (1,490) | – | (1,490) |
| **As at 30 June 2021** | **19,926** | **145,596** | **2,556** | **168,078** |
| Depreciation expense for the year | 18,186 | 76,642 | 519 | 95,347 |
| Disposals | – | – | – | – |
| **As at 30 June 2022** | **38,112** | **222,238** | **3,075** | **263,425** |
| **Net book value** | | | | |
| **As at 30 June 2022** | **7,354** | **35,467** | **4,566** | **47,387** |
| As at 30 June 2021 | 25,540 | 62,347 | 5,085 | 92,972 |

#### Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis or diminishing value methods over the estimated useful lives of the assets as follows:

| Class | Depreciation rate | Depreciation method used |
|---|---|---|
| Office equipment | 20 to 100% | Diminishing value |
| Furniture and fittings | 10 to 100% | Diminishing value |
| Computer equipment | 5 years | Straight line |
| Leasehold improvements | 5 years | Straight line |

## Section 4: Our core assets and working capital continued

### 4.1 Property, plant and equipment continued

#### Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### Impairment

All non-current tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For our impairment assessment we identify cash generating units (CGUs), i.e. the smallest groups of assets that generate cash inflows independent of cash inflows from other assets or groups of assets.

### 4.2 Receivables

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Current** | | |
| Receivables | 58,540,539 | 46,804,944 |
| Provision for expected credit loss | (3,949,995) | (2,199,747) |
| | 54,590,544 | 44,605,197 |
| **Non-current** | | |
| Receivables | 43,954,953 | 22,577,673 |
| Provision for expected credit loss | (2,965,841) | (2,605,211) |
| | 40,989,112 | 19,972,462 |
| **Total receivables** | **95,579,656** | **64,577,659** |
| | | |
| **Movements in the provision for expected credit losses were as follows:** | | |
| Opening provision | (4,804,958) | (3,980,436) |
| Provided in the period | (4,791,216) | (3,188,326) |
| Debts written-off[1] | 2,680,337 | 2,363,804 |
| **Closing provision** | **(6,915,837)** | **(4,804,958)** |

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

## Section 4: Our core assets and working capital continued

### 4.2 Receivables continued

#### 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 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 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 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 year, the Group has recorded $2.8m 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. |

## Section 4: Our core assets and working capital continued

### 4.2 Receivables continued

#### Recognition and measurement continued

**Key estimates – provision for expected credit losses**

Management estimates and judgement is 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; and
- 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.

### 4.3 Right-of-use assets and lease liabilities

#### Recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases.

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group has elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

## Section 4: Our core assets and working capital continued

### 4.3 Right-of-use assets and lease liabilities continued

#### Right-of-use assets

The Group recognises right-of-use assets (ROU) at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

#### Impairment

The right-of-use assets are also subject to impairment.

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

When the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee 'would have to pay', which requires estimation when no observable rates are available.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

#### Short-term leases

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

The Group has a lease contract for its premise used in its operations. The lease contract is for 5 years. The Group's obligations under its lease are secured by the lessor's title to the leased asset. The Group is restricted from assigning and subleasing the leased assets.

## Section 4: Our core assets and working capital continued

### 4.3 Right-of-use assets and lease liabilities continued

#### Short-term leases continued

Set out below are the carrying amounts of right-of-use asset and lease liabilities recognised and the movements during the period:

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Right-of-use asset** | | |
| **Cost** | | |
| As at 1 July | 321,106 | 321,106 |
| Additions | – | – |
| **At end of period** | **321,106** | **321,106** |
| | | |
| **Accumulated depreciation** | | |
| As at 1 July | 160,553 | 80,277 |
| Depreciation expense | 80,276 | 80,276 |
| At end of period | 240,829 | 160,553 |
| **Net book value** | **80,277** | **160,553** |
| | | |
| **Lease liability** | | |
| **As at 1 July** | **177,924** | **254,361** |
| Additions | – | – |
| Accretion of Interest | 15,746 | 22,511 |
| Payments | (102,907) | (98,948) |
| **As at 30 June** | **90,763** | **177,924** |
| | | |
| Current | 90,763 | 94,724 |
| Non-current | – | 83,200 |

## Section 4: Our core assets and working capital continued

### 4.3 Right-of-use assets and lease liabilities continued

#### Short-term leases continued

The following are the amounts recognised in profit or loss:

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Depreciation expense on ROU asset | 80,276 | 80,276 |
| Interest expense on lease liabilities | 15,746 | 22,511 |
| Expenses relating to short-term leases | 31,071 | 54,393 |
| Variable lease expenses | 27,858 | 27,968 |
| **Total amount recognised in profit or loss** | **154,951** | **185,148** |

The Group had total cash outflows for leases of $123,222 in 2022 (30 June, 2021: $144,278). The Group also had no non-cash additions to right-of-use assets and lease liabilities in 2022 (30 June, 2021: nil).

The Group is exposed to potential future cash outflows related to variable lease payments and an extension option not included in the measurement of the lease liability.

### 4.4 Other Assets

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Liquidity Reserve | 931,276 | – |
| Rental bond | 48,420 | 48,420 |
| **Total other assets** | **979,696** | **48,420** |

A liquidity reserve of $931,276 is also held by the Group as collateral for interest payments to funding providers. The Liquidity Reserve Account is an account in the name of the Warehouse Trustee. The Group is required to maintain the balance of the Liquidity Reserve Account in an amount equal to two times the monthly senior entitlements, being primarily:

- Trustee, Security Trustee, Manager fees and Trust expenses;
- Servicer Senior Fees; and
- Interest on the Class A Loan Notes and Class B Notes.

## Section 4: Our core assets and working capital continued

### 4.5 Trade and other payables

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| Trade payables | 1,705,247 | 1,322,829 |
| Customer deposits | 119,379 | 16,379 |
| Accrued interest | 821,525 | 540,192 |
| GST payable | 748,574 | 276,428 |
| Contingency funds payable | – | 473,168 |
| Other payables[1] | 1,210,543 | 438,621 |
| **Total trade and other payables** | **4,605,268** | **3,067,617** |

1. Other payables 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 monthly, quarterly or half-yearly throughout the period.

For explanations on the Group's liquidity risk management processes, refer to Note 5.4.

### 4.6 Employee benefit liabilities

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Current** | | |
| Annual leave | 621,440 | 624,072 |
| **Non-current** | | |
| Long service leave | 161,541 | 102,073 |
| **Total employee benefit liabilities** | **782,981** | **726,145** |

## Section 4: Our core assets and working capital continued

### 4.6 Employee benefit liabilities continued

#### Recognition, measurement and classification

The Group recognises 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.

## Section 5: 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.

### 5.1 Equity

#### Share capital

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Authorised fully paid ordinary shares** | **45,895,387** | **44,505,454** |

| Movements in ordinary shares | Number of Shares | Share Capital $ |
|---|---|---|
| **At 1 July 2020** | **32,605,026** | **21,297,765** |
| Shares issued | 324,488 | 100,000 |
| Share Split[1] | 33,737,143 | – |
| Conversion of convertible notes[2] | 6,964,036 | 7,103,285 |
| Shares issued on IPO | 15,429,470 | 18,515,364 |
| Employee shares issued under employee gift offer | 40,817 | 48,980 |
| Share issuance costs | – | (2,559,940) |
| **At 30 June 2021** | **89,100,980** | **44,505,454** |
| Shares issued[3] | 8,333,333 | 1,500,000 |
| Share issuance costs | – | (110,067) |
| **At 30 June 2022** | **97,434,313** | **45,895,387** |

1. The Company's pre-IPO issued shares were split. Each shareholder of the Company will hold 2.024526 shares for each share they previously held, with a corresponding diminution in the value of each share such that the total aggregate value of that shareholder's holding would remain unchanged.
2. Convertible notes with a face value of $7,000,000 were issued during FY21. These notes plus any accrued but unpaid interest amount were converted on the completion of the IPO. The conversion feature of the embedded derivative liability has been assessed at zero fair value. This has resulted in a loss of $357,223 in the FY21 reporting period.
3. 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).

## Section 5: Our capital and risk management continued

### 5.1 Equity continued

#### 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 6.2 for further details.

### 5.2 Loans and borrowings

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Current** | | |
| *Secured* | | |
| Notes payable | 4,557,541 | 16,715,311 |
| | **4,557,541** | **16,715,311** |
| *Unsecured* | | |
| Loans from related parties | – | 24,369 |
| | **4,557,541** | **16,739,680** |
| **Non-current** | | |
| *Secured* | | |
| Secured loans | 86,983,824 | 30,256,894 |
| Subordinated loans | – | 3,550,000 |
| | **86,983,824** | **33,806,894** |
| *Unsecured* | | |
| Convertible Note (5.2a) | 5,842,019 | – |
| | **92,825,843** | **33,806,894** |
| **Total loans and borrowings** | **97,383,384** | **50,546,574** |

## Section 5: Our capital and risk management continued

### 5.2 Loans and borrowings continued

Secured notes are secured against assets of $102,495,492 (30 June 2021: $69,382,617) inclusive of Australia and New Zealand.

Secured notes with a gross value of $94,222,567 (30 June 2021: $47,645,333) 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] | 75,472,000 | 4.71% | 16 May 2026 |
| Class B[1] | 14,151,000 | 9.25% | 16 May 2026 |
| NZ (1)[2] | 902,000 | 10% | 1 December 2022 |
| NZ (2)[3] | 3,698,000 | 12.95% | 21 October 2022 |

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%. All existing Australian Loan Notes have been repaid as of 16 May 2022. The new facility will provide the funding platform to accelerate growth, and substantially reduce the Company's cost of funding.

   As at 30 June 2022, the undrawn portion of the warehouse facility related to senior and mezzanine notes is $29,127,000.
2. The Group has unconditional right to extend maturity date of its NZ Series 1 senior secured notes, with intention to extend given no later than 1 month prior to the maturity date.
3. Drawn amount converted from NZ$5,100,000 at exchange rate of 1.1088 as at financial year ended 30 June 2022 (2021: 500,000).

#### Recognition, measurement and classification

Loans and borrowings are financial liabilities, initially recognised 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 at 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.

## Section 5: Our capital and risk management continued

### 5.2a 2022 Convertible Notes

#### 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)** |

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, which 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, which 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, which being the principal outstanding divided by the conversion price. The conversion price is defined in the deed poll as the initial conversion price of $0.225 or the adjusted conversion price (as applicable).

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, 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 profit or loss. The valuation of the embedded derivative at 30 June 2022 is $462,222 as per the Black-Scholes Methodology.

Group is required to revalue the convertible notes at each reporting date.

## Section 5: Our capital and risk management continued

### 5.2b 2022 Warrants

On 16 May 2022 (the Grant date), the Group granted 2,714,079 warrants to Goldman Sachs as part of the consideration for the establishment of the warehouse facility. The Group also received $10 in consideration for the grant of the warrants. The grant of the 2022 Warrants is a share-based payment transaction, the warrants were granted (plus cash consideration of $500,000) as consideration for the establishment of a credit facility. Accordingly, the share-based payment transaction has been classified as equity-settled, resulting in the 2022 Warrants being recognised as an equity instrument and measured at their grant date fair value. As the 2022 Warrants were granted as part of the consideration for the establishment of a credit facility, the grant date fair value of the 2022 Warrants has been accounted as transaction costs of the credit facility.

The exercise price of the warrant is $0.1321 per share. The warrants may be exercised at option of the warrant holder at any time during the period commencing on the issue date (16 May 2022) and ending on the 4th anniversary of the issue date (16 May 2026). Any warrants not exercised upon the expiry of the exercise period shall lapse. The valuation of the warrants at the Grant date is $0.069 as per the Black-Scholes Methodology.

The warrant holder may at any time require the company to repurchase and cancel all or a portion of the warrants for $nil consideration.

In the event that the warrant holder issues an exercise notice, and the company is unable to issue the shares specified in the exercise notice, the warrant holder has the right to receive a cash amount of equivalent value to the warrants specified in the exercise notice. However, such event is unlikely to occur.

| | Number of Shares | Exercise Price $0.1321 | Valuation Price $0.069 |
|---|---|---|---|
| At 1 July 2021 | – | – | – |
| Grants – 16 May 2022 | 2,714,079 | 358,530 | 187,271 |
| Exercised | – | – | – |
| Cancelled | – | – | – |
| **At 30 June 2022** | **2,714,079** | **$ 358,530** | **$ 187,271** |

### 5.3 Capital management

This note provides information about components of our net 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.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain operations and future development of the business. The Group's objectives when managing capital are to:

- safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

## Section 5: Our capital and risk management continued

### 5.3 Capital management continued

A summary of the Group's equity and debt attribution is as follows:

| | Notes | Consolidated 2022 $ | 2021 $ |
|---|---|---|---|
| Shareholders' equity | 5.1 | 45,895,387 | 44,505,454 |
| Debt | 5.2 | 97,383,384 | 50,546,574 |
| **Total funding** | | **143,278,771** | **95,052,028** |

#### Debt covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants, including loan value ratio.

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.

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; and
- Interest on the Class A Loan Notes and Class B Notes.

These have been complied with during the year, and as at 30 June 2022 and 30 June 2021.

Refer to Note 5.2 for more information on loans and borrowings.

### 5.4 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

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

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Managing our interest rate risk continued

At balance date, the Group had the following mix of financial assets and financial liabilities exposed to variable interest rate risk:

| | Notes | Consolidated 2022 $ | 2021 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 3.4 | 12,682,758 | 7,088,279 |
| **Financial Liability** | | | |
| Warehouse class A notes | 5.2 | 75,472,000 | – |
| **Total exposure** | | **88,154,758** | **7,088,279** |

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

During the 2022 financial year, the weighted average of the variable interest rate component for cash and cash equivalents subject to interest rate risk was 0.85% (30 June 2021: 0.1%). At 30 June, 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 30 June 2022, 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 $754,720 higher/$754,720 lower (30 June 2021: nil).

#### 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 balance sheet at 30 June 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.

#### 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.

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Managing our credit risk continued

The carrying amount of financial assets subject to credit risk at reporting date are as follows:

| | | Consolidated | |
|---|---|---|---|
| | Notes | 2022 $ | 2021 $ |
| **Financial assets** | | | |
| Cash and cash equivalents | 3.4 | 12,682,758 | 7,088,279 |
| Gross receivables | 4.2 | 102,495,492 | 69,382,617 |
| Liquidity reserve | 4.4 | 931,276 | – |
| **Total exposure** | | **116,109,526** | **76,470,896** |

#### Credit risk related to receivables

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.

At 30 June 2022, there was an increase of $2,110,879 in the provision for ECL (2021: $824,522) predominantly from an increase in value of gross receivables to $102,425,492 (2021: $69,382,617).

The provision for ECL was 6.75% of gross receivables compared to 6.9% in prior comparable period.

#### 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.

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Credit risk concentration continued

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

**30 June 2022**

| | Loans receivable<br>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% | |
| ETGCD[2] | 96,354,787 | 2,664,525 | 3,476,179 | 102,495,492 |
| ECL[1] | (2,765,291) | (1,330,752) | (2,819,793) | (6,915,836) |

**30 June 2021**

| | Loans receivable<br>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 $ |
| ECL1 rate | 2.9% | 59.9% | 90.9% | |
| ETGCD[2] | 65,563,697 | 1,815,955 | 2,002,965 | 69,382,617 |
| ECL[1] | (1,895,831) | (1,088,160) | (1,820,967) | (4,804,958) |

1. Estimated credit loss.
2. Estimated total gross carrying amount at default.

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Credit risk concentration continued

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

| | FY22 $ | FY21 $ |
|---|---|---|
| Stage 1 to stage 2 | 387,570 | 241,377 |
| Stage 1 to Stage 3 | 1,072,454 | 433,705 |
| Stage 2 to Stage 1 | (257,801) | (352,003) |
| Stage 2 to Stage 3 | (25,866) | 9,751 |
| Stage 3 to Stage 1 | (148,225) | (156,969) |
| Stage 3 to Stage 2 | (28,970) | (22,965) |

The provision for expected credit loss represents management's best estimate at reporting date of the expected credit losses based on their experienced judgement. A description of the credit loss model applied by the Group to receivables can be found in Note 4.2.

There are no other provisions recorded against any other financial assets of the Group as at reporting date.

A sensitivity analysis was undertaken by increasing/(decreasing) the probability of default by 10%. This resulted in an increase/(decrease) in the provision of ECL by $316,157 and ($316,157) respectively (30 June 2021: $219,547) and ($226,965) respectively).

A sensitivity analysis was also undertaken by Increasing/(decreasing) the loss given default by 5%. This resulted in an increase/(decrease) in the provision of ECL by $511,407 and ($511,407) respectively (30 June 2021: $219,547 and ($297,247) 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 cash flow;
- 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. Refer Note 5.2 for further information.

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 or notes commitment, as below) and cash and cash equivalents on the basis of expected cash flows and expected cash restrictions.

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Managing our liquidity risk continued

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

| | 2022 $ | 2021 $ |
|---|---|---|
| **Expire within one year** | | |
| Notes | – | – |
| Cash advance facility | – | – |
| | **–** | **–** |
| **Expire beyond one year** | | |
| Notes[1] | 29,127,000 | 19,326,664 |
| Cash advance facility | – | – |
| | **29,127,000** | **19,326,664** |

1. Included in undrawn loans and borrowings are Goldman Sach's Class A note of $24,528,000 and iPartner's Mezzanine Class B note of $4,599,000.

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

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

| | | Consolidated | |
|---|---|---|---|
| | Notes | 2022 $ | 2021 $ |
| **Financial liabilities** | | | |
| Lease liabilities | 4.3 | 90,763 | 177,924 |
| Trade and other payables | 4.5 | 4,605,268 | 3,067,617 |
| Loans and borrowings | 5.2 | 97,383,384 | 50,546,574 |
| Embedded derivative | 5.2a | 462,222 | – |
| **Total exposure** | | **102,541,637** | **53,792,115** |

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Managing our liquidity risk continued

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

**30 June 2022**

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|
| Trade payables | – | 1,705,247 | – | – | – | 1,705,247 |
| Customer deposits | – | 119,379 | – | – | – | 119,379 |
| Accrued interest | – | 821,525 | – | – | – | 821,525 |
| Other payables | – | – | 137,659 | – | – | 137,659 |
| Notes payable | – | – | 4,804,278 | 117,086,286 | – | 121,890,564 |
| Loans from related parties | – | – | – | – | – | – |
| Lease liabilities | – | – | 99,117 | – | – | 99,117 |
| **Total exposure** | **–** | **2,646,151** | **5,041,054** | **117,086,286** | **–** | **124,773,491** |

**30 June 2021**

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|
| Trade payables | – | 1,322,829 | – | – | – | 1,322,829 |
| Customer deposits | – | 16,379 | – | – | – | 16,379 |
| Accrued interest | – | 540,192 | – | – | – | 540,192 |
| Contingency funds payable | – | – | 473,168 | – | – | 473,168 |
| Other payables | – | 715,049 | – | – | – | 715,049 |
| Notes payable | – | 6,506,900 | 8,611,634 | 45,584,817 | – | 60,703,351 |
| Loans from related parties | – | 24,369 | – | – | – | 24,369 |
| Lease liabilities | – | 25,727 | 77,180 | 99,117 | – | 202,024 |
| **Total exposure** | **–** | **9,151,445** | **9,161,982** | **45,683,934** | **–** | **63,997,361** |

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Valuation and disclosure within fair value hierarchy

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 categorised 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; and
- 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, as explained above.

The carrying values of financial assets and liabilities measured at amortised cost approximate their fair value except for loans and borrowings as at the reporting date.

As at reporting date, the fair value of loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. At 30 June 2022 the fair value of loans and borrowings is $103,004,077 (30 June 2021: $52,442,994) with a carrying value of $ 97,383,384 (30 June 2021: $50,546,574). The level of the fair value hierarchy within which the fair value measurement of loans and borrowings is categorised as Level 3 (non-market observable inputs).

## Section 5: Our capital and risk management continued

### 5.4 Financial instruments and risk management continued

#### Valuation and disclosure within fair value hierarchy continued

The embedded derivative has been revalued at 30 June 2022 in accordance with Accounting Standard AASB 9 *Financial Instruments*. Following the revaluation at 30 June 2022, Group has reported a financial liability in relation to the underlying host debt component of the convertible notes of $7,537,779, and the embedded derivative has been valued at fair value of $462,222 using the Black Scholes option valuation model. The fair value has been based on Group's closing share price at 30 June 2022 of $0.068, volatility of 70%, and a risk free rate of 3.16%. A fair value gain of $1,137,778 has been recorded, being the movement in the fair values of the embedded derivative between 16 May 2022 and 30 June 2022. The level of the fair value hierarchy within which the fair value measurement of the derivative liability is categorised as Level 3 (non-market observable inputs).

A sensitivity analysis was undertaken by increasing/(decreasing) the share price by 50%. With all other inputs remaining the same, this results in an increase/(decrease) in the value by $0.015/($0.010) per note which will lead to an increase/(decrease) in value of the derivative liability by $533,333/($355,556) respectively.

## Section 6: Our people

We are working to attract and retain employees with the skills and passion 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.

### 6.1 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 those directors listed in the directors' report, in addition to the executive management personnel listed in the remuneration report.

KMP compensation for the financial year is shown as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Short-term employee benefits | 1,591,837 | 1,422,795 |
| Post-employment benefits | 114,719 | 101,508 |
| Other long-term benefits | 16,218 | 31,669 |
| Share-based payments | 102,605 | 129,083 |
| | **1,825,379** | **1,685,055** |

#### Other transactions with our KMP and their related parties

During the financial year ended 30 June 2022, apart from transactions disclosed in Note 7.1 of the financial report, there were no other transactions with our KMP and their related parties.

## Section 6: Our people continued

### 6.2 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.

The recognised expense arising from equity settled share-based payment plans during the period is shown in note 3.2. During the financial year ended 30 June 2022, the Group had the following share-based payment plans in place:

- Employee Gift Offer;
- Employee Options Grant; and
- Director Options Grant.

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

## Section 6: Our people continued

### 6.2 Employee share ownership plans (ESOP) continued

#### 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 restricted shares per eligible employee, for nil consideration pursuant to the terms of the ESOP.

The key terms of the employee options grant 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; and
- 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 reporting period:

| | 2022 Number | 2021 Number |
|---|---|---|
| Outstanding at the beginning of the period | 40,817 | – |
| Granted during the period | – | 40,817 |
| Forfeited during the period | – | – |
| Exercised during the period | – | – |
| **Outstanding at the end of the period** | **40,817** | **40,817** |

No options were granted during the financial year ended 30 June 2022 (30 June 2021: assessed cost of options granted was $1.20 per option).

In the reporting period, the Group hasn't issued any employee shares under employee gift offer in share capital (30 June 2021: $48,980).

#### 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 in FY22.

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; and
- 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.

## Section 6: Our people continued

### 6.2 Employee share ownership plans (ESOP) continued

#### Employee Options Grant 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 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 reporting period:

| | 2022 Number | 2021 Number |
|---|---|---|
| Outstanding at the beginning of the period | 1,168,152 | – |
| Granted during the period | – | 1,168,152 |
| Forfeited during the period | (394,783) | – |
| Exercised during the period | – | – |
| **Outstanding at the end of the period** | **773,369** | **1,168,152** |

**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.

In the reporting period, the Group has recognised $121,783 of share-based payment expense in the statement of profit or loss (30 June 2021: $94,438).

#### 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 CEOs 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 in FY22.

## Section 6: Our people continued

### 6.2 Employee share ownership plans (ESOP) continued

#### Director Options Grant continued

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; and
- 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 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 Director Options Grant

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

| | 2022 Number | 2021 Number |
|---|---|---|
| Outstanding at the beginning of the period | 4,125,000 | – |
| Granted during the period | – | 4,125,000 |
| 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.

## Section 6: Our people continued

### 6.2 Employee share ownership plans (ESOP) continued

**Director Options Grant continued**

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

In the reporting period, the Group has recognised $167,327 of share-based payment expense in the statement of profit or loss (30 June 2021: $79,819).

## Section 7: Our investments

This section outlines our group structure and includes information about our controlled entities. It provides details of changes to these investments and their effect on the Group's financial position and performance during the financial year. It also includes the results of our associated entities.

### 7.1 Parent entity disclosures

The financial information for the parent entity, Payright 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.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 6,084,579 | 3,129,134 |
| Non-current assets | 17,554,889 | 20,134,276 |
| **Total Assets** | **23,639,468** | **23,263,410** |
| **Liabilities** | | |
| Current liabilities | 11,393,825 | 4,112,578 |
| Non-current liabilities | 161,541 | 185,273 |
| **Total Liabilities** | **11,555,366** | **4,297,851** |
| **Net Assets** | **12,084,102** | **18,965,559** |
| **Equity** | | |
| Issued capital | 45,895,387 | 44,505,454 |
| Accumulated losses | (34,461,924) | (25,714,152) |
| Share based payment reserve | 650,639 | 174,257 |
| **Total Equity** | **12,084,102** | **18,965,559** |
| **Statement of profit or loss and other comprehensive income** | | |
| Loss of the Parent | (8,747,770) | (12,498,024) |
| **Total comprehensive loss of the Parent** | **(8,747,770)** | **(12,498,024)** |

The Parent did not have any guarantees in relation to the debts of its subsidiaries as at 30 June 2022 (30 June 2021: $nil).

The Parent did not have any contingent liabilities as at 30 June 2022 (30 June 2021: $nil).

The Parent has a lease commitment for its business premise. Refer to Note 4.3 for further details.

## Section 7: Our investments continued

### 7.2 Subsidiaries

The consolidated financial statements include the financial statements of Payright Limited as the ultimate parent, and results of the following subsidiaries:

| | | % of equity interest[1] | |
|---|---|---|---|
| Name | Country of incorporation | 2022 | 2021 |
| Devizo Finance Pty, Ltd[2] | Australia | 100% | 100% |
| Devizo Finance NZ Limited[3] | New Zealand | 100% | 100% |
| Devizo NZ Limited[4] | New Zealand | 100% | 100% |
| Payright Trust 2022-1[5] | Australia | 100% | – |

1. The proportion of ownership interest is equal to the proportion of voting power held.
2. The principal activities of Devizo Finance Pty Ltd is to provide technology-enabled payments solutions for consumers through its Payright services and businesses in Australia.
3. The principal activities of Devizo Finance NZ Limited is to provide technology-enabled payments solutions for consumers through its Payright services and businesses in New Zealand.
4. Devizo NZ Limited is the holding entity of Devizo Finance NZ Limited.
5. Payright Limited holds 100% of units issued by Payright Trust 2022-1.

## Section 8: 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.

### 8.1 Related party transactions

#### Transactions and their terms and conditions with related parties

**Loans from related parties**

Loans from Brakus Private Trust (controlled by Piers Redward) and Myles Redward Family Trust (controlled by Myles Redward) were established as a source of funding during its early stages of the Group. Refer to Note 5.2 for details to terms of the loans. On 30 July 2021, these loans were repaid to the value of $34,070. These loans were unsecured and had a fixed interest rate at 14%. Total interest during the prior year was $9,385 on loan from Brakus Private Trust and $316 on loan from Myles Redward Family Trust. The repayment made subsequent to year end was inclusive of principal and interest component of these loans.

Amounts owed to related parties are as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Loan from Brakus Private Trust | – | 24,146 |
| Loan from Myles Redward Family Trust | – | 223 |
| **Total loans from related parties** | **–** | **24,369** |

## Section 8: Other information continued

### 8.1 Related party transactions continued

**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 related parties are as follows:

| Receiving of services from: | 2022 $ | 2021 $ |
|---|---|---|
| Key management personnel of the Group | – | 82,500 |
| Close family members of the directors | 316,336 | 815,037 |

**Key management personnel of the Group:**

Matthew Pringle, in his capacity as director of Coomara Consulting provided independent advisory services to the Company in connection with the Company's IPO. The terms of this engagement were on an arm's length basis on ordinary commercial terms. Services ceased when Mr. Pringle was appointed as non-executive director on 27 October 2020.

**Close family members of the directors:**

- Ashby Redward – appointed as Channel Partnership's Manager, receives a fixed annual remuneration under an arm's length employment agreement on ordinary commercial terms. Employee Options of 99,202 were granted on the same terms as those awarded.
- Emily Redward – provided marketing and public relations services to the Company. The terms of this engagement were on an arm's length basis on ordinary commercial terms.
- Nicole Redward – provided project management services to the Company. The terms of this engagement were on an arm's length basis on ordinary commercial terms.
- Mark Evans provides CTO services to the Company via an independent contractor services agreement with Specialised Resource Solutions Pty Ltd, a company of which Mark Evans is the Principal and Director. The terms of this engagement are on an arm's length basis and ordinary commercial terms.

### 8.2 Auditor's remuneration

The auditor of Payright Limited and its controlled entities is Ernst & Young (Australia).

Amounts received or due and receivable by Ernst & Young (Australia) for:

| | 2022 $ | 2021 $ |
|---|---|---|
| Category 1 – Fees to the group auditor for audit and review of financial statements | 323,799 | 224,200 |
| Category 3 – Other assurance services | – | 15,000 |
| Category 4 – Non-audit (other) related fees | 86,160 | 484,096 |
| **Total auditor's remuneration** | **409,959** | **723,296** |

## Section 8: Other information continued

### 8.2 Auditor's remuneration continued

Following the 2019 Parliamentary Joint Committee and Financial Services' Inquiry into the Regulation of Auditing in Australia, a recommendation was made to adopt a consistent disclosure of audit and non-audit fees. As a result, the Group has restated the comparative period balances and disclosed audit and non-audit fees in the following categories:

Category 1 – Fees to the Group's auditor for auditing the statutory financial report of the Parent covering the Group, and for auditing the statutory financial report of any controlled entities.

Category 3 – Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm. These services include compliance reviews and agreed-upon procedures.

Category 4 – Fees for other services. Such services include initial public offering advisory services (this includes financial and tax due diligence, in addition to investigative accountant's report) and other advisory services.

The Group has processes in place to maintain the independence of the external auditor, including the nature of expenditure on non-audit services. EY also has specific internal processes in place to ensure auditor independence.

### 8.3 Commitments and Contingencies

#### Commitments

The Group had no capital commitments as at 30 June 2022 (30 June 2021: Nil).

#### Contingent liabilities

The Group had no contingent liabilities or contingent assets at 30 June 2022 (30 June 2021: Nil).

#### Guarantees

The Group did not have any guarantees as at 30 June 2022 (2021: Nil).

### 8.4 Events after the reporting date

There were no significant events occurred after the reporting period which may significantly affect either the Group's operations or results of those operations or the Group's state of affairs.

# Directors' Declaration

In accordance with a resolution of the directors of Payright Limited and its controlled entities, we state that:

1. In the opinion of the Directors:

a. the consolidated financial statements and notes that are set out on pages 44 to 90 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 30 June 2022 and of its performance, for the 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 year ended 30 June 2022; and

4. The Directors draw attention to Note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

On behalf of the Directors

**Piers Redward**
Director

Melbourne,
30 September 2022

**Myles Redward**
Director

Melbourne,
30 September 2022

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

## Report on the audit of the financial report

### Opinion

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

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

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

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

### Basis for opinion

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

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

### Material uncertainty related to going concern

We draw attention to Note 2.4 in the financial report, which indicates that the Group has incurred a net operating cash outflow of $41.9 million and a net loss of $12.6 million for the financial year ended 30 June 2022. As stated in Note 2.4, these events or conditions along with other matters set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

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

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

### Provision for credit impairment

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 4.2, Receivables generated in the ordinary course of business are measured at amortised cost less an allowance for impairment. The allowance for impairment is determined in accordance with AASB 9 *Financial Instruments (AASB 9)*.<br><br>Key areas of judgement applied in measuring the provision for expected credit losses (ECL) include:<br>▶ The application of the impairment requirements within AASB 9, which is reflected in the group's ECL model<br>▶ Identifying receivables with a significant increase in credit risk<br>▶ Incorporating forward looking information to reflect current or future looking outlook<br><br>This was a key audit matter due to the size of the receivables and nature of the group's operations, and the degree of judgement and estimation uncertainty associated with the calculation. | Our audit procedures included the following:<br>▶ Assessed whether methodologies and assumptions used to estimate the ECL were in accordance with AASB 9;<br>▶ Assessed the mathematical accuracy of the ECL model;<br>▶ Tested the integrity of data inputs on a sample basis by tracing these back to source system;<br>▶ Assessed the reasonableness of forward-looking information incorporated into the ECL calculation;<br>▶ We involved our Actuarial specialists in the performance of these procedures where their specific expertise was required; and<br>▶ Assessed the adequacy of the disclosures in the notes to the financial statements. |

### Convertible note

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 5.2, the Group issued 35,555,560 convertible notes for total proceeds of $8 million.<br>The accounting treatment associated with convertible notes is complex, with significant judgement involved in:<br>▶ Assessing the existence of any embedded derivative assets or liabilities | Our audit procedures included the following:<br>▶ Evaluated the Group's accounting treatment, including utilising our financial instrument accounting specialists;<br>▶ Tested the inputs used in the valuation of the embedded option with reference to the terms and conditions of the convertible note; |

| Why significant | How our audit addressed the key audit matter |
|---|---|
| ▶ Determining the classification of debt vs equity<br>▶ Determining the value of identified embedded derivatives.<br><br>This was a key audit matter due to the size and judgement required in accounting for the convertible notes. | ▶ Engaged our valuation specialists to assess the fair value of the embedded option as at issue and reporting date; and<br>▶ Assessed the adequacy of the disclosures in the notes to the financial statements. |

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

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

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

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

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

### Responsibilities of the directors for the financial report

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

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

### Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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

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

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## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 40 of the directors' report for the year ended 30 June 2022.

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

### Responsibilities

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

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
30 September 2022

# Additional Information

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

The shareholder information set out below was applicable as at 19 September 2022.

## 1) Shareholding

### a) Distribution of Shareholders Number

| Category (size of Holding) | Total Holders | Units | % Of Issued Share Capital |
|---|---|---|---|
| 1 – 1,000 | 369 | 260,079 | 0.27 |
| 1,001 – 5,000 | 515 | 1,387,050 | 1.42 |
| 5,001 – 10,000 | 166 | 1,291,122 | 1.33 |
| 10,001 – 100,000 | 324 | 11,289,653 | 11.59 |
| 100,001 – 999,999,999 | 122 | 83,206,409 | 85.40 |
| **Total** | **1,496** | **97,434,313** | **100.00** |

### b) The number of shareholdings held in less than marketable parcels is 894.

### c) The names of the substantial holders listed in the holding company's register as at 19 September 2022 are:

| Shareholder | Number of Ordinary Shares Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| MCH INVESTMENT MANAGEMENT SERVICES PTY LTD | 9,270,295 | 9.51 |
| M REDWARD INVESTMENTS PTY LTD | 8,907,914 | 9.14 |
| RED & WARD INVESTMENTS PTY LTD | 8,907,914 | 9.14 |

### d) Voting Rights

The voting rights attached to each class of equity security are as follows:

#### Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

There are no other classes of equity securities.

## e) 20 Largest Shareholders – Ordinary Shares

| Name | Number of Ordinary Shares Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| MCH INVESTMENT MANAGEMENT SERVICES PTY LTD | 9,270,295 | 9.51 |
| M REDWARD INVESTMENTS PTY LTD | 8,907,914 | 9.14 |
| RED & WARD INVESTMENTS PTY LTD | 8,907,914 | 9.14 |
| MR BRETT WILLIAM FISHER PATON & MRS VICKI ANNE PATON | 3,144,994 | 3.23 |
| RHODIUM CAPITAL PTY LIMITED | 2,314,441 | 2.38 |
| IRAL PTY LTD | 2,211,852 | 2.27 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 1,850,491 | 1.90 |
| RAPIER HOLDINGS PTY LTD | 1,629,729 | 1.67 |
| FINCAP CUSTODIANS AUSTRALIA PTY LTD | 1,515,152 | 1.56 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2 | 1,397,591 | 1.43 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LTD | 1,336,207 | 1.37 |
| INVIA CUSTODIAN PTY LIMITED | 1,278,680 | 1.31 |
| VULCANCREST PTY LTD | 1,246,074 | 1.28 |
| DOUBLE JAY GROUP HOLDINGS PTY LTD | 1,244,475 | 1.28 |
| RCSBP PTY LTD | 1,218,350 | 1.25 |
| FOWLMERE PTY LTD | 1,210,062 | 1.24 |
| MR BRETT WILLIAM FISHER PATON | 1,204,362 | 1.24 |
| UBS NOMINEES PTY LTD | 1,162,811 | 1.19 |
| STUDLEIGH INVESTMENTS PTY LTD | 997,033 | 1.02 |
| MR RONALD MARK EVANS & MRS JANET ELIZABETH EVANS | 994,804 | 1.02 |
| NORINE NOMINEES PTY LTD | 884,464 | 0.91 |
| **Total Top 20 holders of ordinary fully paid shares** | **53,927,695** | **55.35** |
| **Total remaining holders balance** | **43,506,618** | **44.65** |

## 2) Unquoted Securities

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued (issued under the ESOP) | 4,898,369 | 8 |

## 3) Restricted Securities

| Description | Type of restrictions | Number on issue | End date of escrow period |
|---|---|---|---|
| Fully paid ordinary shares | ASX Mandatory Escrow | 19,220,096 | 23 December 2022 |
| ESOP director options | ASX Mandatory Escrow | 4,125,000 | 23 December 2022 |
| ESOP employee options | Voluntary Escrow | 773,369 | 30 October 2023 |
| ESOP gift shares | Voluntary Escrow | 40,817 | 21 December 2023 |
| **Total** | | **24,159,282** | |

## 4) On market buy-back

Payright is not currently conducting an on market buy-back.

## 5) Use of cash

In accordance with ASX Listing Rule 4.10.19, the Company confirms the cash and assets in a form readily convertible into cash that it had at the time of admission to the official list of ASX (being 23 December 2020) has been used in a way consistent with its business objectives.

### ASX Listing Rule 4.10.3

The corporate governance statement that meets the requirements of this rule is located on the Company's website https://investors.payright.com.au/investor-centre/corporate-governance/

# Corporate Information

## Directors

### Peter McCluskey

Chairman and Non-Executive Director
(appointed 15 October 2021)

### Piers Redward

Executive Director

### Myles Redward

Executive Director

### Paul Cowan

Non-Executive Director

### Matthew Pringle

Non-Executive Director

### Lindley Edwards

Non-Executive Director

### Andrew Lockhart

Non-Executive Director
(appointed 27 May 2022)

## Company Secretary

Payright Limited's Company Secretary is Saara Mistry.

## Registered Office

Level 1, 55 Whitehorse Road
Balwyn, VIC 3103
Australia

Phone: 1300 338 496

## Auditor

**Ernst & Young**
8 Exhibition Street
Melbourne, VIC 3000
Australia

## Share Registry

**Automic Group**
126 Phillip Street
Sydney, NSW 2000
Australia

Phone: 1300 288 664

## Stock Exchange Listing

Payright Limited shares are listed on the Australian Securities Exchange (ASX code: PYR). The Home Exchange is Melbourne.

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