Beforepay Group

Pioneering Ethical Finance

Annual Report 2024

Our Mission

To support people around the world with safe and affordable lending products

Contents

About Beforepay Group	02
FY24 Highlights	04
Chair Letter	06
CEO Letter	08
Beforepay	10
Carrington Labs	14
People & Culture	16
Directors' Report	18
Remuneration Report	26
Auditor's Independence Declaration	41
Statement of Profit or Loss and Other Comprehensive Income	42
Statement of Financial Position	43
Statement of Changes in Equity	44
Statement of Cash Flows	45
Notes to the Financial Statements	46
Directors' Declaration	86
Independent Auditor's Report	87
Shareholder Information	92
Glossary	95
Corporate Directory	97

About Beforepay Group

Beforepay Group is transforming the lending landscape, combining its ethical-lending approach with advancements in artificial intelligence and data analytics to disrupt traditional ways of lending.

Beforepay Group

Beforepay

For consumers

Beforepay is our domestic consumer-lending business. Through our flagship Pay Advance product, eligible customers can access up to $2,000 for a fixed 5% fee to manage short-term cash flow challenges. Our simple and straightforward pricing structure offers a transparent and customer-friendly approach to lending that reduces risk of long-term, revolving debt.

Carrington Labs

For enterprise

Carrington Labs commercialises the same AI risk models and loan management technologies that power Beforepay. Offering explainable AI credit risk scoring, a limit-recommendation engine, and end-to-end lending solutions tailored to each lender's data, Carrington Labs aims to empower financial institutions with more informed and inclusive lending decisions while also improving operational efficiency.

Beforepay and **Carrington Labs** use the same technology stack and risk-management capabilities, with a single team of engineers, data scientists, and credit experts building and maintaining the underlying systems and IP that power both businesses.

FY24 Highlights

$3.9m

Net Profit Before Tax (NPBT) in FY24, up from a loss ($6.6m) in FY23

1.4%

Net Defaults in FY24, down from 2.1% in FY23

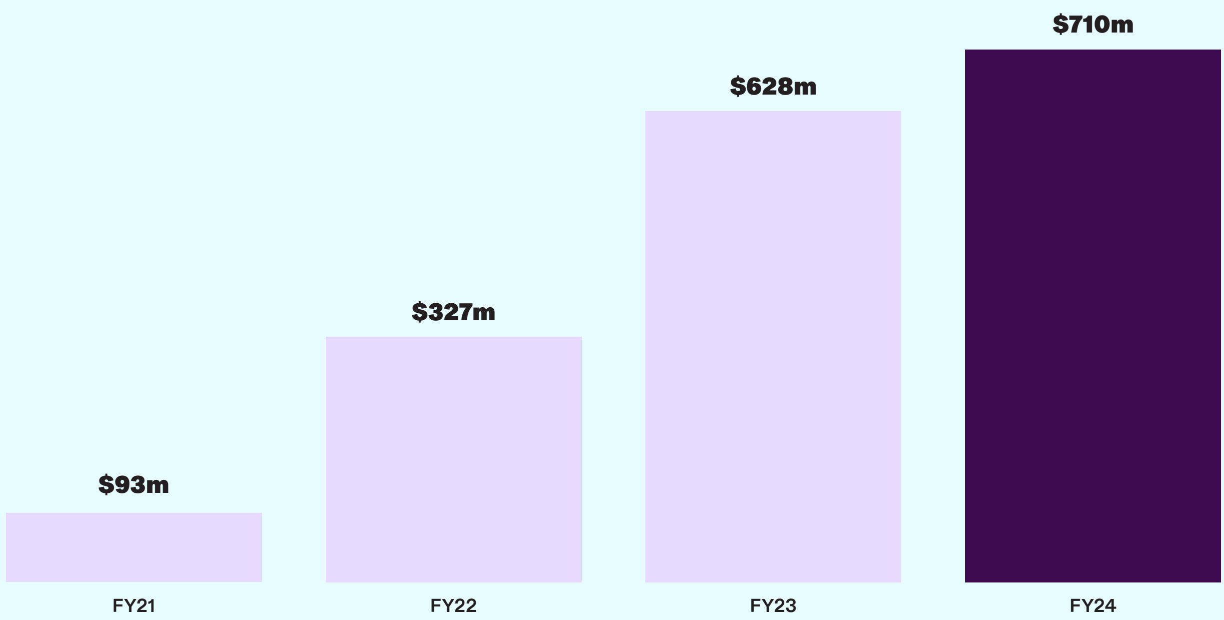
1.3m

Registered Users since inception in 2019

$35

Average Customer Acquisition Cost in FY24, down 16% from $42 in FY23

Volume of advances



$1.7b

Cumulative Advances surpassed since inception in 2019.

96%

Reuse rate*

4b+

Data points used to train the machine learning model

$30.5m

Equity at 30 June 2024

2.7%

Net Transaction Margin in FY24, up from 1.9% in FY23

$8.5m

EBITDA in FY24, up from a loss ($3.1m) in FY23

* Percentage of customers who have successfully repaid their first pay advance, who fully repaid their first loan by 31 December 2023, and have since taken out a second pay advance by 30 June 2024. The figures are unaudited.

Chair Letter

Dear Shareholders,

I am pleased to present the 2024 annual report for Beforepay Group. This past year has been one of significant progress for the company, in which we achieved profitability, solidified our leadership position in the pay-advance category, and launched two new strategic initiatives—all while remaining committed to our mission of helping Australians bridge cashflow needs in a safe, affordable way.

The Group made excellent financial progress in FY24, achieving profitability in every quarter. This milestone underscores the robustness of our business model as well as our risk-management capabilities. We also renewed our external debt financing, which supports the issuance of pay advances, securing that funding through late 2026. Our balance sheet remains strong, with more than $19.2 million of unrestricted cash at 30 June 2024, more than an entire year's operating costs, and we carry no corporate debt (other than that used to fund pay advances).

Having achieved profitability, we are now well-positioned to expand our core pay-advance business and explore new strategic initiatives. Notably, we have launched initiatives such as larger and longer-duration loans, as well as Carrington Labs which leverages our expertise in credit risk management to serve lenders beyond Australia. While these initiatives have seen us expand our team, we continue to prudently manage costs.

In recognition of our commitment to ethical lending practices, Beforepay Group was honoured with several awards this year. These include two wins in the Ethical Finance Awards, including Ethical Lender of the Year 2024 – APAC for Beforepay, and Best AI-Powered Ethical Lending FinTech Platform 2024 for Carrington Labs; as well as Ethical Lender of the Year 2024 – Australia from the International Business Magazine awards.

Despite this progress, our share price has remained roughly flat over the year. Rest assured the Board and management remain committed to increasing the value of your company. To that end, we continue to believe that delivering sustainable profitability and growth remains the key to creating long-term shareholder value.

$19.2m

of unrestricted cash at 30 June 2024

As always, we are mindful of market dynamics and continue to monitor regulatory developments closely. While we do not expect any imminent changes to financial regulation that would materially affect us, we have obtained an Australian Credit Licence both to support our new initiatives and to give us additional flexibility in the future.

Looking ahead, our strategic priorities include further strengthening our core pay-advance business while diligently executing our new growth initiatives. We are optimistic about the opportunities that lie ahead and believe they will deliver value to our shareholders.

On behalf of the entire Board, I would like to extend my sincere gratitude to each Beforepay team member for their hard work and unwavering commitment.

The Board and I are grateful for the trust each of you has placed in us and the team. In closing, I want to express my heartfelt appreciation to you, our shareholders, for your continued support.

Brian Hartzer
Chairman
Beforepay Group Limited

Awarded 'Ethical Lender of the Year' by Wealth and Finance International.

None of our achievements would have been possible without the dedication and expertise of our exceptional team.

CEO Letter

Dear Shareholders,

Last year was another transformative year for Beforepay Group. Over the course of FY24, we served more Australians than ever before, providing them with ethical finance to address short-term needs.

We delivered strong operational and financial results, achieving a full year of profitability, as a result of growth, strong cost control, and our sophisticated capabilities in loan decisioning and limit setting. Even as we reached profitability, we also reinvested in the business, laying the groundwork to launch a wider range of lending products domestically. We extended and expanded our funding facility, giving us additional headroom for growth. Finally, we launched Carrington Labs, a new line of business focused on providing our world-class risk models and broader platform to lenders around the world.

Of everything that we achieved in FY24, I'm proudest of the work that we did to support Australians with ethical short-term lending solutions. With over 1.3 million registered users, and over 240,000 Active Users, we continue to provide a better alternative to revolving debt or high-cost lending. It was gratifying to see this recognised over the course of the year through a number of awards.

Achieving profitability has been a significant milestone for the company, with net profit before tax of $3.9m in FY24. This is the result of continued revenue growth and good unit economics while maintaining tight discipline on cost. In FY24, we issued more than 1.85 million pay advances totalling more than $700 million with a team of only 42 employees, even while investing resources in new initiatives. Credit outcomes were particularly strong, with a net default rate of 1.4%, down from 2.1% in FY23 and 2.4% in FY22.

We believe that we have a distinctive capability in managing credit risk, with a sophisticated set of risk models powered by advanced data science, underpinned by an extensive data asset. This capability, along with our highly efficient, automated lending platform, positions us well to extend our range of lending products, with our announcement of expansion into larger, longer-duration lending to take place in FY25.

I'm also very pleased with the launch of Carrington Labs, our new enterprise division, which will provide our risk-management capability as a service to lenders around the world. Having made a number of overseas trips in recent months to discuss our capabilities with banks and other lenders, I'm confident that we have a genuinely disruptive capability when it comes to using data and advanced analytics to drive better lending decisions.

Looking forward, I'm excited about the Group's prospects. I believe our core Pay Advance business continues to have great opportunities in front of it, as more Australians learn about the safer, better alternative we can provide to them, and I look forward to seeing our new strategic initiatives start to bear fruit in FY25.

The team has worked tirelessly throughout the year to deliver these outcomes. I'm grateful to everyone at Beforepay Group for all that they have done over the past year to get us to where we are today. I'm grateful as well to our partners, suppliers, and shareholders who have made these results possible.

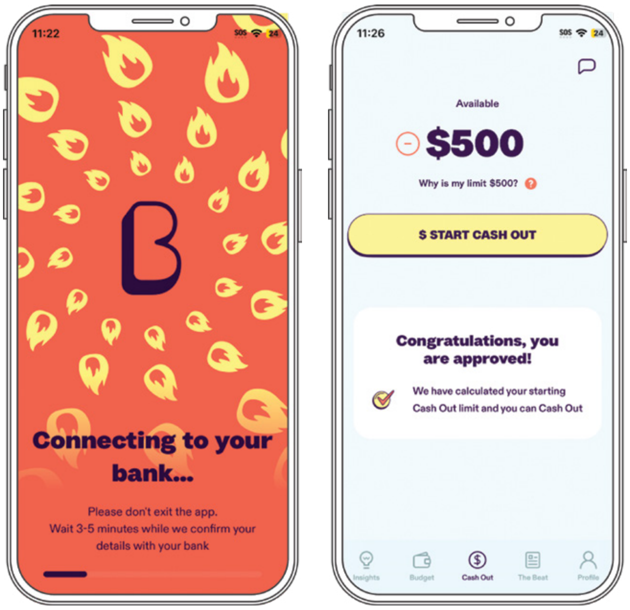
And finally, I'm grateful to all of our customers; thank you for trusting us and allowing us into your lives.

Jamie Twiss
Chief Executive Officer
Beforepay Group Limited

The number of Active Users increased to

240,254

Beforepay



Product Overview

Beforepay is dedicated to transforming the way Australians manage their cash flow. Unlike many traditional financial solutions that have hidden fees, high interest rates, and complex terms, Beforepay offers a transparent and customer-friendly model.

Our flagship Pay Advance product allows eligible customers to access up to $2,000 for a fixed 5% transaction fee, instead of charging interest. Typically, this advance, which averaged $382 in FY24, is repaid within 3-4 weeks.

Our simple pricing enables customers to be fully aware of costs and terms from the outset, helping to reduce the risk of customers falling into a debt spiral.

All enabled through a streamlined digital process, customers can expect to go from sign-up to cash in their account in as little as 5 minutes.

Our Impact

In addition to our core loan offering, we provide a free in-app budgeting tool, spending insights dashboard and educational content.

These tools aim to help customers make informed fiscal decisions, enhancing their overall financial literacy and financial health.

Beforepay has helped me through my tough times financially. It's quick, easy and reliable if you want to access bit of extra money. The most I love about it is you don't pay excessive fees for small amount and their instant withdrawal even on public holidays. I would highly recommend it to the new users.
– TJ

My experience with Beforepay has been excellent access to my wage how I want and keeping on top of daily life. My experience with Beforepay has been great as bills and payments usually run monthly to date not to pay cycles. So getting access to my wage at anytime is great advantage. Pay my way and keep on top of my bills.
– Valerie W

Commitment to Ethical Lending

As an organisation committed to ethical lending, Beforepay prioritises the financial wellbeing of our customers.

1. We permit only one advance at a time.
2. Eligible customers can repay in instalments.
3. We offer fixed and transparent pricing.
4. Each loan must be fully repaid before another can be taken out.
5. Our AI-powered assessment process, utilising the Carrington Labs platform, supports customers borrowing reasonable amounts of money while minimising default risk.

Our model is designed to help keep debt manageable and to promote financial resilience among customers.

Our approach has received industry recognition, with Beforepay receiving multiple ethical-lending awards.

Ethical Finance Awards, Wealth and Finance International

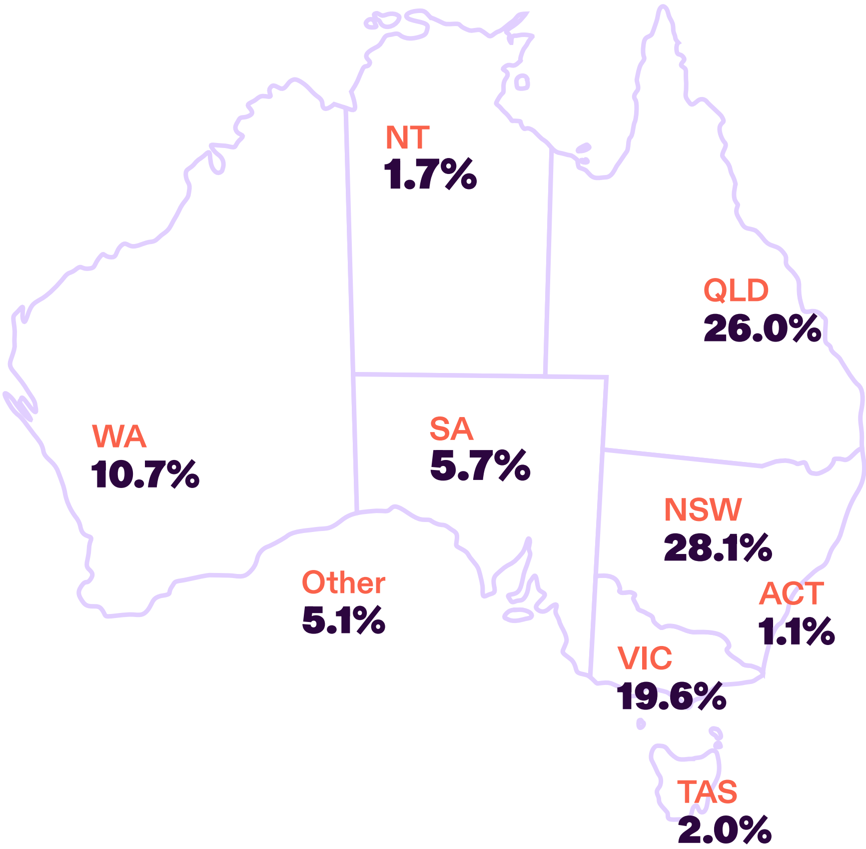
International Business Magazine Awards, International Business Magazine

APAC Australian Enterprise Awards, APAC Insider

Our Customers
as at 30 June 2024

The average Beforepay customer is 34 years old with an annual gross income of $64,092[1].

Location[2]



Top Employment Industries[3]

- Construction 9.8%
- Hospitality and Restaurant Services 8.6%
- Retail trade 8.2%
- Healthcare and Social Services 7.9%
- Transport and Delivery Services 5.2%
- Manufacturing 5.1%
- Education and Training 3.1%
- Mining 3.0%
- Administration and Support Services 2.3%
- Agriculture, Forestry and Fishing 1.9%

Figures are rounded.

1. The average annual individual customer gross income has been derived from all customers who borrowed in June 2024 (counting only the main source of income). Beforepay's pay cycle detection tool identifies the annualised net income, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annual individual customer gross income figure may be understated due to ignoring any secondary sources of income.
2. Location is based on users who had an active Cash Out in FY24, based on the latest KYC data collected up to end of FY24.
3. Industry is based on users who had an active Cash Out in FY24, based on the latest self-reported employment data collected up to end of FY24.

Consumer Growth Strategy

Upcoming Personal Loan Product Launch

In our commitment to meeting our customers' evolving needs, we are excited to announce our plans for the upcoming launch of our Personal Loan offering. This new product will provide larger loans with longer repayment periods, supporting the growth strategy outlined in our H1 FY24 Report.

In FY25 we plan to gradually scale the Personal Loan product as we collect more data and optimise performance to better serve our customers' needs for longer-term financial solutions.

We have obtained an Australian Credit Licence (ACL) that will enable us to launch and scale our Personal Loan offering.

We will utilise Beforepay Group's AI-powered credit risk capabilities, leveraging the advanced technology of the Carrington Labs platform. This will help us to assess and manage credit risk effectively while optimising loan durations and sizes.

Tax Refund Advance

Pay Advance

Personal Loan

Strategic Partnerships

In FY24 Beforepay continued to work with Western Union and H&R Block in Australia.

We rolled out our Tax Refund Advance product through more H&R Block offices nationwide, expanding the offer to more Australians.

These ongoing partnerships enhance the visibility of the Beforepay brand and reinforce our mission of supporting people around the world with safe and affordable lending products.

Pioneering AI-Powered Lending Through Carrington Labs

CARRINGTONLABS

Carrington Labs is at the forefront of transforming lending with advanced AI technology.

Carrington Labs is built upon the risk models and technology that power the Beforepay consumer brand. Carrington Labs creates alternative AI credit risk scoring, loan limit recommendations and modular, end-to-end lending solutions delivered as-a-Service to enterprises, tailored for each lender and their individual loan products.

These come together to form a more comprehensive view of a loan applicants' creditworthiness, helping lenders to make faster, more informed and inclusive decisions, improve their loan portfolio performance, and better serve their customers with more personalised loan products.

A look at what we offer

Traditional credit scoring methods fall short of providing a full picture of customers. Carrington Labs offers a modern alternative, leveraging AI to generate alternative risk scores.

Our approach integrates non-traditional data points, such as spend-category ratios, day-of-week patterns, merchant switching, and other bespoke features, to create a comprehensive financial profile of loan applicants. This enables advanced predictions to help lenders increase revenue, reduce defaults, and optimise margins.

Enhanced credit risk modelling

- Identifies latent predictors of credit risk
- Incorporates non-traditional data points
- Uncovers hidden risks and opportunities

Limit recommendations

- Optimal lending limits based on default probability analysis and expected elasticity
- Analyses default probabilities at different limit sizes
- Maximises dollar contribution to margins while minimising risk
- Often leads to opportunities to increase revenue meaningfully

How the platform works

The Carrington Labs platform delivers rapid, product-specific credit-risk predictions for each loan applicant.

The outcome is an optimised lending strategy that improves both product profitability and customer satisfaction.

Data Ingestion

Repayment history
Shopping behaviour
Use of financial products
Pay cycle
Location
Subscriptions

↓

Analysis

Smart data labelling

Enhanced feature generation

Model evaluation

Limit testing

Predictions

Alternative risk score

Optimal limit-setting

Actionable insights

↓

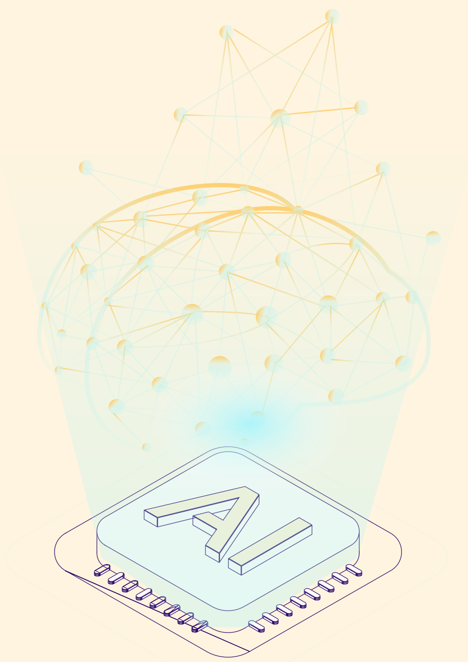
Business Outcomes

Reduced default rates
Improved customer satisfaction
Increased revenue and margins
Enhanced scalability
Enhanced borrowed visibility

Growing influence and recognition

In FY24 Carrington Labs was awarded Best AI-Powered Ethical Lending FinTech Platform 2024 in the Wealth & Finance International Ethical Finance Awards, and Best Use of Artificial Intelligence (AI) in Fin-tech Australia 2024 in the International Business Magazine Awards.

Carrington Labs is dedicated to transforming the lending landscape with explainable AI-powered solutions. By providing lenders with precise, data-driven insights, we help facilitate more inclusive and effective lending practices, underpinning our commitment to set new standards in credit risk assessment and management.



People & Culture

Our People

FY24 has been a transformative year for Beforepay Group as a company, as well as for our team. This year, we've concentrated on enhancing the workplace environment through a range of wellness initiatives, relocation to a new office, and continued focus on coaching and development, while maintaining our commitment to flexibility and to a vibrant community spirit. We've invested in upskilling our team and have also brought on more people, particularly in product and engineering, to support our new growth initiatives.

Breakdown of employees as at 30 June 2024

Function	FTE as at 30 June 2024	FTE as at 30 June 2023
CEO	1	1
Finance	3	3
Product & Marketing	15	11
Legal, Risk and HR	5	4
IT	18	11
Total	**42**	**30**

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

As at 30 June 2024, the Group had 42 full-time equivalent (FTE) employees across management, finance, product, legal and risk, IT and marketing, an increase of 40% from the prior corresponding period.

Our offshore contractor base (supporting our Product, Marketing and IT functions) has increased by 23%, with 37 contractors on 30 June 2024 from 30 contractors in the prior corresponding period.

Our Core Values

At Beforepay, our values drive our culture and guide our decisions and actions, reflecting our commitment to our customers, employees, and stakeholders.

1 Customers ride first class

As a mission-driven organisation, we exist in order to be helpful to our customers, and we always want to give them the best experience possible. This drives our product decisions as well as our commitment to quick turnarounds from customer support.

2 Be the best

We always want to do everything as well as possible, whether it's the product we offer our customers or how we run our own business. The multiple awards on ethical lending and AI we won last year is a testament to our commitment.

3 Human first

We want to create an environment of empathy and kindness, and to do it in a way that doesn't blunt our edge. We support hybrid work, we have honest conversations, and we look out for each other and for our stakeholders.

4 Give it a go

We're always stretching ourselves and trying new things. Our culture is committed to testing ideas and reinforcing success.

Inclusion & Diversity

We're committed to diversity and inclusion, and we've set targets for ourselves. These include:

- By the end of 2025, 40% of all Company employees will be women;
- By the end of 2025, 30% of women will be in Beforepay leadership positions; and
- By the end of 2025, 30% of our Board will comprise women,

– whilst acknowledging that gender is non-binary.

We've made progress towards these goals, but there's still more to be done:

- 45% of the Company employees are women;
- 50% of leadership positions are held by women;
- 67% of the executive team reporting to the CEO are female; and
- 0% of our Board is composed of women, which hasn't changed since the previous year.

67%
Women reporting to the CEO
29% increase from previous year

50%
Women in leadership roles
53% increase from previous year

45%
Women
7% increase from previous year

Directors' Report

30 June 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Beforepay Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

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

Brian Hartzer – Chair and Non-Executive Director
Daniel Moss – Non-Executive Director
Stefan Urosevic – Non-Executive Director
Patrick Tuttle – Non-Executive Director
Luke Bortoli – Non-Executive Director (directorship ceased on 22 November 2023)

Principal activities

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

Business objectives

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of the Australian Securities Exchange (ASX) for the whole of the reporting period (being 30 June 2024) in a way that is consistent with its business objectives.

Corporate Governance Statement

The directors and management are committed to conducting the business of Beforepay Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Beforepay has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (ASX Principles and Recommendations) throughout the financial year ended 30 June 2024 (the Reporting Period).

Beforepay's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the Reporting Period, and which is current as of 27 August 2024, was approved by the Board as part of the Annual Report and can be found on the Investor Relations page at www.beforepay.com.au/investor-hub/corporate-governance.

Dividends

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

Directors’ Report continued

Review of operations

The profit for the Group, after providing for income tax, amounted to $3,863,744 (30 June 2023 (‘FY23’): loss of $6,635,463).

Revenue from ordinary activities in the current year was $35,313,322 representing an increase of 15% on the previous financial year (FY23: $30,709,142).

In the financial year ended 30 June 2024 (‘FY24’), the Group achieved profitability with a yearly audited profit of $3.9 million and solidified its position as a leader in the pay-advance sector. This strong outcome was driven by consistent execution of our strategy, including continued top-line growth, tightly controlled costs, and strong default outcomes. The Group continues to support more customers with an alternative to revolving debt. This achievement of profitability and our continued balance-sheet strength has provided us a platform to launch two new strategic initiatives; larger and longer duration loans, as well as Carrington Labs, which leverages our expertise in credit risk management.

Compared to the previous financial period ended 30 June 2023, the Group grew the number of advances written by 8% to 1,857,597 and increased the total volume of advances by 13% to $710 million. The number of active customers reached a record 240,254, a 3% increase from FY23, reflecting the Group’s relentless focus on product improvement and focused performance marketing. The Group achieved an underlying earnings before interest, taxation, depreciation and amortisation (EBITDA) profit of $8.5 million (unaudited) for the current period, up from an EBITDA loss of $3.1 million (unaudited) in the previous financial period ended 30 June 2023.

The Group earned a positive net transaction margin of $19,459,062 in the current period (FY23: $11,736,565), a 66% increase from the previous financial period. This result was driven by a decrease in defaults despite higher total advance volumes, complemented by higher revenue. Net transaction margin comprises of income less direct financing costs, direct service costs in facilitating pay advances to customers, and expected credit losses (defaults).

The Group maintained a strong balance sheet with cash on hand of $19,227,764 and a total equity position of $30,531,790 as at 30 June 2024. The Group is well capitalised and only carries debt to finance receivables.

In recognition of our customer-first approach and the value and integrity of our service offering to our customers, the Group was in the current period:

- recognised as the 2024 Ethical Lender of the Year APAC in the Wealth & Finance International Fintech Awards; awarded the Leading Provider of Ethical Products Australia 2024 and Ethical Lender of the Year Australia 2024 by the International Business Magazine;
- awarded the APAC Insider Business Awards Winner for best app-based lender;
- won the Most Innovative Ethical Lender of the Year award for 2024 from the APAC Australian Enterprise Awards for 2024; and
- ranked #21 in Australia for having the fastest 3-year growth in the 2023 Technology Fast 50.

Our new B2B service offering, Carrington Labs, also received notable accolades:

- awarded the Best AI-Powered Ethical Lending FinTech Platform for 2024 at the Wealth & Finance International Fintech Awards;
- recognised as the Best Use of Artificial Intelligence (AI) in FinTech Australia for 2024 at the APAC Business Awards; and
- won the Most Innovative Ethical Lender of the Year award for 2024 by the APAC Australian Enterprise Awards.

Directors' Report continued

Key risks

There are a number of potential risks associated with the operations of the Group and the industry in which it operates, which may impact its future financial performance. These have largely remained consistent with those set out in the Group's Annual Report dated 28 August 2023.

The Group may not successfully execute one or all of its growth strategies

The Group's growth depends on (amongst other matters) new customers using the pay advance and tax advance products and existing customers re-using the products. The Group aims to achieve high rates of growth in its existing core products by executing its marketing strategies, undertaking a wider distribution, and continuing to develop and improve its technology and product offering to adapt to a change in customer preferences.

In addition, the Group's growth strategy is also focussed on exploring opportunities to introduce additional lending products that could complement the existing consumer business and the expansion of Carrington Labs, the newly launched business line offering the Group's proprietary risk model to prospective partners around the world.

There is a risk that some or all of the Group's growth strategies will fail to be successfully implemented or deliver the expected returns. The growth strategies may be subjected to unexpected delays and costs.

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

The Group may experience a security or data breach including from cyberattacks

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

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

The Group's business is dependent on the services and software provided by third-party vendors, information-technology suppliers, and software and infrastructure providers. Consequently, there are a range of potential operational issues which are outside its control. The Group could face significant costs if the provision of such services is disrupted, delayed, or if the contracts are terminated or altered in any way that is detrimental to the Group, and the Group cannot find alternative services on commercially reasonable terms on a timely basis. There is also a risk that third-party suppliers do not perform adequately, terminate the contractual relationship with the Group, become insolvent, or are acquired by a competitor.

The Group's business may be impacted by existing or new regulations

The financial services sector, and in particular the provision of financial services to consumers, is undergoing a significant period of government and regulatory scrutiny. Inadequate controls resulting in non-compliance with existing laws could attract fines and reputational damage, amongst other things.

The Group's core products rely on the Short-Term Credit Exemption under the *National Consumer Credit Protection Act 2009* Cth (NCCPA). As part of executing its growth strategy, the Group has obtained an ACL with the intention of offering regulated credit products under the NCCPA in the future. Additional obligations from obtaining an ACL, regulatory changes in the Australian Privacy Act and AML/CTF Laws in the near future and risk of a potential ban on screen-scraping through

Directors' Report continued

legislation may require the Group to change or introduce a number of new processes to ensure compliance. The expected expansion of Carrington Labs in overseas jurisdictions may also require the Group to comply with laws in the new jurisdictions it or its partners intend to operate in, such as local privacy laws, licensing regimes and consumer protection regulations.

Whilst the Group keeps abreast of the emerging risk of regulation, with an increased focus on new legislation for the safe and responsible use of AI based tools, it cannot predict with certainty the changes that may occur in the future or the impact of those changes on the Group's business.

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

Data plays a key role in how we provide our product to customers. Poor data quality could result in deficiencies in our credit systems and processes, therefore negatively impacting our decision making in the provision of the Group's products and services. The Group could face significant losses to its customer base if incorrect credit modelling outcomes result in poor customer sentiment and reduced usage of the product. This data is also used in financial reporting, and regulatory remediation due to incorrect financial reporting could impact the Group's compliance requirements and further increase costs for the Group.

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

The Group may require debt and/or equity funding to finance its ongoing operations and, in particular, to finance its proposed growth objectives. The Group's existing finance facility contains a number of covenants and restrictions which, if breached by the Group, could cause an event of default. If this occurs, the ability for the Group to access funding may be restricted in the short term. Any additional debt financing, if available, or amendments to the Group's existing debt facility, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing to support its growth plans as needed, it may be required to reduce the scope of its operations. There is no guarantee that the Group will be able to secure funding on terms favourable to it. Any such occurrence could impact the Group's ability to issue more of its core products or new products and services.

Other key risks

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

Significant changes in the state of affairs

The Group announced on 18 October 2023 that it has secured a new 3-year, $55 million debt facility with Balmain Group and Longreach to facilitate future lending growth.

The new debt facility was used to refinance the existing debt facility with Longreach and to support continued growth in the Group's loan book.

Further details of the material terms of the facility agreement are set out in note 16.

On 17 January 2024, 11,663,064 ordinary shares and 2,010,400 options were released from mandatory escrow. As set out in the replacement prospectus dated 29 November 2022 and in accordance with the ASX Listing Rules, these shares and options were subject to ASX imposed escrow for a period of 24 months following the date on which quotation of the securities commenced, being 17 January 2022.

Michael Bencsik (CFO) resigned on 28 June 2024. Elena Chan was appointed as acting CFO on 1 July 2024.

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

Directors' Report continued

Matters subsequent to the end of the financial year

The Company's wholly owned subsidiary, BPG Credit Pty Ltd has obtained an Australian Credit Licence (ACL), enabling it to issue regulated credit products.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

In FY25, the Group will focus on three primary initiatives:

- **Core pay advance business:** The Group intends to continue growing and servicing our core pay advance business. The Group aims to provide safer and better alternatives to our customers while maintaining a lean cost base and improving margins.
- **New lending products:** The Group has established a solid foundation for product expansion, which includes the introduction of a broader range of lending products. The Group is working towards launching a new loan product in FY25. With our strong capabilities in data-driven risk management and a large customer base, Beforepay believes it is well-positioned to compete effectively in this market.
- **Carrington Labs:** The Group has established a new business line, Carrington Labs, to offer our risk models to lenders globally. This initiative aims to offer enterprise clients the same cutting-edge technology and artificial intelligence tools that power the Group's ethical lending products, ensuring excellent lending outcomes. We expect that this commitment to innovation and growth will help us remain at the forefront of the financial technology industry.

Environmental regulation

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

Information on directors

Name:	Brian Hartzer
Title:	Chair and Non-Executive Director
Qualifications:	BA (Hons), CFA
Experience and expertise:	In addition to his role as Chair of the Group, Brian is currently CEO of Quantium Health, a specialist data science and AI consulting business, as well as Chairman of Reejig, a Sydney-based HR technology start-up. Brian was the CEO of Westpac Banking Corporation from 2015 to 2019. Prior to joining Westpac Brian was CEO of the Retail & Wealth Management division of the Royal Bank of Scotland Group in the United Kingdom. Prior to that he held several senior leadership roles at Australian and New Zealand Banking Group Limited, including running the Retail and Consumer Finance divisions of the bank. He is also President of the Board of Trustees of the Australian Museum.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares[1]:	284,294 ordinary shares
Interests in options:	385,765 options over ordinary shares

1. As at date of Director's Report.

Directors' Report continued

Name:	Daniel Moss
Title:	Non-Executive Director
Qualifications:	BBus, MAICD
Experience and expertise:	Daniel is experienced in managing financial services businesses. He is a founding partner and the Managing Director of VFS Group, a firm specialising in wealth management. He has over 15 years' experience in investment markets, specialising in equities, derivatives and portfolio construction. Daniel is also an active seed stage investor managing multiple venture investments dealing in high growth, disruptive companies. He is an experienced Director having taken board seats on several portfolio companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee
Interests in shares[1]:	921,625 ordinary shares
Interests in options:	143,565 options of ordinary shares

Name:	Stefan Urosevic
Title:	Non-Executive Director
Qualifications:	GAICD, CPA, MBA, F FIN, GradDipFP
Experience and expertise:	Stefan is currently an Executive Director and the Chief Financial Officer at VFS Group, a holistic wealth management firm based in Sydney. Stefan has extensive experience in Wealth Management, Financial Planning, Corporate Advisory and Venture Capital Investing. Stefan served as a Non-Executive Director on the board of Grow Inc. and continues to serve as the Responsible Manager for the company. Further, Stefan currently serves as a Non-Executive Director of CTSA Group & TogetherAI. Stefan holds an MBA from Deakin University, is a Fellow of the Financial Services Institute of Australasia (FINSIA), is a member of the Certified Practicing Accountants Australia and is a Graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares[1]:	764,825 ordinary shares
Interests in options:	143,565 options over ordinary shares

1. As at date of Director's Report.

Directors' Report continued

Name:	Patrick Tuttle
Title:	Non-Executive Director
Qualifications:	B Econ., Member of Chartered Accountants Australia and New Zealand
Experience and expertise:	Patrick previously acted as divisional finance director for a range of operating businesses within Macquarie Bank Limited, before becoming finance director of Pepper Group in 2001. Patrick became CEO of Pepper Group's Australian mortgage lending and asset finance business in 2008, before also being appointed as Co-Group CEO of Pepper's global business in 2012. He left Pepper in 2017. Patrick is currently Non-Executive Chairman of COG Financial Services Limited (ASX: COG), and serves as a Non-Executive Director of Beforepay Group (ASX:B4P), Shift Financial, Azora Finance Group, Weel Holdings Pty Limited. Patrick is also a Non-Executive Director of Australian Ireland Fund Limited (registered charity) and a former Deputy Chairman of the Australian Securitisation Forum, Inc.
Other current directorships:	Non-Executive Chairman of COG Financial Services Limited (ASX: COG) and OpenPay Group (ASX: OPY)
Former directorships (last 3 years):	Douugh Limited (ASX: DOU)
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares[1]:	29,326 ordinary shares
Interests in options:	143,565 options over ordinary shares

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

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

Company secretaries

Elena Chan, an employee of the Group, and David Hwang, Managing Director of Confidant Partners, a corporate secretarial provider, serve as joint company secretaries to the Group. Elena was appointed on 31 August 2022, and David was appointed on 1 May 2024.

Elena joined the Group in 2021 as General Counsel and Chief Risk Officer. Elena has over 20 years' experience in the financial services industry, advising across a full range of legal, governance, compliance, and risk matters. Prior to joining the Group, Elena held various leadership roles across legal, business and risk at Westpac. Elena has also worked in law firms and other corporations in Australia and the United Kingdom, including Morgan Stanley, Simmons & Simmons, Henry Davis York (now Norton Rose Fullbright), and PwC. Elena holds a double degree in Law and Commerce (Finance) from the University of New South Wales and is a Graduate of the Australian Institute of Company Directors.

David is a corporate lawyer, company secretary and advisor to Boards and management of ASX listed entities. David regularly advises emerging and listed entities across a range of compliance, legal, governance and strategic matters. David is Managing Director of Confidant Partners, which provides ASX compliance, corporate legal, company secretarial and Board advisory services. Prior to Confidant Partners, David was a senior executive at a leading integrated technology solutions and professional services provider, where he led Australia's largest outsourced company secretarial and legal team.

Elizabeth Spooner was also a Joint Company Secretary during the year. She was appointed on 14 May 2021 and resigned on 12 January 2024 when she was replaced by Chelsea Sheridan of the Automic Group.

Chelsea Sheridan resigned on 1 May 2024 and was replaced by David Hwang.

1. As at date of Director's Report.

Directors' Report continued

Meetings of directors

The number of meetings of the Group's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Brian Hartzer	12	12	3	3	3	3
Daniel Moss	12	12	–	–	3	3
Stefan Urosevic	12	12	6	6	–	–
Patrick Tuttle	12	12	6	6	2	2
Luke Bortoli (directorship ceased on 22 November 2023)	4	5	2	3	1	1

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

Remuneration Report (audited)

Remuneration report (audited)

The 2024 financial year was another significant year for the Group, with strong business performance on several metrics including the value of total pay advances which reached $710 million in FY24, while the number of active users increased 3% from 234,034 to 240,254 during the year. The Group has now registered over 1.3 million users. Positive unit economics was achieved with higher Net Transaction Margin (2.7% in FY24), and declining Net Defaults (1.4% in FY24). Notably, the Group achieved a net profit before tax of $3.9 million for FY24, up significantly on the prior year loss of ($6.6 million) in FY23. Further, the Group won several Ethical Lender of the Year Awards, launched Carrington Labs, a new business-to-business (B2B) offering to make the Group's AI-powered risk models and technology available to enterprises, and it continues to explore opportunities to introduce additional lending products that could complement the existing consumer business.

In the reporting period, the Board has been focused on ensuring that the structure of executive remuneration for the coming year achieves a balance between cost control, and creating an environment where we can attract and retain the appropriate talent to support the Group's growth objectives. For this reason, FY24 remained largely the same as in FY23, where the executive remuneration structure was developed in line with our Remuneration Policy which drives both short-term and long-term results achievement via an annual incentive program. This program continues to combine eligibility to earn short-term incentives (STI) and long-term incentives (LTI) based upon the achievement of financial and non-financial key performance indicators for the financial year. More detail on the executive remuneration annual incentive plan is outlined in this report.

Guided by our Remuneration Policy and the Key Performance Measures set by the Board, the outcomes for executive key management personnel (as described below), namely the Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO'), paid in the reporting period was $250,000 STI for the CEO and $45,000 STI for the CFO for FY23, with a tilt towards equity reward with a grant of 1,248,039 performance rights made to the executive key management personnel in the reporting period. 1,095,570 executive key management personnel options vested during the reporting period and 13,471 executive key management personnel performance rights vested and were exercised during the reporting period.

Introduction

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

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

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

Key management personnel

This remuneration report discloses the FY24 remuneration arrangements and outcomes for the people listed below, who are those individuals within the Group that have been determined to be key management personnel (KMP) in the financial year ended 30 June 2024.

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

Directors' Report continued

Remuneration Report (audited) continued

Directors

- Brian Hartzer – Chair
- Daniel Moss – Non-Executive Director
- Stefan Urosevic – Non-Executive Director
- Patrick Tuttle – Non-Executive Director
- Luke Bortoli – Non-Executive Director (directorship ceased on 22 November 2023)

Executive KMPs

- Jamie Twiss – Chief Executive Officer
- Michael Bencsik – Chief Financial Officer (ceased 28 June 2024)

Principles used to determine the nature and amount of remuneration

The Group's remuneration policy aims to ensure reward for performance is competitive and appropriate for the results delivered. The remuneration policy was reviewed by the Remuneration and Nomination Committee (RNC) in FY24, with no substantive changes being made to the overall framework of how the Group incentivises staff, as set out in the policy.

Remuneration strategy

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

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

Broadly, our remuneration strategy is to:

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

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

For FY24, the Group continues to weigh total variable remuneration to long term equity grants and/or STI/cash.

The remuneration strategy is underpinned by the following remuneration principles:

- Remunerate for performance and behaviour: We pay employees for their performance and behaviours aligned to:
  - our vision and strategy;
  - customer and shareholder interests and support for the creation of longer-term Group performance achievement and shareholder value;
  - sustainable outperformance and discouragement of poor performance; and
  - supporting our risk culture in driving longer-term value.
- Remunerate competitively: We aim to pay our employees competitively against the external market, having regard to their capability and experience. Our intention is to pay employees in a range around the middle of the market in relation to their total award opportunity (or somewhere above for exceptional talent), taking into account the size of the Group. The Group currently uses the Aon Radford framework and other data sets for its remuneration benchmarking to align with market remuneration.

Directors' Report continued

Remuneration Report (audited) continued

- Remunerate fairly: We ensure that we pay fairly by comparing and calibrating employee pay outcomes across a number of different categories including across different genders, full-time roles and part-time roles. By doing this comparison, we confirm that what we pay is fair and equitable compared to other employees doing similar roles in comparable companies.

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

2023 Remuneration Report

The Remuneration Report for the financial year ended 30 June 2023 was adopted with strong shareholder support at the 2023 Annual General Meeting on 22 November 2023 with a vote of 99.64% in favour. The Group received no specific feedback on its Remuneration Report at the 2023 Annual General Meeting.

Non-executive directors' remuneration

The non-executive directors' aggregate remuneration has remained the same for the FY24 period as for FY23.

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

The ASX listing rules require the aggregate non-executive directors' remuneration to be determined periodically by a general meeting. As set out in the IPO prospectus dated 29 November 2021 and the 2023 Annual Report, the maximum annual aggregate remuneration available to non-executive directors was set at $700,000. For the year ended 30 June 2024, the fees payable to the non-executive directors did not exceed $700,000 in aggregate.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Directors' Report continued

Remuneration Report (audited) continued

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

Making appropriately structured equity incentive awards under our annual LTI grant cycle is a key component of our remuneration arrangements for executives.

FY24

For the FY24 period, to ensure executive KMP's incentive structure is aligned with the creation of longer-term Group performance and shareholder value, the KPIs attaching to the STI program for executive KMPs were:

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

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

The STI target opportunity for the CEO and the CFO for the 2024 financial year are $160,000 and $50,000 respectively.

The LTI target opportunity for the CEO and the CFO for the 2024 financial year are $500,000 and $100,000 respectively.

The Board will consider the amount of the STI and LTI for CEO and CFO in respect of FY24 reporting year in August 2024.

FY23

In August 2023 the STI and LTI target outcomes for the CEO and CFO were resolved by the Board in consideration of the achievement of KPI outcomes from the FY23 year.

As a result, Jamie Twiss was paid a cash bonus of $250,000 (STI) and granted 1,234,568 performance rights (LTI), being 156% of the STI and 100% LTI target for FY23. Michael Bencsik was paid a cash bonus of $45,000 (STI) and granted 246,914 performance rights (LTI), being 90% of the STI and 100% of the LTI target for FY23.

Consolidated entity performance and link to remuneration

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

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

Use of remuneration consultants

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

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

Directors' Report continued

Remuneration Report (audited) continued

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

Details of remuneration

Amounts of remuneration

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

		Short-term benefits	Short-term benefits	Post-employment benefits	Share-based payments		
	Financial year	Cash salary and fees[1]	Cash bonus	Super-annuation	Equity-settled	Termination benefits	Total
		$	$	$	$	$	$
Non-Executive Directors							
Brian Hartzer	2024	181,818	–	20,000	–	–	201,818
	2023[2]	181,818	–	19,091	32,521	–	233,430
Daniel Moss	2024	82,500	–	9,075	–	–	91,575
	2023	82,500	–	8,473	32,521	–	123,494
Stefan Urosevic	2024	82,500	–	9,075	–	–	91,575
	2023	82,500	–	8,473	32,521	–	123,494
Patrick Tuttle	2024	92,148	–	10,136	–	–	102,284
	2023	87,500	–	9,188	32,521	–	129,209
Luke Bortoli	2024[2]	39,583	–	4,354	–	–	43,937
	2023	93,049	–	9,770	40,771	–	143,590
Other Key Management Personnel							
Jamie Twiss	2024	336,402	250,000	27,399	388,931	–	1,002,732
	2023	326,432	160,000	42,092	162,545	–	691,069
Michael Bencsik[3]	2024[2]	325,390	45,000	27,399	4,410	–	402,199
	2023	296,432	11,292	26,478	11,791	–	345,993
Total ($)	2024	1,140,341	295,000	107,438	393,341	–	1,936,120
	2023	1,187,295	171,292	127,457	352,712	–	1,838,756

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

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

3 Mr. Bencsik ceased as CFO on 28 June 2024.

Directors' Report continued

Remuneration Report (audited) continued

Remuneration linked to performance

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

	Fixed remuneration	At risk – STI	At risk – LTI
Name	**2024**	**2024**	**2024**
Non-Executive Directors			
Brian Hartzer	100.00%	–	–
Daniel Moss	100.00%	–	–
Stefan Urosevic	100.00%	–	–
Patrick Tuttle	100.00%	–	–
Luke Bortoli*	100.00%	–	–
Executive Key Management Personnel			
Jamie Twiss	36.00%	25.00%	39.00%
Michael Bencsik*	88.00%	11.00%	1.00%

* Represents remuneration up until the date of resignation.

Directors' Report continued

Remuneration Report (audited) continued

Service agreements

Name:	Jamie Twiss
Title:	Chief Executive Officer
Qualifications:	BA, MBA, MDS
Commencement date:	20 May 2021
Term of agreement:	Under Mr Twiss's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party six months' written notice (or by the Group making payment of his salary in lieu of part of or all of the notice period). Mr Twiss's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $365,793 (inclusive of superannuation). STI: Mr Twiss is eligible to participate in annual incentive and bonus schemes. LTI: Mr Twiss is entitled to participate in the Group's Long Term Incentive Plan ('LTIP').
Other benefits:	Mr Twiss may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the Group.

Name:	Michael Bencsik
Title:	Chief Financial Officer
Qualifications:	B Com, MBA, FCPA, FCCA, F FIN, GAICD, JP
Commencement date:	11 April 2022 (resigned on 28 June 2024)
Term of agreement:	Under Mr Bencsik's employment contract, either he or Beforepay Ops Pty Ltd may terminate his employment by giving the other party three months' written notice (or by the Group making payment of his salary in lieu of part of or all of the notice period). Mr Bencsik's employment contract contains post-employment restraints.
Details:	Fixed annual remuneration: $334,593 (inclusive of superannuation). STI: Mr Bencsik is eligible to participate in the Group's performance incentive plan and receive a discretionary annual bonus, dependent on the Group and Mr Bencsik meeting certain financial and performance objectives. LTI: Mr Bencsik is entitled to participate in the Group's LTIP. Further details on the options he has previously been granted under the LTIP (including vesting conditions) are set out below.
Other benefits:	Mr Bencsik may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the Group.

Shares and options issued to directors and other key management personnel

Issue of shares

Apart from the 13,471 shares issued to Mr Michael Bencsik on 18 October 2023, upon the exercise of his vested performance rights under the relevant employee share plan, no shares in the Group were issued to directors and other key management personnel as part of compensation for the reporting period ended 30 June 2024.

Directors' Report continued

Remuneration Report (audited) continued

Grant of options and/or performance rights

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

Name	Number of options/ performance rights	Exercise price	Grant Date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2024	Average fair value of options at grant date (post share split)[8]	Average fair value of options at 30 June 2024
Non-Executive Directors								
Brian Hartzer	60,600	$0.8793	05-Jul-21	Vested	05-Jul-31	60,600	$0.37	$0.29
	60,600	$0.8793	05-Jul-21	Market cap[2] of $250 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $500 million	05-Jul-31	–	$0.37	
	60,500	$0.8793	05-Jul-21	Market cap of $1 billion	05-Jul-31	–	$0.37	
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Daniel Moss	799,900	$1.3000	20-Sep-20	Vested	30-Jun-24	799,900	$0.25	$0.17
	83,613	$0.3887	30-Jun-22	Vested	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested	30-Jun-28	59,952	$0.17	
Stefan Urosevic	799,900	$1.3000	20-Sep-20	Vested	30-Jun-24	799,900	$0.25	$0.17
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Patrick Tuttle	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	$0.22
	17,800	$1.3000	16-Nov-20	Vested	30-Jun-24	17,800	$0.28	
	17,900	$1.3000	16-Nov-20	Vested	30-Jun-24	17,900	$0.28	
	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	
Luke Bortoli	83,613	$0.3887	30-Jun-22	Vested[7]	30-Jun-27	83,613	$0.09	$0.10
	75,000	$1.3000	21-Nov-22	Vested	21-Nov-27	75,000	$0.05	
	59,952	$0.5421	30-Jun-23	Vested[7]	30-Jun-28	59,952	$0.17	

Directors' Report continued

Remuneration Report (audited) continued

Name	Number of options/ performance rights	Exercise price	Grant Date	Vesting dates and performance conditions (if applicable)[1]	Expiry date	Number of options vested at 30 June 2024	Average fair value of options at grant date (post share split)[8]	Average fair value of options at 30 June 2024
Other Key Management Personnel								
Jamie Twiss	958,900	$0.8793	09-Jul-21	Vested	09-Jul-31	958,900	$0.17	$0.16
	239,800	$0.8793	09-Jul-21	20-May-25	09-Jul-31	–	$0.17	
	239,700	$0.8793	09-Jul-21	Market cap of $250 million	09-Jul-31	–	$0.17	
	239,800	$0.8793	09-Jul-21	Market cap of $500 million	09-Jul-31	–	$0.17	
	239,800	$0.8793	09-Jul-21	Market cap of $1 billion	09-Jul-31	–	$0.17	
	550,000	$0.2940	30-Jun-22	Vested	30-Jun-27	550,000	$0.04	
	550,000	$0.2940	30-Jun-22	275,000 on every 20 May	30-Jun-27	550,000	$0.04	
	1,100,000	$0.2940	30-Jun-22	Performance-based hurdles[4]	30-Jun-27	183,334	$0.04	
	1,442,308	$0.4450	21-Sep-22	480,769 each year[3]	21-Sep-27	480,769	$0.14	
	100,000	$0.4450	21-Sep-22	Vested	21-Sep-27	100,000	$0.14	
	100,000	$0.4450	21-Sep-22	50,000 on every 20 May	21-Sep-27	50,000	$0.14	
	200,000	$0.4450	21-Sep-22	Performance-based hurdles[4]	21-Sep-27	33,334	$0.14	
	411,523	$0.0000	12-Jan-24	13-Sep-24	12-Jan-29	–	$0.41	
	411,523	$0.0000	12-Jan-24	13-Sep-25	12-Jan-29	–	$0.41	
	411,523	$0.0000	12-Jan-24	13-Sep-26	12-Jan-29	–	$0.41	
Michael Bencsik	50,000	$0.4050	29-Apr-22	Vested	29-Apr-27	50,000	$0.11	$0.36
	137,500	$0.4050	29-Apr-22	12,500 every 3 months[5]	29-Apr-27	50,000	$0.11	
	13,471	$0.0000	21-Sep-22	Vested	21-Sep-27	13,471	$0.48	
	13,471	$0.0000	21-Sep-22	19-Sep-24	21-Sep-27	–	$0.48	
	13,471	$0.0000	21-Sep-22	19-Sep-25	21-Sep-27	–	$0.48	
	82,305	$0.0000	21-Dec-23	19-Sep-24	21-Dec-28	–	$0.41	
	82,305	$0.0000	21-Dec-23	19-Sep-25	21-Dec-28	–	$0.41	
	82,305	$0.0000	21-Dec-23	19-Sep-26	21-Dec-28	–	$0.41	

Directors' Report continued

Remuneration Report (audited) continued

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

All options and/or performance rights were granted over unissued fully paid ordinary shares in the Group. No options or performance rights have been exercised by any KMP in the reporting period except Mr Michael Bencsik, who exercised 13,471 of his performance rights in the reporting period. There have not been any alterations to the terms or conditions of the grant since the grant date. The number of options previously granted to executive KMPs was determined having regard to the satisfaction of performance measures and weightings in previous financial years.

The values of options and/or performance rights over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below. In addition, the related expense recognised in the financial statements for options granted and which vested during the year is also presented.

Name	Value of options/ performance rights granted during the year	Value of options/ performance rights exercised during the year	Value of options/ performance rights lapsed during the year	Remuneration consisting of options/ performance rights for the year
	$	$	$	%
Non-Executive Directors				
Brian Hartzer	–	–	–	–
Daniel Moss	–	–	33,276	–
Stefan Urosevic	–	–	33,276	–
Patrick Tuttle	–	–	2,552	–
Luke Bortoli	–	–	–	–
Other Key Management Personnel				
Jamie Twiss [1]	506,172	–	–	39%
Michael Bencsik [2]	–	–	–	–

Grant and value of performance rights
1 1,234,568 performance rights were issued to Jamie Twiss (CEO) on 12 January 2024.
2 246,914 (valued at $101,234) performance rights were issued to Michael Bencsik on 21 December 2023 which were forfeited upon his termination.

No performance rights were issued to directors as part of compensation for the reporting period ended 30 June 2024.

Directors’ Report continued

Remuneration Report (audited) continued

Additional disclosures relating to key management personnel

Equity holdings of key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions[1]	Other[2]	Balance at the end of the year
Ordinary shares					
Non-Executive Directors					
Brian Hartzer	284,294	–	–	–	284,294
Daniel Moss	858,029	–	40,520	–	898,549
Stefan Urosevic	749,825	–	15,000	–	764,825
Patrick Tuttle	29,326	–	–	–	29,326
Luke Bortoli	26,791	–	–	–	26,791
Other Key Management Personnel					
Jamie Twiss	434,663	–	–	–	434,663
Michael Bencsik	–	–	–	–	–
	2,382,928	**–**	**55,520**	**–**	**2,438,448**

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

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

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

Directors' Report continued

Remuneration Report (audited) continued

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other[1]	Balance at the end of the year
Options over ordinary shares					
Non-Executive Directors					
Brian Hartzer	385,765	–	–	–	385,765
Daniel Moss	943,465	–	–	(799,900)	143,565
Stefan Urosevic	943,465	–	–	(799,900)	143,565
Patrick Tuttle	197,065	–	–	(53,500)	143,565
Luke Bortoli	218,565	–	–	(218,565)	–
	–	–	–	–	–
Other Key Management Personnel					
Jamie Twiss	5,960,308	–	–	–	5,960,308
Michael Bencsik	200,000	–	–	(100,000)	100,000
	8,848,633	**–**	**–**	**(1,971,865)**	**6,876,768**

1 218,565 options held by Mr. Bortoli lapsed on the date he ceased to be a KMP (i.e. 22 November 2023).

No other options granted to KMP were forfeited or lapsed during the year ended 30 June 2024.

Performance rights holding

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Non-Executive Directors	–	–	–	–	–
Brian Hartzer	–	–	–	–	–
Daniel Moss	–	–	–	–	–
Stefan Urosevic	–	–	–	–	–
Patrick Tuttle	–	–	–	–	–
Luke Bortoli	–	–	–	–	–
Other Key Management Personnel					
Jamie Twiss	–	1,234,568	–	–	1,234,568
Michael Bencsik	40,413	246,914	–	(287,327)	–
	40,413	**1,481,482**	**–**	**(287,327)**	**1,234,568**

Directors' Report continued

Remuneration Report (audited) continued

Loans to key management personnel and their related parties

There were no loans to key management personnel of the Group, including their personally related parties, during the year ended 30 June 2024 (2023: $nil).

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel and their personally related parties, during the year ended 30 June 2024 (2023: $nil).

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
24 July 2019	1 January 2025	$0.38	79,876
15 August 2020	15 August 2025	$0.44	7,190
19 August 2020	19 August 2025	$0.44	29,052
30 September 2020	30 September 2025	$0.20	1,650
1 November 2020	1 November 2025	$0.20	2,064
2 December 2020	2 December 2025	$0.20	35,628
4 January 2021	4 January 2026	$0.88	6,587
1 February 2021	1 February 2026	$0.88	10,647
22 February 2021	22 February 2026	$0.88	7,000
5 July 2021	5 July 2031	$0.88	242,200
9 July 2021	9 July 2026	$0.88	959,000
21 July 2021	21 July 2026	$0.88	9,852
1 September 2021	1 September 2026	$0.88	430,680
21 October 2021	1 August 2026	$1.30	20,000
29 April 2022	29 April 2027	$0.41	483,646
30 June 2022	30 June 2027	$0.39	334,452
30 June 2022	30 June 2027	$0.29	2,780,556
21 September 2022	21 September 2027	$0.45	1,842,308
30 June 2023	30 June 2028	$0.54	239,808
21 December 2023	21 December 2028	$0.41	250,000
			7,772,196

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

Directors' Report continued

Shares under performance rights

There were 188,879 ordinary shares of Beforepay Group Limited issued upon exercise of performance rights at the date of this report.

Shares issued on the exercise of options and performance rights

The following ordinary shares of Beforepay Group Limited were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
1 July 2019	$0.38	173,064
17 November 2020	$0.20	100,000
17 November 2020	$0.20	30,100
20 December 2020	$0.20	59,352
29 April 2022	$0.40	62,500
1 January 2021	$0.20	90,400
29 April 2022	$0.40	151,235
22 September 2022[1]	$0.00	188,879
		855,530

1 13,471 shares were issued to Michael Bencsik on September 2023 upon vesting and exercise.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties and resulting liabilities, losses, damages, costs and expenses arising from the audit (for an unspecified amount). This indemnity does not extend to matters finally determined to have arisen from Ernst & Young's negligent, wrongful or wilful acts or omissions.

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

Directors' Report continued

Proceedings on behalf of the Group

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

Non-audit services

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

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

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

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

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Brian Hartzer
Chair

Date: 27 August 2024
Sydney

Auditor's Independence Declaration

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's independence declaration to the directors of Beforepay Group Limited

As lead auditor for the audit of the financial report of Beforepay Group Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
27 August 2024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Note	Consolidated 2024 $	Consolidated 2023 $
Revenue			
Revenue from contracts with customers	5	35,313,322	30,709,142
Other income	6	7,979	1,383,922
Interest income		28,593	13,806
Expenses			
Direct service cost		(1,524,042)	(1,989,475)
Employee benefits expense	7	(6,858,866)	(9,808,793)
Depreciation and amortisation expense	7	(512,724)	(483,694)
Other non-operational expenses		(58,017)	(292,061)
Expected credit losses expense	10	(10,201,549)	(14,160,451)
Occupancy expenses		(53,489)	(39,088)
Advertising and marketing expenses		(3,542,139)	(5,243,553)
Professional and consultancy expenses		(1,717,174)	(1,511,672)
Software licences		(55,982)	(10,955)
Technical suppliers		(1,142,387)	(942,597)
Other expenses		(1,387,001)	(1,012,095)
Finance costs	7	(4,432,780)	(3,247,899)
Profit/(loss) before income tax expense		**3,863,744**	**(6,635,463)**
Income tax expense	8	–	–
Profit/(loss) after income tax expense for the year attributable to the owners of Beforepay Group Limited		**3,863,744**	**(6,635,463)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income/(loss) for the year attributable to the owners of Beforepay Group Limited		**3,863,744**	**(6,635,463)**

	Note	$	$
Basic earnings per share	33	0.07	(0.14)
Diluted earnings per share	33	0.07	(0.14)

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

Statement of Financial Position

As at 30 June 2024

	Note	Consolidated 2024	Consolidated 2023
		$	$
Assets			
Current assets			
Cash and cash equivalents	9	19,227,764	21,777,857
Trade and other receivables	10	50,182,548	41,809,245
Right-of-use assets	13	–	366,736
Other assets	11	829,035	854,951
Total current assets		70,239,347	64,808,789
Non-current assets			
Property, plant and equipment	12	62,036	108,142
Intangibles	14	1,101,709	63,027
Right-of-use assets	13	1,560,854	–
Other assets	11	527,673	193,310
Total non-current assets		3,252,272	364,479
Total assets		**73,491,619**	**65,173,268**
Liabilities			
Current liabilities			
Trade and other payables	15	4,679,775	4,307,237
Borrowings	16	–	33,285,145
Lease liabilities	17	275,078	401,941
Employee benefits		275,542	310,707
Total current liabilities		5,230,395	38,305,030
Non-current liabilities			
Borrowings	16	36,411,772	–
Lease liabilities	17	1,314,622	–
Provisions	18	3,040	40,814
Total non-current liabilities		37,729,434	40,814
Total liabilities		**42,959,829**	**38,345,844**
Net assets		**30,531,790**	**26,827,424**
Equity			
Issued capital	19	80,478,664	80,271,145
Reserves	20	1,399,114	1,766,011
Accumulated losses		(51,345,988)	(55,209,732)
Total equity		**30,531,790**	**26,827,424**

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

Statement of Changes in Equity

For the year ended 30 June 2024

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	80,271,145	1,766,011	(55,209,732)	26,827,424
Profit after income tax expense for the year	–	–	3,863,744	3,863,744
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	3,863,744	3,863,744
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	207,519	–	–	207,519
Share-based payments (note 32)	–	(366,897)	–	(366,897)
Balance at 30 June 2024	80,478,664	1,399,114	(51,345,988)	30,531,790

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

Statement of Cash Flows

For the year ended 30 June 2024

	Note	Consolidated 2024 $	2023 $
Cash flows from operating activities			
Receipts from repayment of customers advances		691,631,887	604,969,723
Receipts of income		34,679,510	25,110,381
Payments to suppliers and employees		(16,630,531)	(19,181,039)
Advances to customers		(709,597,600)	(627,950,414)
Interest received		28,593	13,806
Interest and other finance costs paid		(4,150,212)	(2,880,469)
Research and development rebate received		–	1,371,804
Commission income		1,742	12,118
Net cash used in operating activities	31	(4,036,611)	(18,534,090)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(63,016)	(16,709)
Proceeds from disposal of property, plant and equipment	12	1,997	–
Capitalised employee costs for software development	14	(1,101,712)	–
Net cash used in investing activities		(1,162,731)	(16,709)
Cash flows from financing activities			
Proceeds from issue of shares	19	207,519	3,520
Proceeds from borrowings		37,260,638	12,348,130
Borrowings transaction costs		(1,131,822)	(41,508)
Repayment of borrowings		(33,285,145)	–
Repayment of lease liabilities		(401,941)	(348,731)
Net cash from financing activities		2,649,249	11,961,411
Net decrease in cash and cash equivalents		(2,550,093)	(6,589,388)
Cash and cash equivalents at the beginning of the financial year		21,777,857	28,367,245
Cash and cash equivalents at the end of the financial year	9	19,227,764	21,777,857

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

Notes to the Financial Statements

30 June 2024

Note 1. General information

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

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

(from 11 June 2024)
Suite 1, Level 9
77 Castlereagh Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 17 Insurance contracts

AASB 17 was issued in July 2017 and is applicable for annual reporting periods beginning on or after 1 January 2023 (as deferred by AASB 2020-5).

AASB 17 replaces AASB 4 '*Insurance Contracts*', AASB 1023 *'General Insurance Contracts'* and AASB 1038 *'Life Insurance Contracts'* and will enhance comparability of accounting between products, companies and across jurisdictions by establishing principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, including reinsurance contracts held and investment contracts with a discretionary participation feature. The standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract. AASB 17:

> Insurance obligations will be accounted for using current values. The information needs to be updated regularly, thus providing more useful information to the users of financial statements. Further key principles of AASB 17 include the following:
>
> - insurance contracts are those where the entity accepts significant insurance risk from the policyholder;
> - accounted for separately are specified embedded derivatives, direct investment components and performance obligations within the insurance contract;

Notes to the Financial Statements continued

- division of contracts into groups that are recognised and measured at a risk-adjusted present value of the future fulfilment cash flows plus or minus unearned profits;
- the profit from contract groups is recognised over the insurance coverage period, with anticipated losses recognised immediately; and
- disclosure of information so as to assess the effect that contracts have on the financial position, financial performance and cash flows of the entity, including qualitative and quantitative information about amounts recognised, significant judgements made and the nature and extent of the risks from insurance contracts.

AASB 17 also makes consequential amendments to other standards affected by the release of this standard.

Assessment of impact

AASB 17 makes reference to 'Professional Indemnity, Directors & Officers Liability, Cybersecurity and Business Insurance contracts' as an example of a contract that may have significant insurance risk. Consequently, the Group undertook a detailed assessment of whether AASB 17 applies to its Professional Indemnity, Directors & Officers Liability, Cybersecurity and Business Insurance contracts by analysing those contracts to determine whether significant insurance risk exists. This assessment included a comprehensive review of a representative sample of the Group's existing prepaid contracts which included determining the possibility of a loss on a present value basis. Based on this assessment, the Group concluded that the existing Professional Indemnity, Directors & Officers Liability, Cybersecurity and Business Insurance contracts do not contain significant insurance risk as defined in AASB 17.

Going concern

During the year ended 30 June 2024, the Group incurred a profit after tax of $3,863,744 (2023: loss of $6,635,463) and had net operating cash outflows of $4,036,611 (2023: $18,534,090) and net investing cash outflows of $1,162,731 (2023: $16,709). Further, the Group has a net current assets position of $65,008,952 at 30 June 2024 (2023: $26,503,759), as well as net assets position of $30,531,790 (2023: $26,827,424).

On 18 October 2023, Beforepay Finance Pty Ltd, a subsidiary of Beforepay Group Limited, secured a new debt facility agreement for a three-year term, with a total facility amount of AUD 55,000,000 with AMAL Trustees Pty Ltd as trustee for Longreach Direct Lending Fund ('Longreach') and Australian Commercial Mortgage Corporation Pty Ltd as trustee for the Australian AB Finance Trust ('Balmain Group') (Balmain Group and Longreach as 'lenders'). The new debt facility was used to refinance the prior debt facility with Longreach and to support continued growth in the Group's loan book. Refer to note 16 for further details.

The directors believe that the funds available from existing cash reserves and debt facilities will provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12 months from the date of signing these financial statements.

The financial statements have been prepared on a going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

Notes to the Financial Statements continued

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Beforepay Group Limited (company or parent entity) as at 30 June 2024 and the results of all subsidiaries for the year then ended. Beforepay Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Operating segments

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

Revenue recognition

The Group recognises revenue as follows:

Revenue

Revenue is recognised over the period in which customer pay advances are made up until their repayment, applying an effective interest rate method. Revenue is calculated and charged based on a fixed percentage applied to the amount advanced.

Notes to the Financial Statements continued

Interest revenue

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

Research and development tax incentive

The Group has adopted the income approach to accounting for research and development tax offsets pursuant to AASB 120 *'Accounting for Government Grant and Disclosure of Government Assistance'* whereby the incentive is recognised in profit or loss on a systematic basis over the periods in which the consolidated entity recognises the eligible expenses. Where the incentive is directly attributable to the acquisition of property, plant and equipment, the incentive is used to offset the initial cost incurred.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Notes to the Financial Statements continued

Cash and cash equivalents

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

Trade receivables and customer advances receivable

Customer advances receivable

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

Allowance for expected credit losses on customer advances receivable

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

Due to the short-term nature of the customer receivables, the ECLs effectively approximate a measurement of their lifetime ECL. The Group uses ageing data of customer advances receivable as the basis for assigning relevant and appropriate provisioning rates, given the short duration of customer payment terms (maximum 62 days).

At each reporting date, the Group assesses whether there has been a significant increase in credit risk since the initial recognition of any individual or group of customer advances and recognises a related impairment loss equal to the difference between the carrying amount of the advance and the present value of the estimated future cash flows discounted at the original effective interest rate. If there has not been a significant increase in credit risk, the Group recognises a general provision for impairment based on historical loss experience and other relevant factors adjusted as necessary for the most recent credit loss information.

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

The Group has defined these stages as follows:

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

Receivables are written off when the Group has no reasonable expectation of recovery. Any subsequent recoveries following write-off are credited to expected credit loss expense within the Consolidated Statement of profit or loss and other comprehensive income in the period in which they were recovered.

Notes to the Financial Statements continued

Property, plant and equipment

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

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

Computer equipment	2-3 years
Office equipment	5 years
Leasehold improvements	Lease term

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

Right-of-use assets

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

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

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

Intangible assets

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

Research and development

Research costs are expensed in the period in which they are incurred. Software development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-4 years. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised if the recoverable amount is less than the carrying amount.

Notes to the Financial Statements continued

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

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

Lease liabilities

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

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

Finance costs

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

Provisions

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

Notes to the Financial Statements continued

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option or performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option or performance right, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

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

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

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

Notes to the Financial Statements continued

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax (GST) and other similar taxes

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 *Presentation and Disclosure in Financial Statements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2027, and early adoption is permitted. The standard replaces AASB 101 *'Presentation of Financial Statements'*, with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and

Notes to the Financial Statements continued

disaggregation), including whether to present this information in the primary financial statements or in the notes. The Group will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2024. Early adoption is permitted where AASB 2020-1 is also early adopted.

These standards amend AASB 101 *'Presentation of Financial Statements'* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

The Group has already adopted the standard and as such expects these amendments to not have an impact on its financials.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

Judgement is applied in measuring the allowance for ECL's and determining whether the risk of default has increased materially since initial recognition of the customer pay advances.

The Group considers both quantitative and qualitative information, including historical loss experience based on customer demographic data and the proportion of defaults over time in determining the probability of default. The Group also considers forward looking adjustments, such as macroeconomic forecasts and seasonality trends, in particular the recent rise in interest rates that may impact a customer's ability to repay advances in a timely manner. This inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECL.

Notes to the Financial Statements continued

The Group utilises general provisioning in estimating credit losses that is based on historical loss experience and other relevant factors, such as current economic conditions and the credit quality of the portfolio. It is a simplified approach that does not take into account the specific credit risk of individual financial instruments and is used when the credit risk of the portfolio is relatively stable and there have not been significant changes in economic conditions or the credit quality of the portfolio.

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

Capitalisation of software development and employee costs

The Group capitalises employee costs that are directly attributable to the development of a qualifying intangible asset. This requires significant judgement in determining whether the asset qualifies as an intangible asset based on the following criteria per AASB 138:

- Technical feasibility of completing the software so that it will be available for use or sale is demonstrated;
- The Group intends to complete the software and use or sell it;
- The Group has the ability to use or sell the software;
- The software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The Group can reliably measure the expenditure attributable to the intangible asset during its development.

The Group assesses the nature of the work performed by employees to determine whether it directly relates to the construction or development of the asset. Costs that are capitalised include salaries, wages, and other employee-related expenses that are directly attributable to the creation of an asset.

In capitalising employee costs, management makes assumptions regarding the amount of time employees spend on capital projects versus operational tasks. These estimates are based on timesheet data, project management records, and management's expectations of project timelines and employee involvement.

Note 4. Operating segments

Identification of reportable operating segments

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

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

During the current and previous financial years, the Group did not have any major customers due to the nature of services provided.

Notes to the Financial Statements continued

Note 5. Revenue from contracts with customers

	Consolidated	
	2024	2023
	$	$
Revenue	35,313,322	30,709,142

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

All revenue is derived in Australia.

Note 6. Other income

	Consolidated	
	2024	2023
	$	$
Research and development tax incentive	–	1,371,804
Commission income	1,742	12,118
Other	6,237	–
Other income	7,979	1,383,922

Research and development tax incentive

In FY24, the Group exceeded the $20 million income threshold, resulting in a non-refundable tax offset for Research and Development ('R&D') undertaken during that year. This offset, received in the year ended 30 June 2024, can be applied against the Group's taxable profit to reduce the tax liability. R&D tax incentive from the government is recognised at its fair value when there is reasonable assurance that the incentive will be received and that the Group will comply with all attached conditions. R&D tax incentive relating to costs are deferred and recognised in the profit and loss over the periods necessary to match them with the costs that they are intended to compensate.

Commission income

Commission income was received during the year ended 30 June 2024 and relates to the Group's Compare and Save platform, powered by CIMET, which allows customers to compare and directly switch to a range of electricity, gas, mobile and internet providers.

Notes to the Financial Statements continued

Note 7. Expenses

	Consolidated	
	2024	2023
	$	$
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	27,929	27,929
Computer equipment	22,509	58,945
Office equipment	666	537
Right-of-use assets	398,590	365,700
Total depreciation	449,694	453,111
Amortisation		
Development costs	63,030	30,583
Total depreciation and amortisation	512,724	483,694
Finance costs		
Interest and finance charges paid/payable on borrowings	4,128,669	2,822,591
Interest and finance charges paid/payable on lease liabilities	21,543	57,878
Unwinding of the discount on provisions	(388)	3,678
Amortisation of loan establishment fees	282,956	363,752
	4,432,780	3,247,899
Net loss on disposal		
Net loss on disposal of property, plant and equipment	56,516	–
Leases		
Short-term lease payments	53,489	39,088
Employee benefits expense		
Employee benefits expense excluding share-based payments	6,588,726	8,402,796
Share-based payments expense	(366,897)	831,671
Defined contribution superannuation expense	637,037	574,326
	6,858,866	9,808,793

Notes to the Financial Statements continued

Note 8. Income tax

	Consolidated	
	2024	2023
	$	$
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(389,476)	(103,400)
Increase in deferred tax liabilities	389,476	103,400
Deferred tax – origination and reversal of temporary differences	–	–
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	3,863,744	(6,635,463)
Tax at the statutory tax rate of 25%	965,936	(1,658,866)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	(91,724)	207,918
Non-assessable research and development incentive	–	(342,951)
Other non-deductible expenses	4,273	2,980
Tax losses and temporary differences not recognised as deferred tax assets	(878,485)	1,790,919
Income tax expense	–	–

	Consolidated	
	2024	2023
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	20,696,940	26,983,173
Potential tax benefit @ 25%	5,174,235	6,745,793

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses are carried forward indefinitely and can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed and the Group has sufficient future taxable income against which to utilise these losses. All of these tax losses are revenue in nature.

Notes to the Financial Statements continued

	Consolidated 2024 $	Consolidated 2023 $
Deferred tax assets not recognised – temporary differences		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	1,438,192	2,213,393
Payables and accrued expenses	801,007	664,818
Provisions	69,645	224,005
Leases	399,653	100,486
Financing costs	–	2,570,697
Capital raising costs	232,312	175,144
Total deferred tax assets not recognised at 25% (2023: 25%)	2,940,809	5,948,543

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

	Consolidated 2024 $	Consolidated 2023 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued and provided for expenses	389,476	103,400
Offset against deferred tax liabilities	(389,476)	(103,400)
Deferred tax asset	–	–
Movements:		
Opening balance	–	–
Credited to profit or loss	389,476	103,400
Offset against deferred tax liabilities	(389,476)	(103,400)
Closing balance	–	–

Notes to the Financial Statements continued

	Consolidated	
	2024	2023
	$	$
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	–	15,045
Property, plant and equipment and leases	(389,476)	88,355
Offset by deferred tax assets	389,476	(103,400)
Deferred tax liability	–	–
Movements:		
Opening balance	–	–
Charged to profit or loss	389,476	103,400
Offset by deferred tax assets	(389,476)	(103,400)
Closing balance	–	–

Note 9. Cash and cash equivalents

	Consolidated	
	2024	2023
	$	$
Current assets		
Cash at bank	18,864,335	21,404,446
Cash held by service providers	363,429	373,411
	19,227,764	21,777,857

The cash-on-hand figure of $19,227,764 excludes $6,030,225 in cash held by third parties to fund customer advances (2023: $21,777,857 excludes $5,315,938 in cash held by third parties to fund advances). These are included in Note 10 as Other Receivables

Notes to the Financial Statements continued

Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	$	$
Current assets		
Receivables – customer advances	46,249,504	39,900,314
Less: Allowance for expected credit losses	(5,752,767)	(6,284,756)
	40,496,737	33,615,558
Other receivables	9,663,295	8,131,016
GST receivable	22,516	62,671
	50,182,548	41,809,245

During the year ended 30 June 2024, the Group issued customer advances totalling $709,597,600 (2023: $627,950,414).

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

Allowance for expected credit losses and bad debts

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

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

	Consolidated	
	2024	2023
	$	$
Historical defaults recovered	(7,640,137)	(6,183,812)
Expected credit losses provided for	17,841,686	20,344,263
	10,201,549	14,160,451

Notes to the Financial Statements continued

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

	Expected credit loss rate[1]		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
Consolidated	%	%	$	$	$	$
Current (not yet due)	3.6%	4.2%	38,903,313	32,901,966	1,408,634	1,389,526
Past due to 61 days	49.8%	60.6%	5,974,478	5,340,481	2,972,420	3,237,363
62+ days	100.0%	100.0%	1,371,713	1,657,867	1,371,713	1,657,867
			46,249,504	39,900,314	5,752,767	6,284,756

1 Expected credit loss rate is calculated gross of defaults recovered

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

	Consolidated	
	2024	2023
	$	$
Opening balance	6,284,756	3,858,106
Additional provisions recognised	17,841,686	20,344,263
Receivables written off during the year as uncollectable	(10,733,538)	(11,733,801)
Unused amounts reversed	(7,640,137)	(6,183,812)
Closing balance	5,752,767	6,284,756

Note 11. Other assets

	Consolidated	
	2024	2023
	$	$
Current assets		
Prepayments	829,035	854,951
Non-current assets		
Security deposits	527,673	193,310
	1,356,708	1,048,261

Notes to the Financial Statements continued

Note 12. Property, plant and equipment

	Consolidated 2024	Consolidated 2023
	$	$
Non-current assets		
Leasehold improvements – at cost	–	139,645
Less: Accumulated depreciation	–	(55,199)
	–	84,446
Computer equipment – at cost	274,027	216,100
Less: Accumulated depreciation	(214,120)	(195,199)
	59,907	20,901
Office equipment – at cost	3,332	3,332
Less: Accumulated depreciation	(1,203)	(537)
	2,129	2,795
	62,036	108,142

The Group moved offices in June 2024 and as such has fully written down the leasehold improvement costs relating to the old office.

Reconciliations

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

Consolidated	Leasehold improvements $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2022	112,375	66,469	–	178,844
Additions	–	14,724	3,332	18,056
Transfers in/(out)	–	(1,347)	–	(1,347)
Depreciation expense	(27,929)	(58,945)	(537)	(87,411)
Balance at 30 June 2023	84,446	20,901	2,795	108,142
Additions	–	63,016	–	63,016
Disposals	(56,517)	(1,501)		(58,018)
Transfers in/(out)	–	–	–	–
Depreciation expense	(27,929)	(22,509)	(666)	(51,104)
Balance at 30 June 2024	–	59,907	2,129	62,036

Notes to the Financial Statements continued

Note 13. Right-of-use assets

	Consolidated 2024 $	Consolidated 2023 $
Current assets		
Buildings – right-of-use	1,094,041	1,094,041
Less: Accumulated depreciation	(1,094,041)	(727,305)
	–	366,736
Non-current assets		
Buildings – right-of-use	1,592,708	–
Less: Accumulated depreciation	(31,854)	–
	1,560,854	–
	1,560,854	366,736

From 11 June 2024, the Group had a change of registered office and principal place of business address. As part of the new lease agreement, the Group received a two-month lease incentive with a total value of $132,926 which has been recognised in the calculation of the right-of-use asset and lease liability over the contractual lease term of 4 years. The Group leases an office space for it operations under agreement for a period of 4 years ending 31 July 2028, with no option to extend at the Group's discretion.

Reconciliations

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

Consolidated	Buildings – right-of-use $
Balance at 1 July 2022	732,436
Depreciation expense	(365,700)
Balance at 30 June 2023	366,736
Additions	1,592,708
Depreciation expense	(398,590)
Balance at 30 June 2024	1,560,854

For other AASB 16 lease disclosures refer to:

- note 7 for depreciation on right-of-use assets, interest on lease liabilities and other lease expenses;
- note 17 for lease liabilities at the reporting date;
- note 22 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

Notes to the Financial Statements continued

Note 14. Intangibles

	Consolidated	
	2024	2023
	$	$
Non-current assets		
Development – at cost	1,545,865	444,153
Less: Accumulated amortisation	(444,156)	(381,126)
	1,101,709	63,027

The Group started capitalising software development costs in accordance with AASB 138 in the second half of FY24. These costs pertain to work done on Carrington Labs and the development of the larger for longer loans offering. Costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-4 years. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised if the recoverable amount is less than the carrying amount.

Reconciliations

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

	Development costs
Consolidated	$
Balance at 1 July 2022	93,610
Amortisation expense	(30,583)
Balance at 30 June 2023	63,027
Additions	1,101,712
Amortisation expense	(63,030)
Balance at 30 June 2024	1,101,709

Notes to the Financial Statements continued

Note 15. Trade and other payables

	Consolidated	
	2024	2023
	$	$
Current liabilities		
Trade and settlement payables	1,027,169	1,014,821
Accrued expenses	3,652,606	3,164,474
Other payables	–	127,942
	4,679,775	4,307,237

Refer to note 22 for further information on financial instruments.

Settlement payable

On 31 October 2021, Beforepay Ops Pty Limited entered into a deed of settlement with a supplier in respect of a dispute that arose during late September and October 2021. In consideration of the settlement and the grant of a license to Beforepay Ops Pty Limited and its related bodies corporate, Beforepay Ops Pty Limited will, amongst other things, make monthly payments to the supplier from October 2021 to May 2024, totalling $1,584,000 (GST inclusive). The settlement resulted in an expense and a corresponding payable of $1,584,000, recognised in the income statement during the year ended 30 June 2022. The settlement payments have been fully settled as at May 2024 and there are no outstanding payments to be made as at 30 June 2024.

Note 16. Borrowings

	Consolidated	
	2024	2023
	$	$
Current liabilities		
Loan – Longreach	–	33,285,145
Non-current liabilities		
Loan – Longreach	17,260,638	–
Loan – Balmain Group	20,000,000	–
Loan establishment fees	(848,866)	–
	36,411,772	–
	36,411,772	33,285,145

Notes to the Financial Statements continued

Loan – Longreach and Balmain Group

On 18 October 2023, Beforepay Finance Pty Ltd, a subsidiary of Beforepay Group Limited, entered into a debt facility agreement with Balmain Group and Longreach as lenders. The borrowers and guarantors have granted an "all assets" security to the lenders. Further, each of Beforepay Finance Pty Ltd (as borrower), Beforepay Ops Pty Ltd and Beforepay IP Pty Ltd (as guarantors) have granted first ranking security to the Lenders over all of their present and after acquired assets. Beforepay Group Limited has granted security under a specific security deed over its shares in each of these subsidiaries.

The secured debt facility has a limit of $55,000,000 and expires on the maturity date of 15 October 2026. The new debt facility has been used to refinance the existing debt facility with Longreach and to support continued growth in the Group's loan book.

The key terms of the new facility agreement include:

- $55,000,000 facility ($35,000,000 Longreach + $20,000,000 Balmain Group) for 3 years to 15 October 2026 with the potential to extend the total facility size in a future period.
- The facility limit is the lower of (1) the maximum commitment at the relevant time, and (2) the borrowing base (defined below).
- The borrowing base is relevant to the facility limit. The borrowing base in broadly 80% of the value of eligible receivables outstanding at the relevant date plus the amount of funds held in a bank account secured in favour of the security trustee for the lenders. For the purpose of the borrowing base calculation, eligible receivables means the aggregate amount owing for all loans advanced by Beforepay Finance Pty Ltd to its customers which are less than 30 days overdue.
- Beforepay Finance Pty Ltd, Beforepay Ops Pty Ltd and Beforepay IP Pty Ltd have granted first ranking security to the Lenders over all of their present and after acquired assets. The Group has granted security under a specific security deed over its shares in each of these subsidiaries.
- Mandatory prepayment occurs if the amounts drawn under the facility exceed the amount of the borrowing base (defined above) at any time, then the Group must either repay that amount or transfer that amount to an agreed bank account secured in favour of the security trustee for the lenders.
- In accordance with the ASX announcement on 18 October 2023, the interest payable lies between 12.25% and 13.25% per annum depending on a performance ratio linked to EBITDA.
- Upfront fees and costs of c. 1.7% on the $55,000,000 balance.

The Facility Agreement contains financial covenants and other undertakings customary for facilities of this nature. An event of default will occur under the facility agreement if (among other things) Beforepay Finance Pty Ltd breaches the financial covenants. The agreement contains other events of defaults customary for a facility of this nature, including a circumstance or event which would have a material adverse effect.

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

Notes to the Financial Statements continued

Financing arrangements

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

	Consolidated 2024 $	Consolidated 2023 $
Total facilities		
Loan – Longreach	35,000,000	45,000,000
Loan – Balmain Group	20,000,000	–
	55,000,000	45,000,000
Used at the reporting date		
Loan – Longreach	17,260,638	33,285,145
Loan – Balmain Group	20,000,000	–
	37,260,638	33,285,145
Unused at the reporting date		
Loan – Longreach	17,739,362	11,714,855
Loan – Balmain Group	–	–
	17,739,362	11,714,855

Refer to note 22 for further information on financial instruments.

Note 17. Lease liabilities

	Consolidated 2024 $	Consolidated 2023 $
Current liabilities		
Lease liability	275,078	401,941
Non-current liabilities		
Lease liability	1,314,622	–
	1,589,700	401,941

Notes to the Financial Statements continued

Reconciliations

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

	Consolidated	
	2024	2023
	$	$
Lease liability as at start of the year	401,941	750,672
Additions	1,589,700	–
Accretion of interest	21,543	57,878
Payments – principal	(401,941)	(348,731)
Payments – interest	(21,543)	(57,878)
Lease liability as at end of the year	1,589,700	401,941

Note 18. Provisions

	Consolidated	
	2024	2023
	$	$
Non-current liabilities		
Lease make good	3,040	40,814

Lease make good

The Group leases land and buildings for its offices under agreement for a period of 4 years with the option to extend at the Group's discretion. The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms. The Group moved offices as at June 2024 and entered into a new 4 year lease agreement with no option to extend.

Movements in provisions

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

	Lease make good
Consolidated – 2024	$
Carrying amount at the start of the year	40,814
Amounts used	(37,774)
Carrying amount at the end of the year	3,040

Notes to the Financial Statements continued

Note 19. Issued capital

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	$	$
Ordinary shares – fully paid	47,335,412	46,479,882	80,478,664	80,271,145

Movements in ordinary share capital

Details	Date	Number of Shares	$	$
Balance	1 July 2022	46,462,282		80,267,625
Shares issued on exercise of share options	19 January 2023	17,600	$0.20	3,520
Balance	1 July 2023	46,479,882		80,271,145
Shares issued on exercise of share options	28 July 2023	100,000	$0.20	20,000
Shares issued on exercise of share options	28 July 2023	62,500	$0.40	25,313
Shares issued on exercise of share options	18 October 2023	188,879	$0.00	–
Shares issued on exercise of share options	3 November 2023	90,400	$0.20	18,080
Shares issued on exercise of share options	22 November 2023	30,100	$0.20	6,020
Shares issued on exercise of share options	20 March 2024	59,352	$0.20	11,870
Shares issued on exercise of share options	10 June 2024[1]	151,235	$0.41	61,250
Shares issued on exercise of share options	21 June 2024	173,064	$0.38	64,986
Balance	30 June 2024	47,335,412		80,478,664

1 The timing of issue of shares is within 20 business days after a cleansing notice is able to be issued in respect of the Group.

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

Notes to the Financial Statements continued

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

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

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

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

Note 20. Reserves

	Consolidated	
	2024	2023
	$	$
Share-based payments reserve	1,399,114	1,766,011

Share-based payments reserve

The reserve is used to recognise the value of unvested equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Refer to note 32 for further information on share-based payments.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments
Consolidated	$
Balance at 1 July 2022	934,340
Share-based payments	831,671
Balance at 30 June 2023	1,766,011
Share-based payments lapsed	(366,897)
Balance at 30 June 2024	1,399,114

Note 21. Dividends

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

Notes to the Financial Statements continued

Note 22. Financial instruments

Financial risk management objectives

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

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

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

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

Market risk

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. As at the reporting date, the Group's borrowings are issued at fixed interest rates. Fixed interest rates on borrowings can expose an entity to interest rate risk if market interest rates change after the borrowing has been made, which can cause the fair value of the borrowing to fluctuate.

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

	2024		2023	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$	%	$
Loan – Longreach	11.08%	17,260,638	9.50%	33,285,145
Loan – Balmain Group	12.83%	20,000,000	–	–
Net exposure to cash flow interest rate risk		37,260,638		33,285,145

Notes to the Financial Statements continued

An analysis by remaining contractual maturities is shown in 'Liquidity risk' below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment on those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral against its customer advances.

Generally, customer advances are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 62 days from the date of advance issuance.

The Group does not have any significant credit risk exposure to any single customer. It assesses credit risk across its portfolio of customer advances as described in note 10.

The entity is exposed to significant credit risk concentration with key banks through its cash balances however manages such risk by using large reputable financial institutions.

The carrying amount of financial assets recorded in the statement of financial position, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2024	2023
	$	$
Loan – Longreach	17,739,362	11,714,855
Loan – Balmain Group	–	–
	17,739,362	11,714,855

Remaining contractual maturities

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

Notes to the Financial Statements continued

Consolidated – 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing						
Trade payables	–	1,027,169	–	–	–	1,027,169
Interest-bearing – fixed rate						
Lease liability	12.25%	435,388	492,438	1,089,279	–	2,017,104
Loan – Longreach	11.08%	–	–	17,260,638	–	17,260,638
Loan – Balmain Group	12.83%	–	–	20,000,000	–	20,000,000
Total non-derivatives		1,462,557	492,438	38,349,916	–	40,304,911

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

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

Note 23. Fair value measurement

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

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Notes to the Financial Statements continued

Note 24. Key management personnel disclosures

Compensation

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

	Consolidated	
	2024	2023
	$	$
Short-term employee benefits	1,435,341	1,358,587
Post-employment benefits	107,438	127,457
Share-based payments	393,341	352,712
	1,936,120	1,838,756

Note 25. Remuneration of auditors

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

	Consolidated	
	2024	2023
	$	$
Audit services – Ernst & Young		
Audit or review of the financial statements	319,000	319,000
Other services – Ernst & Young		
Remuneration and taxation advice	45,000	43,450
	364,000	362,450

Note 26. Contingent liabilities

	Consolidated	
	2024	2023
	$	$
Bank guarantees	278,636	193,310

Notes to the Financial Statements continued

Note 27. Commitments

The Group had no capital commitments as at 30 June 2024 and 30 June 2023.

Note 28. Related party transactions

Parent entity

Beforepay Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

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

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Notes to the Financial Statements continued

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	$	$
Profit/(loss) after income tax	365,457	(6,631,943)
Total comprehensive income/(loss)	365,457	(6,631,943)

Statement of Financial Position

	Parent	
	2024	2023
	$	$
Total current assets	100	100
Total assets	30,531,789	26,827,624
Total current liabilities	–	–
Total liabilities	–	200
Equity		
Issued capital	80,478,664	80,271,145
Share-based payments reserve	1,399,114	1,766,011
Accumulated losses	(51,345,989)	(55,209,732)
Total equity	30,531,789	26,827,424

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Financial Statements continued

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
		2024	2023
Name	Principal place of business/Country of incorporation	%	%
Beforepay Finance Pty Ltd	Australia	100%	100%
Beforepay Ops Pty Limited	Australia	100%	100%
Beforepay IP Pty Ltd	Australia	100%	100%
BPG Credit Pty Ltd	Australia	100%	–
Beforepay US, Inc.	USA	100%	100%
Beforepay Ops US LLC	USA	100%	100%

Note 31. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2024	2023
	$	$
Profit/(loss) after income tax expense for the year	3,863,744	(6,635,463)
Adjustments for:		
Depreciation and amortisation	512,724	483,694
Net loss on disposal of property, plant and equipment	56,019	–
Share-based payments	(366,897)	831,671
Non-cash finance costs	282,568	367,430
Change in operating assets and liabilities:		
Increase in trade and other receivables	(8,697,921)	(14,474,275)
Decrease in prepayments	25,916	139,018
Increase in trade and other payables	322,401	730,096
(Decrease)/increase in employee benefits	(35,165)	23,739
Net cash used in operating activities	(4,036,611)	(18,534,090)

Non-cash investing and financing activities

	Consolidated	
	2024	2023
	$	$
Additions to the right-of-use assets (note 13)	1,592,708	–

Notes to the Financial Statements continued

Changes in liabilities arising from financing activities

Consolidated	Loan – Longreach $	Loan – Balmain Group $	Lease liabilities $	Total $
Balance at 1 July 2022	20,614,771	–	750,672	21,365,443
Net cash from/(used in) financing activities	12,348,130	–	(348,731)	11,999,399
Payment of capitalised transaction costs	(41,508)	–	–	(41,508)
Amortisation of capitalised transaction costs	363,752	–	–	363,752
Balance at 30 June 2023	33,285,145	–	401,941	33,687,086
Net cash from/(used in) financing activities	(16,024,507)	20,000,000	(401,941)	3,573,552
Acquisition of leases	–	–	1,589,700	1,589,700
Payment of capitalised transaction costs	(1,131,822)	–	–	(1,131,822)
Amortisation of capitalised transaction costs	282,956	–	–	282,956
Balance at 30 June 2024	16,411,772	20,000,000	1,589,700	38,001,472

Note 32. Share-based payments

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

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

Legacy LTIP

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

The vesting conditions vary for each grant of options. The following vesting conditions apply to options granted:

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

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

LTIP

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

Notes to the Financial Statements continued

Performance rights

During the financial year ended 30 June 2024, performance rights which will convert into fully paid ordinary shares on vesting, were issued to employees for $nil consideration. The vesting period for these performance rights for non-executive staff is 2 years and for executive staff is 3 years.

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

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2019	01/01/2025	$0.38	173,064	–	–	(173,064)	–
24/07/2019	01/01/2025	$0.38	79,876	–	–	–	79,876
15/08/2020	15/08/2025	$0.44	7,190	–	–	–	7,190
19/08/2020	19/08/2025	$0.44	29,052	–	–	–	29,052
20/09/2020	30/06/2024	$1.30	1,599,800	–	–	(1,599,800)	–
30/09/2020	30/09/2025	$0.20	1,650	–	–	–	1,650
01/11/2020	01/11/2025	$0.20	2,064	–	–	–	2,064
16/11/2020	30/06/2024	$1.30	107,000	–	–	(107,000)	–
17/11/2020	17/11/2025	$0.20	17,600	–	–	(17,600)	–
17/11/2020	01/01/2025	$0.20	112,500	–	–	(112,500)	–
02/12/2020	02/12/2025	$0.20	59,352	–	–	(23,724)	35,628
01/01/2021	01/01/2025	$0.20	75,000	–	–	(75,000)	–
04/01/2021	04/01/2026	$0.88	4,787	1,800	–	–	6,587
08/01/2021	08/01/2026	$0.20	15,400	–	–	(15,400)	–
27/01/2021	30/06/2024	$1.30	358,200	–	–	(358,200)	–
01/02/2021	01/02/2026	$0.88	53,400	–	–	(42,753)	10,647
22/02/2021	22/02/2026	$0.88	8,047	–	–	(1,047)	7,000
05/07/2021	05/07/2031	$0.88	242,200	–	–	–	242,200
09/07/2021	09/07/2026	$0.88	959,000	–	–	–	959,000
21/07/2021	21/07/2026	$0.88	19,402	–	–	(9,550)	9,852
01/09/2021	01/09/2026	$0.88	438,000	–	–	(7,320)	430,680
21/10/2021	01/08/2026	$1.30	20,000	–	–	–	20,000
29/04/2022	29/04/2027	$0.41	864,666	–	–	(381,020)	483,646
30/06/2022	30/06/2027	$0.39	418,065	–	–	(83,613)	334,452
30/06/2022	30/06/2027	$0.29	2,780,556	–	–	–	2,780,556
21/09/2022	21/09/2027	$0.45	1,842,308	–	–	–	1,842,308
21/09/2022	21/09/2027	$0.00	638,761	–	(188,879)	(225,087)	224,795
21/11/2022	21/11/2027	$1.30	75,000	164,808	–	–	239,808
30/06/2023	30/06/2028	$0.54	299,760	–	–	(49,760)	250,000
21/12/2023	21/12/2028	$0.00	–	860,560	–	(288,890)	571,670
12/01/2024	12/01/2029	$0.00	–	1,234,568	–	–	1,234,568
			11,301,700	2,261,736	(188,879)	(3,571,328)	9,803,229
Weighted average exercise price			$0.60	$0.02	$0.00	$0.28	$0.35

Notes to the Financial Statements continued

2023

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

Notes to the Financial Statements continued

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

Grant date	Expiry date	2024 Number	2023 Number
01/07/2019	30/06/2024	–	173,064
12/08/2019	11/08/2024	79,876	79,876
15/08/2020	14/08/2025	7,190	7,190
19/08/2020	19/08/2025	29,052	29,052
20/09/2020	30/06/2024	–	1,599,800
30/09/2020	30/09/2025	1,650	1,650
01/11/2020	31/10/2025	2,064	2,064
16/11/2020	16/11/2025	–	71,200
17/11/2020	16/11/2025	–	130,100
04/01/2021	03/01/2026	6,587	6,587
08/01/2021	07/01/2026	–	90,400
27/01/2022	30/06/2024	–	358,200
22/02/2021	21/02/2026	9,186	7,238
23/02/2021	22/02/2026	5,692	3,942
03/03/2021	02/03/2026	35,628	32,796
20/04/2021	19/04/2026	–	59,352
31/05/2021	30/05/2026	3,102	3,102
01/07/2021	01/07/2031	–	60,600
09/07/2021	09/07/2031	725,950	479,400
01/09/2021	31/08/2026	300,775	193,037
29/04/2022	29/04/2027	409,574	325,006
30/06/2022	30/06/2027	1,201,854	854,284
21/09/2022	21/09/2027	664,104	133,334
21/12/2023	21/12/2028	100,000	–
		3,582,284	4,701,274

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.05 years (2023: 3.75 years).

For the options granted during the current financial year, the Black Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
21/12/2023	21/12/2028	$0.430	$0.00	28.00%	–	3.88%	$0.41
21/12/2023	21/12/2028	$0.430	$0.41	28.00%	–	3.88%	$0.12
21/12/2023	21/12/2028	$0.430	$1.00	28.00%	–	3.88%	$0.00

Notes to the Financial Statements continued

Note 33. Earnings per share

	Consolidated	
	2024	2023
	$	$
Profit/(loss) after income tax attributable to the owners of Beforepay Group Limited	3,863,744	(6,635,463)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	51,973,639	46,470,142
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	–	–
Performance rights over ordinary shares	2,029,140	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,002,779	46,470,142
	$	$
Basic earnings per share	0.07	(0.14)
Diluted earnings per share	0.07	(0.14)

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

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Consolidated Entity Disclosure Statement

As at 30 June 2024

Entity name	Entity type	Place formed /Country of incorporation	Ownership interest %	Tax residency
Beforepay Group Limited	Body corporate	Australia		Australia
Beforepay Finance Pty Ltd	Body corporate	Australia	100%	Australia
Beforepay Ops Pty Limited	Body corporate	Australia	100%	Australia
Beforepay IP Pty Ltd	Body corporate	Australia	100%	Australia
BPG Credit Pty Ltd	Body corporate	Australia	100%	Australia
Beforepay US Inc.	Body corporate	USA	100%	USA
Beforepay Ops US LLC	Body corporate	USA	100%	USA

Directors' Declaration

30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

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

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

On behalf of the directors

Brian Hartzer
Chair

Date: 27 August 2024
Sydney

Independent Auditor's Report

To the members of Beforepay Group Limited

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Beforepay Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report continued

Building a better working world

Page 2

Provision for Expected Credit Losses

Why significant	How our audit addressed the key audit matter
As disclosed in Note 2 Material accounting policy information, Note 3 Critical accounting judgements, estimates and assumptions, and Note 10 Trade and other receivables, the Group carries a provision for expected credit losses ("ECL") of $5.8m as at 30 June 2024. Key areas of judgment included: ▸ The application of the impairment requirements of AASB 9 Financial Instruments ('AASB 9'), within the Group's expected credit loss model. ▸ The identification of exposures with a significant deterioration in credit quality; ▸ Determining the estimated loss rates on customer advances receivable, which is based on historical default rates as well as actual repayment of year end customer advances receivable subsequent to balance date. This was a key audit matter due to the size of the 30 June 2024 ECL provision and the degree of judgment and estimation uncertainty associated with the calculations.	Our audit procedures included the following: ▸ Assessed whether the Group's methodology for calculation of the ECL is in accordance with the requirements of AASB 9; ▸ Assessed the default rates applied with reference to historical loss rates incurred; ▸ Compared cash collections received post 30 June 2024 to the provisions recognised to assess the adequacy of the provision for customer advances receivable at 30 June 2024; and ▸ Assessed the adequacy and appropriateness of the disclosures related to credit impairment included in the Notes to the financial report.

Beforepay Income

Why significant	How our audit addressed the key audit matter
Beforepay income relates to fees charged to customers in relation to loan advances. The Group recognises Beforepay income over the term of the customer advances, from initiation to repayment, applying the effective interest rate method. Accordingly, judgement is applied in the calculation of revenue and deferred revenue at balance date. We included Beforepay income as a key audit matter as the Beforepay income represents over 99% of the income of the Group.	Our audit procedures in relation to Beforepay income included the following: ▸ Understood the Group's revenue accounting and assessed whether the Group's accounting policies complied with the requirements of Australian Accounting Standards. ▸ Assessed the operating effectiveness of key controls over the recognition and measurement of revenue. ▸ For a sample of revenue transactions, we obtained supporting evidence such as customer contracts and transaction records to

Independent Auditor's Report continued

Building a better working world

Why significant	How our audit addressed the key audit matter
	support the timing and value of revenue recognised. ▸ Assessed the Group's application of the effective interest rate method for a sample of Beforepay income transactions. ▸ Assessed the adequacy and appropriateness of the accounting policies and related disclosures in Note 5 to the financial report in respect of Beforepay income.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 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:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. The consolidated entity disclosure statement that is true and correct and is free of 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.

Independent Auditor's Report continued

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.

Independent Auditor's Report continued

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 38 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Beforepay Group Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Anita Kariappa

Anita Kariappa
Partner
Sydney
27 August 2024

Shareholder Information

30 June 2024

The shareholder information set out below was applicable as at 1 August 2024.

Number of security holders

At the specified date, there were 1016 holders of ordinary shares (quoted and unquoted) and 33 holders of options (unquoted) over ordinary shares, and 17 holders of performance rights (unquoted) over ordinary shares. These were the only classes of equity securities on issue.

Distribution of equitable securities

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

	Ordinary shares		
Holding Ranges	Holders	Total shares	% of total shares issued
Above 0 up to and including 1,000	342	175,593	0.37
Above 1,000 up to and including 5,000	318	825,718	1.75
Above 5,000 up to and including 10,000	96	715,673	1.52
Above 10,000 up to and including 100,000	222	8,075,902	17.12
Above 100,000	38	37,391,291	79.24
Total	**1,016**	**47,184,177**	**100.00**

The number of shareholders holding less than a marketable parcel was 274 holders (based on a share price of $0.61).

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

	Options over ordinary shares		
Holding Ranges	Holders	Total options	% of total options issued
Above 0 up to and including 1,000	2	865	0.01
Above 1,000 up to and including 5,000	8	20,498	0.26
Above 5,000 up to and including 10,000	6	39,967	0.51
Above 10,000 up to and including 100,000	7	304,176	3.91
Above 100,000	10	7,406,690	95.31
Total	**33**	**7,772,196**	**100.00**

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

	Performance Rights		
Holding ranges	Holders	Total performance rights	% of total performance rights issued
Above 0 up to and including 1,000	2	1,579	0.08
Above 1,000 up to and including 5,000	7	20,496	1.01
Above 5,000 up to and including 10,000	2	16,559	0.82
Above 10,000 up to and including 100,000	3	84,161	4.14
Above 100,000	3	1,908,238	93.95
Total	**17**	**2,031,033**	**100.00**

Shareholder Information continued

Restricted securities

As at 1 August 2024, there are no fully paid ordinary shares and no options over ordinary shares which are subject to ASX mandatory escrow arrangements, and there were 173,064 fully paid ordinary shares which is subject to voluntary escrow arrangements ending 20 June 2025.

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	**Number of shares**	**% of total shares issued**
BNP Paribas Nominees Pty Ltd ATF IB AU Noms Retail Client	13,640,269	28.91
Youbek Pty Ltd ATF Capricorn A/C	5,355,993	11.35
Jopean Pty Ltd ATF Jopean A/C	4,305,092	9.12
J P Morgan Nominees Australia Pty Limited	4,049,288	8.58
HSBC Custody Nominees (Australia) Limited A/C 2	830,000	1.76
M & S Skyleisure Pty Ltd ATF M Skyleisure A/C	731,454	1.55
M & S Skyleisure Pty Ltd ATF S Skyleisure A/C	731,454	1.55
Netwealth Investments Limited ATF Wrap Services A/C	686,869	1.46
Victory Park Capital Advisors ATF VPC Spec Lending IIH LP A/C	629,516	1.33
Netwealth Investments Limited ATF Super Services A/C	569,160	1.21
Mr Alan Patrick Ferris	552,900	1.17
BNP Paribas Noms (NZ) Ltd	516,905	1.10
Mr Peter William Whelan & Mrs Susanne Helen Whelan ATF Groupuniserve Aus P/L SF A/C	514,633	1.09
Mr James Spencer Twiss & Ms Liana Downey	420,000	0.89
ASB Nominees Limited ATF 108129 A/C	350,426	0.74
HSBC Custody Nominees	336,300	0.71
CPF Group Pty Limited	325,105	0.69
Mr Zhongxiang Zhang	313,000	0.66
BNP Paribas Noms Pty Ltd	279,063	0.59
Mr Brian Charles Hartzer	217,013	0.46
Ali Abdelrahman Ali Ahmed	173,064	0.37
Total Top 20 Shareholders	**35,527,504**	**75.30**
Total Issued Capital	**47,184,177**	**100**

As at 8 August 2024, the Group had received the following substantial shareholder notifications. No other substantial shareholder notices have been received.

Shareholder Information continued

	Ordinary shares	
	Number of shares	% of total shares issued
Mr Tarek Ayoub	5,500,000	11.84
Mr Guo Fang Mao	4,500,000	9.69
Microequities Asset Management Pty Ltd	3,869,896	8.20

Voting rights

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

Glossary

Term	Definition
AAS	Australian Accounting Standards issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
Active Users	A customer of Beforepay, who has taken out a pay advance in the previous 12 months from the date of the relevant information. This includes customers who have not repaid their most recent Cash Out and are not eligible to re-borrow until they have done so. The figures presented on Active Users are unaudited.
Average Pay Advance	Total dollar volume of pay advances in a period divided by the number of pay advances in that period. The figures presented on average pay advance are unaudited.
App	Either one of the two smartphone applications of Beforepay, one for iOS devices and one for Android or the web application, as appropriate in its context.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
Balmain	Australian Commercial Mortgage Corporation Pty Ltd as trustee for the Australian AB Finance Trust ('Balmain Group')
Beforepay Finance	Beforepay Finance Pty Ltd ACN 636 670 525 (a wholly owned subsidiary of the Company).
Beforepay IP	Beforepay IP Pty Ltd ACN 633 930 015 (a wholly owned subsidiary of the Company).
Beforepay Ops	Beforepay Ops Pty Ltd ACN 633 930 159 (a wholly owned subsidiary of the Company).
Board or Board of Directors	The board of directors of the Company.
Cash Out or Pay Advances	An advance made or offered by Beforepay to a user. The figures presented on pay advances are unaudited.
Company	Beforepay Group Limited (ACN 633 925 505).
Commission Income	Commission income earned on the Group's Compare and Save platform.
Corporations Act	*Corporations Act 2001* (Cth).
Customer Acquisition Costs	Advertising and marketing expenses attributable to customer acquisition divided by the number of first time cash outs. The figures presented on Customer Acquisition Costs are unaudited.
Director	A member of the Board.
EBITDA	Earnings before interest, taxation, depreciation and amortisation (adjusted). The figures presented on EBITDA are unaudited.
Group	The Company and its controlled entities (and, where the context requires, the businesses conducted by those entities).
GST	Goods and services tax (GST) imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board.
Interest income	Interest earned on cash at bank. It is not the fee that the Group charges to its customers.
Key Management Personnel	The Directors, Michael Bencsik, Chief Financial Officer and Jamie Twiss, Chief Executive Officer.
KYC	Know your customer.

Glossary continued

Term	Definition
Lender	AMAL Trustees Pty Ltd as trustee for Longreach Direct Lending Fund ('Longreach') and Australian Commercial Mortgage Corporation Pty Ltd as trustee for the Australian AB Finance Trust ('Balmain Group').
Longreach	AMAL Trustees Pty Ltd as trustee for Longreach Direct Lending Fund.
LTIP	The Company's long-term incentive scheme.
Management	The executive management team of the Company.
Net Defaults	Actual and expected credit losses (net of recoveries). It comprises customer defaults plus current pay advances provisioned during the period. The figures presented on net defaults are unaudited.
Net Defaults %	Net defaults as a percentage of pay advances plus fees. The figures presented on net defaults % are unaudited.
Net Transaction Margin	Comprises income (being pay advance fee income) less the variable costs associated with facilitating the pay advance transaction (net of recoveries). Variable costs include net defaults, third party funding costs and direct service costs. Net transaction margin is a management metric used to measure the gross margin on pay advances. The figures presented on net transaction margin are unaudited.
Net Transaction Margin %	Net transaction margin as a percentage of pay advances. The figures presented on net transaction margin % are unaudited.
Non-Executive Director	A member of the Board who does not form part of the Company's management. Presently this constitutes all of the Directors.
Pay Advances or Total Pay Advances	The aggregate dollar value of Cash Outs in a specified period to a user. The figures presented on pay advances are unaudited.
Pay on Demand	Pay-on-demand, being the product offered by Beforepay via Cash Outs.
Recoveries	Monies repaid by customers after a pay advance has defaulted at 62 days after the date of issuance (net of costs) of the recovery.
Reuse rate %	Percentage of customers who have successfully repaid their first pay advance and have since taken out a second pay advance in the current financial year. The figures presented on reuse rate are unaudited.
Revenue	The transaction fees charged to customers on pay advances. Revenue is calculated and charged based on a fixed percentage (5%) of the amount advanced.
RNC	Remuneration and Nominations Committee.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Automic Pty Ltd (ACN 152 260 814).

Corporate Directory

Directors

Brian Hartzer – Chair
Daniel Moss
Stefan Urosevic
Patrick Tuttle

Company secretaries

Elena Chan
David Hwang

Notice of annual general meeting

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

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

11:00am, 20 November 2024

Registered office

Suite 1, Level 9
77 Castlereagh Street
Sydney, NSW 2000

Tel: +61 1300 870 711

Principal place of business

Suite 1, Level 9
77 Castlereagh Street
Sydney, NSW 2000

Tel: +61 1300 870 711

Share registry

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

Tel: +61 2 9698 5414

Auditor

Ernst & Young
EY Centre
200 George St,
Sydney NSW 2000

Stock exchange listing

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

Website

www.beforepay.com.au

beforepay.com.au

Beforepay Group