Navalo Financial Services Group Limited and its controlled entities

ABN 24 605 753 535

Consolidated general purpose financial report for the financial year ended 30 June 2023

NAVALO
Financial Services Group

The directors submit their report on Navalo Financial Services Group Limited, formerly Payright Limited (the "Company") and its controlled entities (collectively, the "Group" or "Navalo") for the financial year ended 30 June 2023.

Directors

The names and details 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.

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

Peter McCluskey
Chairman and Non-Executive Director (resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023)

Andrew Lockhart
Non-Executive Director

Matthew Pringle
Non-Executive Director

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

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

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

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

Director qualifications, experience and special responsibilities

Allan Griffiths

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

Allan has more than 30 years' experience in, and extensive understanding of the financial services industry. Allan held a number of executive positions within the industry, most notably as Chief Executive Officer Aviva Australia (formerly Norwich Union) and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva, he held executive positions with Colonial Ltd. Allan is Chairman of ASX listed Insignia Financial (formerly IOOF), having been appointed Chairman in 2019 and Director since 2014, St Andrew's Insurance Group and Metrics Credit Holdings Pty Ltd as trustee for MCH Investments Trust (a member of the Metrics group) (Metrics) which as at 30 June 2023 held 85.2% of Navalo's issued capital. Metrics also holds 14,545,454 convertible notes issued by the Group. Allan has a Bachelor of Business. Allan is a member of Navalo's Audit and Risk Committee and Remuneration and Nomination Committee.

Peter McCluskey

Chairman and Non-Executive Director – Resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023

Peter has been a corporate restructuring professional for 33 years and has strong relationships within the Australian and international finance sectors. He has managed the conflicting agendas of diverse parties in large banking syndicates in some of the biggest restructuring assignments in Australia. He is currently a Special Advisor in Restructuring Services at KPMG. Peter was Managing Partner at Ferrier Hodgson's Melbourne office for 12 years where he had exposure to a broad range of industries due to his engagement in corporate restructuring projects and was recognised for his ability to manage and resolve complex matters. Peter is also currently a Director of ASX listed PointsBet Holdings Ltd, an ASX 200 listed company, having held this position since November 2018. Peter has continued to support the Board as a non-executive advisor since he resigned from the Board in May 2023. Prior to Peter's resignation, he was a member of Navalo's Audit, Risk and Compliance Committee and Remuneration and Nomination Committee. Peter has a Bachelor of Business (Accounting) from Swinburne University and is a Registered Liquidator and Official Liquidator with ASIC. Since Peter's resignation as Director, he has been appointed Director of overseas companies including BWX Brands UK Limited (28 June 2023), BWX Brands USA Inc, (1 August 2023), MFNB Holdings (1 August 2023) and Andalou Naturals (1 August 2023).

Andrew Lockhart

Non-Executive Director

Andrew has more than 30 years' banking, funds management and financial markets experience and is the Managing Partner and Director of Metrics Credit Holdings Pty Ltd, a leading Australian non-bank corporate lender and alternative asset manager specialising in fixed income, private credit, equity and capital markets, with in-excess of $14bn of assets under management. Andrew has considerable experience in loan origination, structuring and portfolio risk management, previously specialising in leverage and acquisition finance and corporate institutional lending at National Australia Bank. Andrew is also a Non-executive Director of several non-bank finance companies. Andrew holds a Bachelor of Business and Master of Business Administration from Queensland University of Technology.

Andrew is a director of MCH Investment Management Services Pty Ltd (a member of the Metrics group) (Metrics). Andrew is a member of Navalo's Audit and Risk Committee and Remuneration and Nomination Committee.

Matthew Pringle

Non-Executive Director – Appointed Chair of Remuneration and Nomination Committee 1 June 2023

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

Paul Cowan

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

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

Lindley Edwards

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

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

Myles Redward

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

In his role as Joint CEO, Myles had responsibility for finance, legal & compliance, technology, investor relations and projects at Payright. Myles has over 20 years' experience working within Moody's, Bank of Ireland and GE Capital. He spent his earlier years in finance heading up the planning and analysis function at GE Capital and developing his detailed understanding of financial modelling and accounting practices in the context of the consumer finance industry. Myles has a Bachelor of Business Management degree from Monash University and is a qualified CPA Accountant. As at 30 June 2023, Myles and his controlled entities hold less than 5% of Navalo's issued Capital.

Piers Redward

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

In his role as Joint CEO, Piers had responsibility for sales, marketing, operations, business development, product and people & culture at Payright. Piers has over 15 years of experience in the consumer finance industry where he has developed deep expertise across business and consumer finance, specialising in interest free payment plans, credit cards, commercial and consumer leasing and personal loans. Prior to establishing Payright, Piers led sales and distribution functions at FlexiGroup (Humm – HUM) and Now Finance (Wingate Consumer Finance) as well as client services and collections at Esanda Finance. Piers holds a Diploma of Business (Management) from RMIT University. As at 30 June 2023, Piers and his controlled entities hold less than 5% of Navalo's issued Capital.

Saara Mistry

(General Counsel, Chief Risk Officer and Company Secretary)

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

Significant Changes to Senior Executives

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

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

25 January 2023, Stewart Creighton replaced Myles & Piers Redward as CEO on an interim basis. Mr Creighton is providing services to the Company under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics) for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company. The secondment agreement is on standard commercial terms. MCHCS is a wholly-owned subsidiary of Metrics Credit Holdings Pty Ltd ACN 150 647 091 and a related body corporate of MCH Investment Management Services Pty Ltd, which as trustee of the MCP Credit Trust 1, is a substantial shareholder of Navalo, holding 85.2% of the issued share capital of Navalo following the completion of the capital raising undertaken by the Company announced on 30 November 2022 and 15 March 2023.

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

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 2023, and the number of meetings attended by each Director were:

Director	Held[1]	Attended
Allan Griffiths	5	5
Andrew Lockhart	14	11[2]
Lindley Edwards	9	9
Matthew Pringle	14	14
Myles Redward	9	9
Paul Cowan	9	9
Peter McCluskey	13	13
Piers Redward	9	9

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

[2]Andrew Lockhart did not attend the board meeting in September 2022 due to a conflict of interest.

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
Allan Griffiths	2	2	1	1
Andrew Lockhart	2	2	1	1
Lindley Edwards	3	3	2	2
Matthew Pringle	5	5	3	3
Myles Redward	3	3	B	B
Paul Cowan	3	3	2	2
Peter McCluskey	2	2	1	1
Piers Redward	B	B	B	B

[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 2023 (30 June 2022: $nil).

Principal activities

The principal activity of the Group during the financial year was to provide point of sale consumer finance solutions.

In December 2022, the Company suspended origination of new business in New Zealand to focus on core markets in Australia as part of a plan to reposition activities towards sustainable profitability.

There were no other significant changes in the nature of these activities for the financial year ended 30 June 2023.

Review of operations

Payright Limited announced the proposed name change to Navalo Financial Services Group Limited on 22 May 2023. This was approved by shareholders at an Extraordinary General Meeting on 26 June 2023. The underlying product sold to customers and distributed via merchants, continues to trade under the existing Payright business branding.

Navalo is an established participant in the rapidly growing non-bank finance industry with operations across Australia. It provides consumer finance solutions to encourage point of sale conversion and enables customers to spread the cost of purchases over time.

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

	2023 $	2022 $	Change %
Total income	18,977,047	16,315,017	16.3
Operating expenses[4]	(18,458,806)	(20,205,306)	(8.6)
Net finance costs	(10,127,910)	(9,733,946)	4.0
Less Depreciation	(125,312)	(175,624)	(28.6)
Gain (Loss) on revaluation of embedded derivative	(391,111)	1,137,778	(134.4)
NLAT	**(10,126,092)**	**(12,662,081)**	(20.0)
Basic and diluted EPS (cents)[2,3]	(4.21)	(22.30)	

[1] Throughout this report, certain non-IFRS information such as 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 (30 June 2022: 35,555,560) , 21,712 of warrants issued post share consolidation (30 June 2022: 2,714,079), 33,000 of shares which may be issued under the director options grant post share consolidation (30 June 2022: 4,125,000) and 6,188 of shares issued under the employee options grant post share consolidation (30 June 2022: 773,369) because they are anti-dilutive as at the reporting period.

[3] For the years prior to the year ended 30 June 2023, there measures have been restated to take into account the share consolidation which took place in the year ended 30 June 2023.

[4] Operating expenses less depreciation.

Group financial performance and reported results

Group income totalled $18,977,047 for the year ended 30 June 2023, an increase of 16.3% from the prior comparative period (pcp). The increase in income reflects continued expansion within the consumer lending market. During the reporting period, the following key activities supported the increase in income:

Total Gross Merchandise Value (GMV) increased by 5.7% compared to the prior period.

An uplift in focus on profitable new loan book origination following a review of merchant relationships and where appropriate, a renegotiation of terms to maximise the economics of loans written over the period.

The focus on retention of profitable merchants and measured industry vertical diversification strategy resulted in a reduction in total merchant stores by 3.5% to 3,762 (30 June 2022: 3,899).

The Group reported a 20% improvement in Net Losses After Tax (NLAT) compared to the prior year. The Company undertook a detailed review of its cost base and its business operations during the year to enable it to operate a leaner, more capital-efficient structure, which included a material reduction in head count and workforce costs which resulted in ~35% of staff positions including contractors being made redundant. As a result, Operating expenses less depreciation for the period was $18,458,806, an improvement of 9% from pcp of $20,205,306. The decrease in operating spend was mostly the result of salary reductions following the restructure, only partially offset by an increase in Expected Credit Losses (ECL) and Consulting & Professional Fees.

Net finance costs for the year ended 30 June 2023 were $10,127,910, an increase of 4% from prior year due to higher average borrowings in the period, supporting growth in underlying loan receivables.

The Group also recorded a $391,111 loss 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 reporting period.

As a result, the net loss after tax (NLAT) of the Group for the year ended 30 June 2023 was $10,126,092 (30 June 2022: $12,662,081).

Financial position and cash flow

Cash flow Summary	30 June 2023	30 June 2022	Change
	$	$	%
Net cash flows used in operating activities	(29,788,105)	(41,964,515)	(29.0)
Net cash used in investing activities	(9,645)	(799,762)	(98.8)
Net cash flows from financing activities	26,755,434	48,358,756	(44.7)
Net (decrease)/Increase in cash and cash equivalents	**(3,042,316)**	**5,594,479**	**(154.4)**

Financial position summary	30 June 2023	30 June 2022	Change
	$	$	%
Total assets	125,447,506	110,247,033	13.7
Total liabilities	(114,634,190)	(103,324,618)	10.9
NET ASSETS	**10,813,316**	**6,922,415**	**56.2**
EQUITY	**10,813,316**	**6,922,415**	**56.2**

Cash flows

Cash as at 30 June 2023 was $9,640,442 (30 June 2022: $12,682,758). Cash receipts from customers during the year were $96,667,146 (30 June 2022: $80,681,828), representing a 20% increase over pcp, which resulted in an increase in gross receivables of $17,021,055 (30 June 2022: $33,112,875). Interest paid increased by 17% to $9,517,527 (30 June 2022: $ (8,165,168)). As a result, net cash outflows used in operating activities for the year were $29,788,105 a 29% decrease from 30 June 2022 (30 June 2022: $41,964,515).

Cash flows from investing activities increased to ($9,645), compared with 30 June 2022 (30 June 2022: ($799,762)).

Cash flows from financing activities decreased by 45% to $26,755,434 compared with 30 June 2022 (30 June 2022: $ 48,358,756).

As of 30 June 2023, the Group has a total undrawn facility balance of $12,502,000 (30 June 2022: $29,127,000).

Financial position

Total assets have increased from 30 June 2022 by 14% to $125,447,506 (30 June 2022: $110,247,033), due mainly to the Group's higher receivables balance. Total net receivables as at 30 June 2023 is $112,600,711 (30 June 2022: $95,579,656), representing an increase from 30 June 2022 of 18%.

Total liabilities have increased by 11% to $114,634,190 (30 June 2022: $103,324,618), mainly due to the increase in loans and borrowings.

Total equity as at 30 June 2023 was $10,813,316 (30 June 2022: $6,922,415), an increase from 30 June 2022 of 56%. The increase was predominantly due to the share capital issued during the year, which was slightly offset by the operating loss for the year.

Outlook

Navalo continues to focus on building a sustainable base for the group's lending activities and ensuring improvement in the credit quality and risk management activities of the company.

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

- Focused sales activity on existing, high calibre merchants; looking to maximise profitable transaction volumes and grow Navalo's share of business from existing merchants;
- Ongoing review of merchant profitability, ensuring highest net profit merchant volumes are prioritised;
- Development of a licensed consumer lending product for planned launch during calendar year ended 31 December 2023;
- Ongoing analysis of cost drivers, including further efficiency activities to ensure a sustainable cost base enabling ongoing growth; and
- Increasing attention to credit risk management, arrears and collections activities.

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

The Board remains focussed on managing existing relationships with available debt and equity partners and is confident in its ability to be able to raise additional debt and/or equity during calendar year 2023 when required to enable the delivery of its strategic objectives and ensure growth activities are appropriately funded.

Significant change in the state of affairs

The Group announced a capital raising of $5.03 million on 30 November 2022 that completed on 12 January 2023, and a capital raising of $10.07 million announced on 15 March that completed on 14 April 2023. Both capital raises were sub-underwritten by MCH Investment Management Services Pty Ltd, which is trustee of the MCP Credit Trust 1 (Metrics), and as a result of shareholder participation in the capital raising, a change of control occurred when Metrics acquired 52.5% of the shareholding in the Company in January 2023. This increased to 85.2% in April 2023. No underwriter fee was charged by Metrics during either capital raise.

The Company's operations in New Zealand were sub-scale, making it increasingly difficult for the business to deliver a viable customer experience. As a result, the company has taken action to suspend further growth activities in New Zealand from December 2022 to ensure risk management and capital allocation aligns with the strategic objectives of the business.

The Company announced the proposed name change to Navalo Financial Services Group Limited on 22 May 2023. This was approved by shareholders on 26 June 2023 at the extraordinary general meeting (EGM). The underlying product sold to customers and distributed via merchants, remains branded as Payright.

Following the EGM held on 26 June 2023, the shareholders passed the resolution to approve the delisting of the Company from official quotation of the ASX and a share consolidation.

The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares will be consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

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

Significant events after the reporting date

Following the EGM held on 26 June 2023, the shareholders passed the resolution to approve the delisting of the Company from official quotation of the ASX. The Company was delisted on 28 July 2023.

There were no other 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 on operations

There are no other developments and expected results on 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 continues 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: Access to capital and funding required to support growth.	Board & Management focus and expertise on funding needs, forecast requirements and realised volumes. Maintain close relationships with core funders. Detailed planning and forecasting conducted by management to ensure adequate runway to act on capital needs for funding and working capital requirements.
Rising Interest Rates: 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. Initiatives include: (i) Underwriting analysis and amendments; (ii) Pricing reforms; (iii) Merchant sector diversification; and (iv) Utilisation of credit license to issue regulated, interest-bearing loans in addition to current product offering (expected by end of calendar year 2023).
Credit Risk, Fraud and AML: Credit Risk, Fraud and AML procedures insufficient or ineffective leading to increased losses and risk of regulator intervention and enforcement.	Management committees operate within the Company with focus and expertise to manage this risk. (i) Evolving fraud tools and procedures commensurate with evolving risk profile. (ii) Engagement with regulators, industry forums and independent experts to ensure optimal compliance and efficiencies. (iii) Enhancements to onboarding procedures and payment processing procedures to ensure greater visibility of potential risks and risk indicators. (iv) Board and Management focus on underwriting refinements to reduce loan book risk and uplift the effectiveness of collections and credit

	risk management capabilities.
Regulatory: Inability to respond to regulatory changes and maintain compliance.	Ongoing monitoring of evolving regulatory landscape. Membership of key industry bodies to leverage their platform and influence on matters of regulatory reform. Ongoing dialogue with key regulators.
Strategic: Lack of appropriate or achievable strategic plan to adapt in a changing environment.	Detailed planning and analysis of lending marketplace to ensure product positioning is aligned to future growth. Regular monitoring and reporting on performance against and appropriateness of strategic plan in a changing environment.
Technology and Investment: Underinvestment in technology, systems and resources needed to support business requirements and strategic initiatives.	Investment in appropriate technology support resources, including significant focus on cyber security capabilities. Regular reporting on capacity and capabilities of existing technology resources to support strategic objectives.
Cyber Security & Resilience: Technological systems suffer a cyberattack from which the business is ill prepared to respond and recover.	Cybersecurity preparedness assessments performed. Staff trained on Cyber prevention and preparedness. Robust software security controls, Business Continuity and Disaster Recovery plans in place. Engagement of external advisors to conduct reviews on Cyber Security capabilities and development of detailed enhancement roadmap.

People: 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. Clear articulation of Company values and performance reviews. Ongoing training and education programs for staff.
Macro-economic: 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: 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. 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[1]	Number under option[1]
31 October 2020	31 October 2024	$78.74	6,188
23 December 2020	23 December 2024	$262.50	33,000

[1]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares will be consolidated into one ordinary share. Therefore, the corresponding exercise price will increase on a 1:125 basis. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

During 2023, certain Directors with unvested options resigned. As per the applicable rules of the Director Options plan, the Board elected to allow Directors to continue to maintain their unvested Director options.

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 2023. 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 2023.

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 Navalo Financial Services Group Limited, Ernst & Young (Australia). This has been included on page 20.

Signed in accordance with a resolution of the directors.

Allan Griffiths	**Matthew Pringle**
Chairman	Non-Executive Director
25 August 2023	25 August 2023

Introduction

This remuneration report outlines the Company's remuneration strategy for the financial year ended 30 June 2023 (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.

Non-Executive Directors

Name	Position
Allan Griffiths	Chairman and Non-Executive Director – Appointed 25 January 2023.
Peter McCluskey	Chairman and Non-Executive Director – Resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023.
Andrew Lockhart	Non-executive director.
Matthew Pringle	Non-executive director, Chair of the Audit and Risk Committee and Chair of the Remuneration and Nominations Committee.
Paul Cowan	Non-executive director – Resigned as Director 25 January 2023.
Lindley Edwards	Non-executive director and Chair of the Remuneration and Nominations Committee – Resigned as Director 25 January 2023.

Senior Executives

Name	Position
Myles Redward	Joint Chief Executive Officer (CEO) – Resigned 25 January 2023. Myles remains employed as senior executive following resignation.
Piers Redward	Joint Chief Executive Officer (CEO) – Resigned 25 January 2023. Piers remains employed as senior executive following resignation.
Stewart Creighton	Interim Chief Executive Officer (CEO) – Appointed 25 January 2023.
David Leach	Chief Financial Officer (CFO) - Resigned 11 January 2023.
Tom Kellaway	Interim Chief Financial Officer (CFO) – Appointed 11 January 2023.
Saara Mistry	General Counsel, Chief Risk Officer, Company Secretary

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

Stewart Creighton replaced Myles & Piers Redward as CEO on an interim basis. Mr Creighton is providing services to the Company under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics) for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company. The secondment agreement is on standard commercial terms. MCHCS is a wholly-owned subsidiary of Metrics Credit Holdings Pty Ltd ACN 150 647 091 and a related body corporate of MCH Investment Management Services Pty Ltd, which as trustee of the MCP Credit Trust 1, is a substantial shareholder of Navalo, holding 85.2% of the issued share capital of Navalo following the completion of the capital raising undertaken by the Company announced on 30 November 2022 and 15 March 2023.

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

In prior reporting periods, the role of Chief Technology Officer was recognised as Key Management Personnel. Following the restructure and realignment of the business's objectives, this role is now considered a departmental lead, but not with sufficient decision making or strategic authority to warrant ongoing inclusion in Key Management Personnel disclosures.

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@navalo.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.

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.

	2023	2022	2021	2020	2019
	$	$	$	$	$
Total income	18,977,047	16,315,017	12,174,383	9,847,839	3,414,041
Operating expenses[2]	(18,458,806)	(20,205,306)	(18,721,538)	(11,582,655)	(6,174,513)
Net finance costs	(10,127,910)	(9,733,946)	(6,027,820)	(5,645,122)	(1,827,576)
Depreciation	(125,312)	(175,624)	(158,975)	(128,828)	(35,871)
Gain (loss) on revaluation of embedded derivative	(391,111)	1,137,778	-	-	-
NLAT	**(10,126,092)**	**(12,662,081)**	**(12,733,950)**	**(7,508,766)**	**(4,623,919)**
EPS (cents)[1]	(4.21)	(22.30)	(27.30)	(38.65)	(28.84)
Share price as at year end	0.510	0.068	0.505	n/a	n/a

[1]For the years prior to the year ended 30 June 2023, there measures have been restated to take into account the share consolidation which took place in the year ended 30 June 2023.

[2]Operating expenses less depreciation.

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: • entitlements to acquire Shares (**Rights**), provided that the holder has no interest in the Shares until the Rights vest or are exercised; • 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 • 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 Shareholder approval where required under the Corporations Act 2001 (Cth)).

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 (until resignation) 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 2023 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 CEO 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 CEO and all Senior Executives who report to the CEO are subject to RNC and Board approval.

CEO and other Senior Executives are each a party to either employment, secondment or independent contractor agreements with the Company on 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).

Fixed Remuneration

The fixed remuneration component of the CEO 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.

Contracts for services

CEO

The structure of the CEO's remuneration during the reporting period was in accordance with their respective employment or secondment agreement.

In relation to Myles and Piers Redward, whilst they relinquished their positions as Joint-CEOs and retired as Directors of Navalo during the reporting period, their employment agreements otherwise remained on foot as they retained executive management positions within the Company. In recognition of their ongoing contribution to the success of the Company, their remuneration under their employment agreement remains unchanged.

Stewart Creighton is performing the role of interim CEO to the Company (since 25 January 2023), these services are provided under a secondment agreement with MCHCS (a related body corporate of Metrics). The secondment agreement is on standard commercial terms. The terms of the secondment agreement include a full time engagement with a daily rate payable of $1,575 by the Company. The term of the engagement was for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company. The Secondment Agreement may be terminated with 30 days written notice by either party (or such other notice period as agreed by the parties) or immediately for cause, with fees paid up to termination date.

KMP

All other Senior Executives were each party to either an employment, secondment or independent contractor agreement with the Company. In relation to all Senior Executives other than Tom Kellaway (see below), 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.

Tom Kellaway is performing the role of interim CFO to the Company. These services are provided under a secondment agreement with MCHCS (a related body corporate of Metrics) with an effective date of 1 December 2022. The secondment agreement is on standard commercial terms. The terms of the secondment agreement include a full time engagement with a daily rate payable of $1,575 by the Company. The term of the engagement was for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company. The Secondment Agreement may be terminated with 30 days written notice by either party (or such other notice period as agreed by the parties) or immediately for cause, with fees paid up to termination date.

Saara Mistry is performing the role of General Counsel, Chief Risk Officer and Company Secretary to the Company. Saara Mistry receives a fixed annual remuneration of $263,649, exclusive of superannuation under ordinary commercial terms. Either party may terminate the employment contract by giving 3 months' notice with $nil termination benefits paid.

Under these contracts for services for Senior Executives (other than those under Secondment Agreement), either party may generally terminate the employment contract by giving 3 months' notice. The Company may terminate for cause immediately.

NAVALO

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 2023 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.

Key Management Personnel Table 1	30-Jun-23									
2023	Short Term Benefits				Long-term benefits	Post Employment Benefits	Termination	Share Based Payments	Total	
	Salary & Fees	Annual Leave	Bonus	Consulting Services	Long Service Leave	Superannuation		Options		% Performance Related
	$	$	$	$	$	$	$	$	$	
Allan Griffiths[1]	37,707	-	-	-	-	3,959	-	-	**41,666**	**0%**
Peter McCluskey[2]	79,863	-	-	-	-	8,386	-	-	**88,249**	**0%**
Andrew Lockhart	69,723	-	-	-	-	7,321	-	-	**77,044**	**0%**
Paul Samuel Cowan[3]	41,398	-	-	-	-	4,347	-	22,545.00	**68,290**	**33%**
Piers James Redward[4]	278,306	21,413	-	-	4,631	25,292	-	30,060.00	**359,702**	**8%**
Myles Redward[4]	278,306	21,413	-	-	4,631	25,292	-	30,060.00	**359,702**	**8%**
Matthew Pringle	72,894	-	-	-	-	7,654	-	-	**80,548**	**0%**
Lindley Edwards[3]	47,528	-	-	-	-	4,990	-	-	**52,518**	**0%**
Saara Mistry[9]	244,852	18,796	-	-	4,072	23,837	-	13,239.00	**304,796**	**4%**
David Leach[5]	133,554	9,810	-	-	-	14,035	-	-	**157,399**	**0%**
Stewart Creighton[6]	170,100	-	-	-	-	-	-	-	**170,100**	**0%**
Tom Kellaway[7]	236,250	-	-	-	-	-	-	-	**236,250**	**0%**
Mark Evans[8]	60,500	-	-	-	-	-	-	19,940.00	**80,440**	**25%**
Total	**1,750,981**	**71,432**	-	-	**13,334**	**125,113**	-	**115,844**	**2,076,704**	

[1]Allan Griffiths appointed as Director 25 January 2023.
[2]Peter McCluskey resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023. Peter remains an advisor to the Board.
[3]Paul Samuel Cowan and Lindley Edwards resigned as Director 25 January 2023.
[4]Piers and Myles Redward resigned as Director and Joint-CEO's 25 January 2023 and were appointed into senior executive positions within the Company.
[5]David Leach resigned as CFO 11 January 2023.
[6]Stewart Creighton commenced as interim CEO on secondment 25 January 2023.
[7]Tom Kellaway commenced as interim CFO on secondment 11 January 2023.
[8]Mark Evans resigned as CTO 1 February 2023.
[9]Saara Mistry increase in salary is inline with her increase in responsibility in 2023.

Remuneration of Key Management Personnel (continued)

Table 2					30-Jun-22						
2022	Short-term benefits				Allowance	Long-term benefits	Post Employment Benefits	Termination	Share Based Payments	Total	
	Salary & Fees	Annual Leave	Bonus	Consulting Services	Relocation Allowance	Long Service Leave	Superannuation		Options		% Performance 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 27th 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 8th 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	0%
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%

Shareholdings of KMP

The number of ordinary shares of Navalo Financial Services Group Limited held, directly, indirectly or beneficially, by each Director and other KMP, including their personally related entities for the year ended 30 June 2023 and the previous reporting period is as follows:

Table 3 Key Management Personnel	Held at 1-Jul-22	Purchase	Granted as Remuneration	Share consolidation[2]	Held at 30 June 2023 post consolidation
Allan Griffiths[10]	-	-	-	-	-
Myles Redward[4]	8,907,914	-	-	(8,836,650)	71,264
Piers James Redward[4]	8,925,914	444,445	-	(9,295,396)	74,963
Paul Samuel Cowan[3]	1,699,684	440,226	-	(2,122,790)	17,120
Matthew Pringle	200,000	641,028	-	(834,298)	6,730
Lindley Edwards[3]	10,196	10,196	-	(20,228)	164
Peter McCluskey[11]	-	-	-	-	-
Andrew Lockhart	-	-	-	-	-
David Leach[5]	-	-	-	-	-
Saara Mistry[9]	207,279	-	-	(205,620)	1,659
Mark Evans[8]	994,804	994,804	-	(1,973,691)	15,917
Tom Kellaway[7]	-	-	-	-	-
Stewart Creighton[6]	-	-	-	-	-
Total[1]	**20,945,791**	**2,530,699**	**-**	**(23,288,673)**	**187,817**

[1]In addition to the shares held by KMP of the Company as detailed in table 3, Myles Redward, Piers Redward and Saara Mistry's mother Pamela Dolphin Redward held 334 shares as at 30 June 2023 post share consolidation. Myles Redward's, Piers Redward's and Saara Mistry's sibling Ashby Redward who is also an employee of the Company held 65 shares as at 30 June 2023 post share consolidation.

[2]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares will be consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

[3]Paul Samuel Cowan and Lindley Edwards resigned as Director 25 January 2023 and continue to hold shares of the company.

[4]Piers and Myles Redward resigned as Director and Joint-CEO's 25 January 2023 and were appointed into senior executive positions within the Company.

[5]David Leach resigned as CFO 11 January 2023.

[6]Stewart Creighton commenced as interim CEO on secondment 25 January 2023.

[7]Tom Kellaway commenced as interim CFO on secondment 11 January 2023.

[8]Mark Evans resigned as CTO 1 February 2023 and continue to hold shares of the company.

[9]Saara Mistry increase in salary is in line with her increase in responsibility in 2023.

[10]Allan Griffiths appointed as Director 25 January 2023.

[11]Peter McCluskey resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023. Peter remains an advisor to the Board and continues to hold shares of the company.

Options holdings of KMP

The number of Options over ordinary shares in Navalo Financial Services Group Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally related entities for the year ended 30 June 2023 and the previous reporting period is as follows:

Table 4	Held at	Forfeited[2]	Held at	Share Consolidation[3]	Balance at 30 June 2023	
Key Management Personnel	1-Jul-22	Options	30-Jun-23		Vested - exercisable and unexercisable	Unvested
Allan Griffiths[10]	-	-	-	-	-	-
Myles Redward[2,4]	1,500,000	-	1,500,000	(1,488,000)	-	12,000
Piers James Redward[2,4]	1,500,000	-	1,500,000	(1,488,000)	-	12,000
Paul Samuel Cowan[2,12]	1,125,000	-	1,125,000	(1,116,000)	-	9,000
Matthew Pringle	-	-	-	-	-	-
Lindley Edwards[2,12]	-	-	-	-	-	-
Peter McCluskey[2,11]	-	-	-	-	-	-
Andrew Lockhart	-	-	-	-	-	-
Saara Mistry[9]	163,987	-	163,987	(162,675)	-	1,312
David Leach[5]	-	-	-	-	-	-
Mark Evans[8]	246,992	-	246,992	(245,016)	-	1,976
Tom Kellaway[7]	-	-	-	-	-	-
Stewart Creighton[6]	-	-	-	-	-	-
Total[1]	**4,535,979**	-	**4,535,979**	**(4,499,691)**	**-**	**36,288**

[1]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 794 options as at 30 June 2023.

[2]During 2023, certain Directors with unvested options resigned. As per the applicable rules of the Director Options plan, the Board elected to allow directors to continue to maintain their unvested director options.

[3]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares will be consolidated into one ordinary share.

[4]Piers and Myles Redward resigned as Director and Joint-CEO's 25 January 2023 and were appointed into senior executive positions within the Company.

[5]David Leach resigned as CFO 11 January 2023.

[6]Stewart Creighton commenced as interim CEO on secondment 25 January 2023.

[7]Tom Kellaway commenced as interim CFO on secondment 11 January 2023.

[8]Mark Evans resigned as CTO 1 February 2023 and continue to hold shares of the company.

[9]Saara Mistry increase in salary is in line with her increase in responsibility in 2023.

[10]Allan Griffiths appointed as Director 25 January 2023.

[11]Peter McCluskey resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023. Peter remains an advisor to the Board and continues to hold shares of the company.

[12]Paul Samuel Cowan and Lindley Edwards resigned as Director 25 January 2023 and continue to hold shares of the company.

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.
MCH Investments Trust (a member of the Metrics group) (Metrics) as at 30 June 2023 held 85.2% of Navalo's issued capital and holds 14,545,454 convertible notes issued by the Group.
On 22 May 2023, the Group ceased their lease arrangements at their existing head office location in Hawthorn East and commenced a 12 month lease agreement with Metrics Credit Holdings Pty Ltd as trustee for the MCH Investments trust, for ground level of 42 Cambridge Street, Collingwood, 3066 at $6,050 per annum.
Allan Griffiths, Chairman and Non-Executive Director of Navalo is the Chairman of Metrics Credit Holdings Pty Ltd as trustee for MCH Investments Trust (a member of the Metrics group) (Metrics).

Andrew Lockhart, Non-Executive Director of Navalo is the Managing Partner and Director of Metrics Credit Holdings Pty Ltd as trustee for MCH Investments Trust (a member of the Metrics group) (Metrics).

As Directors, both Allan and Andrew receive Directors fees in relation to their role and duties performed. Allan receives an annual fee of $100,000 for his appointment as Board Director and Chair (inclusive of superannuation) on standard commercial terms. Andrew receives an annual fee of $69,723 for his appointment of Director (inclusive of superannuation) on standard commercial terms.

Stewart Creighton and Tom Kellaway are providing services to the Company under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics). MCHCS is a wholly-owned subsidiary of Metrics Credit Holdings Pty Ltd ACN 150 647 091 and a related body corporate of MCH Investment Management Services Pty Ltd, which as trustee of the MCP Credit Trust 1.

Myles & Piers Redward resigned as Joint-CEO's effective 25 January 2023 and were appointed into executive positions and remain as KMP.

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 $162,660, exclusive of superannuation under 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 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 received a fixed annual remuneration of $176,000 pro rata and received $70,400 annually exclusive of superannuation based on a 0.4 FTE workload. Emily's role was made redundant in December 2022.

Upon returning from Parental Leave in February 2022, Mrs Nicole Redward was appointed to the position of Head of Business Transformation under a 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 received a fixed annual remuneration of $176,000 pro rata ($88,000 annually exclusive of superannuation based on a 0.5 FTE workload). Nicole's role was made redundant in December 2022.

During the reporting period, Mark Evans provided technology and operational 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 was required to operate in the role as the Company's Chief Technology Officer (CTO) for the duration of the contract term until his resignation as CTO on 1

February 2023. The terms of this engagement remained otherwise unchanged and are at a basis and ordinary commercial terms. The contract also provides for regular reviews by the Company of progress against the agreed deliverables.

Table 5	Short Term Benefits				Long-term benefits	Post Employment Benefits	Termination	Share Based Payments	Total
30-Jun-23	Salary & Fees	Annual Leave	Bonus	Redundancy	Long Service Leave	Superannuation	Redundancy	Options	
	$	$	$	$	$	$	$	$	$
Ashby Redward [1]	150,717	11,943	-	-	2,583	15,825	-	8,009	189,077
Nicole Redward	24,482	2,620	-	-	-	2,571	20,308	-	49,981
Emily Redward	20,533	12,807	-	-	-	2,156	16,246	-	51,742
Mark Evans	123,500	-	-	-	-	-	-	19,940	143,440
Total	**319,232**	**27,370**	**-**	**-**	**2,583**	**20,552**	**36,554**	**27,949**	**434,240**

Table 6	Short Term Benefits				Long-term benefits	Post Employment Benefits	Termination	Share Based Payments	Total
30-Jun-22	Salary & Fees	Annual Leave	Bonus	Consulting Services	Long Service Leave	Superannuation	Redundancy	Options	
	$	$	$	$	$	$	$	$	$
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**

Transactions with the above related parties, which are not disclosed in the tables above, are summarised for the year ended 30 June 2023 and the previous reporting period is as follows:

[1]Ashby Redward also held 65 ordinary shares post share consolidation as at 30 June 2023.

Loans from Key Management Personnel

The Company received no loans from KMP during the financial year 30 June 2023 (30 June 2022: $nil).
Signed by Chair of Remuneration and Nomination Committee

Matthew Pringle

Non-Executive Director and Chair of Remuneration and Nomination Committee

25 August 2023

Building a better
working world

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Auditor's independence declaration to the directors of Navalo Financial Services Group Limited

As lead auditor for the audit of the financial report of Navalo Financial Services Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

John MacDonald
Partner
25 August 2023

About this report

This is the financial report for Navalo Financial Services Group Limited and its controlled entities (collectively, the "Group"). Navalo Financial Services Group Limited (the "Company") is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares were publicly traded on the Australian Securities Exchange (ASX: PYR). The Company was delisted from the ASX on 28 July 2023.

The financial report of Navalo Financial Services Group Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of Directors on 25 August 2023. The directors have the power to amend and reissue the financial statements.

The registered office of the Group is 2 Ridge Street, North Sydney, NSW, 2060.

The principal place of business of the Group is 42 Cambridge Street, Collingwood, VIC 3066.

Reading the financials

Section introduction

The 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 2023

	Notes	2023 $	2022 $
Fee income	3.1	18,071,454	15,928,750
Other income	3.1	816,159	386,142
Finance income	3.1	89,434	125
Total revenue		**18,977,047**	**16,315,017**
Administration costs		(1,950,941)	(1,625,123)
Consulting and professional fees		(2,700,281)	(1,941,138)
Depreciation	3.2	(125,312)	(175,624)
Employee benefits expense	3.2	(7,517,649)	(10,240,722)
Expected credit loss	4.2	(5,144,233)	(4,791,216)
Marketing and advertising		(188,821)	(542,870)
Rent and occupancy		(68,531)	(62,376)
Other expenses	3.2a	(888,350)	(1,001,861)
Operating profit/(loss)		**392,929**	**(4,065,913)**
Finance costs	3.2	(10,127,910)	(9,733,946)
(Loss) gain on revaluation of embedded derivative	5.2a	(391,111)	1,137,778
Loss before tax		**(10,126,092)**	**(12,662,081)**
Income tax expense	3.5	-	-
Loss for the year		**(10,126,092)**	**(12,662,081)**
Other comprehensive loss for the year			
Foreign currency translation movements		2,856	(126,242)
Total comprehensive loss for the year		**(10,123,236)**	**(12,788,323)**
Loss per share of loss attributable to the ordinary equity holders of the Parent		Cents	Cents
Basic and diluted loss per share[1]	3.3	(4.21)	(22.30)

[1] For the years prior to the year ended 30 June 2023, there measures have been restated to take into account the share consolidation which took place in the year ended 30 June 2023.

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 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	3.4	9,640,442	12,682,758
Receivables	4.2	63,895,659	54,590,543
Prepayments and other current assets		1,626,945	877,260
Total current assets		**75,163,046**	**68,150,561**
Non-current assets			
Receivables	4.2	48,705,052	40,989,113
Property, plant and equipment	4.1	11,996	47,387
Right-of-use assets	4.3	-	80,276
Other assets	4.4	1,567,412	979,696
Total non-current assets		**50,284,460**	**42,096,472**
Total assets		**125,447,506**	**110,247,033**
Liabilities			
Current liabilities			
Trade and other payables	4.5	2,501,254	4,605,268
Loans and borrowings	5.2	-	4,557,541
Lease liabilities	4.3	-	90,763
Employee benefit liabilities	4.6	543,670	621,440
Total current liabilities		**3,044,924**	**9,875,012**
Non-current liabilities			
Loans and borrowings	5.2	110,516,065	92,825,843
Derivative liability	5.2a	853,333	462,222
Employee benefit liabilities	4.6	219,868	161,541
Total non-current liabilities		**111,589,266**	**93,449,606**
Total liabilities		**114,634,190**	**103,324,618**
Net assets		**10,813,316**	**6,922,415**
Equity			
Issued capital	5.1	59,722,665	45,895,387
Other reserves		597,586	407,872
Accumulated losses		(49,506,935)	(39,380,844)
Total Equity		**10,813,316**	**6,922,415**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital (Note 5.1) $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2021	**44,505,454**	**174,257**	**(116,526)**	**(26,718,762)**	**17,844,423**
Loss for the period	-	-	-	(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 costs	(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**
Balance at 1 July 2022	**45,895,387**	**650,639**	**(242,768)**	**(39,380,843)**	**6,922,415**
Loss for the period	-	-	-	(10,126,092)	(10,126,092)
Other comprehensive income / (loss)	-	-	2,856	-	2,856
Total Comprehensive income / (loss)	**-**	**-**	**2,856**	**(10,126,092)**	**(10,123,236)**
Issuance of share capital	15,110,914	-	-	-	15,110,914
Share issuance cost	(1,283,636)	-	-	-	(1,283,636)
Share-based payments	-	186,859	-	-	186,859
	13,827,278	186,859	-	-	14,014,137
Balance at 30 June 2023	**59,722,665**	**837,498**	**(239,912)**	**(49,506,935)**	**10,813,316**

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 2023

		2023 ($)	2022 ($)
Cash Flows from Operating Activities			
Receipts from customers		96,667,146	80,681,828
Payments to suppliers and employees		(15,877,661)	(14,304,180)
Payments to merchants		(101,141,464)	(100,161,374)
Interest received		89,434	125
Interest paid		(9,517,527)	(8,165,168)
Interest paid on lease	4.3	(8,033)	(15,746)
Net cash flows used in operating activities	3.4	**(29,788,105)**	**(41,964,515)**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	4.1	(9,645)	(49,762)
Restricted cash	3.4	-	(750,000)
Net cash flows used in investing activities		**(9,645)**	**(799,762)**
Cash Flows from Financing Activities			
Proceeds from issuance of share capital	5.1	15,110,914	1,500,000
Payment of share issuance costs	5.1	(1,283,636)	(110,067)
Proceeds from issuance of notes payable	3.4	-	43,823,691
Repayment of notes payable	3.4	(4,982,743)	(86,869,000)
Repayment of subordinated loans	3.4	-	(3,550,000)
Payment of notes issuance costs		-	(630,757)
Proceeds from Warehouse facility	3.4	18,023,000	89,623,000
Payment of Warehouse facility costs		(21,338)	(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		(90,763)	(87,161)
Net cash flows from financing activities		**26,755,434**	**48,358,756**
Net increase in cash and cash equivalents		(3,042,316)	5,594,479
Cash and cash equivalents at the beginning of the period		12,682,758	7,088,279
Cash and cash equivalents at the end of the period	**3.4**	**9,640,442**	**12,682,758**

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 2023

Section 1: Corporate information

The consolidated financial statements of Navalo Financial Services Group Limited (the "Company" or the parent) and its controlled entities (collectively, the "Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 25 August 2023. The financial statements are general purpose financial statements. Navalo Financial Services Group Limited is a limited liability company incorporated and domiciled in Australia and whose shares were publicly traded. The Company was delisted from the ASX on 28 July 2023. From 13 July 2023, the registered office is located 2 Ridge Street, North Sydney, NSW, 2060 and the principal place of business is located at 42 Cambridge Street, Collingwood, VIC 3066. Prior to this the registered office was located Group is Level 1, 55 Whitehorse Road, Balwyn, VIC 3103 and the principal place of business was located at Suite 4 Level 2, 787-789 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 are 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 2023. 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.

Section 2: Significant accounting policies (continued)

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.

2.3 Significant changes in the current reporting period

Change of Control

The Group completed two capital raises during the Financial Year ended 30 June 2023. Both capital raisings were sub-underwritten by MCH Investment Management Services Pty Ltd, which is trustee of the MCP Credit Trust 1 (Metrics). The sub underwrite completion resulted in Metrics' shareholding in Navalo reaching 85.2% of ordinary capital issued.

Name Change

The Company announced the proposed name change to Navalo Financial Services Group Limited on 22 May 2023. This was approved by shareholders on 26 June 2023 at the extraordinary general meeting (EGM). The underlying product sold to customers and distributed via merchants, remains branded as Payright.

Share Consolidation

The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares will be consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

New Zealand Notes Payable

The New Zealand notes program was repaid on maturity, 21 April 2023, totalling $4,982,743. This included principal & interest for New Zealand note series 3 and 4, held by senior lender, iPartners.

2.4 Going concern

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

As at 30 June 2023 the Group had consolidated net assets of $10,813,316 (30 June 2022: $6,922,415) and incurred a loss of $10,126,092 (30 June 2022: $12,662,081) and had net operating cash outflows of $29,788,104 for the financial year ended 30 June 2023 (30 June 2022: $41,964,515). It is anticipated that further losses will be incurred by the Group as it continues to focus on improving profitability, growth in Australian markets and improving operating systems and efficiencies.

The Board and Management of Navalo will continue to explore further capital and/or debt raising to ensure the capital requirements of the Group are adequately supported. The Board is considering a range of financing options with current stakeholders and other third parties to ensure the capital requirements of the business are satisfied moving forward.

The Directors, in the consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared a cash flow forecast to assess the cash requirements of the business for the next 12 months from date of signing.

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

Should the Group be unsuccessful in achieving the matters set out in the above paragraph, a material uncertainty would exist that may case significant doubt on the ability of the Group to continue as a going concern, and therefore,

Section 2: Significant accounting policies (continued)

whether it will realise its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2.5 New standards, interpretations and amendments

Amendments and interpretations which have been applied for the first time in 2023 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 amortization. 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	34
4.2	Receivables	38
5.2a	Convertible Notes	45
5.2b	Warrants	46
6.2	Employee Share ownership Plans	53

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 the Consolidated Statement of Profit or Loss and Other Comprehensive Income. 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.

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;

Section 2: Significant accounting policies (continued)

- Expected to be recognised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

2.10 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is 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 in the process of being wound down. The CODM 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

	2023 $	2022 $
Customer fees	6,414,884	5,699,521
Merchant fees	11,656,570	10,229,229
Total fee income	**18,071,454**	**15,928,750**
Finance income	89,434	125
Other income	816,159	386,142
Total revenue	**18,977,047**	**16,315,017**

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 allocates fee income over the life of the associated end consumer's receivable balance.

Customer fees

Customer fees comprise account keeping fees, establishment fees and payment processing fees. Customer fees are charged dependent on the plan duration and can vary depending on the terms and conditions of each plan.

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 is largely comprised of Late Payment Fees $302,071 (30 June 2022: $225,782) and Research and Development Tax Incentive of $449,290 (30 June 2022: $nil), reported in other income within Consolidated Statement of Profit or Loss and Other Comprehensive Income, in the year it becomes due, in accordance with AASB 120 Accounting for Government Grants. This represents the salary and wages paid to employees for software development. There is no unfulfilled conditions or other contingencies attached to receiving the tax incentive.

3.2 Expenses

	2023 $	2022 $
Employee Benefits Expense		
Salary Costs	7,330,790	9,951,611
Share-based payments	186,859	289,111
Total	**7,517,649**	**10,240,722**
Depreciation		
Depreciation on property, plant and equipment	45,035	95,347
Depreciation on right-of-use assets	80,277	80,276
Total	**125,312**	**175,623**
Finance costs		
Interest expense	10,127,910	9,733,946
Total	**10,127,910**	**9,733,946**

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,

termination benefits and employee share-based-payments which are recognised in respect of employees' services up to the reporting date. They are measured as the amounts expected to be paid, when the liabilities are settled.

Wages and salaries expenses are recognised as services which are incurred.

Section 3: Performance for the year (continued)

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 4.6 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 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 in New Zealand have been fully amortised.

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 Navalo'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	
	2023 $	2022 $
Loss attributable to the equity holders of the parent	(10,126,092)	(12,662,081)
WANOS[1] for basic earnings per share[3]	2,406,474	567,814
Loss per share:		
Basic and diluted EPS[2,3]	(4.21)	(22.30)

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

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

[3] For the years prior to the year ended 30 June 2023, the measures have been restated to take into account the share consolidation which took place in the year ended 30 June 2023.

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 (30 June 2022: 35,555,560), 21,713 of warrants issued post share consolidation (30 June 2022: 2,714,079), 33,000 of shares which may be issued under the director options grant (30 June 2022: 4,125,000) and 6,188 of shares issued under the employee options grant (30 June 2022: 773,369) because they are anti-dilutive as at the reporting period. Refer to note 5.1 for further information.

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Section 3: Performance for the year (continued)

3.4 Cash and cash equivalents

	Consolidated 2023 $	2022 $
Cash on hand	504	500
Cash at banks	8,139,938	11,182,258
Restricted Cash[1]	1,500,000	1,500,000
Subtotal	**9,640,442**	**12,682,758**

1 Under the terms of the warehouse facility arrangement, the Group is required to satisfy the requirement for a minimum $1.5m of 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 2023 $	2022 $
Loss for the year	(10,126,092)	(12,662,081)
Adjustments for:		
Depreciation on property, plant and equipment	45,036	95,347
Depreciation on right-of-use assets	80,277	80,276
Expected credit losses (net of debts written-off)	5,144,233	4,791,216
Amortisation and write-off of borrowing costs	1,015,885	1,420,291
Share-based payments expense	186,859	289,111
Changes in assets and liabilities:		
(Increase) in receivables	(22,255,593)	(35,371,794)
(Increase) in other assets and prepayments	(1,453,314)	(1,226,462)
(Decrease)/Increase in trade and other payables	(2,799,919)	1,826,765
(Decrease)/Increase in employee benefit liabilities	(16,587)	(69,406)
(Decrease)/Increase in embedded derivative liability	391,111	(1,137,778)
Net cash flows used in operating activities	**(29,788,104)**	**(41,964,515)**

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)

Changes in liabilities arising from financing activities

2022	At 1 July 2021 $	On adoption of AASB 16 $	Cash inflows $	Cash outflows $	Non-cash movements $	At 30 June 2022 $
Loans and Borrowings [1]	46,972,205	-	141,446,691	(90,840,707)	(194,805)	97,383,384
Subordinated loans	3,550,000	-	-	(3,550,000)	-	-
Derivative Liability [2]	-	-	-	-	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**

2023	At 1 July 2022 $	On adoption of AASB 16 $	Cash inflows $	Cash outflows $	Non-cash movements $	At 30 June 2023 $
Loans and Borrowings [1]	97,383,384	-	18,023,000	(5,004,081)	113,762	110,516,065
Derivative Liability [2]	462,222	-	-	-	391,111	853,333
Lease liabilities	90,763	-	-	(98,796)	8,033	-
Total liabilities from financing activities	**97,936,369**	**-**	**18,023,000**	**(5,102,877)**	**512,906**	**111,369,398**

[1]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.
[2]Relates to fair value movement in embedded derivative of convertible note. Refer to note 5.2a for further information.

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 2023 $ 30%[1]	 2022 $ 25%[1]
Tax reconciliation		
Accounting loss before income tax	**(10,126,092)**	**(12,662,081)**
Notional income tax at the statutory income tax rate	(3,037,828)	(3,165,520)
Share-based payment expenses	56,058	72,278
Other non-assessable income	(134,787)	-
Other non-deductible expenses	2,794	4,901
Impact of change in tax rate[1]	(2,260,554)	-
Unrecognised deferred tax assets	5,374,317	3,088,342
Total income tax expense	**-**	**-**

[1] A tax rate of 30% (30 June 2022: 25%) applies on the basis that Navalo is not a base rate entity for the year ended 30 June 2023.

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.

Section 3: Performance for the year (continued)

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 the period ended 30 June 2023, 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 $11,464,799 (30 June 2022: $7,267,573). The unused tax losses of $11,464,799 as at 30 June 2023 belong to the Navalo income tax consolidated group. 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 2023. The unrecognised tax losses can be carried forward indefinitely, subject to the meeting the continuity of ownership test or business continuity test. During the year ended 30 June 2023, the Navalo income tax consolidated group failed the continuity of ownership test, and as a result the Group will be required to satisfy the business continuity test in order to carry forward and utilise the tax losses in the future. Management performed an assessment to confirm Navalo's ability to satisfy the requirements of the business continuity test at 30 June 2023.

Australian income tax consolidation legislation

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

	Consolidated[1] 2023 $	2022 $
Deferred taxes		
Deferred tax liabilities relate to the following:		
ROU asset	-	(20,069)
Other assets – prepayments	(77,128)	(37,420)
Derivative Liability	(224,000)	(284,445)
Total deferred tax liabilities	**(301,128)**	**(341,934)**
Deferred tax assets relate to the following:		
Property, plant and equipment	(1,472)	6,914
Intangible assets	425,890	239,416
Lease liability	-	22,691
Provision for ECL	2,559,976	1,681,496
Deferred income	546,341	671,951
Employee benefits	268,779	236,514
Capital raising costs	777,242	581,489
Unused tax losses	11,464,799	7,267,573
Total deferred tax assets	**16,041,555**	**10,708,044**
Net deferred tax assets	**15,740,427**	**10,366,110**

[1] A tax rate of 30% (30 June 2022: 25%) applies on the basis that Navalo is not a base rate entity for the year ended 30 June 2023.

Section 3: Performance for the year (continued)

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.

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;
- 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 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**
Additions	-	9,645	-	**9,645**
Disposals	-	-	-	-
As at 30 June 2023	**45,466**	**267,350**	**7,641**	**320,457**

	Leasehold Improvements – Accumulated depreciation $	Office and Computer Equipment – Accumulated depreciation $	Furniture, and Fittings – Accumulated depreciation $	Total $
Accumulated depreciation				
As at 1 July 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**
Depreciation expense for the year	7,354	37,216	466	45,036
Disposals				
As at 30 June 2023	**45,466**	**259,454**	**3,541**	**308,461**
Net book value				
As at 30 June 2023	**-**	**7,896**	**4,100**	**11,996**
As at 30 June 2022	7,354	35,467	4,566	47,387

Section 4: Our core assets and working capital (continued)

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

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 2023 $	Consolidated 2022 $
Current		
Receivables	68,861,029	58,540,539
Provision for expected credit loss	(4,965,370)	(3,949,995)
	63,895,659	54,590,544
Non-current		
Receivables	52,497,933	43,954,953
Provision for expected credit loss	(3,792,881)	(2,965,841)
	48,705,052	40,989,112
Total receivables	**112,600,711**	**95,579,656**
Movements in the provision for expected credit losses were as follows:		
Opening provision	(6,915,837)	(4,804,958)
Provided in the period	(5,144,233)	(4,791,216)
Debts written-off[1]	3,301,820	2,680,337
Closing provision	**(8,758,250)**	**(6,915,837)**

[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)

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

Definition of default and credit-impaired assets

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

Impairment of receivables

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

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

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

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

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
- 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.

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.

Section 4: Our core assets and working capital (continued)

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.

On 22 May 2023, the Group ceased their lease arrangements at their existing head office location in Hawthorn East and commenced a 12-month lease agreement with Metrics Credit Holdings Pty Ltd as trustee for the MCH Investments trust, for ground level of 42 Cambridge Street, Collingwood, 3066 at $6,050 per annum.

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.

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

	Consolidated 2023 $	2022 $
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	240,829	160,553
Depreciation expense	80,277	80,276
At end of period	321,106	240,829
Net book value	-	**80,276**
Lease liability		
As at 1 July	90,763	177,924
Additions	-	-
Accretion of Interest	8,033	15,746
Payments	(98,796)	(102,907)
As at 30 June	-	**90,763**
Current	-	**90,763**
Non-current	-	-

The following are the amounts recognised in profit or loss:

	Consolidated 2023 $	2022 $
Depreciation expense on ROU asset	80,277	80,276
Interest expense on lease liabilities	8,033	15,746
Expenses relating to short-term leases	20,000	31,071
Variable lease expenses	26,793	27,858
Total amount recognised in profit or loss	**135,103**	**154,951**

Section 4: Our core assets and working capital (continued)

The Group had total cash outflows for leases of $203,510 in 2023 (30 June 2022: $123,222). The Group also had no non-cash additions to right-of-use assets and lease liabilities in 2023 (30 June 2022: nil).

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

4.4 Other Non Current Assets

	Consolidated 2023 $	Consolidated 2022 $
Liquidity Reserve	1,567,412	931,276
Rental bond	-	48,420
Total Other Non Current Assets	**1,567,412**	**979,696**

A liquidity reserve of $1,567,412 (30 June 2022: $931,276) is 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.

4.5 Trade and other payables

	Consolidated 2023 $	Consolidated 2022 $
Trade payables	943,959	1,705,247
Customer deposits	23,848	119,379
Accrued interest	334,864	821,525
GST payable	385,925	748,574
Other	812,658	1,210,543[1]
Total trade and other payables	**2,501,254**	**4,605,268**

[1]Other payables is inclusive of PAYG Withholding.

Recognition and measurement

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

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 2023 $	Consolidated 2022 $
Current		
Annual leave	543,670	621,440
Non-current		
Long service leave	219,868	161,541
Total employee benefit liabilities	**763,538**	**782,981**

Recognition and measurement

The Group recognised a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

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 2023 $	Consolidated 2022 $
Authorised fully paid ordinary shares[1]	**59,722,665**	**45,895,387**

[1]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares was consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

Movements in ordinary shares	Number of Shares	Share Capital $
At 1 July 2021	**89,100,980**	**44,505,454**
Shares issued[1]	8,333,333	1,500,000
Share issuance costs	-	(110,067)
At 30 June 2022	**97,434,313**	**45,895,387**
Shares issued[2]	783,450,876	15,110,914
Share issuance costs	-	(1,283,636)
Share consolidation[3]	(873,837,709)	-
At 30 June 2023	**7,047,480**	**59,722,665**

[1]On 13 May 2022, the Group raised $1,500,000 of authorised share capital and accordingly issued 8,333,333 ordinary shares for $0.18 per share (6.8 million to MCH Investment Management and 1.5 million to Fincap Custodians Australia).

[2]The Group raised $15,110,914 of authorised share capital in financial year 2023. This included issuing 109.9 million ordinary shares for $0.045 per share between December and January (100.8 million issued to MCH Investment Management), and issuing 671 million ordinary shares for $0.015 between March and April (640.4 million issued to MCH Investment Management). This resulted in MCH Investment Management holding 85.2% of Navalo's issued capital.

[3]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares was consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

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.

Section 5: Our capital and risk management (continued)

5.2 Loans and borrowings

	Consolidated 2023 $	2022 $
Current		
Secured		
Notes payable[1]	-	4,557,541
Current Loans and Borrowings	**-**	**4,557,541**
Non-current		
Secured		
Secured loans	104,301,176	86,983,824
Unsecured		
Convertible Note (5.2a)	6,214,889	5,842,019
Non-Current Loans and Borrowings	**110,516,065**	**92,825,843**
Total loans and borrowings	**110,516,065**	**97,383,384**

[1] The note payable of NZ Series 1 Note of $902,000 with 10% interest matured on 1 December 2022 and $3,698,000 NZ Series 2 Note with 12.95% interest matured on 12 October 2022.

Secured notes are secured against assets of $121,358,962 (30 June 2022: $102,495,492).

Secured notes with a gross value of $106,248,000 (30 June 2022: $94,222,567) were issued to institutional and professional investors at fixed and variable interest rates and are expected to be settled when due:

Series	Drawn amount $	Interest rate	Maturity date
Class A[1]	89,472,000	4.71%	16 May 2026
Class B[1]	16,776,000	9.25%	16 May 2026

[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%. The facility will provide the funding platform to accelerate growth, and substantially reduce the Company's cost of funding.

As at 30 June 2023, the undrawn portion of the warehouse facility related to senior and mezzanine notes is $12,502,000 (30 June 2022: $29,127,000).

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 a least 12 months after the reporting date.

Derecognition

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

Section 5: Our capital and risk management (continued)

5.2a 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 2023	$
Opening Balance at 1 July 2022	5,842,019
Finance costs	1,092,871
Interest paid	(720,000)
Closing balance at 30 June 2023	**6,214,889**

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

As at 30 June 2023	$
Fair value of embedded derivative at 30 June 2022	(462,222)
Fair value movement	(391,111)
Closing value	**(853,333)**

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, 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 or the adjusted conversion price (as applicable) and sets out a mechanism for the Conversion Price to be adjusted in the event of capital raising activities undertaken by the Company. As a result of the Company's capital raising activities during 2023 and share consolidation the convertible note conversion price increased to $4.5375 compared with $0.225 at 30 June 2022 with no further impact from change of control.

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. The valuation of the embedded derivative at 30 June 2023 is $853,333 (30 June 2022: $462,222) as per the Black-Scholes Methodology.

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

Section 5: Our capital and risk management (continued)

5.2b 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, at the time of granting, 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.

As a result of the Company's capital raising activities during 2023 and share consolidation the warrant exercise price increased to $15.2625 compared with $0.1321 at 30 June 2022 with no further impact from change of control.

	Number of Shares	Exercise Price[1]	Valuation Price $0.069
At 1 July 2022	2,714,079	358,530	187,271
Exercised	-	-	-
Cancelled	-	-	-
Share consolidation[1]	(2,692,366)	(27,135)	-
At 30 June 2023	**21,713**	**$331,395**	**$187,271**

[1]The Company conducted a consolidation of its shares including, prior to delisting, on a 125:1 basis. Warrants was consolidated in the same ratio as the Shares under the Share Consolidation and the exercise price of the Warrants was amended in inverse proportion to that ratio resulting in an exercise price of $15.2625. The consolidation of shares and warrants was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

	Number of Shares	Exercise Price $0.1321	Valuation Price $0.069
At 1 July 2021	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 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)

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

	Notes	Consolidated 2023 $	2022 $
Shareholders' equity	5.1	59,722,665	45,895,387
Debt	5.2	110,516,065	97,383,384
Total funding		**170,238,730**	**143,278,771**

Debt covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants, including loan value ratio, and non-financial covenants including concentration limits per state and industry.

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

The Group is also required to maintain the balance of the Liquidity Reserve Account (account in the name of the Trustee) in an amount equal to two times the monthly senior entitlements, being primarily:

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

These have been complied with during the year, and as at 30 June 2023 and 30 June 2022. 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 of 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 including receivables and cash and cash equivalent.

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

	Notes	Consolidated 2023 $	2022 $
Financial assets			
Cash and cash equivalents	3.4	9,640,442	12,682,758
Financial Liability			
Warehouse class A notes	5.2	89,472,000	75,472,000
Total exposure		**99,112,442**	**88,154,758**

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

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

Section 5: Our capital and risk management (continued)

During the 2023 financial year, the weighted average of the variable interest rate component for cash and cash equivalents subject to interest rate risk was 4.10% (30 June 2022: 0.85%). At 30 June, the impact of sensitivity analysis to interest rate on cash and cash equivalents is not material to the Group.

Based on the variable rate component of the secured loans held at 30 June 2023, 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 $894,720 higher / $894,720 lower (30 June 2022: $754,720 higher / $754,720 lower).

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 2023 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 proactively.

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.

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

	Notes	Consolidated 2023 $	2022 $
Financial assets			
Cash and cash equivalents	3.4	9,640,442	12,682,758
Gross receivables	4.2	121,358,962	102,495,492
Liquidity reserve	4.4	1,567,412	931,276
Total exposure		**132,566,816**	**116,109,526**

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 2023, there was an increase of $1,842,413 in the provision for ECL (30 June 2022: $2,110,879) predominantly from an increase in value of gross receivables to $121,358,962 (30 June 2022: $102,425,492).

The provision for ECL was 7.22% of gross receivables at 30 June 2023 (30 June 2022: 6.75%.)

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.

Section 5: Our capital and risk management (continued)

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.

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 2023

	Loans receivable Days past due Stage 1 – Up to 30 days past due	Stage 2 – Aged 30 to 89 days	Stage 3 – Aged 90 days or more past due	Total
	$	$	$	$
ECL[1] rate	2.5%	50.4%	91.6%	
ETGCD[2]	113,742,789	2,524,080	5,092,093	**121,358,962**
ECL[1]	(2,823,441)	(1,272,642)	(4,662,167)	**(8,758,250)**

30 June 2022

	Loans receivable Days past due Stage 1 – Up to 30 days past due	Stage 2 – Aged 30 to 89 days	Stage 3 – Aged 90 days or more past due	Total
	$	$	$	$
ECL[1] rate	2.9%	49.9%	81.1%	
ETGCD[2]	96,354,788	2,664,525	3,476,179	**102,495,492**
ECL[1]	(2,765,292)	(1,330,752)	(2,819,793)	**(6,915,837)**

[1]Estimated credit loss.

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

ECL provision balance changes due to the migration of financial assets between stages:

	FY23 $	FY22 $
Stage 1 to stage 2	419,177	387,570
Stage 1 to Stage 3	1,041,699	1,072,454
Stage 2 to Stage 1	(301,523)	(257,801)
Stage 2 to Stage 3	81,295	(25,886)
Stage 3 to Stage 1	(151,582)	(148,225)
Stage 3 to Stage 2	(13,596)	(28,970)

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 $380,268 and ($380,268) respectively (30 June 2022: $316,157 and ($316,157) 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 $647,531 and ($647,531) respectively (30 June 2022: $511,407 and ($511,407) respectively).

Section 5: Our capital and risk management (continued)

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.

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

	2023 $	2022 $
Expire within one year		
Notes	-	-
Cash advance facility	-	-
	-	**-**
Expire beyond one year		
Notes[1]	12,502,000	29,127,000
Cash advance facility	-	-
	12,502,000	**29,127,000**

[1]Included in undrawn loans and borrowings are Goldman Sach's Class A note of $10,528,000 and iPartner's Mezzanine Class B note of $1,974,000.

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:

	Notes	Consolidated 2023 $	2022 $
Financial liabilities			
Lease liabilities	4.3	-	90,763
Trade and other payables[1]	4.5	2,115,328	2,783,809
Loans and borrowings	5.2	110,516,065	97,383,384
Embedded derivative	5.2a	853,333	462,222
Total exposure		**113,484,726**	**100,720,178**

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

Section 5: Our capital and risk management (continued)

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

30 June 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Trade payables	-	943,959	-	-	-	943,959
Customer deposits	-	23,848	-	-	-	23,848
Accrued interest	-	334,864	-	-	-	334,864
Other payables	-	-	812,657	-	-	812,657
Loans and borrowings	-	2,580,088	6,972,002	133,241,579	-	142,793,669
Loans from related parties	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Total exposure	**-**	**3,882,760**	**7,784,659**	**133,241,579**	**-**	**144,908,998**

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
Loans and borrowings	-	2,182,974	9,166,123	114,349,380	-	125,698,477
Loans from related parties	-	-	-	-	-	-
Lease liabilities	-	-	99,117	-	-	99,117
Total exposure	**-**	**4,829,123**	**9,402,899**	**114,349,380**	**-**	**128,581,403**

Section 5: Our capital 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 categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, 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 market interest yield curves. At 30 June 2023 the fair value of loans and borrowings is $114,613,196 (30 June 2022: $103,004,077) with a carrying value of $110,516,065 (30 June 2022: $97,383,384). Loans and borrowings fair value measurement includes the credit risk impact as an input and is recognised as Level 3 (non-market observable inputs) of the fair value hierarchy.

The embedded derivative has been revalued at 30 June 2023 in accordance with Accounting Standard AASB 9 Financial Instruments. Following the revaluation at 30 June 2023, the Group has reported a financial liability in relation to the underlying host debt component of the convertible notes of $6,214,889 (30 June 2022: $5,842,019), and the embedded derivative has been valued at fair value of $853,333 (30 June 2022: $462,222), using the Black Scholes option valuation model. The fair value has been based on Group's closing share price at 30 June 2023 of $0.51 (30 June 2022: $0.068), volatility of 75% (30 June 2022: 70%), and a risk free rate of 4.03% (30 June 2022: 3.16%). A fair value loss of $391,111 has been recorded, being the movement in the fair values of the embedded derivative between 30 June 2022 and 30 June 2023 (30 June 2022: gain of $1,137,778). The level of the fair value hierarchy within which the fair value measurement of the derivative liability is recognised 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 $0.042/ ($0.021) (30 June 2022: 0.015 / ($0.010)) per note which will lead to an increase / (decrease) in value of the derivative liability by $1,493,334 / ($746,667) respectively (30 June 2022: $533,333 / ($355,556)).

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:

	2023 $	2022 $
Short-term employee benefits	1,822,413	1,591,837
Post-employment benefits	125,113	114,719
Other long-term benefits	13,334	16,218
Share-based payments	115,844	102,605
	2,076,704	**1,825,379**

Other transactions with our KMP and their related parties

During the financial year ended 30 June 2023, apart from transactions disclosed in Note 8.1 of the financial report, there were no other transactions with our KMP and their related parties.

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.

Section 6: Our people (continued)

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 2023, the Group had the following share-based payment plans in place:

- Employee Gift Offer
- Employee Options Grant
- Director Options Grant

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

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.
- 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:

	2023 Number	2022 Number
Outstanding at the beginning of the period	40,817	40,817
Granted during the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Share Consolidation[1]	(40,474)	-
Outstanding at the end of the period	**343**	**40,817**

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

No options were granted during the financial year ended 30 June 2023 (30 June 2022: $nil).

In the reporting period, the Group hasn't issued any employee shares under employee gift offer in share capital (30 June 2022: $nil).

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 FY23 or 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.
- 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)

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:

	2023 Number	2022 Number
Outstanding at the beginning of the period	773,369	1,168,152
Granted during the period	-	-
Forfeited during the period	-	(394,783)
Exercised during the period	-	-
Share Consolidation[1]	(767,181)	-
Outstanding at the end of the period	**6,188**[2]	**773,369**

[1]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares were consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

[2]As a result of the share consolidation, the corresponding exercise price will increase on a 1:125 basis to $78.74. There was no further impact from capital raises performed during 2023 and change of control.

Fair value of options granted

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

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

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

[2]As a result of the share consolidation, the corresponding exercise price increased on a 1:125 basis to $78.74 as at 30 June 2023. There was no further impact from capital raises performed during 2023 and change of control.

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 $32,348 of share-based payment expense in the statement of profit or loss (30 June 2022: $121,783).

Director Options Grant

The options were granted with an exercise price equal to 175% of the listing price. The premium pricing of CEO exercise right on their Options is designed to incentivise the former CEOs and Directors to promote the Company's long-term growth post listing. There were no changes made to these awarded options in FY23.

The options will vest subject to continuity of employment and will vest immediately upon expiry of a three-year period from date of issue.

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

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

Cessation of employment

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

During 2023, certain Directors with unvested awards resigned. The board elected to allow Directors to continue to maintain their Director options.

Vested rights or options must be exercised within 60 days of cessation of employment, save that where a recipient ceases employment by reason of termination for cause or breaches restraints, vested awards will lapse.

Section 6: Our people (continued)

Summary of Shares Issued under Director Options Grant

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

	2023 Number	2022 Number
Outstanding at the beginning of the period	4,125,000	4,125,000
Granted during the period	-	-
Forfeited during the period[2]	-	-
Exercised during the period	-	-
Share Consolidation[1]	(4,092,000)	-
Outstanding at the end of the period	**33,000**[3]	**4,125,000**

[1]The Company conducted a consolidation of its shares, prior to delisting, on a 125:1 basis. The impact of the consolidation was that every 125 ordinary shares was consolidated into one ordinary share. The consolidation of shares was approved by Shareholders at the EGM on 26 June 2023, taking effect on 27 June 2023 and completed by the ASX on 7 July 2023.

[2] During 2023, certain Directors with unvested options resigned. As per the applicable rules of the Director Options plan, the Board elected to allow Directors to continue to maintain their unvested director options.

[3]As a result of the share consolidation, the corresponding exercise price increased on a 1:125 basis to $262.50. There was no further impact from capital raises performed during 2023 and change of control.

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]	$2.10
Option life	4 years
Risk free rate	0.207%
Dividend yield	0%
Expected volatility[1]	36.0742%

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

[2] As a result of the share consolidation, the corresponding exercise price will increase on a 1:125 basis to $262.50 as at 30 June 2023. There was no further impact from capital raises performed during 2023 and change of control.

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 $154,511 of share-based payment expense in the statement of profit or loss (30 June 2022: $167,327).

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

	2023 $	2022 $
Financial Position		
Assets		
Current assets	7,167,228	6,084,579
Non-current assets	6,761,065	17,554,889
Total Assets	**13,928,292**	**23,639,468**
Liabilities		
Current liabilities	1,388,119	11,393,825
Non-current liabilities	219,867	161,541
Total Liabilities	**1,607,986**	**11,555,366**
Net Assets	**12,320,306**	**12,084,102**
Equity		
Issued capital	59,722,665	45,895,387
Accumulated losses	(48,239,858)	(34,461,924)
Share based payment reserve	837,498	650,639
Total Equity	**12,320,306**	**12,084,102**
Statement of profit or loss and other comprehensive income		
Loss of the Parent	(15,289,889)	(8,747,770)
Total comprehensive loss of the Parent	**(15,289,889)**	**(8,747,770)**

The Parent did not have any guarantees in relation to the debts of its subsidiaries as at 30 June 2023 (30 June 2022: $nil).
The Parent did not have any contingent liabilities as at 30 June 2023 (30 June 2022: $nil).

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

7.2 Subsidiaries

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

Name	Country of incorp-oration	% of equity interest[1] 2023	% of equity interest[1] 2022
Navalo Holdings Pty Ltd [6]	Australia	100%	-
Navalo Services Pty Ltd [6]	Australia	100%	-
Navalo Personal Finance Pty Ltd [6]	Australia	100%	-
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%	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]Navalo Financial Services Group Limited holds 100% of units issued by Payright Trust 2022-1.
[6]Navalo Holding Pty Ltd, Navalo Services Pty Ltd, Navalo Personal Finance Pty Ltd are holding companies incorporated as part of the Navalo corporate restructure.

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

MCHCS is a wholly-owned subsidiary of Metrics Credit Holdings Pty Ltd ACN 150 647 091 and a related body corporate of MCH Investment Management Services Pty Ltd, which as trustee of the MCP Credit Trust 1, is a substantial shareholder of Navalo, holding 85.2% of the issued share capital of Navalo following the completion of the capital raising undertaken by the Company announced on 30 November 2022 and 15 March 2023. Both capital raises were sub-underwritten by Metrics, with no underwriter fee was charged to Metrics. Metrics also holds 14,545,454 convertible notes issued by the Group.

Pinnacle Investment Management Group Limited (and certain of its subsidiaries) (Pinnacle) is a substantial shareholder in the Company as a result of holding indirectly over 20% of the voting power in Metrics.

Transactions and their terms and conditions with related parties

Lease Agreement

On 22 May 2023, the Group ceased their lease arrangements at their existing head office location in Hawthorn East and commenced a 12 month lease agreement with Metrics Credit Holdings Pty Ltd as trustee for the MCH Investments trust, for ground level of 42 Cambridge Street, Collingwood, 3066 at $6,050 per annum.

Secondment Agreement

Myles & Piers Redward resigned as Joint-CEO's effective 25 January 2023 and were appointed into executive positions within the Company, receiving the same salary of $300,000 per annum.

Stewart Creighton replaced Myles & Piers Redward as CEO on an interim basis. Mr Creighton is providing services to the Company under a secondment agreement with MCH Corporate Services Pty Ltd ('MCHCS') (a related body corporate of Metrics) for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company.

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

David Leach resigned as CFO effective from 11 January 2023 and was replaced by Tom Kellaway, who is providing services to the Company on an interim basis under a secondment agreement with MCHCS (a related body corporate of Metrics) for an initial period of 6 months, which has been extended to a rolling agreement to meet the needs of the Company. The terms of the secondment agreement include a full time engagement with a daily rate payable of $1,575 by the Company. The Secondment Agreement may be terminated on 30 days written notice by either party (or such other notice period as agreed by the parties) or immediately for cause, with fees paid up to termination date.

Receiving of services from related parties

The Group has services arrangements in place with related parties, these transactions were conducted with normal employee, customer or supplier relationships under arm's length dealings and on ordinary commercial terms, except for the lease agreement.

Section 8: Other information (continued)

Transactions with related parties are as follows:

Receiving of services from:	2023 $	2022 $
Lease Agreement[1]	646	-
Secondment agreement[2]	406,350	-
Related Party Directors	118,710	-
Close family members of the Directors	434,240	316,336

[1]Includes $646 outstanding to Metrics for lease agreement as at 30 June 2023.
[2]Includes $169,000 outstanding to Metrics for the secondment agreement as at 30 June 2023.

Close family members of the Directors:

- Ashby Redward – currently employed as Product Manager, receives a fixed annual remuneration under an employment agreement on ordinary commercial terms. Employee Options of 99,202 were granted in 2021 on the same terms as those awarded. Post share consolidation Ashby held 65 options.
- Emily Redward – provided marketing and public relations services to the Company. The terms of this engagement were on ordinary commercial terms. Emily's role was made redundant in December 2022 and received a termination payment of $16,246.
- Nicole Redward – provided project management services to the Company. The terms of this engagement were on ordinary commercial terms. Nicole's role was made redundant in December 2022 and received a termination payment of $20,308.
- Mark Evans provided CTO services until 1 February 2023 and continues to provide services as consultant on a part time basis, 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 ordinary commercial terms.

8.2 Auditor's remuneration

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

	2023 $	2022 $
Category 1 – Fees to the group auditor for audit and review of financial statements	366,854	323,799
Category 3 – Other assurance services	-	-
Category 4 – Non-audit (other) related fees	89,900	86,160
Total auditor's remuneration	**456,754**	**409,959**

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.

Section 8: Other information (continued)

8.3 Commitments and Contingencies

Commitments

The Group had no capital commitments as at 30 June 2023 (2022: Nil).

Contingent liabilities

The Group had no contingent liabilities or contingent assets at 30 June 2023 (2022: Nil).

Guarantees

The Group did not have any guarantees as at 30 June 2023 (2022: Nil).

8.4 Events after the reporting date

Following the EGM held on 26 June 2023, the shareholders passed the resolution to approve the delisting of the Company from official quotation of the ASX. The Company was delisted on 28 July 2023.

There were no other 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 Navalo Financial Services Group 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 6 to 48 and the Directors' report, are in accordance with the Corporations Act 2001, including:
    b. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance, for the year ended on that date; and
    c. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
    d. 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 2023; 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

Allan Griffiths	**Matthew Pringle**
Chairman	Non-Executive Director
Melbourne,	Melbourne,
25 August 2023	25 August 2023

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Melbourne VIC 3000 Australia
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Independent auditor's report to the members of Navalo Financial Services Group Limited

Opinion

We have audited the financial report of Navalo Financial Services Group Limited ("the Company") and its subsidiaries (collectively "the Group"), which comprises:

- The consolidated statement of financial position as at 30 June 2023;
- The consolidated statement of comprehensive income, statement of changes in equity and 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 is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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 $29.8 million and a net loss of $10.1 million for the financial year ended 30 June 2023. 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 matter described below to be the key audit matter communicated in our report*. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. 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 matter 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 at 30 June 2023 the provision for expected credit losses totals $8.8m. 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)*. Key areas of judgement applied in measuring the provision for expected credit losses ("ECL") include: ▶ The application of the impairment requirements within AASB 9, which is reflected in the group's ECL model; ▶ Identifying receivables with a significant increase in credit risk; ▶ Incorporating forward looking information to reflect current or future looking outlook; and ▶ Applying additional overlays to reflect current or future external factors that are not appropriately captured by the ECL model. This was a key audit matter due to the size of the receivables account, the nature of the group's operations, and the degree of judgement and estimation uncertainty associated with the ECL calculation.	Our audit procedures in conjunction with our Actuarial specialists included the following: ▶ Assessed whether methodologies and assumptions used to estimate the ECL were in accordance with AASB 9; ▶ Recalculated the mathematical accuracy of the ECL model; ▶ Assessed the ECL stage for individual customers on a sample basis to validate that the increase in credit risk has been appropriately captured in the model; ▶ Tested the integrity of data inputs (including outstanding receivable amount, delinquency status and ECL stage) on a sample basis by tracing these back to source system; ▶ Assessed the reasonableness of forward-looking information incorporated into the ECL calculation; ▶ Assessed the basis for and data used to determine overlays; and ▶ Assessed the adequacy of the disclosures included 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 2023 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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.

Building a better
working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2023.

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

Responsibilities

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

Ernst & Young

John MacDonald
Partner
Melbourne
25 August 2023

Additional Information

The following additional information is provided by the Company for consistency with prior year reports although not technically required as an unlisted public Company.

The shareholder information set out below was applicable as at 23 August 2023.

1) Shareholding

a) Distribution of Shareholders Number

Category (size of Holding)	Total Holders	Units	% Of Issued Share Capital
1 – 1,000	1,095	91,644	1.30
1,001 – 5,000	55	119,351	1.69
5,001 – 10,000	14	100,689	1.43
10,001 – 100,000	17	531,798	7.55
100,001 – above	2	6,203,655	88.03
Total	**1,271**	**42,670,326**	**100.00**

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

c) The names of the substantial holders listed in the holding company's register as at 23 August 2023 are:

Shareholder	Number of Ordinary Shares Fully Paid Shares Held	% Held of Issued Ordinary Capital
MCH INVESTMENT MANAGEMENT SERVICES PTY LTD[1]	6,003,655	85.19

[1] Pinnacle Investment Management Group Limited (and certain of its subsidiaries) (Pinnacle) is a substantial shareholder in the Company as a result of holding indirectly over 20% of the voting power in Metrics.

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[1]	6,003,655	85.19%
PG CAPITAL PTY LTD	200,000	2.84%
MR AMARANDHAR REDDY KOTHA	88,598	1.26%
PIERS REDWARD	74,963	1.06%
MR IRWIN DAVID KLOTZ	72,000	1.02%
M REDWARD INVESTMENTS PTY LTD	71,264	1.01%
GREAT WHITE SHARK SERVICES PTY LTD	34,795	0.49%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	26,213	0.37%
J E INTERNATIONAL PTY LTD	24,080	0.34%
PHILIPPA STATHAM PTY LTD	19,971	0.28%
MR PAUL SAMUEL COWAN	16,000	0.23%
MR RONALD MARK EVANS & MRS JANET ELIZABETH EVANS	15,917	0.23%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,803	0.21%
PLECJAM PTY LTD	13,541	0.19%
YAVERN CREEK HOLDINGS PTY LTD	13,457	0.19%
MR GEORGE LYGOYRIS	12,808	0.18%
FINCAP CUSTODIANS AUSTRALIA PTY LTD	12,122	0.17%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,180	0.16%
INVIA CUSTODIAN PTY LIMITED	10,230	0.15%
VULCANCREST PTY LTD	9,969	0.14%
Total Top 20 holders of ordinary fully paid shares	**6,745,566**	**95.72%**
Total remaining holders balance	**301,571**	**4.28%**

[1] Pinnacle Investment Management Group Limited (and certain of its subsidiaries) (Pinnacle) is a substantial shareholder in the Company as a result of holding indirectly over 20% of the voting power in Metrics.

Additional Information (continued)

2) Unquoted Securities

	Number on issue	Number of holders
Options over ordinary shares issued (issued under the ESOP)	39,188	8
Convertible notes	35555560	31
Warrants	21,713	1

3) Restricted Securities

Description	Type of restrictions	Number on issue	End date of escrow period
ESOP director options	Voluntary Escrow	33,000	23 December 2023
ESOP employee options	Voluntary Escrow	6,188	30 October 2023
ESOP gift shares	Voluntary Escrow	343	21 December 2023
Total		**814,186**	

4) On market buy-back

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

5) Use of cash

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.

Corporate Information

Directors

Allan Griffiths

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

Peter McCluskey
Chairman and Non-Executive Director (resigned as Chairman 25 January 2023 and resigned as Director 31 May 2023)

Andrew Lockhart

Non-Executive Director

Matthew Pringle
Non-Executive Director

Company Secretary

Navalo Financial Services Group Limited’s Company Secretary is Saara Mistry

Registered Office

2 Ridge Street,

North Sydney

NSW, 2060

Auditor

Ernst & Young

8 Exhibition Street

Melbourne, VIC 3000

Share Registry

Automic Group

126 Phillip Street,

Sydney, NSW 2000