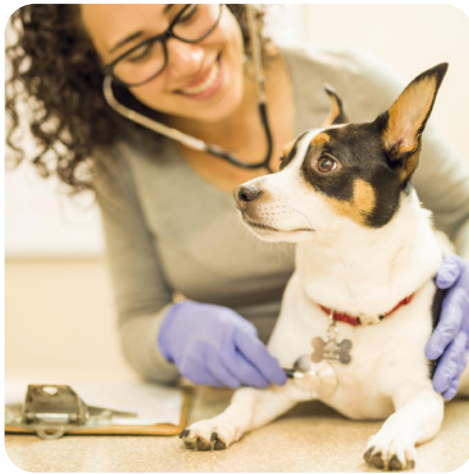


# Annual Report 2022

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# contents

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**We would like to express our appreciation to Openpay's loyal shareholders who continue to place their trust and confidence in our Company. In FY22 we took tough but measured and deliberate decisions to simplify the business.**

**In FY23 we will leverage the benefits of a leaner and more efficient business, to solidify our path and deliver profitability by June 2023.**

# ANZ FY22 Highlights

Total Transaction Value (TTV)

**Up 49%** YoY

CAGR 54%

Active Plans

**Up 50%** YoY

CAGR 92%

B2C Revenue

**Up 40%** YoY

CAGR 34%

Active Merchants

**Up 9%** YoY

CAGR 42%

Active Customers

**Up 21%** YoY

CAGR 35%

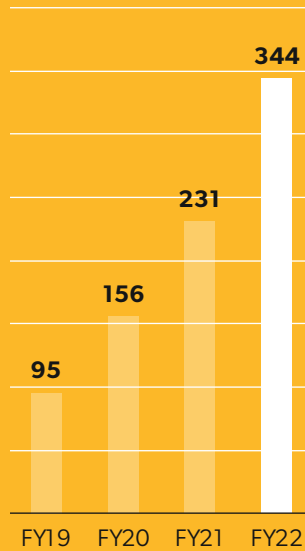
Opypro Total Transaction Value

**Up 683%** YoY

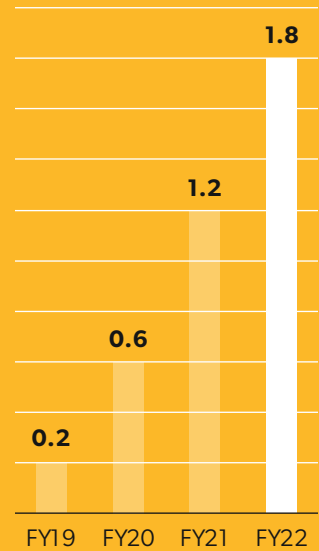
Opypro Active Trading Accounts

**Up 114%** YoY

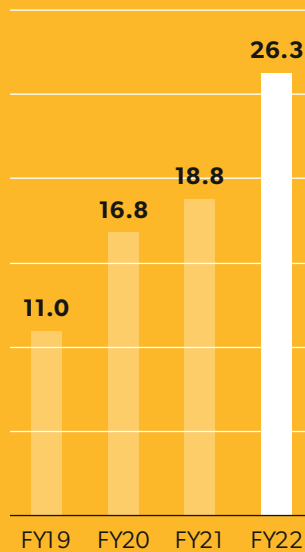
Total Transaction Value (\$m)



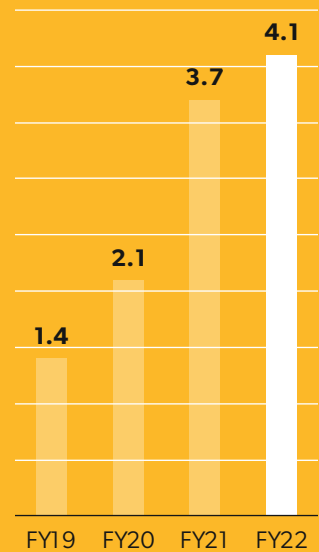
Active Plans (m)



B2C Revenue (\$m)

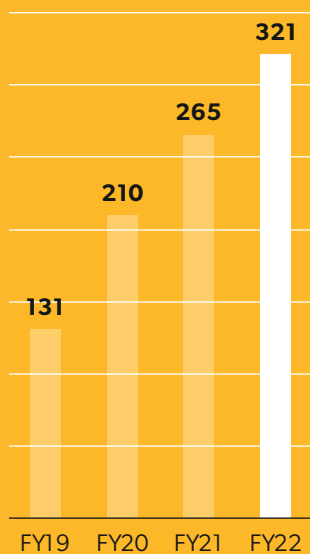


Active Merchants ('000)

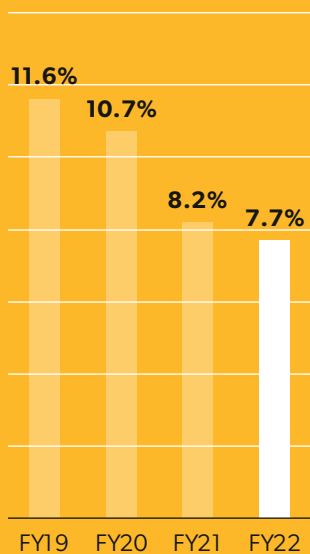


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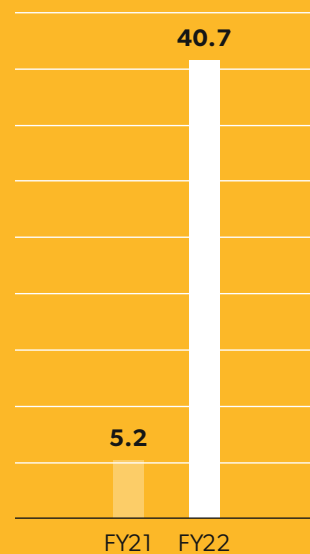
Active Customers ('000)



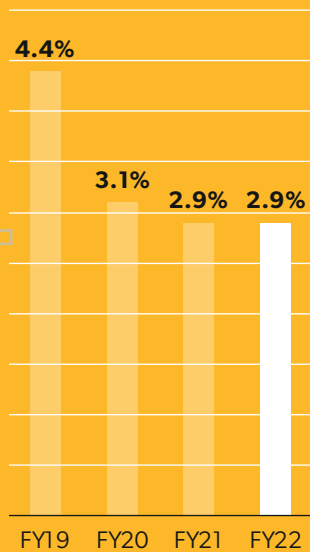
Revenue Margin<sup>1</sup>



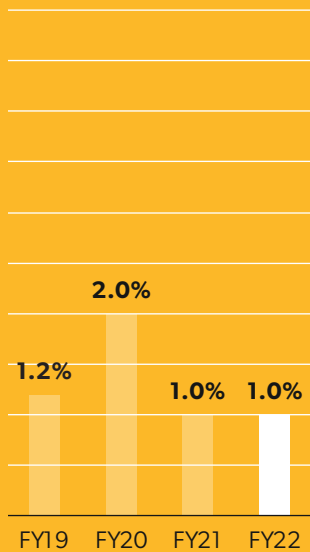
Total Transaction Value Opypro (\$m)



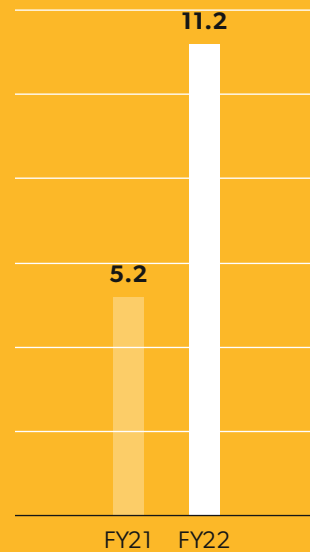
Net Transaction Margin (NTM)<sup>2</sup>



Net Transaction Loss (NTL)<sup>3</sup>



Active Trading Accounts Opypro ('000)



1. Calculated as B2C revenue as a percentage of Total Transaction Value.  
2. Calculated as Net Transaction Margin as a percentage of Total Transaction Value.  
3. Calculated as absolute Net Transaction Loss as a percentage of Total Transaction Value.

# Chairman's Letter



**Openpay's Australian business continues to perform strongly and has delivered record results across a range of key metrics in FY22, both in its B2C (Openpay) and B2B (Opupro) operations.**

## Dear fellow shareholders,

FY22 has been a year of proactive change for the Openpay Group, against a backdrop of weakening financial markets, coupled with a challenging macroeconomic environment. Our swift and focused decisions have delivered continued growth and our strongest ever results across key metrics, while continuing to optimise our cost base and improve our core unit economics.

As the world emerges from the global disruption caused by COVID-19 and learns to live with the post-pandemic "new normal", the Buy Now Pay Later (BNPL) sector continues to face considerable operational and regulatory uncertainty, which has been mirrored by similar volatility in equity capital markets. This has caused many BNPL businesses around the world to make significant changes to their operations and business models.

Openpay has led the way in adapting our business to the fast-changing global headwinds impacting the BNPL sector. In January 2022, we announced a strategic review, focused on simplifying Openpay's regional approach. The Board made the difficult but timely decision to exit the UK market while seeking opportunities to monetise our proven UK platform. We also implemented a revised strategy to accelerate our path to profitability in Australia, incorporating a range of savings initiatives and efficiency measures in conjunction with revised customer payment plan pricing, to deliver increased profit margins across our targeted industry verticals.

This new pricing strategy has consistently delivered industry-leading margins and has further diversified our revenue mix between merchant fees and customer plan fees, differentiating Openpay from its more traditional pay-in-four peer set which rely heavily on merchant fees as their primary source of income.

In the US, corporate advisors were appointed to assist with the search for potential parties who could invest directly into our US operations to support our projected business growth in the world's largest BNPL market. Despite entering into a number of promising

discussions with credible US strategic and institutional investors, the continuing volatility and uncertainty in the US macroeconomic environment and equity markets had a direct adverse impact on their underlying investment appetite.

Having pursued a number of detailed discussions with potential US investors and recognising the significant level of capital investment required to support forecast lending growth, Openpay Group announced it would indefinitely pause its existing US operations and cease loan originations in July 2022. This was a difficult decision to make in what has been a very challenging market environment. The Board remains incredibly proud of what Openpay and its dedicated US team achieved in such a short space of time, and we will continue to pursue viable opportunities to further leverage and monetise our US platform.

### **Targeting profitability in Australia by June 2023**

Openpay's Australian business continues to perform strongly and has delivered record results across a range of key metrics in FY22, both in its B2C (Openpay) and B2B (Opypro) operations. In FY23, we will continue our efforts to optimise our capital structure and reduce funding costs. We remain confident that our

Australian core operations will reach sustainable profitability by June 2023.

Our payment plan offerings are even more valuable to customers in an inflationary environment against a backdrop of rising interest rates. Our instalment plans enable consumers to lock in today's price and pay over time, for more considered, larger and longer-term purchases across key verticals. Given this flexibility, we continue to experience strong demand across all our targeted verticals, where we offer complete pricing transparency to all our customers and merchants.

We focus on industries where our larger and longer-term plans can make a true difference, deliver higher transaction margins and achieve a stronger portfolio performance. Our plans are available across Automotive, Healthcare (including Dentistry, Veterinary and Hospitals), Home Improvement, Education and Retail.

Our business model is different from peers in the typical pay-in-four BNPL segment that offer shorter-term plans, normally lower in value. Openpay fills the gap between the highly competitive pay-in-four / BNPL space and the more traditional consumer credit providers.

For merchants, offering a diverse range of payment solutions consistently increases average transaction sizes and improves customer loyalty and experience, enabling them to spread the cost over a longer period of time. For our customers, we provide responsible and highly flexible pricing terms, helping them manage their budgets and household cashflow. This means our unique value proposition attracts both merchant and consumer fees, delivering strong and diversified unit economics.

In addition to our consumer offering, Openpay has further diversified its revenues with Opypro, a capital-light and low-risk SaaS solution. In FY22, Opypro added HP and Kogan.com to the platform with great success. The pipeline for new enterprise customers continues to grow and mature, placing Opypro on its way to claiming a significant share of the Group's future business performance.

We will continue to execute on our strategy, offering a smarter way to pay for customers as well as businesses, and look forward to another exciting year ahead as we remain laser-focused on delivering sustainable profitability in our core Australian operations.

On behalf of our entire Board of Directors, I would like to express our appreciation to Openpay's loyal shareholders who continue to place their trust and confidence in our Company.

We are also grateful to our customers and merchants for their continued support and loyalty throughout FY22. We look forward to continuing to work collaboratively on delivering our differentiated plans to provide a valuable outcome for customers and merchants alike.

Lastly, I would like to thank our senior management team and employees for their wonderful contribution to Openpay's achievements in FY22. They have all been instrumental in steering the business through a very challenging market environment.



**Patrick Tuttle**  
Openpay Chairman

# CEO Message



**Openpay's unique point of difference remains widely understood and supported by customers who seek choice and flexibility of simple plan options for purchases in-store and online.**

## Dear valued shareholders,

FY22 was a year like no other, prompting well-considered change for the Openpay Group. In light of the current economic and market conditions, we proactively made several strategic decisions to simplify and focus the business on sustainable growth, solidifying its path to profitability. These decisions resulted in an exit from the UK market in January 2022 and pausing US operations in July 2022 to enable focus on our Australian business, our most mature and best performing region, that remains on track to deliver cash EBITDA profitability by June 2023 on a monthly basis.

Thanks to the support from our shareholders, commitment from customers and merchants, and the dedication from our team, the Australian business has gone from strength to strength over the past 12 months. It has yielded record results, market-leading margins and low net bad debts. This performance has extended across both our B2C (Openpay) and B2B (Opypro) businesses.

## Openpay (B2C platform)

In ANZ FY22, we recorded our strongest performance to date across our leading indicators, which continues to grow as we experience higher demand for our product.

- **Active Customers 321k (+21% YoY)**
- **Active Plans reached 1.8m (+50% YoY)**
- **92% of plans are from repeat customers, with 65% holding multiple plans**
- **Average plan value was \$239, and average plan length was 3.3 months**

Openpay's focus on merchant selection and acquisition across target verticals led to innovation, including launching a new vertical in Education, and the continued growth in Active Merchants by 9% year-on-year to reach 4.1k at the end of the financial year.

Through partnering with large aggregators, we've continued to be successful in driving seamless integration with new merchants and customers. In FY22, we integrated with several major eCommerce, point of sale (POS) and payment gateway platforms. Some of the significant integrations included: BigCommerce, Shopify's new payment platform, Apparel 21, Till Payments, Quest Payments and Insyte CRM.

Throughout FY22, we increased brand awareness through marketing campaigns and partnerships. We signed as an official partner of the Melbourne Storm Rugby League Club, supporting and amplifying our unique commitment to sporting memberships and fans all over Australia. In December our Christmas campaign, “Tis the season to spend smarter”, delivered strong customer engagement and our best December results ever.

Openpay’s unique point of difference remains widely understood and supported by customers who seek choice and flexibility of simple plan options for purchases in-store and online. In FY22, to further improve the customer and merchant experience, we streamlined our plan options and standardised our pricing across all merchants and verticals. We abolished establishment fees to focus on fixed fortnightly fees for each plan where applicable. This offers customers more certainty and transparency around pricing wherever they shop with Openpay, while retaining the choice and flexibility they trust and love. Many customers have shared this trust with others, via reviews and a Trustpilot rating of 4.7.

In May, Openpay launched its annual trade event “OpenMay”, offering premium and exclusive merchant deals to customers. This delivered uplift in TTV across all verticals, making May 2022 the second highest trading month in Openpay’s history behind December. This was then beaten in June 2022, delivering our largest TTV month on record.

We are seeing the current economic environment drive increased demand for Openpay and our flexible range of plans. In ANZ FY22, we experienced TTV and revenue records, delivered market-leading margins and maintained a high-quality portfolio, with very low net bad debts and arrears.

- **Our TTV grew to a record \$344m (+49% YoY), with highest ever revenue of \$26.3m (+40% YoY)**
- **Revenue margin of 7.7% (2H FY22 revenue margin of 8.1%)**
- **Net Transaction Margin (NTM) of 2.9% (2H FY22 NTM of 3.1%)**
- **Net Transaction Loss (NTL) of -1.0% (2H FY22 NTL of -1.0%)**
- **Net bad debts improved to 1.6% (1.7% in FY21)**
- **Arrears also improved to 1.1% (1.9% in FY21)**

### Opypro (B2B platform)

Our Software-as-a-Service (SaaS) solution, Opypro, also delivered record growth throughout FY22 as businesses returned to work for the second half of the financial year.

In FY22, Opypro performed strongly:

- **TTV grew 683% to \$40.7 million**
- **Revenue increased 304% to \$878k**
- **Active accounts increased 114%, reaching over 11,200**
- **The number of transactions through the platform rose 753% to over 215,000 transactions in FY22**

We added new enterprise customers to the platform and continue to field strong interest for this emerging product, resulting in a growing and maturing pipeline. This is largely in enterprise clients across many verticals aligned to our B2C business, including but not limited to: Automotive, Healthcare and Retail.

### Our Proprietary Technology

Our technology stack continues to evolve and in FY22 we delivered several key product developments to improve user experience, increase security and reliability and enrich credit decisioning. In addition, our data platform has been enhanced to allow for automated reporting, with better insights to support business decisions resulting in further business efficiencies. We expect this to continue as we further develop our technology across both B2C and B2B.

### Our People

To the whole Openpay team, our Board and leadership, thank you for all your efforts in FY22!

Our people are our greatest strength and with renewed focus on Australia, the team is better together. This strong culture led to Openpay being named in the Top 3 of the AFR Boss "Best Places To Work" Awards for the Financial Services sector, the culmination of which helps attract, develop, and retain our top talent. A big thanks to all of our team - you are resilient, you are valued, and you are focused.

We remain committed to empowering our people, promoting from within the Company and supporting our staff through what have been challenging times.

We leverage experience and insights to deliver high productivity and a flexible working model that encourages staff to achieve their best every day, and they absolutely do.

### FY23 Path to Profit

In FY23, we remain committed to executing on our strategy to deliver cash EBITDA profitability by June 2023. Our strategy has six main pillars that will deliver consistent results and market-leading margins, while ensuring quality customers and engaged merchants:

- 1. Convert and retain customers that have already signed up to drive more value from the existing customer base**
- 2. Grow the customer base through our verticalised strategy, while focusing on high-quality customers and profitable segments**
- 3. Continue to deliver merchant value to increase Openpay adoption and advocacy**
- 4. Scale the Opypro platform across verticals**
- 5. Drive cost efficiencies and productivity improvements without restricting growth**
- 6. Retain and attract top talent while maintaining flexible ways of working**

In closing, I want to extend my thanks and appreciation to our shareholders, merchants and customers for your continued support, in what has been a year of positive change for the Openpay Group. We've made the necessary decisions in a challenging environment to ensure we are focused, energised and committed to deliver continued sustainable growth and profitability by June 2023.

Yours sincerely,



**Dion Appel**  
Openpay CEO

**Our people are our greatest strength and with renewed focus on Australia, the team is better together.**



Openpay named Top 3 AFR Boss "Best Places To Work"

# FY23 Strategy

Delivering profitability in a changing market environment.

## Key Business Objectives

openpay

opypro

### 1. Convert Customers

Convert and retain approved customers to drive increased value from existing customers

### 2. Grow Verticals

Grow the customer base through our verticalised strategy, while focusing on high quality customers and profitable segments

### 3. Deliver Value

Continue to deliver merchant value to increase acquisition and advocacy

### 4. Scale Opypro

Scale Opypro (B2B) trade account management platform across target verticals

## Key Operational Objectives

### 5. Continuous Improvement

Drive cost efficiencies and productivity improvements without restricting growth

### 6. Top Talent

Retain and attract talent while maintaining flexible ways of working

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## Why is Openpay unique?

**We provide a smarter way to pay - for consumers (B2C) and businesses (B2B). In B2C, through Openpay, our embedded consumer finance platform and in B2B, through Opypro, our trade account management platform.**

**Openpay Group Ltd (ASX: OPY) is a fast-growing and highly differentiated fintech solution provider. The Company supports both B2C and B2B platforms.**

Openpay offers much more than pay-in-4, with plans ranging to 24 months, enabling more considered purchases up to \$20,000. Openpay is accepted in verticals including: Automotive, Healthcare, Retail, Home Improvement and Education.

Openpay's B2B platform, Opypro, is a leading SaaS solution that successfully removes the friction between suppliers and trade buyers to deliver a positive customer experience. Opypro is an end-to-end fully digitised platform enabling transactions in-store and online. The platform supports the application and onboarding process, ongoing account management and business processing, including invoicing, remittance and reconciliation.

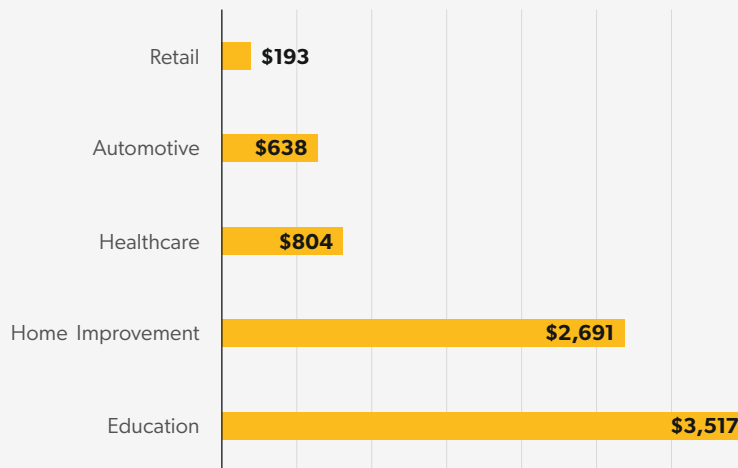
# Openpay - our differentiated embedded consumer finance platform

Openpay is an embedded finance solution delivering flexible repayment plans that help manage cashflow and household budgeting. Openpay offers much more than pay-in-4, with plans ranging to 24 months, enabling more considered purchases up to \$20,000. Openpay is accepted in verticals including Automotive, Healthcare, Retail, Home Improvement and Education.

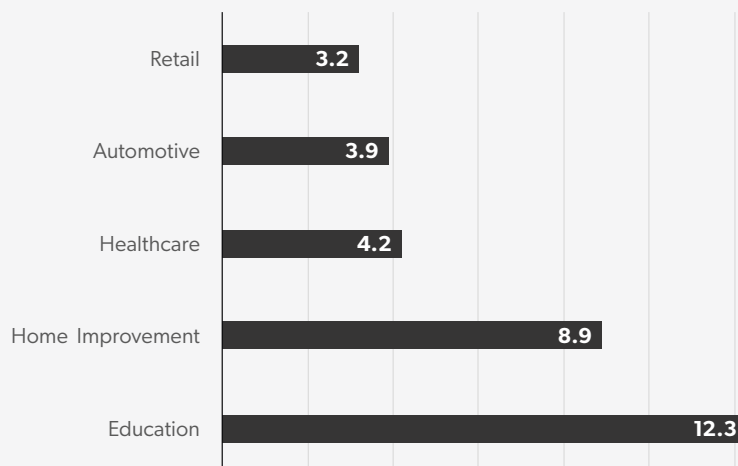
Our growth strategy has always been about creating a brand and product that is unique and different in the market. Our differentiated model is appealing to a wider base of merchants and customers, allowing us to build a sustainable business from diverse sectors. This attracts a more mature, financially savvy customer base with preferable risk profiles, delivering higher average transaction values.

In FY22, we continued to grow our core verticals whilst investing in scaling up new ones, with the aim of reaching cash EBITDA profitability by June 2023.

Average Transaction Value – FY22



Average Plan Length (months) – FY22





## Retail

Whilst the country was navigating out of COVID lockdowns, our higher value, more considered retail trade remained strong, with total transaction value of \$253m in FY22, a 53% increase when compared to FY21, with 49% of the transactions being online and 51% in-store in the financial year.

A strong focus on omnichannel and awareness saw growth from established and new partners.

*"We are excited to be partnering with Openpay and to be able to offer this flexible payment solution to our customers, giving them the choice to pay in a way that works for them and allowing consumers to spread the cost of their purchases over time. We look forward to strengthening this partnership with the Openpay team going forward."*

**Brent England –  
General Manager**  
IT & Digital at Brand Collective

Some of our Retail Partners:



## Automotive

Many macro factors made trade challenging for the Automotive industry in FY22, including extended lockdowns, yet Openpay saw continued growth of 31% in FY22. This led to a total transaction value of \$40m this financial year.

Active plans increased 27% this financial year. Given our diverse range of sub-industries, average transaction value remained high at \$638 and the average plan length was 3.9 months, reinforcing our value to the Automotive industry.

We worked strategically with our partners to make the most of every sales opportunity.

*"We have been in partnership with Openpay since 2019. It has actually been a very useful tool for promoting service work that would have otherwise lapsed. The convenience and interest-free payment options using Openpay is something that we promote to our customers."*

**April Harwood –  
Chief Sales Officer**  
JAX Tyres and Auto

Some of our Automotive Partners:

# Openpay - our differentiated embedded consumer finance platform Continued



Healthcare has been the headline of the past few years, undergoing major change throughout the pandemic. Openpay saw strong growth in FY22, with total transaction value reaching \$34 million, an increase of 41% compared to FY21.

## Healthcare

**New sub-industries emerged in Hospitals, Community Hubs, Audiology and Dental Aligners, complemented by continued growth in our core sub-industries of Dental and Veterinary.**

Many health partners utilise the full service Openpay provides, from the lower value 2-4 month plans right up to the \$20,000 sales over 24 months. Active plans grew 36% this financial year, with an average transaction value of \$804 and average plan length of 4.2 months in FY22.

*“Having flexible finance options available is key to improving case acceptance as the cost of orthodontic treatment as a lump sum can be overwhelming for patients. We are delighted to work with Openpay as one of our preferred suppliers of flexible patient finance. Through this relationship, Clear Aligner Excellence practices are set to enjoy a higher number of new case starts, enabling them to treat more patients and increase revenue.”*

**Dr Geoff Hall and Dr Jesse Green**

*Directors at Clear Aligner Excellence*

Some of our Healthcare Partners:

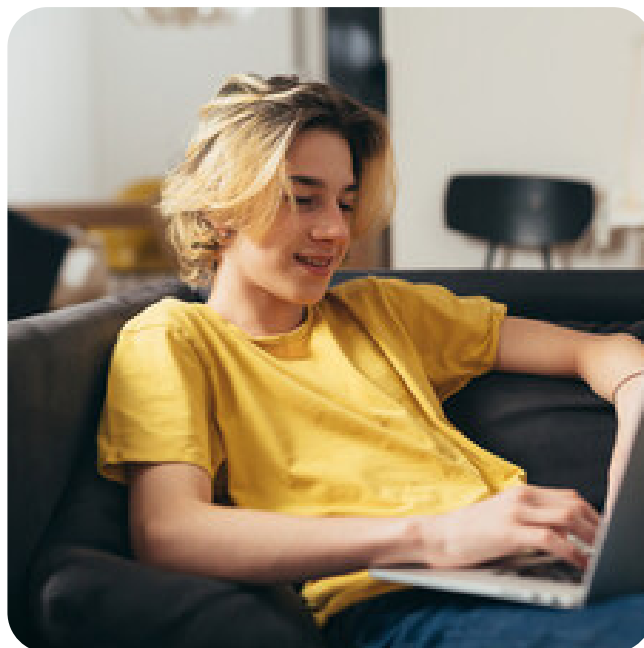




## Home Improvement

**Home Improvement remained steady throughout FY22 as Australians emerged from COVID restrictions. Openpay continued to build on partnerships with key merchants in Bunnings (Kitchens division), Spotlight (Blinds division), National Tiles and Carpet Call.**

In Home Improvement, our average transition value is over \$2,600 and average plan length of 8.9 months, as people use Openpay to add value to their home.



## Education

**FY22 saw the emergence of a new core vertical for Openpay in Education, as many consumers upskilled, changed industries and invested in personal development in the post-pandemic period.**

We partnered with leading higher education provider RMIT Online to provide Openpay to their growing number of students. Alongside this was a strategic partnership with Nelnet International, a leading technology platform for the higher education sector.

Some of our Home Improvement Partners:



Some of our Education Partners:



# Our Hidden Gem, Opypro (B2B)

**Launched in Australia in 2019, the Opypro SaaS platform was designed to remove friction and error from the buyer-supplier relationship, by fully digitising the trade credit management solution.**

Just like our approach with B2C, our approach to B2B is also highly differentiated. Many existing business account providers are forced to use old-world, manual and semi-automated solutions to service trade customer relationships. But Opypro allows companies to manage their trade accounts digitally, from application to transaction and remittance.

Opypro resolves a few key problems for its business customers, including:

- automated onboarding, with credit checks in under 10 minutes
- automated invoicing and payment reconciliation
- the ability to view transaction data in real time

In addition, our solution provides:

- an improved customer experience
- embedded funding through a partnership with Lumi
- analytics and reporting
- improved working capital and revenue acceleration

Openpay's two core B2B products, Opypro and Opypro+ Credit, enable us to meet the varied needs of enterprise merchants in the Australian market.

In FY22, Openpay commissioned Forrester Consulting to evaluate the role of buyer account management platforms in supporting buyer-supplier relationships. The research further validated the need for an end-to-end trade account management SaaS platform like Opypro, and highlights the expected benefits.

## Benefits of adopting a buyer account management platform

### 1. Profitability

Improved payment success and profitability

**66%** improved profitability  
**74%** reduced payment failures

### 2. Cashflow

Improved cashflow

**58%** reduced DSO  
**62%** reduced cost of failed payment recovery  
**65%** reduced bad debt resulting from failed payments

### 3. Productivity

Increased employee productivity

**60%** reduced time wastage and improved employee productivity

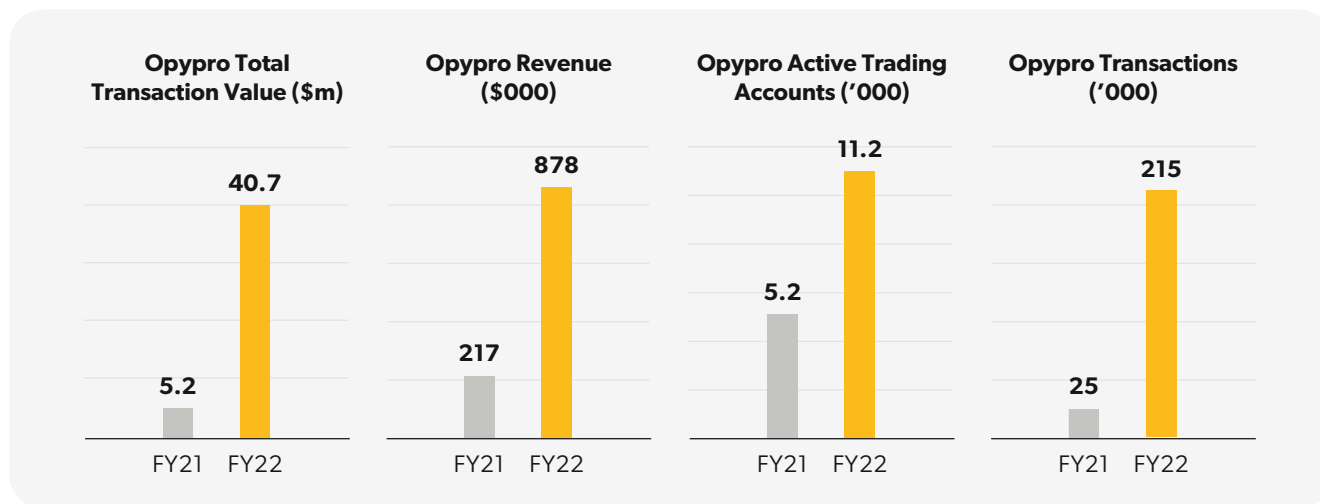
### 4. Experience

Elevated buyer experience

**58%** improved the business buyer experience  
**58%** reduced business buyer churn

Base: 200 senior IT and business decision-makers with responsibility for or influence over business buyer credit account management strategy and solutions at their organisation  
Source: A commissioned study conducted by Forrester Consulting on behalf of Openpay in 2021

## Opypro FY22 Performance



### Customers and Partners

Opypro is a high-margin SaaS platform, with leading Australian brands already onboarded, and key partnerships with major distributors and technology partners.

### Strong Pipeline

Pipeline growth remains strong and maturing with potential customers in verticals including Automotive, Healthcare, Retail and Building & Construction.

Key initiatives to grow the pipeline revolve around partnerships, our current merchant database, marketing activity and referrals from current clients.

### Partnerships for Growth

Our partnership with Lumi has allowed Opypro to tap into the SME and mid-market segments, and ensures Opypro stays capital-light and low risk.

A partnership with AWS is currently underway which will see Opypro become an accredited Amazon Partner, allowing Opypro to be introduced and sold to relevant customers of AWS. Furthermore, Opypro plans are to be listed on the AWS Marketplace, first focusing on the Australian region, with an option to move into global markets, at a time that aligns with the Company's strategy.



*"Opypro provides our accounts teams with the fastest way to check balances, reconcile accounts and pay their bills with ease. So we not only help the shopper with giving time back, but also the finance and accounts teams."*

**Jarrad Nass**  
GM B2B, Woolworths

Opypro Customers:



Opypro Partners:



# Our Technology & Innovation

Throughout FY22, we deployed several major initiatives, delivering continued improvements to both the customer and merchant experience.

## **Our customers' personal information is always protected.**

In line with our customer-centric view of what we do, we continued to invest in platform enhancements, delivering advanced security on our customer portal to ensure Personal Identifiable Information (PII) is even more secure.

## **Our platform continued to integrate with partners in FY22.**

We integrated with major new eCommerce and various point of sale (POS) platforms. The majority of the integrations were native, built into the core of these platforms, thereby enabling us to switch on new merchants with minimal to no effort. Some of the key integrations include BigCommerce, Shopify's new payment platform, Apparel 21, Quest Payments and Insyte CRM.

Openpay is now available across 32 online channels and 23 in-store (POS) platforms, helping to expand our presence to over 8,600 active merchant locations.

## **Our merchants' experience is reaching new heights.**

We also completed several initiatives to improve the merchant experience, delivering ease of integration and onboarding.

We created a new Developer Portal using the ReadMe platform, consolidating multiple documentation sites. All Openpay's integration documentation, API references, branding assets and more are now available in one place, with a fresh look, simple navigation and ease of access for third parties and preferred partners.

We also developed an Openpay Demo POS to assist in demonstrating the in-store journey to merchants and partners, resulting in faster and more efficient delivery of integration projects.

We have made a number of enhancements to our Integrations API, including allowing merchants to automate the reconciliation process by extracting the transactions via an API. We also developed a utility to test the merchant integration API, which simulates in-store and online journeys and identifies any issues in the flow. It's a great tool to run after API changes.

## **Our credit decisioning engine continues to learn and get smarter.**

We continued to make improvements to our Automated Risk Management (ARM) system in FY22, enabling us to roll out this platform to all our channels in FY23.

The deployment of our Credit Decisioning Engine has resulted in improved risk assessment and process efficiencies, resulting in reduced deployment times for future enhancements, while improving our responsible approach to lending.

## **Our mobile journey and app security have been enhanced.**

During the year we rolled out additional features, such as biometrics (FaceID and Fingerprint) for login. This improved both the user experience and the security of the mobile applications.

## **Fully integrated digital user trend and behavioral analytics**

Our apps and products are now fully integrated with state of the art software which allows us to discover powerful user trends, identify, troubleshoot, and fix costly bugs.

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**Our tech continues to evolve**

**Just as customers are at the centre of everything we do, our powerful technology platform forms the backbone of Openpay's business.**

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**We have a maturing pipeline and successfully launched HP and Kogan.com onto the Opupro platform, and are seeing a steady flow of orders come through the system.**

# Our Technology & Innovation Continued

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## **Our data lake and warehouse are enriched and insightful.**

We enhanced our data architecture by ingesting data from different source systems into our centralised global data lake. We also established a consolidated data warehouse model for Openpay operational data, enabling reduced costs, automated reporting for all business users and insights to support business decisions.

The centralised data lakehouse (a solution combining elements of the data warehouse with those of the data lake) equipped us to:

- Establish data integration with advanced data science tools, which will be strategically leveraged by our Credit Risk, Fraud and Finance teams
- Reduce operational costs with our capacity to replace the old analytics platform and automate the process
- Establish auto refreshed analytics reporting dashboards for our global functional teams to self-configure and publish
- Deliver targeted analytics reporting for our Marketing and Treasury teams
- Build credit models to provide more advanced decisioning and better options for our customers

## **Our back-office is becoming automated.**

During FY22, we automated a lot of our back-office functions, including:

- A new daily loan write-off process to replace the manual monthly one
- Improved Political Exposed Person and Sanction screening in New Zealand
- Improved hardship processing
- Improved write-off processes that will auto reconcile against the affected loans
- Improved collection capabilities

## **Our Opypro platform is progressing and gaining traction.**

We continued to build out our product offering in partnership with Woolworths, with the final changes made to support the transition of their existing in-store accounts to Opypro and have consolidated invoicing available.

## **What's Next?**

**Well, we're already into FY23, and we're moving quickly on the following major projects to ensure we can support the business goals to reach profitability by June 2023.**

This continued investment in our core technology will underpin our growth as we innovate for the Australian market.

### **Key projects include:**

- **Introduce new journeys and revamp existing solutions**
- **Continuous platform uplift**
- **Ongoing improvements to Cyber Security capabilities**
- **Enhancement of our data platform to provide new and additional insights**
- **Continuous development and enhancement of the Opypro B2B platform**

# Environmental, Social & Governance

We pride ourselves on our transparent relationships with our merchants, partners, customers and investors. Everything we do is fuelled by our core beliefs.

## Governance

The Board is responsible for approving Openpay's Environmental, Social & Governance (ESG) framework including major ESG policies. In line with its Charter, the Board Audit and Risk Management (ARMC) and Enterprise Risk Committee (ERC) helps the Board to adopt governance standards and review how environmental and social risk management policies operate.

## Diversity and Inclusion

Diversity and inclusion are a key focus of Openpay. We are proud of our strong and diverse workforce and are committed to supporting and further developing this through attracting, recruiting, engaging and retaining diverse talent, while aligning our culture and management systems with this commitment.

Some examples of our efforts include:

- Education: Building awareness of diversity and inclusion at Openpay, learning about our roadmap and charter, conscious/unconscious bias awareness training.
- Policy: Conducting regular reviews of our workplace policies to ensure inclusive language and equal access to best practice employee benefits and entitlements, irrespective of gender.
- Process: Our recruitment and other performance processes are regularly reviewed in line with local antidiscrimination and EEO laws to make sure that we continue to provide equal opportunity, eliminate bias, and attract a greater number of diverse candidates.
- Environment: We recognise and celebrate our strong and diverse workforce, and have initiated in-office events such as celebrating Pride Month, Drag Bingo and IDAHOBIT Day, which has provided team members with avenues to come together based on shared identity or life experiences. These events promote a greater sense of connection and belonging, and an environment in which our people can share, learn and be inspired.

Openpay has been recognised in FY22 by the Australian Financial Review BOSS Best Places to Work, where we placed 3rd within the Financial Services Industry. The framework was based on 10 elements, which included our highest ranked - purpose, flexibility, wellbeing and equality. This award is nominated and entered into by existing team members reflecting on our ways of working, engagement and ability to be their employer of choice.

## Diversity Targets Achieved

- Increase representation of underrepresented groups in applications to form baseline metric
- 10% of vacancies filled by internal promotions
- 100% participation in ongoing diversity and inclusion education

**We remain committed to achieving gender balance at a senior leadership level. In FY22 our gender balance was impacted by a reduction in senior leadership across the board with the wind-down of the UK business.**

The gender balance within the mid-level leader range was also impacted this year following changes in our organisational levelling, which altered the categorisation of several leadership roles. Despite this, we are confident that our pipeline of future female leaders is strengthening.

	Board	Senior Leaders
Male	75%	62.5%
Female	25%	37.5%

**Women in Product and Technology**

We actively promote careers in product and technology for women, and partner with several diversity-based organisations, including HackerX and WomenHack.

**Staying healthy and well**

The health and safety of our team members and contractors is the highest priority for Openpay. Our range of holistic wellbeing initiatives includes mental health, physical health and financial wellbeing resources, plus a flexible work structure and free, anonymous counselling services through our EAP partnerships. We recorded no injuries in the workplace or within our remote workforce through FY22, and fully complied with internal regulations and applicable OHS laws.

**Support for our people through COVID-19**

The impact of the pandemic continued to be felt by our team members as restrictions continued to ease in our region. To support a safe return to the office, we introduced and continue to evolve safety measures in line with local government guidance.

As a responsible employer, we encourage team members to be vaccinated and offer team members up to two days of Paid Vaccination Leave.

Given the impact of frequent lockdowns and restricted movement in FY22, we partnered with mental health experts, allied health professionals and fitness instructors to adapt our health and wellbeing offering into a virtual Mind, Movement, Munch & Money program, designed to promote holistic wellbeing.

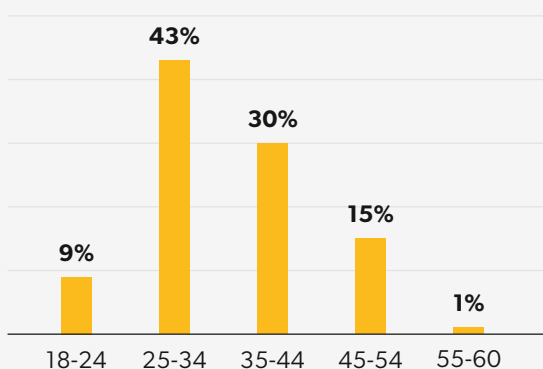
**Support for Working Parents**

In FY22, our working parents were impacted severely by the frequent closure of schools. Throughout the year, we built channels via our internal comms platform that allowed parents to crowdsource ideas, tips and activities to engage their children.

We organised activities and events specifically for Openpay kids like colouring competitions and kids yoga classes, and senior leaders even got involved by reading short stories in a virtual story time.

Feedback gained from a recent team survey shows that our members feel the changes and flexibility provided have improved their work/life balance and increased their productivity.

**Our average age of Openpay employees is 30 with most employees aged 25-34.**



*“As the parent of a young child, it was really important to find an employer who is flexible and accommodating of work/life balance, while providing a stimulating work environment.”*

**Bec Carmen, Sales Co-Ordinator**



**In a recent team survey, over 95% of our team told us that the changes to our ways of working since moving to a remote model have either met or exceeded their expectations.**

## **Adapting to a changing environment**

The Openpay team is made up of 143 individuals in Australia. In adopting a hybrid work model, we expect the number of remote team members to increase over the coming years. We have invested in technology to allow team members working remotely to participate virtually during in-person events, and our famous 'robots' provide remote workers with an 'in person' experience by streaming them into the office from the comfort of home. You can even pop by a colleague's desk to ask a question.

Adopting a hybrid work model has allowed us to look further afield for new talent. Our 'talent first, location second' approach has expanded our talent pool considerably and uncovered markets which were previously inaccessible, contributing to a reduction in our average recruitment time – now 24 days, down from 33 days last FY.

## **Learning and Development (L&D)**

Every single team member has participated in learning events in FY22, with over 90% delivered virtually due to an expansion of our internal capabilities through a new L&D function.

In addition to our own developed programs, team members have access to the LinkedIn Learning platform, and are encouraged to participate in both curated and self-selected learning programs.

With our investment in L&D, we also aim to provide equal opportunity for team members to progress their career at Openpay. In partnership with Microsoft, we are also part of Microsoft Enterprise Skills Initiative (ESI), which allows our entire technology team to get free certified Microsoft training.

In FY22, 15.6% of roles were filled by internal candidates. To support the growth of this figure, we have introduced one-on-one career coaching, a job shadowing program, team-based learning programs and professional mentoring.

### Openpay in the community

Everyone on our team has a cause important to them. Openpay actively engages with these communities through both financial and non-financial support. In FY22 this included Impact for Women, a volunteer-run charity making a difference to women and children who are fleeing extreme violence at home.

We empower our team to make a difference by donating to local charities through Openpay's team member referral program. For each successful team member referral made by an employee, they can donate up to \$3,000 to a charity of their choice. All donations are matched by Openpay.

### Leaving a lighter footprint

Sustainability is a journey. It starts with looking inwards at how we can minimise the negative impacts of our own operations to reduce our carbon footprint and waste .

The COVID-19 pandemic has led to significant reductions in our energy usage, consumables usage, business travel and waste – a happy side effect of a difficult year. As we resume office-based work, we aim to carry this efficiency forward, exploring meaningful ways to reduce our emissions.

Measures already in place include:

- Office locations designed to facilitate public transport or biking to work
- Team members encouraged to use virtual meeting technology over in-person meetings
- We recycle paper, cardboard, plastic, coffee cups and green waste
- Team members get Keep Cups to prevent the usage of disposable coffee cups
- We use environmentally-friendly cleaning products
- We use technology to facilitate digital signatures for documents, reducing paper and toner waste
- We encourage local sourcing of products to reduce the use of packaging and transportation
- Our offices are fitted with energy-saving LED lights and sensors
- We encourage teams to focus their energy on key initiatives for greater outcomes

### Moving forward

We take our responsibility to the Earth seriously. Openpay is currently undergoing the B-Corp accreditation process, and in FY23, we'll further advance our commitment to sustainability by establishing a committee to govern our efforts in identifying and focusing on specific sustainability goals.

To ensure we live up to our sustainability commitment, we will:

- Refine and evolve our sustainability approach through research, education and engagement
- Consider the sustainability risks and opportunities, set appropriate goals and track our progress
- Engage with investors and other stakeholders on sustainability matters
- Analyse the overlap between ESG reporting requirements and other reporting frameworks, aligning with the most appropriate to support our disclosures
- Report on progress in our Annual Report, to our Risk and Sustainability Committees, and our Board

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# Risks & Challenges

## Regulatory Landscape

As the payments industry, in particular BNPL, continues to evolve and adapt within a rapidly changing environment, we will continue to work collaboratively to champion business conduct and regulation that manages risks, delivers responsible customer outcomes and fosters a setting for business and economic growth.

Openpay, as a founding signatory and long-standing BNPL Code compliant member, together with our industry body AFIA, proactively engages in dialogue with regulators, governments, consumer advocates and stakeholders regarding the existing challenges and proactively offers solutions for constructive policy debates, so they can deliver tangible results on the key issues of importance to the Australian economy.

Principally, as revised on March 2022, the Code continues to set the standards to (a) promote a customer-centric approach to the design, marketing and distribution of a BNPL Product

or Service, (b) promote high industry standards of service for customers and build best practices across the BNPL Industry, and (c) compliance with legal and industry obligations.

## Risk Management Approach

Openpay prides itself on being a risk-conscious organisation with an integrated risk management approach that is supported by risk ownership and accountability. At Openpay, we subscribe to a philosophy that risk is a shared responsibility, and that risk ownership and accountability is the cornerstone to providing and delivering sustainable, ethical and responsible products and services to our customers and merchants. As such, our business unit and functional leaders have a very clear direction with regard to the geographical, industry and nuanced risks and challenges encountered and anticipated, in pursuit of delivering on our strategic objectives.

**Openpay is a key contributor to finding solutions for complex regulatory challenges, and proudly advocates for innovation and positive change in our industry.**

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	Risks and Challenges	Openpay's Approach
<b>Strategic</b>	<p><i>We continue to operate in a highly competitive environment, which means there's a risk of new providers or existing competitors delivering a comparatively superior product or experience.</i></p> <p><i>There is also a risk of competitors consolidating or partnering to deliver benefits at a scale that we can't effectively compete with.</i></p> <p><i>There are ongoing and noticeably shifting trends by the market, our customers and broader consumer behaviour with an increasing need to make core products and services available through digital channels.</i></p> <p><i>Openpay's ability to increase revenue and achieve profitability is dependent on the ability to profitably scale the business, which in turn is dependent on increases in transaction volumes and growth in our customer and merchant base.</i></p> <p><i>Failure to grow may materially impact our ability to achieve economies of scale and increase market share, which may have an adverse impact on Openpay's financial performance.</i></p> <p><i>Failure to attract or retain existing key management personal could have an adverse impact on Openpay.</i></p>	<p>Openpay maintains a unique position in the market relative to its competitors that can be built upon and continue to be diversified.</p> <p>The 'moats' we have created around our longer, larger and verticalised products, has become and will remain to be a winning strategy providing thousands of merchants and tens of thousands of customers with access to our product.</p> <p>Our go-to-market approach and maturity regarding our digitally available offerings enable us to meet, exceed and continuously evolve with this expectation and consumer needs.</p> <p>Openpay is continuing to optimise our digital acquisition strategy to attract and acquire customers in new and existing demographics. This strategy is continuing to provide more qualified leads to our program and combined with our utilisation campaigns, we are continuing to see increased transaction volume from new and existing customers.</p> <p>Openpay's growth strategy is centred on our diversified mix of industry verticals, each with their own trading dynamics. Our focus in Retail, Automotive, Healthcare, Education and Home Improvement allows us to spread our merchant concentration and vertical concentration risk to overcome macro factors that may affect one or more of these verticals. We also trade in-store and online, mitigating risks that may affect one channel. Across these verticals there are also various levels of competition. As Openpay's product offering caters from 2-24 month plans and \$1-\$20k lends, this allows us to enter and grow in a wider mix of verticals.</p> <p>Openpay is continually improving its culture through the use of technology and enablement programs like engagement surveys to ensure management has a holistic view on employee satisfaction and is aware of any potential risks that may arise.</p>
<b>Regulatory &amp; Compliance</b>	<p><i>We are subject to a range of laws, regulations, and industry compliance requirements in the jurisdictions in which we conduct business.</i></p>	<p>Openpay's dedicated legal and compliance functions proactively engages with legislation, regulation, and the respective regulators to ensure effective management of all obligations. We continuously monitor the legislative and regulatory landscape for relevant changes and collaboration with industry bodies and regulators in constructive dialogue.</p>

	Risks and Challenges	Openpay's Approach
<b>Liquidity and Funding</b>	<p>We anticipate the market volatility, both globally and domestically, to remain throughout the financial year with added strain on the global financial markets.</p> <p>Our business model is reliant on the ability to pay merchants while enabling customers to use Openpay services to acquire goods and services. If sufficient liquid funds are not available to transfer to merchants within the specific service levels agreed, in relation to purchases made by the customers, there is a risk that the merchant may become dissatisfied and not offer Openpay as a payment solution. This could have an adverse effect on Openpay's operations and financial performance.</p>	<p>Openpay's Treasury function continually works with new and existing debt providers, as well as investors and investment banks (domestically and abroad) to identify the most appropriate funding solutions for the current and future business requirements.</p> <p>Openpay monitors its existing portfolio of merchants and its funding position to ensure that sufficient funds are available for every day operations.</p>
<b>Bad and Doubtful Debts</b>	<p>A portion of Openpay's operating expenses are as a result of customers delaying or failing to meet their payment obligation.</p> <p>Excessive exposure to bad and doubtful debts could be caused by failure to enhance our control systems.</p>	<p>Openpay has heavily invested in uplifting its decisioning capabilities and continues to invest further in ensuring models and control systems are maintained and remain effective.</p>
<b>Cyber Security &amp; Data Protection</b>	<p>Openpay collects and holds a range of personal and commercial information about customers and merchant partners. There is a risk that Openpay's systems, or those of its third-party service providers, may be impacted by external malicious attacks.</p>	<p>Openpay deploys defence-in-depth strategies to strengthen its security posture and uses a mix of governance, technical and procedural controls to prevent, detect and manage any cyber-attacks or unauthorised access to data we hold.</p>
<b>Technology</b>	<p>As a fintech, ongoing development and advancement of our technology platform remains a core focus to ensuring Openpay's product and services remain relevant and able to evolve at the required pace.</p>	<p>With unrelenting investment in our platforms, we continuously incorporate dynamic feedback to further refine and improve upon our technologies, capability and end-to-end services.</p> <p>Openpay proactively manages relationships with third party services throughout the entire vendor lifecycle, particularly those supporting key business processes. To ensure Openpay deals with reputable and reliable partners, due diligence is undertaken on all vendors prior to onboarding, followed by ongoing monitoring to ensure that service disruptions are identified early and managed proactively.</p> <p>As part of Openpay's Business Continuity Framework, all critical services are identified including dependencies on third parties, which is used as a key input into the design and implementation of resilient solutions to minimise the impact of any disruptions.</p>

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## General information

These financial statements are consolidated financial statements for the Group consisting of Openpay Group Ltd and its subsidiaries. A list of major subsidiaries is included in note 27. The consolidated financial statements are presented in Australian dollars.

Openpay Group Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 9, 469 La Trobe Street, Melbourne VIC 3000. Its shares are listed on the Australian Securities Exchange.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2022. The directors have the power to amend and reissue the financial statements.

## Directors' Report.

Your directors present their report on the consolidated entity consisting of Openpay Group Ltd ('Openpay' or 'the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2022 (together "the Consolidated Entity" or "the Group").

### DIRECTORS AND COMPANY SECRETARY

The following people were directors and company secretary of Openpay Group Ltd during the period and unless otherwise indicated remain in office as at the date of this report:

Patrick Tuttle  
Chair, Independent Non-Executive Director

Michael Eidel (resigned 18 January 2022)  
Managing Director and CEO

Sibylle Krieger  
Independent Non-Executive Director

Yaniv Meydan  
Non-Executive Director

Kelly Bayer Rosmarin (resigned 15 January 2022)  
Independent Non-Executive Director

David Phillips  
Non-Executive Director

Edward Bunting (Interim Group CEO from 12 January 2022)  
Company Secretary and Interim Group CEO

### PRINCIPAL ACTIVITIES

Openpay Group Ltd (ASX: OPY) is a leading payments fintech, delivering smart and friendly solutions to pay and get paid.

Openpay delivers an omnichannel financing solution that extends beyond traditional Buy Now, Pay Later in the form of their next-generation "BNPL 2.0" product. BNPL 2.0 provides the gateway to complete transactions, up to \$20,000 with payback terms of up to 24-months, across underserved BNPL verticals, including Automotive, Healthcare, Home Improvement, Education, and Retail.

Openpay has fine-tuned its innovative products for both consumers and merchants, providing transparent terms with quick credit decisions and customisable payment plans for consumers, along with a B2B payment offering that facilitates end-to-end trade account management. Openpay operates predominately in Australia after the Company made the decision to exit the United Kingdom market in January 2022 and indefinitely cease its United States operations in July 2022.

### DIVIDENDS

No dividends were declared or paid since the start of the financial year. No recommendation for payment of dividends has been made.

### REVIEW OF OPERATIONS

Openpay Group Ltd is a fast-growing and highly differentiated fintech solution provider. The Company supports both B2C and B2B platforms.

Openpay's B2C platform is an embedded finance solution delivering flexible repayment plans that help manage cashflow and household budgeting. Plans range from 2–24 months and enable transactions up to \$20,000. Openpay is accepted in verticals including: Automotive, Healthcare, Retail, Home Improvement and Education.

Openpay's B2B platform, OpyPro, is a SaaS solution that enables merchants to manage their trade accounts via an end-to-end digitised platform enabling transactions in-store and online. The platform supports the application and onboarding process, ongoing account management and business processing, including invoicing, remittance, and reconciliation.

In FY22, Openpay Group announced a strategy simplification, focused on an accelerated path to profitability in Australia and New Zealand (ANZ). As a result, the Group significantly reduced its UK operations with a view to exit that market. In July 2022, Openpay also announced its withdrawal from the US market, leaving ANZ as its core operating jurisdiction.

### REVIEW OF PERFORMANCE

Openpay ANZ showed strong growth across all key B2C metrics in FY22:

- Total Transaction Value increased 49% to a record \$344 million
- Active Plans increased by 50% to 1.8 million
- Active Merchants increased by 9% to 4.1k as we selectively on-boarded new merchants
- Active Customers increased by 21% to 321k
- Revenue increased by 40% to \$26.3 million

Opypro continues to grow in FY22 with record performance:

- TTV up 683% to \$40.7 million
- Active trading accounts increased by 114% to 11.2k

Delivering market-leading margins in FY22:

- Revenue Margin of 7.7%
- Net Transaction Margin (NTM) of 2.9%
- Net Transaction Loss (NTL) of -1.0%

Continued strong trends in arrears and bad debts:

- Arrears down to 1.1% from 1.9% in FY21
- Net Bad Debts stable at 1.6% in FY22 (FY21: 1.7%)

In Australia, Openpay is present both in-store and online in the Retail vertical, but also across a range of specialised verticals, including Automotive, Healthcare, Home Improvement and Education.

## Directors' Report.

The mix of online and in-store presences enabled Openpay to continue to grow despite market conditions resulting from COVID-19 lockdowns during FY22. The strategy of being in verticals meaningful to customers, such as Healthcare - in areas like dental, optometry, audiology and hospitals - helped Openpay to balance the risk of fraud and bad debts, as the trusted relationship between the Merchant (such as the family dentist) and the Customer (the patient) usually assures a level of commitment to bill payments.

During the financial year, Openpay continued to sign merchants and integrate with major platform and aggregator partners to enable merchants to simply "switch on" Openpay as a payment type. This strategy is designed to deliver transaction volume and merchant growth at scale.

Openpay's differentiated B2B SaaS platform also continued to deliver strong growth. In partnership with Lumi, Openpay is now also able to offer a funded B2B solution, Opypro+ Credit. A "hidden-gem" for the Group, Opypro onboarded to the platform HP and Kogan.com this financial year.

- Opypro Total Transaction Value increased to \$40.7 million in FY22 (growth of 683% vs FY21)
- Opypro Active Trading Accounts reached 11,200 in FY22 (an increase of 114% vs FY21)

The Opypro pipeline of new partnerships is maturing with new B2B partnerships expected to be announced early in FY23 as we scale Opypro across target verticals.

### FINANCIAL PERFORMANCE

The Group's statutory loss for this financial year of \$83.2 million included a foreign exchange rate loss of \$0.8 million (2021: FX gain \$0.3 million) representing an increase of 33% on the prior year (2021: \$62.7 million).

Openpay saw significant growth in total income to \$34.2 million (+30%) for the year ended 30 June 2022 (2021: \$26.3 million). Operating income grew by \$6 million (+23%) to \$32 million (2021: \$26 million). Key drivers for the revenue uplift included growth of Openpay's underlying TTV achieved, accompanied by improvements in all key operating metrics as discussed above and the scale up of Opypro.

Group operating expenses increased by \$14 million (+18%) to \$95.7 million (2021: \$81.4 million). Operating expenses included non-cash share-based payments expense of \$3.3 million and the increase in employee benefits expense to \$44.1 million (+59%) was reflective of Openpay's global strategy and investment into the US region.

Receivables impairment expense decreased by \$2.8 million (-23%) to \$9.4 million compared to prior period (2021: \$12.2 million). This was a result of continuous refinement to the way Openpay managed asset quality leading to lower chargebacks, higher recoveries and better credit quality.

Financing costs of \$17.7 million for the year increased by \$12 million (+212%) as a result of growth in the Australian receivables book, utilisation of the working capital facility to fund rollout of the global structure, and accelerated expensing of capitalised costs related to the US loan facility as the Group adjusted its assumption of utilisation in anticipation of the decision to indefinitely pause its US operations being made (2021: \$5.7 million).

EBITDA for the financial year was a loss of \$61.5 million, an increase of 12%, from prior period (2021: \$55.1 million). This result is reflective of the significant investment into the US market during the year.

The Group's loss for the year ended 30 June 2022 from operating activities was \$82.5 million representing an increase of 31% on the prior year (2021: \$63.1 million).

Financial Performance	30 June 2022 \$m	30 June 2021 \$m	Change
Income	32.0	26.0	23%
Other income	2.3	0.3	698%
<b>Total income</b>	<b>34.2</b>	26.3	30%
Receivables impairment expense	(9.4)	(12.2)	(23%)
Employee benefits expense	(44.1)	(27.7)	59%
Share-based payments expense	(3.3)	(2.1)	59%
Advertising and marketing expense	(5.7)	(7.2)	(21%)
Other operating expenses	(33.3)	(32.2)	3%
<b>Operating expenses</b>	<b>(95.7)</b>	(81.4)	18%
<b>EBITDA</b>	<b>(61.5)</b>	(55.1)	12%
Depreciation and amortisation expense	(3.3)	(2.3)	41%
Finance costs	(17.7)	(5.7)	212%
<b>Statutory net loss before tax</b>	<b>(82.5)</b>	(63.1)	31%

## OUTLOOK

In FY23, Openpay:

- expects to implement a simplified business model focused on best use of capital
- expects to realise further business efficiencies while continuing to grow
- remains committed to deliver cash EBITDA profitability by June 2023 on a monthly basis,

as we provide a smarter way to pay – for consumers (B2C) and businesses (B2B).

In order to ensure the Group has sufficient funding, management continually assesses anticipated cash flows such that the business is appropriately scaled in line with growth forecasts. Based on the Group's forecasts, the Group will be required to renew existing facilities and obtain additional funding, either through debt or equity, to support its plans. The Group is confident that they will continue to be successful in obtaining funding and capital, in the future, given its track record to date.

In the event that:

- the Group is not successful in renewing existing funding at expiry date, or
- conditions of existing funding (drawn or undrawn) are not satisfied, or
- existing funding is withdrawn under relevant provisions, or
- the Group's receivables growth materially exceeds current plans, or
- operating results materially underperform against current plans, or
- the Group cannot secure additional funds through working capital facilities or equity

then alternative funding, either debt or equity, in excess of that currently in place or planned will be required to support the business.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the funds available from existing cash reserves and renewal of debt facilities which occurred subsequent to year end, capital raised post period end, combined with sourcing new funds through (but not limited to) securing additional debt facilities and/or the issue of new shares, would provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12-month period from the date of signing these financial statements and have

therefore prepared the financial statements on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.

Please refer to Note 4 Going Concern for further details.

## OPENPAY (B2C)

In FY23, Openpay will continue to move toward higher value, longer term and more customised plans across the Company's specialist verticals, delivering substantial value to both merchants and customers.

This strategy has delivered market-leading margins as a precursor of anticipated sustainable, long-term profitability.

Openpay Australia will continue to leverage the strong foundations created across Retail and specialised verticals of Automotive, Healthcare, Home Improvement, and Education to:

- drive more value from the existing customer base
- focus on high quality customers and profitable segments
- deliver merchant value to increase Openpay adoption and advocacy.

## OPYPRO (B2B)

In FY23, Opypro is expected to grow as a unique B2B solution for enterprise customers, diversifying the Company's revenue streams and further contributing to its bottom line.

The trade account management platform will continue to see investment in its core technology platform, product innovations and advanced analytics to pursue further scale across target verticals.

# Directors' Report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

### Business strategy

In January 2022, the Company advised the market it was implementing a number of structural and strategic changes across the Group aimed at accelerating its pathway to profitability in its Australian B2C and B2B businesses. These changes included a material withdrawal from the UK market as well as seeking US investment from a financial partner given the scale of capital requirements for the US market.

In July 2022, the Company announced that given the current macroeconomic and public market conditions, together with the likely ongoing capital investment required in the US to fund its progress for an extended period, Openpay had decided to pause its existing US operations indefinitely and cease loan originations on the Opy USA platform.

Openpay's decision will result in no further expenses in its existing US operations in the near term, subject to one-off costs associated with the restructuring. Openpay believes that the ongoing capital and funding requirements are best allocated to the Australian business given its continued strong growth, market-leading margins and unique market positioning.

### Key Management Personnel changes

As part of the strategy simplification, the Group announced on 12 January 2022 the departure of the Managing Director and Group CEO Michael Eidel and appointment of Edward Bunting as Interim Group CEO.

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

With the exception of the item listed below, no other matters or circumstances have occurred subsequent to 30 June 2022 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### US operations

On 1 July 2022, the Group announced that given the current macroeconomic and public market conditions, together with the likely ongoing capital investment required in the US to fund its progress for an extended period, Openpay has decided to pause its existing US operations indefinitely and cease loan originations on the Opy USA platform.

Openpay's decision will immediately result in no further expenses in its existing US operations in the near term, subject to one-off costs associated with the restructuring. These costs are estimated to be approximately US\$4.9 million of which US\$4 million relates to staff severance costs and US\$0.9 million relates to supplier terminations. As at 30 June 2022, while the decision to pause the US had not been made, the Group's assumption was that the warehouse facility was no longer likely to be utilised. As a result, additional costs of US\$2.1 million were recognised at 30 June 2022 to reflect the accelerated recognition of upfront costs and deferred warrant costs in relation to this facility. Payment of the expected restructuring costs and approximately US\$2.6 million of expenditure incurred during the year as part of normal operations will be settled over approximately the next 12 months to minimise the impact on the Company's working capital requirements.

### Capital Raise and Share Placement Plan

In August 2022, the Company completed the Placement and Share Purchase Plan (SPP) announced on 23 May 2022. This followed the general meeting held on 10 August 2022 to seek shareholder approval to ratify the issue of shares under Tranche 1 of the placement, and approve the issue of shares under Tranche 2 of the placement and the SPP. Funds to be received totalled \$23.8 million net of transaction costs, of which \$17.5 million was received subsequent to year-end and \$8 million was used to repay a working capital facility that remains available for use.

### Funding Facilities

Subsequent to year end, the review period for the Receivables funding facility concluded and under the amended agreement, the new minimum restricted cash requirement reduced to \$750,000 and the additional review period term that applied in the event of a material uncertainty was also removed.

The working capital facility of \$10 million due to mature in October 2022 was amended to mature in October 2023 with an additional uncommitted tranche available at the discretion of the lender.

The corporate debt facility of \$30 million due to mature in October 2022 was extended to mature in July 2023.

## ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulation.

## INFORMATION ON DIRECTORS

The following information is current as at the date of this financial report.

### Patrick Tuttle BEc (Accounting and Finance), CA. *Independent Chair, Non-Executive Director*

<b>Expertise and experience</b>	Patrick joined Openpay in November 2019. Patrick has in excess of 30 years' experience in non-bank, consumer, SME and asset-based finance.  Patrick is an Australian Chartered Accountant and has 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, a role he held until March 2017.
<b>Other current directorships</b>	Non-Executive Chairman – COG Financial Services Limited (ASX: COG)  Non-Executive Director – Shift Financial Pty Ltd, Azora Finance Pty Ltd, Beforepay Group Limited (ASX: B4P), and Divipay Pty Ltd  Non-Executive Director of Australian Ireland Fund Limited (registered charity)
<b>Former listed directorships in last 3 years</b>	Dough Limited (ASX: DOU)
<b>Special responsibilities</b>	Chair of the Board
<b>Interests in shares and options</b>	Ordinary shares – Openpay Group Ltd 205,537  Options over ordinary shares – Openpay Group Ltd Nil

### Sibylle Krieger LLB(Hons), LLM, FAICD, MBA. *Non-Executive Director*

<b>Expertise and experience</b>	Sibylle joined Openpay in November 2019. Sibylle is a professional independent Non-Executive Director with over 35 years' experience as a commercial lawyer, economic regulator and Non-Executive Director of a range of companies.  Sibylle's particular focus as a Non-Executive Director has been on corporate governance, organisational culture and remuneration governance in sectors undergoing significant change or reform.
<b>Other current directorships</b>	Non-Executive Director – My State Limited (ASX: MYS), AEMO Services Limited and Ventia Services Group Limited (ASX:VNT)
<b>Former listed directorships in last 3 years</b>	Non-Executive Chair – Xenith IP Group Limited  Non-Executive Director – Vector Limited
<b>Special responsibilities</b>	Chair of the Audit and Risk Management Committee  Chair of the Remuneration and Nomination Committee (from 15 January 2022)
<b>Interests in shares and options</b>	Ordinary shares – Openpay Group Ltd 92,003  Options over ordinary shares – Openpay Group Ltd Nil

## Directors' Report.

### David Phillips LLB(Hons), LL.M, BComm. *Non-Executive Director*

#### Expertise and experience

David joined the board of Openpay in September 2017. David has nearly 25 years' experience in financial services, 14 of which were with Investec where he has been the Head of Structured Finance, Global Co-head of Investec Aviation Finance and Head of Investec Emerging Companies. David is the Managing Director and Chief Investment Officer of Commencer Capital, fund manager and investment committee member of the Commencer Capital Emerging Companies Fund, and non-executive, independent member of the investment committee of W23, the venture capital arm of Woolworths Group Limited.

David has held a number of board positions including Goshawk Aviation Limited, IGAF and IASL as well as numerous Investec investee companies. David was a Responsible Manager on Investec licenses related to certain fund management activities it carried on.

Prior to joining Investec, David was a Director in the Corporate Advisory division of Deutsche Bank for 5 years where he was involved in large mergers and acquisitions transactions both domestically and offshore, and prior to that was a tax adviser and lawyer with KPMG and Freehills respectively.

#### Other current directorships

Executive Director: Commencer Capital (and related subsidiary)

Non-Executive Director: Dresden Optics, MadeComfy, Comestri and Tilter

#### Former listed directorships in last 3 years

None

#### Special responsibilities

None

#### Interests in shares and options

Ordinary shares – Openpay Group Ltd 113,496

Options over ordinary shares – Openpay Group Ltd Nil

### Yaniv Meydan *Non-Executive Director*

#### Expertise and experience

Yaniv is a co-founder of Openpay and has extensive experience in structured and property finance, receivables financing and business operations both globally and in Australia.

Yaniv has been the CEO of the Meydan Group since 2004. He is responsible for the Meydan Group's worldwide operations. Yaniv has a key role in the strategic and senior management of all of the Meydan Group's finance, operational and new business activities within Australia and international markets.

#### Other current directorships

None

#### Former listed directorships in last 3 years

None

#### Special responsibilities

None

#### Interests in shares and options

Ordinary shares – Openpay Group Ltd 24,155,592

Options over ordinary shares – Openpay Group Ltd Nil

**Edward Bunting LLB, BComm, Company Secretary and Interim Group CEO**

<b>Expertise and experience</b>	Edward Bunting has over 10 years' experience as a corporate, commercial and regulatory lawyer with leading Australian and international organisations. Prior to his appointment, Edward was General Counsel at Meydan Group which involved extensive advisory services to listed and unlisted companies. Edward previously served in legal and commercial roles at Ashurst, Cricket Australia and Toyota Australia. Edward is a member of the Law Institute of Victoria and is admitted as a barrister and solicitor in Victoria.	
<b>Other current directorships</b>	None	
<b>Former listed directorships in last 3 years</b>	None	
<b>Special responsibilities</b>	None	
<b>Interests in shares and options</b>	Ordinary shares – Openpay Group Ltd	187
	Options over ordinary shares – Openpay Group Ltd	609,760

**MEETINGS OF DIRECTORS**

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2022, and the numbers of meetings attended by each director were:

	<b>Board of Director Meetings</b>		<b>Audit &amp; Risk Committee Meetings</b>		<b>Remuneration &amp; Nomination Committee Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
Patrick Tuttle	9	9	2	2	-	-
Sibylle Krieger	9	9	2	2	2	2
Yaniv Meydan	9	9	-	-	2	2
David Phillips	9	9	2	2	-	-
Kelly Bayer Rosmarin	5	5	-	-	2	2
Michael Eidel	5	5	-	-	2	2
Edward Bunting (Company Secretary)	9	9	2	2	2	2

# Remuneration Report.

The Openpay Group Ltd 2022 remuneration report outlines key aspects of our remuneration policy and framework, and remuneration awarded this year. The report is set out under the following main headings:

- Key management personnel (KMP) covered in this report;
- Remuneration philosophy;
- Performance;
- Details of remuneration;
- Service agreements with executive KMP;
- Non-executive director arrangements;
- Share-based compensation;
- Additional disclosures relating to KMP; and
- Other information

## Key management personnel covered in this report

- Patrick Tuttle, Non-Executive Chairman;
- Sibylle Krieger, Non-Executive Director;
- Yaniv Meydan, Non-Executive Director;
- David Phillips, Non-Executive Director;
- Kelly Bayer Rosmarin, Non-Executive Director (until 15 January 2022);
- Edward Bunting, Interim Group Chief Executive Officer (from 12 January 2022);
- Michael Eidel, Managing Director and Group Chief Executive Officer (Group CEO until 11 January 2022 and Director until 18 January 2022);
- Oliver Josem, Group Chief Financial Officer (from 1 June 2022) and
- Jussi Nunes, Group Chief Financial Officer (until 31 May 2022)

## Remuneration philosophy

The board reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular the board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned with the company's strategic and business objectives and the creation of shareholder value
- Transparent and easily understood; and
- Acceptable to shareholders.

The KMP remuneration framework is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The framework comprises the following components:

- Fixed Remuneration – consists of base salary plus superannuation and is set to reflect the market median for the role, having regard to the responsibilities and complexity of the role, and the experience and skills required to successfully perform the role. Fixed Remuneration is paid in cash.
- Short Term Incentive (STI) – based on an assessment of a balanced scorecard (with threshold and target levels of vesting in respect of each measure). Eligible employees are entitled to a maximum cash bonus of between 40% and 50% of their fixed annual remuneration. Short Term Incentives consists of a cash component (50%) payable at the end of the performance period and a deferred component (50%). The deferred component is also paid in cash of which 25% is payable on the 1<sup>st</sup> anniversary of the vesting date and 25% payable on the 2<sup>nd</sup> anniversary of the vesting date.
- Long Term Incentive – aligned to the delivery of long-term performance and delivery of returns to shareholders. Performance conditions for senior management are based on the achievement of growth targets for revenue and total shareholder return (with threshold and target levels of vesting in respect of each measure) over a three-year period. Awards for other employees vest over a three-year period with a service condition only. Long Term Incentives are delivered through the issue of Performance Rights and/or Options.

The Remuneration and Nomination Committee (RNC) is responsible for determining and reviewing compensation arrangements for the KMP. The RNC determines the appropriateness, and amount, of remuneration for each KMP annually by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

All remuneration paid to KMP is valued at the cost to the Company and expensed. Options granted were independently valued or in the case of some full value options and performance rights, volume-weighted average price (VWAP) was adopted, and the benefits are amortised over the vesting period.

The Board will continue to review KMP packages annually by reference to the Company's performance, KMP performance, and comparable information from industry sectors and other listed companies in similar industries.

## Performance

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder value. The table below outlines the Group's performance as required by the *Corporations Act 2001* in addition to other key operating metrics. However, these are not necessarily always consistent with all the measures used in determining the variable amounts of remuneration. As a result, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded. Share price is only presented from FY20 onwards as the Company became listed on 16 December 2019.

	2022	2021	2020	2019	2018
Loss for the year (\$)	(82,455,823)	(63,059,351)	(35,401,258)	(14,682,165)	(4,439,260)
Dividend payments	-	-	-	-	-
Increase/(decrease) in share price %	(91.6%)	(31.9%)	58.5%	N/A	N/A
TTV (ie underlying sales) (\$)	413,650,434	339,350,848	192,828,657	97,299,999	60,478,377
Active customers (#)	556,983	540,746	319,324	132,573	82,221
Active plans (#)	2,390,983	1,982,211	823,873	250,168	119,613
Buy Now Pay Later income (\$)	31,951,208	26,031,528	18,004,736	10,992,809	6,835,402

### Short Term Incentive Overview

STI performance is assessed against a balanced scorecard of measures across five categories being financial, customer, people and culture, strategy execution, and reputation and risk management as set out below. The balanced scorecard reflects annual objectives aligned with our key value drivers and generation of long-term value for our shareholders.

#### Balance Scorecard

Performance Conditions	Measures	Weight	Rationale
<b>Financial (40%)</b>	Revenue Growth	20%	Strong revenue growth and cost controls directly impacts on shareholder value.
	Net Transaction Margin	10%	
	Operating Profit Before Tax	10%	
<b>Customer (30%)</b>	Number of Active Merchants	10%	Continued expansion of the Merchant and Customer base drives the growth in underlying transactional value which is the basis of our short term and mid-term expansion strategy.
	Number of Active Customers	10%	
	Number of Active Plans	10%	
<b>People &amp; Culture (10%)</b>	Employee Net Promoter Score	5%	Employees are essential to the success of Openpay. We are committed to attracting and retaining the highest quality employees and strive to provide them with exciting and satisfying opportunities.
	Attrition Rate – Senior Leadership and Direct Reports	5%	
<b>Strategy Execution (10%)</b>	Achievement of FY22 Strategic Initiatives	10%	Execution on key initiatives drives the basis of innovation and expansion for continued future growth.
<b>Reputation and Risk Management (10%)</b>	Review of Management's response to risk events including customer complaints during FY22	10%	Managing our compliance and risk environment is a crucial aspect of ensuring the business is a good corporate citizen and is responsive to all our customers' feedback.

## Remuneration Report.

The Board has assessed performance against the balanced scorecard for FY22 as shown below.

BSC Performance Conditions	FY22 Outcome	Commentary on outcome
<b>Financial (40%)</b>	Not met (<50%)	<ul style="list-style-type: none"> <li>■ Group Revenue growth was hindered by the regulatory and economic challenges of scaling the overseas regions. This has resulted in the Group's decision to exit the UK market in January 2022 and indefinitely cease US operations from 1 July 2022 in order to focus on growing the Australian business. Standalone, the Australian business achieved 96% of its FY22 revenue growth aspirations.</li> <li>■ Group net transaction margin was not met due to insufficient scale in the overseas regions and the added cost of exiting/ceasing operations in the UK and US. However, the Australian region achieved 91% of its NTM % target.</li> <li>■ Operating loss for the year was reflective of the costs associated with building up the overseas regions and subsequent withdrawal to allow focus on leveraging the simplified company structure to scale the Australian business and achieve cashflow positive EBITDA in FY23.</li> </ul>
<b>Customer (30%)</b>	Partially met (Threshold >50%)	<ul style="list-style-type: none"> <li>■ Number of Active Merchants not met due to insufficient scale from overseas regions but offset by 84% achieved by the Australian business.</li> <li>■ Number of Active Customers: partially met mainly driven by the Australian business.</li> <li>■ Number of Active Plans: fully met mainly driven by the Australian business.</li> </ul>
<b>People &amp; Culture (10%)</b>	Partially met (Threshold >50%)	<ul style="list-style-type: none"> <li>■ Threshold employee engagement score met for ANZ.</li> <li>■ Attrition rate for senior leadership was in line with expectations following the pivot in business strategy to a simplified structure.</li> </ul>
<b>Strategy Execution (10%)</b>	Not met	<ul style="list-style-type: none"> <li>■ Exited the UK in January 2022</li> <li>■ Indefinitely ceased US operations from July 2022</li> <li>■ Leverage simplified structure to build up the Australian business towards cashflow positive EBIDTA profitability in FY23.</li> </ul>
<b>Reputation and Risk Management (10%)</b>	Fully met (Target 100%)	<ul style="list-style-type: none"> <li>■ Risk frameworks simplification in line with strategic objectives</li> <li>■ No major regulatory incidents</li> </ul>

### Long Term Incentive Overview

All Long Term Incentives (LTIs) awarded by the Company take the form of non-share equity, either options or performance rights. In addition to the program of LTIs already in place for executives and senior management, in FY22 the Company introduced a broad-base program of LTIs available to all other employees.

As in the previous year, the LTIs issued to executive and senior management are assessed against two equally-weighted performance hurdles: Revenue Compound Average Growth Rate and Absolute Total Shareholder Return. Both are measured over a three year performance period, and the participant must also remain continuously employed for their LTIs to vest. These measures were selected as they are reflective of the key value drivers of the business over the long term and, in the Board's view, strike an appropriate balance between growth and long-term profitability.

The LTIs issued under the broad-base program vest in 3 equal tranches over a 3-year period on the condition that the participant remains employed on the relevant anniversary.

Options and performance rights issued for sign-on and retention purposes vest over a 1 or 2 year period on the condition of continuous employment. These were introduced to ensure the Company continues to attract and retain talent in the market.

During the year, the Board issued 616,962 options under the LTI program to KMP. For further information, see the Long Term Incentive Plan section of this report.

### Details of Remuneration

The following table shows details of the remuneration expense recognised for the Company's KMP measured in accordance with the requirements of the accounting standards.

Member of KMP	Financial Year	Fixed remuneration			Variable remuneration		Total \$	Performance related
		Salary & Fees \$	Annual and long service leave \$	Super-annuation \$	Cash bonus \$	Options \$		
<i>Executive director</i>								
Michael Eidel (until 18 January 2022)	2022	261,758	22,384	12,906	-	-	297,047	0%
	2021	478,706	10,853	21,715	-	110,778	622,052	18%
<i>Other KMP</i>								
Edward Bunting (from 12 January 2022)	2022	172,962	18,135	10,568	-	4,747	206,412	2%
	2021	-	-	-	-	-	-	0%
Oliver Josem (from 1 June 2022)	2022	23,435	2,292	700	-	498	26,924	2%
	2021	-	-	-	-	-	-	0%
Jussi Nunes (until 31 May 2022)	2022	322,263	27,302	32,083	-	130,000	511,649	0%
	2021	286,953	22,251	27,205	-	138,398	474,807	29%
Andrew Burns (until 4 September 2020)	2022	-	-	-	-	-	-	-
	2021	166,015	-	9,361	-	-	175,376	0%
<b>Total executive director and other KMP</b>	<b>2022</b>	<b>780,418</b>	<b>70,113</b>	<b>56,257</b>	<b>-</b>	<b>135,245</b>	<b>1,042,032</b>	
	2021	931,674	33,104	58,281	-	249,176	1,272,235	

## Remuneration Report.

Member of KMP	Financial Year	Fixed remuneration			Variable remuneration		Total	Performance related
		Salary & Fees \$	Annual and long service leave \$	Super-annuation \$	Cash bonus \$	Options \$		
<i>Non-executive directors</i>								
Patrick Tuttle	2022	160,000	-	-	-	-	160,000	
	2021	160,000	-	-	-	-	160,000	
Sibylle Krieger	2022	118,985	-	11,898	-	-	130,883	
	2021	109,589	-	10,411	-	-	120,000	
Yaniv Meydan	2022	91,324	-	9,132	-	-	100,457	
	2021	91,324	-	8,676	-	-	100,000	
David Phillips <sup>1</sup>	2022	100,000	-	-	-	-	100,000	
	2021	100,000	-	-	-	-	100,000	
Kelly Bayer Rosmarin (until 15 January 2022)	2022	59,583	-	-	-	-	59,583	
	2021	110,000	-	-	-	-	110,000	
<b>Total NED remuneration</b>	2022	<b>529,892</b>	<b>-</b>	<b>21,030</b>	<b>-</b>	<b>-</b>	<b>550,923</b>	
	2021	570,913	-	19,087	-	-	590,000	
<b>Total KMP remuneration expensed</b>	2022	<b>1,310,310</b>	<b>70,113</b>	<b>77,287</b>	<b>-</b>	<b>135,245</b>	<b>1,592,955</b>	
	2021	1,502,587	33,104	77,368	-	249,176	1,862,235	

<sup>1</sup> David Phillips was engaged by the Company to provide other consultation and advisory services to the Board of Openpay from 1 June 2022 for a period of 6 to 12 months.

## Service agreements with executive KMPs

Remuneration and other terms of employment for executive KMP are formalised in service agreements. Details of these agreements are as follows:

<b>Name:</b>	<b>Michael Eidel</b>
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	21 November 2019 until 18 January 2022
Contract duration:	Stepped down from role as Group CEO from 12 January 2022, and resigned as Director on 18 January 2022. Employment ended on 12 July 2022.
Term of agreement:	Annual salary of \$500,000, inclusive of superannuation contributions. Michael was eligible to receive a discretionary short term incentive bonus of up to \$250,000 and options under the long term incentive plan up to a value equal to 100% of his fixed annual remuneration.  Payments made to Michael upon termination of his employment have not exceeded the maximum amount permitted by the Corporations Act without Shareholder approval.

<b>Name:</b>	<b>Jussi Nunes</b>
Title:	CFO
Agreement commenced:	7 September 2020 until 31 May 2022
Contract duration:	Employment ended on 31 May 2022
Term of agreement:	Annual salary of \$350,000 plus superannuation contributions. Jussi was eligible to receive a discretionary short term incentive bonus of up to \$140,000 and options under the long term incentive plan up to a value equal to 50% of his fixed annual remuneration.  Payments made to Jussi upon termination of his employment have not exceeded the maximum amount permitted by the Corporations Act without Shareholder approval.

<b>Name:</b>	<b>Edward Bunting</b>
Title:	Interim Group CEO
Agreement commenced:	12 January 2022
Contract duration:	Ongoing contract
Term of agreement:	Annual salary of \$385,000 plus superannuation contributions. Edward is eligible to receive a discretionary short term incentive bonus of up to 30% of base salary and options under the long term incentive plan up to a value equal to 50% of his fixed annual remuneration.  Edward may terminate his employment with Openpay on provision of 6 months' notice. Openpay may terminate Edward's employment on provision of 6 months' notice.  Openpay may elect to pay Edward in lieu of all or part of any notice period, with such payment to be based on Edward's remuneration over the relevant period.  Edward's employment may also be terminated by Openpay without notice in certain circumstances such as serious misconduct, material breach of any Openpay company policy or anything that would entitle Openpay to summarily terminate the employment at common law.  Any payments made to Edward upon termination of his employment will be limited to the maximum amount permitted by the Corporations Act without Shareholder approval.

## Remuneration Report.

<b>Name:</b>	Oliver Josem
<b>Title:</b>	CFO
<b>Agreement commenced:</b>	Assumed CFO role from 1 June 2022. Agreement terms below apply from 1 July 2022
<b>Contract duration:</b>	Ongoing contract
<b>Term of agreement:</b>	<p>During June 2022, remuneration was based on pro rated annual total fixed remuneration of US\$220,000.</p> <p>From 1 July 2022, annual total fixed remuneration of US\$263,606 (AU\$380,000), inclusive of superannuation contributions. Oliver is eligible to receive a discretionary short term incentive bonus of up to 40% of base salary and options under the long term incentive plan up to a value equal to 50% of his fixed annual remuneration.</p> <p>Oliver may terminate his employment with Openpay on provision of 6 months' notice. Openpay may terminate Oliver's employment on provision of 6 months' notice.</p> <p>Openpay may elect to pay Oliver in lieu of all or part of any notice period, with such payment to be based on Oliver's remuneration over the relevant period.</p> <p>Oliver's employment may also be terminated by Openpay without notice in certain circumstances such as serious misconduct, material breach of any Openpay company policy or anything that would entitle Openpay to summarily terminate the employment at common law.</p> <p>Any payments made to Oliver upon termination of his employment will be limited to the maximum amount permitted by the Corporations Act without Shareholder approval.</p>

KMP have no entitlement to termination payments in the event of removal for misconduct.

### Non-executive director arrangements

Non-executive directors receive a Board fee and fees for chairing or participating on Board committees. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. Director fees were established as part of the IPO by the Board taking into account comparable roles and market data provided by the remuneration adviser, as appointed by the Board, and are expected to be reviewed annually. The maximum annual aggregate directors' fee pool limit is \$1 million and will be presented for approval by the shareholders at the annual general meeting.

#### Base fees

Chair	\$150,000
Other non-executive directors	\$90,000

#### Additional fees

Audit and risk committee – chair	\$20,000
Audit and risk committee - member	\$10,000
Remuneration and nomination committee – chair	\$20,000
Remuneration and nomination committee – member	\$10,000

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

## Share-Based Compensation

### Issue of Shares

There were no shares issued to KMP as part of compensation during the year ended 30 June 2022.

### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in this financial year or future reporting years are as follows:

Option Category	Grant Date	Expiry Date	Exercise Price	Fair Value per Option at Grant Date
Revenue LTI (MPOs)	26 July 21	17 March 31	\$3.71	\$0.42
Revenue LTI (ZEPOs)	26 July 21	17 March 31	Nil	\$1.25
Sign Ons (ZEPOs)	26 July 21	21 January 31	Nil	\$3.71
TSR LTI (MPOs)	26 July 21	17 March 31	\$3.71	\$0.05
TSR LTI (ZEPOs)	26 July 21	17 March 31	Nil	\$0.06
Revenue LTI (MPOs)	31 January 22	1 December 31	\$1.43	\$0.14
Revenue LTI (ZEPOs)	31 January 22	1 December 31	Nil	\$0.53
Revenue LTI (ZEPOs)	31 January 22	1 December 31	Nil	\$0.53
TSR LTI (MPOs)	31 January 22	1 December 31	\$1.43	\$0.02
TSR LTI (ZEPOs)	31 January 22	1 December 31	Nil	\$0.03
TSR LTI (ZEPOs)	31 January 22	1 December 31	Nil	\$0.03

### Long Term Incentive Plan

The Group has established an Equity Incentive Plan (EIP) designed to provide long-term incentives (LTIs) in the form of non-share equity to eligible employees, directors and advisors to the Company. Under the EIP, the Group has in the FY22 provided:

- an annual LTI program for executive and senior management, under which two categories of options were issued:
  - for employees in Australia and New Zealand, zero strike price options (ZEPOs), which are nil exercise price options, and for employees in the US, performance rights (PRs) which are similar to ZEPOs but convert to shares automatically following vesting; and
  - market price options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant.

These LTIs are assessed against two equally-weighted performance hurdles: revenue compound average growth rate and absolute total shareholder return. Both are measured over a three year performance period specific to each annual grant, and the participant must also remain continuously employed for their LTIs to vest.

- an LTI program for remaining permanent employees, under which ZEPOs and PRs (for US employees) were issued. These LTIs vest in 3 equal tranches over a 3-year period on the condition that the participant remains employed on the relevant anniversary. It is intended this program will also be offered annually.
- Sign-On and Retention ZEPOs and PRs to selected employees. These awards vest over a 1 or 2 year period on the condition of continuous employment.
- ZEPOs and PRs subject to individually established performance hurdles for advisors to the Company. These awards vest over periods up to 18 months.

All awards have been granted under the EIP for no consideration, carry no dividend or voting rights, and on exercise or conversion carry an entitlement to ordinary shares in the Company.

## Remuneration Report.

The number of options in the Company held by each of the Company's KMP, including their related parties, during the year ended 30 June 2022 is set out below:

Member of KMP and Option Category	Balance at 1 July 2021	Granted as Remuneration	Vested			Forfeited			Balance at 30 June 2022	
			Number	%	Exercised	Number	%	Unvested	Vested and exercisable	Unvested
Edward Bunting (from 12 January 2022)										
Retention Offer (MPOs) <sup>1</sup>	171,429	-	-	-	-	-	-	-	171,429	-
Revenue LTI (MPOs)	53,572	93,862	-	-	-	-	-	-	-	147,434
Revenue LTI (ZEPOs)	23,438	48,295	-	-	-	-	-	-	-	71,733
TSR LTI (MPOs)	53,571	93,861	-	-	-	-	-	-	-	147,432
TSR LTI (ZEPOs)	23,437	48,295	-	-	-	-	-	-	-	71,732
Michael Eidel (until 18 January 2022)										
Retention Offer (MPOs) <sup>1</sup>	1,428,571	-	-	-	-	-	-	-	1,428,571	-
Revenue LTI (MPOs)	261,905	-	-	-	-	-	-	-	-	261,905
Revenue LTI (ZEPOs)	125,515	-	-	-	-	-	-	-	-	125,515
TSR LTI (MPOs)	261,904	-	-	-	-	-	-	-	-	261,904
TSR LTI (ZEPOs)	125,514	-	-	-	-	-	-	-	-	125,514
Oliver Josem (from 1 June 2022)										
Revenue LTI (MPOs)	16,072	7,772	-	-	-	-	-	-	-	23,844
Revenue LTI (ZEPOs)	7,032	3,886	-	-	-	-	-	-	-	10,918
TSR LTI (MPOs)	16,071	7,772	-	-	-	-	-	-	-	23,843
TSR LTI (ZEPOs)	7,031	3,886	-	-	-	-	-	-	-	10,917
Jussi Niumes (until 31 May 2022)										
Sign Ons (ZEPOs)	-	35,040	35,040	100	-	-	-	-	35,040	-
Revenue LTI (MPOs)	-	90,482	-	-	-	-	90,482	100	-	-
Revenue LTI (ZEPOs)	-	46,666	-	-	-	-	46,666	100	-	-
TSR LTI (MPOs)	-	90,480	-	-	-	-	90,480	100	-	-
TSR LTI (ZEPOs)	-	46,665	-	-	-	-	46,665	100	-	-
Kelly Bayer Rosmarin (until 15 January 2022)	125,000	-	-	-	-	-	-	-	125,000	-

<sup>1</sup> Retention Offer options vested immediately on admission of the Group to the official list of ASX.

## Additional Statutory Information

### Shares Held by KMP

The number of ordinary shares in the Company held by each of the Company's KMP, including their related parties, during the year ended 30 June 2022 is set out below:

Member of KMP	Balance at 1 July 2021	Granted as Remuneration	Received on Exercise	Other Changes	Held at 30 June 2022
Michael Eidel (until 18 January 2022)	251,023	-	-	-	251,023
Jussi Nunes (until 31 May 2022)	24,305	-	-	-	24,305
Patrick Tuttle	205,537	-	-	-	205,537
Sibylle Krieger	92,003	-	-	-	92,003
Yaniv Meydan	24,155,592	-	-	-	24,155,592
Kelly Bayer Rosmarin (until 15 January 2022)	26,560	-	-	-	26,560
David Phillips	113,496	-	-	-	113,496
Edward Bunting (from 12 January 2022)	187	-	-	-	187
Oliver Josem (from 1 June 2022)	625	-	-	-	625

### Other Transactions with KMP

There were no loans made during the year to any KMP.

**This concludes the remuneration report, which has been audited.**

# Directors' Report.

## SHARES UNDER OPTION

### Unissued ordinary shares

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

Grant date	Expiry date	Exercise price	Number under option
22 November 2019	18 February 2023	\$0.00	357,143
22 November 2019	1 January 2024	\$1.60	1,428,571
22 November 2019	9 December 2029	\$1.60	528,572
22 November 2019	21 January 2030	\$0.00	125,000
23 June 2020	18 February 2023	\$0.00	82,696
23 June 2020	1 January 2024	\$0.00	156,250
23 June 2020	1 January 2024	\$1.60	357,143
23 June 2020	15 July 2030	\$0.00	242,913
23 June 2020	15 July 2030	\$1.60	555,228
25 November 2020	1 January 2024	\$0.00	94,779
25 November 2020	1 January 2024	\$2.64	166,666
26 July 2021	21 January 2031	\$0.00	35,040
26 July 2021	17 March 2031	\$0.00	116,281
26 July 2021	17 March 2031	\$3.71	204,457
26 July 2021	26 June 2031	\$0.00	103,742
26 July 2021	28 June 2031	\$0.00	38,744
26 July 2021	28 June 2031	\$3.71	68,122
26 July 2021	31 December 2099	\$0.00	1,588,295
31 January 2022	9 November 2026	\$0.00	253,245
31 January 2022	1 July 2031	\$0.00	46,984
31 January 2022	1 December 2031	\$0.00	988,949
31 January 2022	1 December 2031	\$1.43	1,584,142
<b>Total</b>			<b>9,122,962</b>

No option or performance right holder has any right under the options or performance rights to participate in any other share issue of the Company or any other entity.

Included in these options are options and performance rights granted as remuneration to the directors and key management personnel.

## INSURANCE OF OFFICERS AND INDEMNITIES

The Group has indemnified each director and the company secretary against liabilities or loss that may arise from their position as officers of the Group and its controlled entities, to the extent permitted by law, under agreements between each director and the Company.

During the financial period, the Group paid a premium in respect of a contract insuring the directors of the company, the company secretary and executive officers of the Company and of any related body corporate against liabilities incurred by such a director, company secretary or executive officer 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.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## 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.

## AUDIT AND NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 26 Remuneration of auditors.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The board of directors, in accordance with advice provided by the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality 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*.

This report is made in accordance with a resolution of directors.



Patrick Tuttle

Chairman

Melbourne

30 September 2022

## Auditor's Independence Declaration.



### Auditor's Independence Declaration

As lead auditor for the audit of Openpay Group Ltd for the year ended 30 June 2022, I declare that 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; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Openpay Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Sam Garland', is written in a cursive style.

Sam Garland  
Partner  
PricewaterhouseCoopers

Melbourne  
30 September 2022

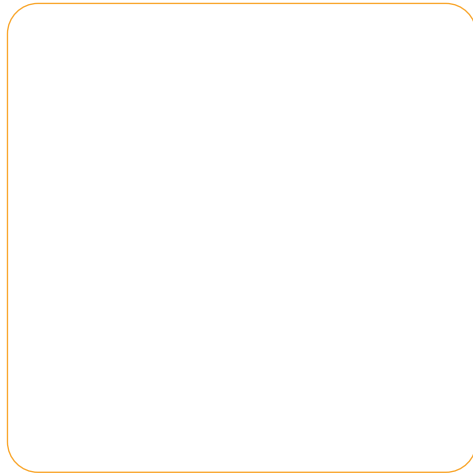
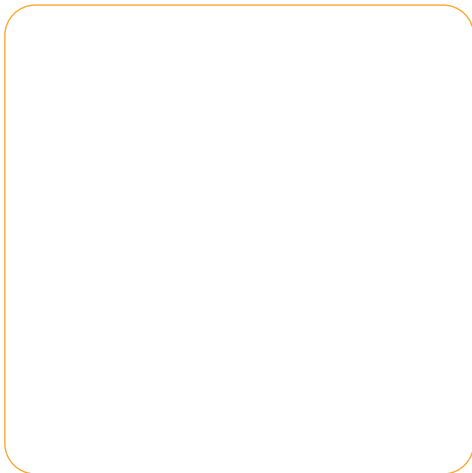
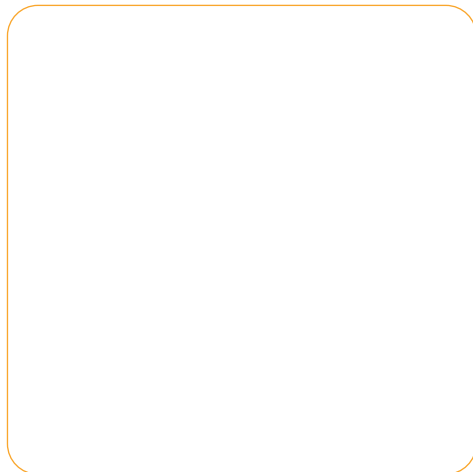
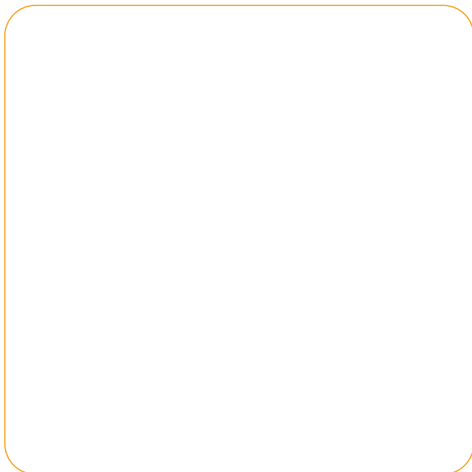
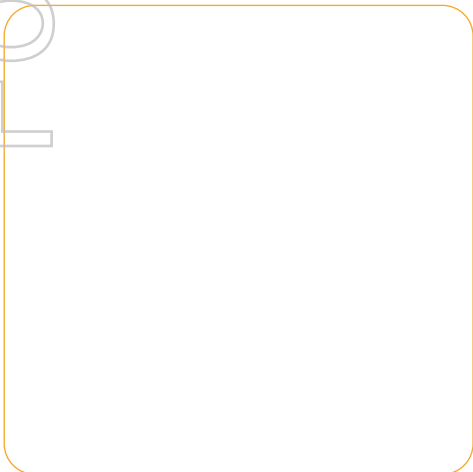
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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# Financial Report 2022

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

For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
<b>Income</b>	6	<b>34,246,176</b>	26,319,069
<b>Expenses</b>			
Receivables impairment expense	10	(9,377,822)	(12,210,293)
Employee benefits expense		(44,094,758)	(27,705,482)
Share-based payments expense	25	(3,272,121)	(2,063,936)
Depreciation and amortisation expense	7	(3,280,052)	(2,321,157)
Advertising and marketing expense		(5,666,176)	(7,162,163)
Other operating expense	7	(33,314,810)	(32,248,905)
Finance costs	7	(17,696,260)	(5,666,484)
<b>Loss before income tax expense</b>		<b>(82,455,823)</b>	(63,059,351)
Income tax expense	8	-	-
<b>Loss after income tax expense for the year attributable to the owners of Openpay Group Ltd</b>	24	<b>(82,455,823)</b>	(63,059,351)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations	22	(786,279)	338,265
Other comprehensive income for the year, net of tax		(786,279)	338,265
<b>Total comprehensive income for the year attributable to the owners of Openpay Group Ltd</b>		<b>(83,242,102)</b>	(62,721,086)
		<b>Cents</b>	Cents
Basic earnings per share	23	(61.69)	(56.06)
Diluted earnings per share	23	(61.69)	(56.06)

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

# Consolidated Balance Sheet.

As at 30 June 2022

	Note	Consolidated	
		2022	2021
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	9	10,343,521	52,078,094
Receivables	10	63,919,786	57,527,246
Other current assets	11	2,987,999	5,031,160
Other financial assets at amortised cost	15	–	22,060
<b>TOTAL CURRENT ASSETS</b>		<b>77,251,306</b>	114,658,560
NON-CURRENT ASSETS			
Receivables	10	2,060,733	924,650
Property, plant and equipment	12	548,315	829,410
Intangible assets	13	2,470,244	4,325,748
Right-of-use assets	14	1,398,313	2,424,348
Other financial assets at amortised cost	15	260,711	372,951
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,738,316</b>	8,877,107
<b>TOTAL ASSETS</b>		<b>83,989,622</b>	123,535,667
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	16	10,609,830	10,861,297
Borrowings	17	32,890,258	18,329,843
Lease liabilities	18	738,446	1,233,047
Financial liabilities at fair value through profit and loss	19	111,601	–
Employee benefits	20	1,928,028	1,740,195
Other liabilities		1,453,833	850,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>47,731,996</b>	33,014,382
NON-CURRENT LIABILITIES			
Borrowings	17	50,045,779	28,682,043
Lease liabilities	18	1,030,725	1,565,083
Employee benefits	20	113,923	101,585
Other liabilities		–	850,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>51,190,427</b>	31,198,711
<b>TOTAL LIABILITIES</b>		<b>98,922,423</b>	64,213,093
<b>NET ASSETS/(LIABILITIES)</b>		<b>(14,932,801)</b>	59,322,574
<b>EQUITY</b>			
Issued capital	21	190,304,832	182,745,390
Reserves	22	4,459,867	3,818,861
Accumulated losses	24	(209,697,500)	(127,241,677)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<b>(14,932,801)</b>	59,322,574

The above consolidated balance sheet should be read in conjunction with the accompanying notes

# Consolidated Statement of Changes in Equity.

For the year ended 30 June 2022

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
<b>Balance at 1 July 2020</b>	138,160,501	1,532,374	(64,182,326)	–	75,510,549
Loss after income tax expense for the year	–	–	(63,059,351)	–	(63,059,351)
Other comprehensive income for the year, net of tax	–	338,265	–	–	338,265
<b>Total comprehensive income for the year</b>	–	338,265	(63,059,351)	–	(62,721,086)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs (note 21)	44,240,604	–	–	–	44,240,604
Share-based payments (note 25)	–	2,063,936	–	–	2,063,936
Options exercised	344,285	(115,714)	–	–	228,571
<b>Balance at 30 June 2021</b>	182,745,390	3,818,861	(127,241,677)	–	59,322,574

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total deficiency in equity \$
<b>Balance at 1 July 2021</b>	182,745,390	3,818,861	(127,241,677)	–	59,322,574
Loss after income tax expense for the year	–	–	(82,455,823)	–	(82,455,823)
Other comprehensive income for the year, net of tax	–	(786,279)	–	–	(786,279)
<b>Total comprehensive income for the year</b>	–	(786,279)	(82,455,823)	–	(83,242,102)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs (note 21)	6,262,525	–	–	–	6,262,525
Share-based payments (note 22)	–	1,427,285	–	–	1,427,285
Options exercised	1,296,917	–	–	–	1,296,917
<b>Balance at 30 June 2022</b>	190,304,832	4,459,867	(209,697,500)	–	(14,932,801)

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

# Consolidated Statement of Cash Flows.

For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		433,145,668	359,943,793
Payments to merchants		(419,147,976)	(357,044,460)
Payments to suppliers and employees (inclusive of GST)		(78,766,184)	(63,948,176)
Interest received on cash and cash equivalents		27,052	113,008
Interest paid - borrowings		(12,700,547)	(5,027,891)
Interest paid - leases		(264,497)	(429,169)
Net cash used in operating activities	33	(77,706,484)	(66,392,895)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	12	(224,352)	(329,634)
Payments for intangibles	13	-	(3,716,354)
Net cash from/(used in) investing activities		(224,352)	(4,045,988)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		31,509,427	9,015,507
Proceeds from capital raisings		6,441,536	46,437,583
Capital raising costs		(179,011)	(1,968,408)
Principal elements of lease payments		(1,027,011)	(1,369,917)
Net cash from financing activities		36,744,941	52,114,765
Net decrease in cash and cash equivalents		(41,185,895)	(18,324,118)
Cash and cash equivalents at the beginning of the financial year		52,078,094	70,058,763
Effects of exchange rate changes on cash and cash equivalents		(548,678)	343,449
Cash and cash equivalents at the end of the financial year	9	10,343,521	52,078,094

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

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 1: SIGNIFICANT CHANGES TO OPERATIONS AND ACTIVITIES DURING AND AFTER THE CURRENT REPORTING PERIOD

### Business strategy

#### Events during the reporting period

In January 2022, the Company advised the market it was implementing a number of structural and strategic changes across the Group aimed at accelerating its pathway to profitability in its Australian B2C and B2B businesses. These changes included a material withdrawal from the UK market as well as seeking US investment from a financial partner given the scale of capital requirements for the US market. The financial results for the period include the costs associated with withdrawing from the UK market such as staff termination costs, closure of the UK office and exit from commercial contracts. Collection of the UK receivables and repayment of the related funding facility is expected to continue until November 2022.

#### Events after the reporting period

In July 2022, the Company announced that given the current macroeconomic and public market conditions, together with the likely ongoing capital investment required in the US to fund its progress for an extended period, Openpay had decided to pause its existing US operations indefinitely and cease loan originations on the Opy USA platform.

Openpay's decision will result in no further expenses in its existing US operations in the near term, subject to one-off costs associated with the restructuring. Openpay believes that the ongoing capital and funding requirements are best allocated to the Australian business given its continued strong growth, market-leading margins and unique market positioning. Please refer to Note 35 for further details.

### Key Management Personnel changes

As part of the strategy simplification, the Group announced on 12 January 2022 the departure of the Managing Director and Group CEO Michael Eidel and appointment of Edward Bunting as Interim Group CEO.

The Company announced on 1 July 2022 that as the business leverages a simplified operating structure towards growing the strong Australian business, Edward Bunting would step down as Interim Group CEO and Dion Appel would become CEO of Openpay.

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

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements are for the Group consisting of Openpay Group Ltd and its subsidiaries. Openpay Group Ltd is a company limited by shares, incorporated and domiciled in Australia. Openpay Group Ltd is a for-profit entity for the purpose of preparing the financial statements.

### Compliance with IFRS

The consolidated financial statements of Openpay Group Ltd also comply with International Financial Reporting Standards (IFRS) in their entirety as issued by the International Accounting Standards Board (IASB).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report, that have not been disclosed elsewhere in the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2022. The directors have the power to amend and reissue the financial statements.

### Historical cost convention

These financial statements have been prepared on the historical cost basis except for certain financial instruments (including derivative instruments) that have been measured at fair value.

### New and amended standards adopted by the Group

Certain new accounting standards and amendments were applicable for the first time for the reporting period commencing 1 July 2021. These new standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 deconsolidated from the date that control ceases.

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

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Group operates within one operating segment. Refer to note 5.

### Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian Dollars (\$) which is Openpay Group Ltd's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified at fair value

through other comprehensive income are recognised in other comprehensive income.

### Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit and loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

### Income

#### Buy Now Pay Later Income

Openpay Buy Now Pay Later income (BNPL income) includes merchant and consumer fees described below and is recognised in the consolidated statement of profit or loss using the effective interest rate (EIR) method. The Group recognises BNPL income over the expected life of the associated end consumer's BNPL receivable.

#### Merchant fees

Merchant fees are derived from the difference between the customer's underlying sale transaction value and the amount paid to the merchant for that transaction, and are based on a percentage of the customer sale transaction value for each BNPL consumer plan. Openpay pays merchants upfront the net amount of the previous day's orders less the merchant fees applicable and Openpay then assumes all non-repayment risk from the customer.

#### Consumer fees

BNPL services are designed with flexibility for the best consumer experience and value considering the associated credit and other business risks. Consumer fees include all fees payable by BNPL customers including fixed transaction fees (establishment, plan management, and redraw fees) and late fees. Depending on the terms and conditions of each BNPL product plan entered into and the associated plan duration, the amount of the fixed transaction fees for each payment can vary. Late fees arise and are

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

recognised when customers fail to make scheduled repayments. As late fees are due immediately, they are not discounted. Late fees amounted to \$6.8 million in FY22 (FY21: \$6.6 million) of which \$379k (FY21: \$625k) were uncollected and included in the value of receivables at year end.

## Opypro income

Opypro, the Group's B2B offering, generates revenue via transaction fees for delivery of completed transactions and fees for the set-up of new customer accounts on the Opypro platform. Transaction fees are generated from providing a payment solution for partners using the Opypro platform where the Group receives a fee based on a percentage of the transaction volume for every successful transaction. The new customer set-up fees are a per customer fee and represent compensation for performing account opening procedures. Both the transaction, and customer set-up, fees are accounted for as and when they are earned.

## Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Tax consolidation legislation

Openpay Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Openpay Group Ltd and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Openpay Group Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Openpay Group Ltd for any current tax payable assumed and are compensated by Openpay Group Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Openpay Group Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## Plan receivables

Plan receivables are generated in the ordinary course of business. They are generally due for settlement within 1 to 720 days. If collection of the amount is expected in one year or less, they are classified as current assets, otherwise, they are classified as non-current assets. The Group's model is to hold the receivables with the objective to collect the contracted cashflows. Plan receivables are initially recognised at fair value and are subsequently measured at amortised cost less an allowance for impairment.

## Impairment

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

The Group has developed a model loss rate curve to estimate future losses expected to be incurred on plan receivables. The model loss rate curve is developed by factoring in historical loss rates by consumer credit risk groups over time. The Group also considers the impact of external macro-economic factors in the expected credit loss rate.

At each reporting date, the Group assesses impairment risk on initial recognition of the receivables and movements in the ageing of outstanding receivables to estimate the expected credit losses.

The Group classifies its receivables into three stages and measures the expected credit loss based on credit migration between the stages. Refer to note 10 for further details on the methodology applied to estimate expected credit losses.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Changes to the fair value of derivatives at each reporting date is recognised through the statement of profit and loss.

## Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

All property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the asset. The expected useful life of assets within each asset class are as follows:

Furniture and fittings	5 years
IT equipment	3 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## Intangible assets

The Group has developed technology to support its core activities of providing technology-based payment solutions to merchants and customers.

Development costs that are directly attributable to the design and testing of the technology are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the technology so that it will be available for use;
- Management intends to complete the technology and use or sell it;
- There is an ability to use or sell the technology;
- It can be demonstrated how the technology will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the technology are available; and
- The expenditure attributable to the technology during its development can reliably measured.

Directly attributable costs that are capitalised as part of the technology include payments to external contractors, any purchase of materials and equipment, and personnel costs of employees directly involved in the project. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use using the straight-line method. The expected useful lives of intangible assets are as follows:

Core enterprise assets	5 years
Strategic value generating assets	1-3 years
Platform enhancements and integrations	1-2 years

Costs associated with maintaining the technology are recognised as an expense as incurred. Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets that are not ready for use as at the reporting date are assessed for impairment in accordance with policy set out below.

## Impairment of non-financial assets

Assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

## Prepayments

These amounts represent advanced payments for goods or services to be received in a future period. Prepaid expenses are presented as current assets and are recognised initially at their fair value and subsequently measured at amortised cost.

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is

capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where borrowings include a conversion option, the portion of the proceeds that relate to the fair value of the conversion option are recognised as an embedded derivative. The embedded derivative is recognised at fair value through profit and loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

#### **Borrowing costs and Deferred Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred. Deferred borrowing costs are costs related obtaining a loan, is capitalised upon initial recognition and amortised over the life of the relevant loan using the effective interest method.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### **Employee benefits**

##### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect

of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

##### **Other long-term employee benefit obligations**

The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

##### **Share-based payments**

Share-based compensation benefits are provided to employees via the Openpay Equity Incentive Plan. Information relating to these plans is set out in note 25.

##### **Equity Incentive Plan**

The fair value of options granted under the Openpay Equity Incentive Plan is recognised as a share-based payments expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, the entity's share price);
- Excluding the impact for any service and non-market performance vesting conditions (for example, sales growth targets, profitability and an employee remaining an employee of the entity over a specified time period);
- Including the impact of non-vesting conditions (for example the requirement for employees to hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each period, the entity revises estimates of the number of options that are expected to vest based on the non-market vesting and service conditions.

# Notes to the Consolidated Financial Statements.

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It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## Profit-sharing and bonus plans

The Group recognises a provision for bonuses where contractually obligated or where there is a past practice that has created a constructive obligation.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Contributed equity

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 owners of the Company, 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 year and excluding treasury shares

### 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 the 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 balance sheet.

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.

## NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal actual results. Management needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect.

Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

Going concern - refer note 4

Provision for expected credit loss on plan receivables - refer note 10

## NOTE 4: GOING CONCERN

The Group's business model is to make payments to merchants in advance of the Group receiving the purchase price over time from the customer. The business model and the stage of the Group's development requires external debt and equity funding to support the growth in customer receivables, the Group's continued investment in platform capability and its operational expenditure until it reaches scale and is in a profitable position.

For the year ended 30 June 2022, the Group generated a net operating cash outflow of \$77.7 million, a net loss after tax of \$8.5 million and as at 30 June 2022 had negative net assets of \$14.9 million.

## Funding sources

### Cash and cash equivalents:

As at 30 June 2022, the Group held unrestricted cash and cash equivalents of \$7.8 million (30 June 2021: \$51.6 million). A further \$2.5 million was held as restricted cash to meet conditions of borrowings (\$2 million was required by the lender).

Subsequent to period end, in August 2022 the Company completed the Placement and Share Purchase Plan (SPP) announced on 23 May 2022. This followed the general meeting held on 10 August 2022 to seek shareholder approval to ratify the issue of shares under Tranche 1 of the placement, and approve the issue of shares under Tranche 2 of the placement and the SPP. Funds received subsequent to year-end totalled \$17.5 million net of transaction costs.

### Borrowings available for ongoing Australian activities:

As at 30 June 2022, the Group also had available to it the following Australian sources of funding through receivables and working capital funding arrangements:

Facility and Permitted Use	Facility Amount	Committed	Amount Drawn	Committed Available	Uncommitted	Maturity
<b>Receivables Funding Facilities</b>						
Receivables funding in Australia	\$65,000,000	\$55,000,000	\$50,500,000	\$4,500,000	\$10,000,000	Jan-24
<b>Total receivables funding facilities</b>	<b>\$65,000,000</b>	<b>\$55,000,000</b>	<b>\$50,500,000</b>	<b>\$4,500,000</b>	<b>\$10,000,000</b>	
<b>Working Capital Facilities</b>						
Working Capital	\$10,000,000	\$10,000,000	\$3,834,909	\$6,165,091	-	Oct-22 <sup>1</sup>
Working Capital	\$30,000,000	\$25,000,000	\$25,000,000	-	\$5,000,000	Oct-22 <sup>2</sup>
<b>Total working capital facilities</b>	<b>\$40,000,000</b>	<b>\$35,000,000</b>	<b>\$28,834,909</b>	<b>\$6,165,091</b>	<b>\$5,000,000</b>	

1 Working capital facility has been extended to mature in October 2023 after the period ended.

2 Working capital facility has been extended to mature in July 2023 after the period ended.

### Receivables Funding Facilities

- Receivables funding facility of \$65 million maturing January 2024, \$10 million of which is uncommitted and subject to funder approval. The \$55 million of committed funding was drawn to \$50.5 million at 30 June 2022 with \$4.5 million committed and available (subject to funder drawdown approval and the review event described below).

Following a material uncertainty related to going concern being noted in the Group's financial reports for the period ending 31 December 2021, a review period for this facility had commenced. During this review period the funder required that \$2 million of additional cash be held in a restricted account (included in restricted cash disclosed above). Subsequent to year end, the review period concluded and under the amended agreement, the new minimum restricted cash requirement was reduced to \$750,000 and the additional review period term that applied in the event of a material uncertainty was also removed.

### Working Capital Facilities

- Working capital facility of \$10 million with a related party maturing in October 2022 was drawn to \$3.8 million at 30 June 2022 with \$6.2 million available to fund operating expenses. After the period ended, this facility was amended to mature in October 2023 with an additional uncommitted tranche of \$2.5 million available at the discretion of the lender.
- Corporate debt facility of \$30 million with a related party, \$5 million of which is uncommitted. The \$25 million of committed funding was fully drawn at 30 June 2022. Subsequent to year end, the facility was extended to mature in July 2023.

The Group is required to comply with certain conditions and debt covenants in relation to its funding facilities, which include: Loan-to-Value Ratio (LVR) requirements and sufficient cash allocated to lender-controlled cash accounts. The Group has complied with all such requirements during the period and up to the date of this report.

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

*Funding sources in UK and US subject to run-off or expected to be terminated by the Group:*

As at 30 June 2022, the Group also had available to it the following foreign sources of funding through receivables funding arrangements:

Facility and Permitted Use	Facility Amount	Committed	Amount Drawn	Committed Available	Uncommitted	Maturity
<b>Receivables Funding Facilities</b>						
Receivables funding in UK	\$105,801,446	\$44,083,936	\$3,526,715	\$40,557,221	\$61,717,510	Nov-22
Receivables funding in US	\$393,961,388	\$196,980,694	-	\$196,980,694	\$196,980,694	Apr-24
<b>Total receivables funding facilities</b>	<b>\$499,762,834</b>	<b>\$241,064,630</b>	<b>\$3,526,715</b>	<b>\$237,537,915</b>	<b>\$258,698,204</b>	

- The Group has a receivables funding facility in the UK of £60 million (approximately \$105.8 million) which is drawn to \$3.6 million and maturing in November 2022 that will not be renewed as it is in run-off following the decision in January 2022 to materially withdraw from the UK market.
- The Group also has a receivables funding facility in the US of US\$271.4 million (approximately \$393.9 million) that was terminated after year end, following the decision in July 2022 to pause operations and cease originations in the US market (the relevant costs of terminating the facility are included in Note 35).

## Ongoing Cash Flow Management

In order to ensure the Group has sufficient funding, management continually assesses anticipated cash flows such that the business is appropriately scaled in line with growth forecasts. Based on the Group's forecasts, the Group will be required to renew existing facilities and obtain additional funding, either through debt or equity, to support its plans. The Group is confident that they will continue to be successful in obtaining funding and capital, in the future, given its track record to date.

Negotiations to amend all three Australian facilities to ensure continued availability has concluded successfully after the period ended.

In the event that:

- the Group is not successful in renewing existing funding at expiry date, or
- conditions of existing funding (drawn or undrawn) are not satisfied, or
- existing funding is withdrawn under provisions discussed above, or
- the Group's receivables growth materially exceeds current plans, or
- operating results materially underperform against current plans, or
- the Group cannot secure additional funds through working capital facilities or equity

then alternative funding, either debt or equity, in excess of that currently in place or planned will be required to support the business.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the funds available from existing cash reserves and renewal of debt facilities which occurred subsequent to year end, capital raised post period end, combined with sourcing new funds through (but not limited to) securing additional debt facilities and/or the issue of new shares, would provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12-month period from the date of signing these financial statements and have therefore prepared the financial statements on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.

## NOTE 5: SEGMENT INFORMATION

### Identification of reportable operating segments

The Group provides embedded finance payment solutions by partnering with merchants to provide repayment plans to customers in-store, in-app and online. The Group is also scaling up its B2B SaaS platform which aims to streamline accounts management and billing for goods and services. The Interim Group Chief Executive Officer is the Chief Operating Decision Maker (CODM) and monitors the operating results on a consolidated basis. The Group has concluded that it has one reportable segment. Further, noncurrent assets related to locations outside Australia are not considered individually material as at 30 June 2022. Additionally, as of 30 June 2022, management has not found any significant difference in the economic performance of those geographic locations to justify a separate reportable segment.

### Disaggregation of income by geographic region

	Consolidated	
	2022 \$	2021 \$
Australia and New Zealand	27,197,732	19,044,294
Rest of the World	4,753,476	6,987,234

## NOTE 6: INCOME

	Consolidated	
	2022 \$	2021 \$
<b>Income</b>		
Buy Now Pay Later income	31,073,867	25,814,143
Opypro income	877,341	217,385
<b>Total income</b>	<b>31,951,208</b>	26,031,528
<b>Other income</b>		
Fair value gain on liabilities at fair value through profit and loss	2,292,776	-
Interest received and other income	2,192	287,541
<b>Total other income</b>	<b>2,294,968</b>	287,541
<b>Income</b>	<b>34,246,176</b>	26,319,069

## Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

### NOTE 7: EXPENSES

#### Other operating expenses

	Consolidated	
	2022	2021
	\$	\$
Processing and data costs	(10,286,505)	(10,041,193)
Professional services	(11,908,229)	(13,429,104)
Technology and communication	(8,513,625)	(4,827,635)
Sales, general and administrative	(2,606,451)	(3,950,973)
Total other operating expenses	(33,314,810)	(32,248,905)

#### Finance costs

	Consolidated	
	2022	2021
	\$	\$
Interest and finance costs – borrowings	(17,431,762)	(5,237,315)
Interest and finance costs – leases	(264,498)	(429,169)
Total finance costs	(17,696,260)	(5,666,484)

#### Depreciation and amortisation

	Consolidated	
	2022	2021
	\$	\$
Depreciation – property, plant and equipment	(400,256)	(329,972)
Depreciation – right-of-use assets	(1,024,292)	(1,505,262)
Amortisation – intangible assets	(1,855,504)	(485,923)
Total depreciation and amortisation	(3,280,052)	(2,321,157)

## NOTE 8: INCOME TAX

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable income and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### Numerical reconciliation of income tax expense and tax at the statutory rate

	Consolidated	
	2022 \$	2021 \$
Loss before income tax expense	(82,455,823)	(62,981,131)
Tax at the statutory tax rate of 30%	(24,736,747)	(18,894,339)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Difference in tax rates for foreign subsidiary	4,165,476	2,925,851
Share-based payments	862,740	537,871
Other	166,767	402,964
Subtotal	(19,541,764)	(15,027,653)
Deferred tax assets not recognised	19,541,764	15,027,653
Income tax benefit	-	-

### Tax losses

	2022 \$	2021 \$
Unused tax losses for which no deferred tax asset has been recognised	193,280,917	114,584,502
Potential tax benefit at 30% (Australia)	33,924,368	22,975,791
Potential tax benefit at 19% (United Kingdom)	8,936,135	5,979,225
Potential tax benefit at 21% (United States)	6,965,154	1,371,075
Total potential tax benefit	49,825,657	30,326,091

The unused losses have been incurred by the Group, the Directors have determined it is not prudent to recognise the deferred tax asset as at 30 June 2022. The unrecognised tax losses can be carried forward indefinitely, subject to the loss recoupment rules under the tax law of each separate jurisdiction being satisfied. Refer below for further details.

### Components of deferred tax assets not recognised

	Consolidated	
	2022 \$	2021 \$
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	551,757	518,095
Research and development costs for inhouse software expensed	689,292	795,130
Deferred receivables	132,546	111,856
Provision for impairment of receivables	1,067,948	1,100,804
Tax losses carried forward	49,825,657	30,326,091
Other	(723,983)	(850,524)
Total deferred tax assets not recognised	51,543,217	32,001,452

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 \$	2021 \$
<b>Current assets</b>		
Cash at bank and on hand	10,343,521	52,078,094

### Restricted cash

The cash and cash equivalents disclosed above includes \$2,500,000 (2021: \$515,260) in restricted cash not available to the Group at balance date. The minimum restricted cash required by the funder is \$2 million. The restricted cash is held in Openpay SPV Pty Ltd. The cash is restricted under debt covenants to meet Loan to Valuation Ratio requirements on eligible receivables funded plus minimum cash holding requirements held as a result of a review event on the Group's receivables funding facility in Australia. The review event has concluded subsequent to year end and the minimum restricted cash has been reduced to \$750,000.

## NOTE 10: RECEIVABLES

	Consolidated	
	2022 \$	2021 \$
<b>Current assets</b>		
Plan receivables – face value	67,613,105	62,100,601
Unearned future income	(20,992)	(206,461)
	67,592,113	61,894,140
Provision for expected credit loss	(3,672,327)	(4,366,894)
Net current plan receivables	63,919,786	57,527,246
<b>Non-current assets</b>		
Plan receivables – face value	2,540,147	1,098,868
Unearned future income	(420,827)	(152,996)
	2,119,320	945,872
Provision for expected credit loss	(58,587)	(21,222)
Net non-current plan receivables	2,060,733	924,650
Total plan receivables	65,980,519	58,451,896

	Consolidated	
	2022 \$	2021 \$
<b>Movement in provision for expected credit loss</b>		
Balance at the beginning of the year	(4,388,116)	(2,121,662)
Increase in plan receivables impairment recognised in profit or loss during the period	(10,209,966)	(12,381,912)
Receivables written off during the period as uncollectible	10,867,167	10,115,458
Closing provision	(3,730,915)	(4,388,116)

The Group classifies its plan receivables into three stages, based on the age of receivables, to determine the impairment charge and provision.

The Group has defined the three stages as follows:

Stage	Measurement Base
Receivables not yet due (Stage 1)	While the receivables are not yet due, a loss allowance has been established based on the expected credit losses from a default event occurring over the next 12 months.
Receivables past due 1 to 90 days (Stage 2)	The provisioning model utilises receivables past due 1 day as the absolute criteria to identify significant increases in credit risk. Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, the Group considers this to demonstrate there has been a significant increase in credit risk. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL, being expected credit losses that result from all possible default events over the expected life of the receivables. BNPL income on the relevant receivables remains calculated on the gross carrying amount of the receivable.
Receivables past due 90 days or more (Stage 3)	Stage 3 includes receivables aged 90 days or more and where it is considered there is objective evidence of impairment at reporting date. Ageing greater than 90 days is considered to have an adverse impact on the estimated future cash flows of the receivables. The loss allowance is measured at an amount equal to the lifetime ECL for increased credit risk and BNPL income is calculated on the net carrying amount.

#### Definition of default and credit-impaired assets

A receivable is considered to be in default at 90 days past due or if it satisfies the criteria for being written off. It is the Group's policy to write off balances that are outstanding for over 120 days or when the Group is unlikely to receive the outstanding amount in full based on internal or external indicators.

#### Calculation of expected credit loss

In order to calculate the expected credit losses as described above, the Group has developed a model that considers both quantitative and qualitative information, including historical loss experience, internal expert risk assessment and data examination, and forward-looking information and analysis. Historical balances, as well as the proportion of those balances that have been written off over time, are used as a basis to determine the probability of default (PD). The PD is then applied to the receivables based on the stage to calculate the base ECL.

The Group also considers forward looking adjustments, including macroeconomic factors that are not captured within the base ECL calculations. The inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECLs. The inclusion of forward-looking adjustments in calculating ECL allowances adjusts the overall ECL through market based macro-overlays. Openpay has identified unemployment rate as the key variable that is used to incorporate forward-looking adjustments into the overall provision. The predicted relationship between this key variable and the key model inputs in measuring the ECL has been developed by analysing historical data as part of the model build, calibration, and validation process. The final probability weighted ECL amount is calculated from a baseline estimate, upside case and downside scenario.

In addition to the ECL calculated based on modelling of historical losses and the incorporation of forward looking economic factors, the Group employs additional 'overlays' where required to account for information that is not the subject of existing modelling or forecasts and known limitations in the models employed, to the extent these exist. As at 30 June 2022, these overlays included an adjustment for Model Risk but were not material.

#### Movements in face value of and provisions for plan receivables by ECL stage

The tables below provide movements in the Group's face value of plan receivables and provisions for expected credit loss of plan receivables. The movements are attributable to the following items:

- Transfers to/(from) stages: net movements due to transfers of credit exposures between ECL stage. The transfers between each are based on opening balances.
- Net remeasurement on stage transfer: net movements in provisions for expected credit loss due to transfers of credit exposures between stages. The transfers between each stage are based on closing balances of the stage they were transferred into.
- Net plan receivables originated: net movements due to new plan receivables originated or repaid during the period.
- Write-offs: the total gross derecognition of plan receivables and their provisions during the period.
- Model changes: the impact of changes in model parameters, assumptions and forward-looking information.
- Foreign exchange and other movements: other movements including the impact of changes in foreign exchange rates.

## Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

	Stage 1 Face Value \$	ECL \$	Stage 2 Face Value \$	ECL \$	Stage 3 Face Value \$	ECL \$	Total Face Value \$	ECL \$
Balance at 1 July 2021	57,021,279	1,627,892	5,243,056	1,855,996	935,134	904,228	63,199,469	4,388,116
Transfers to/from								
Stage 1	28,693	9,184	(28,693)	(9,184)	-	-	-	-
Stage 2	(93,957)	(1,014)	93,957	1,014	-	-	-	-
Stage 3	(82,224)	(1,108)	(42,773)	(18,258)	124,997	19,366	-	-
Net remeasurement on stage transfer	-	(9,166)	-	9,822	-	63,715	-	64,371
Net plan receivables originated	8,386,298	(217,491)	4,226,293	3,924,559	5,917,703	5,967,763	18,530,294	9,674,831
Write-offs	(470,506)	(470,506)	(3,904,115)	(3,904,115)	(6,492,546)	(6,492,546)	(10,867,167)	(10,867,167)
Change in models	-	(7,746)	-	212,016	-	(3,152)	-	201,118
Foreign exchange and other movements	(768,740)	167,181	(37,054)	6,016	96,449	96,449	(709,345)	269,646
Balance at 30 June 2022	64,020,843	1,097,226	5,550,671	2,077,866	581,737	555,823	70,153,251	3,730,915

	Stage 1 Face Value	ECL	Stage 2 Face Value	ECL	Stage 3 Face Value	ECL	Total Face Value	ECL
Balance at 1 July 2020	47,427,330	983,582	2,480,347	943,009	202,098	195,071	50,109,775	2,121,662
Transfers to/from								
Stage 1	50,339	16,113	(50,339)	(16,113)	-	-	-	-
Stage 2	(101,194)	(1,079)	101,194	1,079	-	-	-	-
Stage 3	(11,671)	(128)	(310)	(134)	11,981	262	-	-
Net remeasurement on stage transfer	-	(16,075)	-	9,593	-	6,534	-	52
Net plan receivables originated	9,454,052	659,434	5,716,278	3,931,826	7,770,632	7,753,109	22,940,962	12,344,369
Write-offs	(210,781)	(210,781)	(2,998,494)	(2,998,494)	(6,906,183)	(6,906,183)	(10,115,458)	(10,115,458)
Change in models	-	-	-	-	-	-	-	-
Foreign exchange and other movements	413,204	196,826	(5,620)	(14,770)	(143,394)	(144,565)	264,189	37,490
Balance as at 30 June 2021	57,021,279	1,627,892	5,243,056	1,855,996	935,134	904,228	63,199,469	4,388,116

### NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2022 \$	2021 \$
Prepayments	2,520,618	4,640,290
Sundry debtors	467,381	390,870
Total other current assets	2,987,999	5,031,160

## NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 \$	2021 \$
Furniture and fittings - at cost	600,289	615,399
Less: Accumulated depreciation	(340,497)	(224,601)
	259,792	390,798
IT equipment - at cost	854,296	913,732
Less: Accumulated depreciation	(565,773)	(475,120)
	288,523	438,612
Total property, plant and equipment	548,315	829,410

### Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year:

Consolidated	IT equipment \$	Furniture and fittings \$	Total \$
<b>Balance at 1 July 2020</b>	313,496	511,152	824,648
Additions	342,511	1,901	344,412
Disposals	(14,779)	-	(14,779)
Depreciation expense	(207,394)	(122,578)	(329,972)
Exchange differences	4,778	323	5,101
<b>Balance at 30 June 2021</b>	<b>438,612</b>	<b>390,798</b>	<b>829,410</b>
Additions	224,352	-	224,352
Disposals	(101,972)	(8,690)	(110,662)
Depreciation expense	(277,915)	(122,341)	(400,256)
Exchange differences	5,446	25	5,470
<b>Balance at 30 June 2022</b>	<b>288,523</b>	<b>259,792</b>	<b>548,315</b>

## NOTE 13: INTANGIBLE ASSETS

	Consolidated	
	2022 \$	2021 \$
Software – at cost	4,831,455	4,831,455
Less: Accumulated amortisation	(2,361,211)	(505,707)
Total intangible assets	2,470,244	4,325,748

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## Movements in intangible assets

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the year:

Consolidated	Internally developed technology \$	Work in progress \$	Total \$
<b>Balance at 1 July 2020</b>	183,713	911,604	1,095,317
Additions	-	3,716,354	3,716,354
Transfers in/(out)	4,627,958	(4,627,958)	-
Amortisation expense	(485,923)	-	(485,923)
<b>Balance at 30 June 2021</b>	<b>4,325,748</b>	-	<b>4,325,748</b>
Amortisation expense	<b>(1,855,504)</b>	-	<b>(1,855,504)</b>
<b>Balance at 30 June 2022</b>	<b>2,470,244</b>	-	<b>2,470,244</b>

## NOTE 14: RIGHT-OF-USE ASSETS

The Group leases its offices in Australia. The lease on the Group's offices in the United Kingdom were terminated during the year ended 30 June 2022. Rental contracts are typically made for a fixed period of 2 to 5 years. There are no extension options on the Group's leases. The Group recognises right-of-use assets and lease liabilities in relation to these leases based on the accounting policies described in note 2. The Group's weighted average incremental borrowing rate applied to the lease liabilities was 11.80%.

	Consolidated	
	2022 \$	2021 \$
<b>Non-current assets</b>		
Land and buildings - right-of-use	<b>3,270,461</b>	4,995,872
Less: Accumulated depreciation	<b>(1,872,148)</b>	(2,571,524)
Total right-of-use asset	<b>1,398,313</b>	2,424,348

## Movements in the carrying amounts of right-of-use assets

Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the year:

Consolidated	\$
<b>Balance at 1 July 2020</b>	3,913,296
Depreciation expense	(1,505,262)
Exchange differences	16,314
<b>Balance at 30 June 2021</b>	<b>2,424,348</b>
Depreciation expense	<b>(1,024,292)</b>
Exchange differences	<b>(1,743)</b>
<b>Balance at 30 June 2022</b>	<b>1,398,313</b>

## NOTE 15: OTHER FINANCIAL ASSETS AT AMORTISED COST

	Consolidated	
	2022 \$	2021 \$
<b>Current assets</b>		
Other financial assets	–	22,060
<b>Non-current assets</b>		
Security deposits	260,711	372,951
Total other financial assets at amortised cost	260,711	395,011

## NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated	
	2022 \$	2021 \$
<b>Current liabilities</b>		
Trade payables	5,643,188	4,473,512
Other payables	4,966,642	6,387,785
Total trade and other payables	10,609,830	10,861,297

## NOTE 17: BORROWINGS

	Consolidated	
	2022 \$	2021 \$
<b>Current liabilities</b>		
Commercial bills	4,978,304	18,329,843
Working capital facility	27,911,954	–
	32,890,258	18,329,843
<b>Non-current liabilities</b>		
Commercial bills	50,045,779	28,682,043
Total borrowings	82,936,037	47,011,886

### Commercial Bills

The Group has access to a number of wholesale debt facilities for the funding of receivables.

As at 30 June 2022, the Group had access to a facility in Australia totalling \$65 million: \$55 million committed tranche (subject to funder approval under the review event described below) and a further \$10 million uncommitted tranche (subject to funder approval). This facility was drawn to \$50.5 million as at 30 June, leaving \$4.5 million in unused committed facilities as described above. Following a material uncertainty related to going concern being noted in the Group's financial reports for the period ending 31 December 2021, a review period commenced. During this review period the funder required that \$2 million of cash be held in a restricted account. The review event has concluded subsequent to year end and the minimum restricted cash has been reduced to \$750,000.

The Group also has a £60 million (approximately \$105.8 million) facility in the UK of which £25 million is committed and £35 million is uncommitted. This facility is drawn to £2 million (approximately \$3.5 million), leaving £23 million in unused facilities of which £35 million is uncommitted. This facility was to mature in November 2022 and is not expected to be extended as UK plan receivables are in run off.

The loan facility in the US consists of a warehouse funding agreement of US\$271.4 million (approximately \$393.9 million) of which US\$137.5 million is committed (and subject to fulfilling certain conditions that are not currently satisfied) and US\$135.7 million is uncommitted. The facility was undrawn at 30 June 2022. This facility was due to mature in April 2024 but was terminated early based on the decision to cease operations in the US subsequent to year end.

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## Working Capital Facilities

As at 30 June 2022, the Group had access to a working capital facility with a related party totalling \$10 million. This facility's maturity date was in October 2022. This facility was drawn to \$3.8 million as at 30 June 2022. Subsequent to year end, this facility was amended to mature in October 2023 with a further \$2.5 million uncommitted tranche available at the discretion of the lender.

The Group had access to a second working capital facility with a related party totalling \$25 million, with additional uncommitted funding of \$5 million subject to fulfilling certain conditions and funder approval. This facility had a maturity date in October 2022. This facility was drawn to \$25 million as at 30 June 2022. Subsequent to year end, this facility was extended to mature in July 2023.

## Debt Covenants

The wholesale debt facilities are subject to covenants that are in line with standard market practice given the nature of the financing facilities. The primary covenant for the receivables facility is a maximum Loan-to-Value Ratio (LVR) which varies

based on negotiated terms. The LVR is measured as the value of the facility drawn over total eligible receivables funding plus restricted cash. Debt covenants have been complied with through the period and as at 30 June 2022. The primary covenant for the working capital facilities is a minimum cash balance required to be held.

The Australian receivables funding facility included an additional review period term that in the event of a material uncertainty related to going concern being noted in the Group's financial reports, a review period would commence for 14 days. This occurred in the Group's financial reports for the period ending 31 December 2021, following which a review period commenced. During this review period the funder required that \$2 million of cash be held in a restricted account (included in restricted cash disclosed above). Subsequent to year end, the review period concluded and under the amended agreement, the new minimum restricted cash requirement reduced to \$750,000 and the additional review period term that applied in the event of a material uncertainty was also removed.

## NOTE 18: LEASE LIABILITIES

	Consolidated	
	2022 \$	2021 \$
<b>Current liabilities</b>		
Lease liabilities	738,446	1,233,047
<b>Non-current liabilities</b>		
Lease liabilities	1,030,725	1,565,083
Total lease liabilities	1,769,171	2,798,130

## NOTE 19: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	Consolidated	
	2022 \$	2021 \$
<b>Current liabilities</b>		
Opening Balance	-	-
Initial recognition of warrants	2,403,140	-
Fair value gain on liabilities at fair value through profit and loss	(2,292,776)	-
Foreign exchange differences	1,237	-
Warrants Closing Balance	111,601	-

As part of agreements to extend funding arrangements and raise additional working capital during the half year ended 31 December 2021, two tranches of warrants were committed to or issued, and have been recognised as financial liabilities. The value of the warrants at issuance was considered as a transaction cost.

The first tranche was issued in October under the funding arrangement for a revolving credit facility with Goldman Sachs Bank USA. This tranche was an issuance of 1.02 million warrants, as announced on 7 October 2021.

Each warrant confers the right (but not the obligation) to subscribe for one Ordinary Share at the subscription price of \$1.3042 per warrant (being the 30-day VWAP of the Company as at 5 October 2021), subject to adjustment, or to receive cash consideration (at the warrant holder's discretion).

The warrants issued under the first tranche are exercisable (in full or in part) from the date being 18 months after the issue date, until the 7th anniversary of the issue date. The warrant holder is also entitled to elect to receive a cash settlement in lieu of shares on exercise of the warrants.

The second tranche of up to 6 million warrants was agreed to be issued under a loan amendment and announced on 22 December 2021, and 4 million warrants were issued 4 January 2022 on the drawing down by Openpay of the first tranche

facility. This tranche was issued as part of an extension of the Group's existing \$25 million working capital facility with OP Fiduciary Pty Ltd, and agreement for additional uncommitted funding of up to \$5 million. A further 2 million warrants may be issued, subject to an incremental \$5 million being made available and being drawn down by Openpay.

Each warrant issued under the second tranche confers the right (but not the obligation) to subscribe for one Ordinary Share at the subscription price (subject to adjustment) or to receive a cash consideration (at the warrant holder's discretion). The subscription price payable on exercise of the warrants shall be the lower of \$0.3825 per warrant (being 50% of the share price on the date immediately prior to entry into the amendment to the existing facility), and the 30 day VWAP of the Company prior to the date of exercise of the warrants.

The warrants issued under the second tranche are exercisable (in full or in part) from the issue date until the 3rd anniversary of the issue date. The warrant holder is also entitled to elect to receive a cash settlement in lieu of shares on exercise of the warrants.

Refer to note 29 for further information on financial risk management.

Refer to note 30 for further information on fair value measurement.

## NOTE 20: EMPLOYEE BENEFITS

	Consolidated	
	2022 \$	2021 \$
<b>Current liabilities</b>		
Annual Leave	1,862,187	1,686,257
Long Service Leave	65,841	53,938
	<b>1,928,028</b>	1,740,195
<b>Non-current liabilities</b>		
Leave obligations	113,923	101,585
Total employee benefits	<b>2,041,951</b>	1,841,780

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 2.

The current portion of this liability includes all the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees who are entitled to pro-rata payments in certain circumstances.

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 21: ISSUED CAPITAL

	Consolidated			
	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	158,279,339	130,773,716	190,304,832	182,745,390
<b>Movements in ordinary share capital</b>				
	2022 Nos	2021 Nos	2022 \$	2021 \$
Opening balance	130,773,716	107,868,028	182,745,390	138,160,501
Options exercised	665,888	142,857	1,296,917	344,285
Issue of share capital, net of costs	26,839,735	22,762,831	6,262,525	44,240,604
Closing balance	158,279,339	130,773,716	190,304,832	182,745,390

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## NOTE 22: RESERVES

	Consolidated	
	2022 \$	2021 \$
Foreign currency translation reserve	(1,642,971)	(856,692)
Share-based payments reserve	6,102,838	4,675,553
Total reserves	4,459,867	3,818,861

### Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 2 and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### Share-based payments reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

## Movements in reserves

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

<b>Consolidated</b>	<b>Foreign currency translation reserve</b> \$	<b>Share-based payments reserve</b> \$	<b>Total</b> \$
Balance at 1 July 2020	(1,194,957)	2,727,331	1,532,374
Foreign currency translation	338,265	–	338,265
Share-based payments expense	–	2,063,936	2,063,936
Options exercised	–	(115,714)	(115,714)
Balance at 30 June 2021	<b>(856,692)</b>	<b>4,675,553</b>	<b>3,818,861</b>
Foreign currency translation	<b>(786,279)</b>	–	<b>(786,279)</b>
Share-based payments expense	–	<b>1,427,285</b>	<b>1,427,285</b>
Balance at 30 June 2022	<b>(1,642,971)</b>	<b>6,102,838</b>	<b>4,459,867</b>

## NOTE 23: LOSS PER SHARE

	<b>Consolidated</b>	
	<b>2022</b> \$	<b>2021</b> \$
Loss after income tax attributable to the owners of Openpay Group Ltd	<b>(82,455,823)</b>	(63,059,351)
Loss after income tax attributable to the owners of Openpay Group Ltd used in calculating diluted earnings per share	<b>(82,455,823)</b>	(63,059,351)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	133,668,050	112,481,958
Weighted average number of ordinary shares used in calculating diluted earnings per share	133,668,050	112,481,958
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(61.69)	(56.06)
Diluted earnings per share	(61.69)	(56.06)

Potential ordinary shares as at 30 June 2022 are not dilutive and therefore no adjustment is required to the denominator used in calculating loss earnings per share.

## NOTE 24: ACCUMULATED LOSSES

	<b>Consolidated</b>	
	<b>2022</b> \$	<b>2021</b> \$
Accumulated losses at the beginning of the financial year	<b>(127,241,677)</b>	(64,182,326)
Loss after income tax expense for the year	<b>(82,455,823)</b>	(63,059,351)
Accumulated losses at the end of the financial year	<b>(209,697,500)</b>	(127,241,677)

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 25: SHARE-BASED PAYMENTS

The Group has established an Equity Incentive Plan (Plan) designed to provide long-term incentives to eligible employees, directors and advisors (Awards). Under the Plan, cash, performance rights, options or shares may be granted to participants. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

During the year ended 30 June 2022, Awards granted under the Plan comprise Zero Exercise Price Options (ZEPOs), or for US employees and advisors Performance Rights (PRs) which are similar to ZEPOs but convert to shares automatically following vesting, and Market Price Options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant.

All Awards were granted for no consideration and carry no dividend or voting rights.

Set out below is an overview of the Group's equity awards during the year ended 30 June 2022.

### Long Term Incentive (LTI)

Awards offered to executives and senior management under the LTI plan included nil price options (ZEPOs) or Performance Rights (PRs) for employees in the US, and market price options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant.

The amount of options that will vest under the LTI are assessed against two equally-weighted performance hurdles: the Group's Total Shareholder Return (TSR) and Revenue CAGR over a three year performance period. The vesting of options is also contingent on service based conditions whereby the participant must also remain employed by the Company.

ZEPOs and PRs (for employees in the US) were granted to other employees. These options vest in 3 equal tranches over a 3-year period on the condition that the participant remains employed on the relevant anniversary.

During the year ended 30 June 2022, the Company issued 1,523,305 ZEPOs and 2,465,781 MPOs. All options will expire 10 years past the grant date. Options are granted under the plan for no consideration and carry no dividend or voting rights.

### Retention options

The Retention Offer options are zero priced options (ZEPOs) issued to various employees and have service-based vesting conditions of 12 months from the employee's start date or 1 July 2021. Vested Retention Offer ZEPOs have an expiry date of ten years after the grant date. The company issued 74,163 retention options during the year ended 30 June 2022. Options are granted under the plan for no consideration and carry no dividend or voting rights.

### Sign Ons

Awards offered under the Sign on plan were either Performance Rights issued with either a service-based condition which vested in two tranches over a 2 year period or with individualised performance hurdles or ZEPOs. All options will expire 10 years past the grant date. The Group awarded 2,385,014 Sign On options during the year all of which had a grant date during the year. Options are granted under the plan for no consideration and carry no dividend or voting rights.

### Advisory Board Awards

Advisor Awards in the form of ZEPOs or PRs with individualised service and performance conditions were granted to parties the Company has engaged with. All Advisor Awards granted vest within 18 months of grant and expire within 10 years of grant. During the year ended 30 June 2022, the Company granted 608,874 Advisor Awards. Options are granted under the plan for no consideration and carry no dividend or voting rights.

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

	LTI Options				Retention Options			
	2022		2021		2022		2021	
	No. #	WAEP \$	No. #	WAEP \$	No. #	WAEP \$	No. #	WAEP \$
Outstanding at the beginning of the year								
ZEPOs	603,316	\$ -	567,912	\$ -	125,000	\$ -	125,000	\$ -
MPOs	1,329,036	\$ 1.73	1,298,084	\$ 1.60	2,314,286	\$ 1.60	2,457,143	\$ 1.60
Granted during the year								
ZEPOs	1,523,305	\$ -	94,779	\$ -	74,163	\$ -	-	\$ -
MPOs	2,465,781	\$ 1.83	166,666	\$ 2.64	-	\$ -	-	\$ -
Forfeited during the year								
ZEPOs	(406,010)	\$ -	(59,375)	\$ -	(27,179)	\$ -	-	\$ -
MPOs	(859,060)	\$ 1.89	(135,714)	\$ 1.60	-	\$ -	-	\$ -
Exercised during the year								
ZEPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
MPOS	-	\$ -	-	\$ -	-	\$ -	(142,857)	\$ 1.60
Outstanding at the end of the year								
ZEPOs	1,720,611	\$ -	603,316	\$ -	171,984	\$ -	125,000	\$ -
MPOS	2,935,757	\$ 1.76	1,329,036	\$ 1.73	2,314,286	\$ 1.60	2,314,286	\$ 1.60
Exercisable at the end of the year								
MPOs	-	-	-	-	2,314,286	1.60	-	-
ZEPOs	-	-	-	-	171,984	-	-	-

## Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

	Sign Ons				Advisor Awards			
	2022		2021		2022		2021	
	No. #	WAEP \$	No. #	WAEP \$	No. #	WAEP \$	No. #	WAEP \$
Outstanding at the beginning of the year								
ZEPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
MPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Granted during the year								
ZEPOs	<b>2,385,014</b>	\$ -	-	\$ -	<b>608,874</b>	\$ -	-	\$ -
MPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Forfeited during the year								
ZEPOs	<b>(77,899)</b>	\$ -	-	\$ -	<b>(30,921)</b>	\$ -	-	\$ -
MPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Exercised during the year								
ZEPOs	<b>(683,780)</b>	\$ -	-	\$ -	<b>(220,966)</b>	\$ -	-	\$ -
MPOS	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Outstanding at the end of the year								
ZEPOs	<b>1,623,335</b>	\$ -	-	\$ -	<b>356,987</b>	\$ -	-	\$ -
MPOS	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Exercisable at the end of the year								
MPOs	-	\$ -	-	\$ -	-	\$ -	-	\$ -
ZEPOs	<b>35,040</b>	\$ -	-	\$ -	<b>103,742</b>	\$ -	-	\$ -

### Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 30 June 2022 ranges between \$0.02 and \$3.71 per option.

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer Group companies.

The model inputs for options granted during the period ended 30 June 2022 included:

Grant Date	Expiry Date	Exercise Price	Fair Value per option	Share price at grant date	Dividend Yield	Expected volatility	Risk free interest rate	No. of options issued
26/07/2021	20/01/2031	\$ -	\$ 0.06	1.25	0%	60% to 80%	0.03% to 0.58%	102,337
26/07/2021	20/01/2031	\$ -	\$ 1.25	1.25	0%	60% to 80%	0.03% to 0.58%	102,340
26/07/2021	20/01/2031	\$ 3.71	\$ 0.05	1.25	0%	60% to 80%	0.03% to 0.58%	213,999
26/07/2021	20/01/2031	\$ 3.71	\$ 0.42	1.25	0%	60% to 80%	0.03% to 0.58%	214,007
26/07/2021	21/01/2031	\$ -	\$ 3.71	1.25	0%	60% to 80%	0.03% to 0.58%	35,040
26/07/2021	26/06/2031	\$ -	\$ 1.25	1.25	0%	60% to 80%	0.03% to 0.58%	251,887
26/07/2021	26/06/2031	\$ -	\$ 1.56	1.25	0%	60% to 80%	0.03% to 0.58%	70,504
26/07/2021	26/06/2031	\$ -	\$ 2.26	1.25	0%	60% to 80%	0.03% to 0.58%	33,238
26/07/2021	28/06/2031	\$ -	\$ 0.06	1.25	0%	60% to 80%	0.03% to 0.58%	19,371
26/07/2021	28/06/2031	\$ -	\$ 1.25	1.25	0%	60% to 80%	0.03% to 0.58%	942,676
26/07/2021	28/06/2031	\$ -	\$ 2.14	1.25	0%	60% to 80%	0.03% to 0.58%	45,524
26/07/2021	28/06/2031	\$ -	\$ 2.25	1.25	0%	60% to 80%	0.03% to 0.58%	37,583
26/07/2021	28/06/2031	\$ -	\$ 2.26	1.25	0%	60% to 80%	0.03% to 0.58%	923,303
26/07/2021	28/06/2031	\$ -	\$ 2.26	1.25	0%	60% to 80%	0.03% to 0.58%	92,330
26/07/2021	28/06/2031	\$ -	\$ 2.26	1.25	0%	60% to 80%	0.03% to 0.58%	98,485
26/07/2021	28/06/2031	\$ -	\$ 2.33	1.25	0%	60% to 80%	0.03% to 0.58%	44,379
26/07/2021	28/06/2031	\$ -	\$ 2.47	1.25	0%	60% to 80%	0.03% to 0.58%	43,430
26/07/2021	28/06/2031	\$ -	\$ 2.54	1.25	0%	60% to 80%	0.03% to 0.58%	25,599
26/07/2021	28/06/2031	\$ -	\$ 2.65	1.25	0%	60% to 80%	0.03% to 0.58%	61,370
26/07/2021	28/06/2031	\$ -	\$ 2.65	1.25	0%	60% to 80%	0.03% to 0.58%	14,728
26/07/2021	28/06/2031	\$ -	\$ 2.68	1.25	0%	60% to 80%	0.03% to 0.58%	39,940
31/01/2022	9/11/2026	\$ -	\$ 0.53	0.53	0%	55% to 65%	0.78% to 1.55%	253,245
31/01/2022	1/07/2031	\$ -	\$ 0.53	0.53	0%	55% to 65%	0.78% to 1.55%	74,163
31/01/2022	1/12/2031	\$ -	\$ 0.03	0.53	0%	55% to 65%	0.78% to 1.55%	509,434
31/01/2022	1/12/2031	\$ -	\$ 0.53	0.53	0%	55% to 65%	0.78% to 1.55%	770,450
31/01/2022	1/12/2031	\$ 1.43	\$ 0.02	0.53	0%	55% to 65%	0.78% to 1.55%	1,018,879
31/01/2022	1/12/2031	\$ 1.43	\$ 0.14	0.53	0%	55% to 65%	0.78% to 1.55%	1,018,896
<b>Total</b>								<b>7,057,137</b>

The expected price volatility is based on historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 26: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2022 \$	2021 \$
Audit and review of financial reports	673,200	520,000
Total remuneration for audit and review of financial reports	673,200	520,000
<b>Other services</b>		
Other advisory services	15,708	304,876
Total other services	15,708	304,876
<b>Total remuneration of PricewaterhouseCoopers Australia</b>	<b>688,908</b>	<b>824,876</b>

## NOTE 27: INTERESTS IN SUBSIDIARIES

The Group's subsidiaries are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equates to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Subsidiary	Principal place of business / Country of Incorporation	Ownership interest	Ownership interest	Principal Activities
		2022 %	2021 %	
Openpay Pty Ltd	Australia	100	100	(1)
Openpay SPV Pty Ltd	Australia	100	100	(2)
Openpay Solutions Pty Ltd	Australia	100	100	(3)
Openpay SPV 2 Pty Ltd	Australia	100	100	(4)
Openpay SPV 3 Pty Ltd	Australia	100	100	(5)
Openpay UK Limited	United Kingdom	100	100	(6)
Openpay UK SPV 1 Ltd	United Kingdom	100	100	(7)
OPY USA Inc	United States	100	100	(8)
Openpay NZ Ltd	New Zealand	100	–	(9)

- (1) Australian operations
- (2) Special purpose vehicle for AU finance/funding arrangements
- (3) Holder of Australian Credit Licence
- (4) Special purpose vehicle for AU finance/funding arrangements
- (5) Special purpose vehicle for funding as required
- (6) United Kingdom operations
- (7) Special purpose vehicle for UK finance/funding arrangements
- (8) United States operations
- (9) Employing entity in NZ

## NOTE 28: RELATED PARTY TRANSACTIONS

### Key management personnel compensation

Key management personnel remuneration (excluding Directors Fees) included within employee expenses for the year is shown below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	836,468	964,778
Post-employment benefits	69,337	58,281
Share-based payments	130,000	249,176
Total related party transactions	1,035,805	1,272,235

### Transactions with other related parties

	Consolidated	
	2022	2021
	\$	\$
Interest and financing fees on working capital facility	4,640,770	–

As outlined in note 17, the Group has a working capital facility of \$10 million (June 2021: \$10 million) with an entity over which a director and shareholder of the Group has significant influence.

The facility was drawn to \$3.8 million as at 30 June 2022 and had a maturity date of 25 October 2022 (extended after the period ended to 31 October 2023). Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

The Group has access to a second working capital facility with an entity over which a shareholder of the Group has significant influence totalling \$30 million (June 2021: \$25 million).

This facility had an expected maturity date on 6 October 2022 (extended after the period ended to 6 July 2023). This facility was drawn to \$25 million as at 30 June 2022. Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

## NOTE 29: FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits and interest-bearing borrowings.

The Group manages its exposure to key financial risks, including interest rate risk, foreign currency risk, liquidity and credit risk in accordance with the Group's financial risk management policy.

These mitigations include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange, and by depositing funds with several different banking institutions. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

<b>Interest rate risk</b>	The Group's exposure to market interest rates relate primarily to the Group's cash and cash equivalents, other financial assets and interest-bearing borrowings
<b>Foreign currency risk</b>	Risk that fluctuations in foreign exchange rates may impact the Group's results. The Group's consolidated balance sheet at 30 June 2022 can be affected by movements in the US Dollar, New Zealand Dollar, and Great British Pound.
<b>Credit risk</b>	<p>The Group's exposure to credit risk arises from potential default of plan receivables, with a maximum exposure equal to the carrying amount of these instruments.</p> <p>The Group regularly reviews the adequacy of the provision for expected credit loss to ensure that it is sufficient to mitigate credit risk exposure in terms of financial reporting. The provision for expected credit loss represents management's best estimate at reporting date of the expected credit losses based on their experienced judgement. Further details have been provided in Note 2 and Note 10.</p> <p>Credit risk also arises from cash held with bank and financial institutions.</p>
<b>Liquidity risk</b>	The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities. The Group mitigates funding and liquidity risks by ensuring it has (1) sufficient funds on hand to meet its working capital and investment objectives; (2) has sufficient restricted cash allocated in SPV controlled cash accounts to meet LVR requirements (3) is focused on improving operational cash flow; (4) has adequate flexibility in financing facilities to balance the growth objectives with short-term and long-term liquidity requirements and (5) complied with all debt and working capital covenants.
<b>Equity Price Risk</b>	The Group is exposed to the equity price risk arising from its Warrants issued to funders which is measured at fair value using the Black Scholes option valuation model at reporting date. These warrants have been recorded as financial liabilities at 30 June 2022. The valuation of financial liabilities has the share price of Openpay (which is listed on the Australian Securities Exchange) as the key input.

## Interest rate risk

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

	2022 \$	2021 \$
<b>Financial assets</b>		
Cash and cash equivalents	980,550	34,376,610
<b>Total financial assets</b>	<b>980,550</b>	34,376,610
<b>Financial liabilities</b>		
Interest bearing borrowings	(50,045,779)	(28,726,381)
<b>Total financial liabilities</b>	<b>(50,045,779)</b>	(28,726,381)
Net exposure	<b>(49,065,229)</b>	5,650,229

During the 2022 financial year the weighted average of the variable interest rate component for interest bearing borrowings subject to interest rate risk was 10.1% (2021: 8.5%). Interest rate risk is based on the variable component of interest bearing borrowings that is exposed to change.

There are no other financial liabilities subject to interest rate risk as at 30 June 2022. The Group has not hedged any interest rate risks during the year or at 30 June 2022.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
<b>Judgements of reasonable possible movements</b>				
-0.25% (25 basis points)	104,171	75,000	104,171	75,000
+2.00% (200 basis points. 2021: 1% or 100 basis points)	(833,370)	(300,000)	(833,370)	(300,000)

### Foreign currency risk

The Group has not hedged any foreign currency risk during the financial year or at 30 June 2022.

At 30 June 2022, the Group has the following exposure to foreign currency, expressed in Australian dollars.

	Consolidated	
	2022 \$	2021 \$
<b>Financial assets</b>		
<i>Cash and cash equivalents</i>		
NZD	31,014	97,693
GBP	1,897,921	10,837,447
USD	571,082	48,998
Total	2,500,017	10,984,138
<i>Receivables and other financial assets</i>		
NZD	192,005	280,174
GBP	3,636,194	20,420,085
USD	86,305	99,787
Total	3,914,504	20,800,046
<b>Financial liabilities</b>		
<i>Trade and other payables</i>		
NZD	48,748	15,436
GBP	386,342	602,928
USD	3,973,470	1,634,487
Total	4,408,560	2,252,851

## Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

The aggregate net foreign exchange gains/losses recognised in profit or loss were as follows:

	Consolidated	
	2022 \$	2021 \$
Net foreign exchange gain/(loss) recognised in loss before income tax	64,579	(53,633)

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date. At 30 June, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
AUD / NZD +5%	(8,714)	(18,122)	(8,714)	(18,122)
AUD / NZD -5%	8,714	18,122	(8,714)	18,122
AUD / USD +5%	165,804	74,285	165,804	74,285
AUD / USD -5%	(165,804)	(74,285)	165,804	(74,285)
AUD / GBP +5%	(257,389)	(1,532,730)	(257,389)	(1,532,730)
AUD / GBP -5%	257,389	1,532,730	(257,389)	1,532,730

### Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers through outstanding plan receivables.

### Risk management

Credit risk is managed on a Group basis.

The Group utilises its proprietary risk decision models to assess and mitigate credit risk for plan receivables before advancing funds.

The Group regularly reviews the adequacy of the provision for expected credit loss to ensure that it is sufficient to mitigate credit risk exposure in terms of financial reporting. Third party providers are engaged to review the inputs used in the Group's impairment models.

### Impairment of financial assets

The Group's plan receivables are subject to impairment assessment under the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, any impairment loss is expected to be immaterial due to the Group's banking partners having strong credit ratings. A description of the credit loss model applied by the Group to plan receivables decision making can be found in note 10.

The provision for expected credit loss is measured on the following basis. The Group has developed a model loss rate curve to estimate future losses expected to be incurred on plan receivables. The model loss rate curve is developed by factoring in historical loss rates by consumer credit risk groups over time. The Group also considers the impact of external macro-economic factors in the expected credit loss rate. The Group note that the expected credit losses have not been discounted for the time value of money due to the short-term nature of most consumer plans which have a duration of less than 6-12 months, and the Group has assessed the financial impact of discounting as immaterial.

#### Net impairment losses on financial assets recognised in the profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Impairment losses on movement in provision for expected loss for plan receivables	<b>9,377,822</b>	12,210,293
Net impairment losses on financial assets	<b>9,377,822</b>	12,210,293

#### Liquidity risk

Liquidity risk management involves maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to ensure there is sufficient cash allocated in Openpay SPV Pty Ltd, the lender-controlled cash account, to meet LVR requirements.

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

#### Financing arrangements

The Group had access to the following undrawn borrowing facilities (committed and uncommitted) at the end of the reporting period:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Expiring within one year	<b>507,401,210</b>	92,097,993
Expiring beyond one year	<b>14,500,000</b>	70,000,000
Total undrawn borrowing facilities	<b>521,901,210</b>	162,097,993

Refer to note 4 and note 17 for further details on availability of borrowings as at 30 June 2022.

#### Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groups based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cashflows and do not include future interest. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

## Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Total contractual cashflows \$	Carrying amount of liabilities \$
<b>As at 30 June 2022</b>						
Trade payables	5,643,188	-	-	-	5,643,188	5,643,188
Borrowings	-	32,361,624	50,500,000	-	82,861,624	82,936,037
Lease liabilities	450,499	456,349	943,122	219,122	2,069,092	1,769,171
<b>Total</b>	<b>6,093,687</b>	<b>32,817,973</b>	<b>51,443,122</b>	<b>219,122</b>	<b>90,573,904</b>	<b>90,348,396</b>

	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Total contractual cashflows \$	Carrying amount of liabilities \$
<b>As at 30 June 2021</b>						
Trade payables	4,473,512	-	-	-	4,473,512	4,473,512
Borrowings	-	18,419,598	30,000,000	-	48,419,598	47,011,886
Lease liabilities	854,721	438,797	906,848	1,101,323	3,301,689	2,798,130
<b>Total</b>	<b>5,328,233</b>	<b>18,858,395</b>	<b>30,906,848</b>	<b>1,101,323</b>	<b>56,194,799</b>	<b>54,283,528</b>

The timing of expected outflows is not expected to be materially different from contracted cashflows. The carrying value of financial assets and liabilities approximates their fair value.

### Equity Price Risk

As detailed in Note 19, Openpay has reported a financial liability at 30 June 2022 in relation to the warrants issued to funders. These warrants have been valued at a fair value of \$111,601 using the Black Scholes option valuation model.

The fair values have been based the Volume Weighted Average Price (VWAP) from all trades on 30 June 2022, volatility of 65% to 75% (midpoint 70%), a risk free rate of 2.73% to 3.36% to match the effective lives of the warrants and discount for lack of marketability. A fair value gain of \$2,291,539 has been recorded, being the movement in the fair values of the warrants during the reporting period.

The valuation of the above mentioned financial liabilities has Openpay's share price as the key input.

The sensitivity analyses below have been determined based on the exposure to Openpay's share price at 30 June 2022. If Openpay's share price had been 50% higher/lower:

Judgements of reasonable possible movements	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2022 \$	2021 \$	2022 \$	2021 \$
-50%	2,375,917	-	2,375,917	-
+50%	2,154,597	-	2,154,597	-

## NOTE 30: FAIR VALUE MEASUREMENT

### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

<b>Consolidated - 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Liabilities</i>				
Warrants	-	-	111,601	111,601
<b>Total liabilities</b>	-	-	111,601	111,601

### Valuation techniques for fair value measurements categorised within level 3

Warrants have been valued using option pricing models, with maximum usage of market inputs, however key judgements were required to be made regards to the volatility, expected life and dividend yield inputs as these are forward looking estimates over the life of the option. Changes in these inputs are not expected to materially impact the fair value of the warrants.

### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Warrants</b>
	<b>\$</b>
Balance at 1 July 2020	-
Balance at 30 June 2021	-
Additions	2,403,140
Gains recognised in profit or loss	(2,291,539)
Balance at 30 June 2022	<b>111,601</b>
Total gains for the current year included in profit or loss that relate to level 3 assets held at the end of the current year	2,291,539

# Notes to the Consolidated Financial Statements.

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The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)
Warrants	Share price	\$0.14
	Volatility	65% - 75%
	Exercise price	\$0.3825 to \$1.3043
	Expected life	2.5 years to 6.3 years
	Dividend yield	Nil
	Risk free rate	2.73% - 3.36%

## Valuation process

Openpay engages third party service providers to assist with the valuation of warrants at each reporting date. The work of the service provider is overseen by the Openpay finance team.

The valuation of the warrants uses a number of inputs including share price, expected volatility of share price, exercise price, expected dividend yield, the risk-free interest rate and expected life (or exercise date) of the options.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Share price has been determined based on the Volume Weighted Average Price from all trades on 30 June 2022
- Expected volatility was calculated using the historic volatility of the Openpay share price

## NOTE 31: CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

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

## Debt covenants

As detailed in note 17, the Group has various financing facilities in place. Covenants have been complied with throughout the year and up to the date of this report.

## Dividends

No dividends have been paid or declared. The Directors have not recommended the payment of any dividends post year end.

## Franking credits

There are no franking credits available for subsequent reporting periods.

## NOTE 32: COMMITMENTS

### (a) Capital commitments

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

### (b) Bank guarantees

The Group has two bank guarantees totalling \$1,648,797 as at 30 June 2022 (2021: \$1,648,797). The bank guarantees relate to security for the Group's lease of its premises and obligations under an employment contract.

### NOTE 33: CASH FLOW INFORMATION

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

	Consolidated	
	2022 \$	2021 \$
<b>Loss after income tax expense for the year</b>	<b>(82,455,823)</b>	(63,059,351)
Adjustments for:		
Depreciation and amortisation	3,280,052	2,321,157
Receivables impairment	10,209,966	12,389,978
Non cash share-based payments	3,272,121	2,063,936
Net capitalisation of finance costs	2,998,989	327,220
Change in operating assets and liabilities:		
Increase in other operating assets	(15,695,426)	(26,542,444)
Increase in trade and other payables	683,637	6,106,609
Net cash used in operating activities	<b>(77,706,484)</b>	(66,392,895)

#### Net debt reconciliation

The Group's cash and net debt position at the end of the reporting period is as follows:

	Consolidated	
	2022 \$	2021 \$
Cash and cash equivalents	10,343,521	52,078,094
Borrowings – repayable within one year	(32,890,258)	(18,329,843)
Borrowings – repayable after one year	(50,045,779)	(28,682,043)
<b>Net cash</b>	<b>(72,592,516)</b>	5,066,208

	Consolidated	
	2022 \$	2021 \$
Cash and cash equivalents	10,343,521	52,078,094
Gross debt – fixed interest rates	(32,890,258)	(18,329,843)
Gross debt – variable interest rates	(50,045,779)	(28,682,043)
<b>Net cash</b>	<b>(72,592,516)</b>	5,066,208

# Notes to the Consolidated Financial Statements.

For the year ended 30 June 2022

## NOTE 34: PARENT ENTITY INFORMATION

### Summary financial information

The individual financial statements for the parent entity, Openpay Group Ltd, show the following aggregate amounts.

#### Statement of profit or loss and other comprehensive income

	Parent	
	2022 \$	2021 \$
Profit after income tax	13,672,987	8,709,026
<b>Total comprehensive income</b>	<b>13,672,987</b>	<b>8,709,026</b>

#### Balance sheet

	Parent	
	2022 \$	2021 \$
<b>Total current assets</b>	-	-
Total assets	203,977,819	191,454,416
Total current liabilities	-	-
Total liabilities	-	-
<b>Equity</b>		
Issued capital	190,304,832	182,745,390
Retained profits	13,672,987	8,709,026
<b>Total equity</b>	<b>203,977,819</b>	<b>191,454,416</b>

#### Contingent liabilities of the parent entity

There are no contingent liabilities as at 30 June 2022 (2021: nil).

#### Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

##### Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Openpay Group Ltd.

##### Tax consolidation legislation

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

##### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Openpay Group Ltd.

##### (ii) Tax consolidation legislation

Openpay Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Openpay Group Ltd and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Openpay Group Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Openpay Group Ltd for any current tax payable assumed and are compensated by Openpay Group Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Openpay Group Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### **NOTE 35: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

With the exception of the item listed below, no other matters or circumstances have occurred subsequent to 30 June 2022 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

#### **US operations**

On 1 July 2022, the Group announced that given the current macroeconomic and public market conditions, together with the likely ongoing capital investment required in the US to fund its progress for an extended period, Openpay has decided to pause its existing US operations indefinitely and cease loan originations on the Opy USA platform.

Openpay's decision will immediately result in no further expenses in its existing US operations in the near term, subject to one-off costs associated with the restructuring. These costs are estimated to be approximately US\$4.9 million of which US\$4 million relates to staff severance costs and US\$0.9 million relates to supplier terminations. As at 30 June 2022, while the decision to pause the US had not been made, the Group's assumption was that the warehouse facility was no longer likely to be utilised. As a result, additional costs of US\$2.1 million were recognised at 30 June 2022 to reflect the accelerated recognition of upfront costs and deferred warrant costs in relation to this facility. Payment of the expected restructuring costs and approximately US\$2.6 million of expenditure incurred during the year as part of normal operations will be settled over approximately the next 12 months to minimise the impact on the Company's working capital requirements.

#### **Capital Raise and Share Placement Plan**

In August 2022, the Company completed the Placement and Share Purchase Plan (SPP) announced on 23 May 2022. This followed the general meeting held on 10 August 2022 to seek shareholder approval to ratify the issue of shares under Tranche 1 of the placement, and approve the issue of shares under Tranche 2 of the placement and the SPP. Funds to be received totalled \$23.8 million net of transaction costs, of which \$17.5 million was received subsequent to year-end and \$8 million was used to repay a working capital facility that remains available for use.

#### **Funding Facilities**

Subsequent to year end, the review period for the Receivables funding facility concluded and under the amended agreement, the new minimum restricted cash requirement reduced to \$750,000 and the additional review period term that applied in the event of a material uncertainty was also removed.

The working capital facility of \$10 million due to mature in October 2022 was amended to mature in October 2023 with an additional uncommitted tranche available at the discretion of the lender.

The corporate debt facility of \$30 million due to mature in October 2022 was extended to mature in July 2023.


## Directors' Declaration.

### 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 consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Patrick Tuttle

Chairman

30 September 2022

# Independent Auditor's Report.



## Independent auditor's report

To the members of Openpay Group Ltd

### Report on the audit of the financial report

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#### Our opinion

In our opinion:

The accompanying financial report of Openpay Group Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

#### Independence

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 & 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.

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## Independent Auditor's Report.



### Material uncertainty related to going concern

We draw attention to Note 4 in the financial report, which indicates that the Group incurred a net operating cash outflow of \$77.7 million and net loss of \$82.5 million for the year ended 30 June 2022 and had net liabilities of \$14.9 million as at 30 June 2022.

The ability of the Group to continue as a going concern is dependent upon maintaining existing cash reserves, extending existing debt facilities and securing additional funding, either through debt or equity.

These conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



### Materiality

- For the purpose of our audit we used overall Group materiality of \$840 thousand, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.



### Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- For the year ended 30 June 2022, the Group was principally involved in providing services to customers and merchants in Australia, the United Kingdom, United States and New Zealand, which they report under one operating segment.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

#### Key audit matter

#### How our audit addressed the key audit matter

#### Provision for expected credit losses (ECL) on receivables

(Refer to note 3 and 10)

Under the requirements of Australian Accounting Standards, a provision for losses on receivables from customers is recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting potential future economic events.

To meet the requirements of Australian Accounting Standards, the Group has developed ECL models which incorporate assumptions including the Probability of Default, Loss Given Default and the Group's definition of a significant increase in credit risk.

Judgement is applied in determining the appropriate construct of the model and relevant assumptions. The models rely on data elements

We developed an understanding of the control activities relevant to our audit relating to the Group's provision for ECL and assessed whether they were appropriately designed and were operating effectively throughout the year, including certain controls related to completeness and accuracy of inputs to the ECL calculations.

In addition to controls testing we, along with PwC credit risk modelling experts, performed the following substantive procedures, amongst others:

- Assessed the ongoing appropriateness of the Group's methods for developing the estimate by reference to the nature of the estimate and the requirements of Australian Accounting Standards;
- Evaluated the actual outcomes of previous accounting estimates for ECL

# Independent Auditor's Report.



Key audit matter	How our audit addressed the key audit matter
<p>and certain post model adjustments (overlays) are applied based on the Group's judgement.</p> <p>The calculation of ECL also includes consideration of multiple future economic scenarios. This requires judgement in determining the ECL under different economic scenarios and the Group's view of the probability of these scenarios occurring.</p> <p>Given the inherent estimation uncertainty in this area and the extent of judgement involved, we considered this to be a key audit matter.</p>	<p>and the results of model monitoring performed, which included back-testing of actual losses against expected losses;</p> <ul style="list-style-type: none"><li>• Assessed the appropriateness of certain forward-looking information incorporated into the ECL calculation process including the macroeconomic scenarios considered by the Group, and the probability weightings applied to the scenarios;</li><li>• Evaluated whether the model design and adjustments to the model output meet the measurement objectives of Australian Accounting Standards, are appropriate in the circumstance and whether judgements have been applied consistently. This included assessing the appropriateness of overlays identified by the Group;</li><li>• Evaluated the appropriateness of data used to develop ECL in the context of Australian Accounting Standards and whether the data is relevant and reliable in the circumstances and has been appropriately understood or interpreted by the Group;</li><li>• Tested the completeness and accuracy of a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation;</li><li>• Tested the mathematical accuracy, on a sample basis, of the calculations of ECL and assessed whether they were in accordance with the method;</li><li>• Considered events occurring subsequent to balance date until the date of signing the auditor's report on the provision for ECL; and</li><li>• Evaluated the reasonableness of the disclosures made in Note 10, including those related to estimation uncertainty,</li></ul>

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Key audit matter	How our audit addressed the key audit matter
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against the requirements of Australian Accounting Standards.

**IT General Controls**

The Group's operations and financial reporting systems are dependent on its IT systems for the processing and recording of a significant volume of transactions. The Group's controls over key financial IT systems include:

- Overall IT governance, including policies and procedures;
- Change management controls;
- Access controls over programs and data; and
- IT operation controls (i.e. system monitoring and backups).

User access management controls are intended to ensure staff have appropriate access to IT systems and that access is appropriately provisioned and monitored, to mitigate the potential for fraud or error as a result of underlying changes to an application or data

Change management controls are particularly important because they are intended to ensure changes to IT systems and data are appropriately initiated, tested, approved and implemented

We considered this to be a key audit matter because of the reliance on IT systems, and key financial IT dependencies, such as reports and calculations, in the financial reporting process.

Our audit procedures over the IT General Controls included, amongst others:

- Developed an understanding of IT Systems relevant to the financial reporting of the Group and associated IT application controls and IT dependencies in manual controls;
- Tested whether certain IT general control activities relevant to our audit were appropriately designed and were operating effectively throughout the year;
- Where we identified design or operating effectiveness testing control deficiencies relevant to our audit, we performed alternative or additional audit procedures to address the risk(s) presented; and
- These included further tests, on a sample basis, to assess the accuracy of selected system calculations and the completeness and accuracy of information contained in certain reports used in our audit procedures.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

## Independent Auditor's Report.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

---

### Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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.

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### 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.



## Report on the remuneration report

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### Our opinion on the remuneration report

We have audited the remuneration report included in pages 38 to 47 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Openpay Group Ltd for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

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### 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.

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A handwritten signature of Sam Garland in black ink.

Sam Garland  
Partner

Melbourne  
30 September 2022

## Additional Security Exchange Information.

In accordance with ASX Listing Rule 4.10, Openpay provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as 23 September 2022 (**Reporting Date**).

### CORPORATE GOVERNANCE

Openpay's Directors and management are committed to conducting Openpay's business in an ethical manner and aspire to the highest standard of corporate governance. The Board assesses its corporate governance policies and procedures to ensure they are suitable and meet corporate governance standards and regulatory requirements. Openpay's corporate governance policies and charters are available at <https://investors.openpay.com.au/site/investor-centre/corporate-governance>.

### SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of Openpay and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in the substantial holding notices given to Openpay, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities Held	% of Total Issued Securities Capital in Relevant Class
Program Force Pty Ltd, Yemiva Pty Ltd, BNPL Pty Ltd, Horizons Equity Pty Ltd, Moshe Meydan, Yaniv Meydan and Eido Meydan	Fully paid ordinary shares	65,822,258	28.38
Health Care Ventures Holdings Limited, Chow Tai Fook Enterprises Limited, Swift Hunter Limited and The CTF Group	Fully paid ordinary shares	23,204,078	14.67

### NUMBER OF HOLDERS

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of Holders
Fully paid ordinary shares	13,823
Unlisted options	130
Performance rights	22
Warrants	2

### LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Shares	UMP Shares	UMP Holders	% of Issued Shares Held By UMP Holders
231,910,272	7,673,109	9555	3.31

For the 2022 financial year, Openpay's governance practices substantially complied with the ASX *Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (Principles and Recommendations)*. Further details are provided in Openpay's Corporate Governance Statement, which sets out the key components of Openpay's corporate governance practices and frameworks, and states how Openpay substantially complied with the Principles and Recommendations.

Openpay's Corporate Governance Statement, together with the ASX Appendix 4G, have been lodged with the ASX and are available at <https://investors.openpay.com.au/site/investor-centre/corporate-governance>.

## VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in Openpay that carries voting rights is fully paid ordinary shares.

At the Reporting Date, there were 13,823 holders of a total of 231,910,272 ordinary shares of Openpay.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each

ordinary share held. On a poll, every member (or the member's proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion of the amount paid up (not credit) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

## DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in Openpay as at the Reporting Date is as follows:

### Distribution of Ordinary Share Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	6,970	3,204,670	1.38
1,001 – 5,000	4,096	10,217,431	4.41
5,001 – 10,000	1,113	8,496,563	3.66
10,001 – 100,000	1,442	42,524,558	18.34
100,001 and over	202	167,467,050	72.21
<b>Totals</b>	<b>13,823</b>	<b>231,910,272</b>	<b>100.00</b>

### Distribution of Option Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	12	9,794	0.14
1,001 – 5,000	65	133,730	1.96
5,001 – 10,000	5	39,560	0.58
10,001 – 100,000	36	1,549,202	22.65
100,001 and over	12	5,106,067	74.67
<b>Totals</b>	<b>130</b>	<b>6,838,353</b>	<b>100.00</b>

### Distribution of Performance Rights Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	1	699	0.06
1,001 – 5,000	6	17,133	1.53
5,001 – 10,000	2	15,077	1.34
10,001 – 100,000	12	526,687	46.97
100,001 and over	1	561,755	50.10
<b>Totals</b>	<b>22</b>	<b>1,121,351</b>	<b>100.00</b>

## Additional Security Exchange Information.

### Distribution of Warrant Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 and over	2	5,022,271	100.00
<b>Totals</b>	<b>2</b>	<b>5,022,271</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

Openpay has only one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder, is as follows:

Rank	Holder Name	Balance as at Reporting Date	%
1.	PROGRAM FORCE PTY LTD <MEYDAN FAMILY A/C NO 4>	41,666,666	17.97
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	23,488,632	10.13
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,863,906	7.27
4.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,506,822	5.39
5.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	10,186,838	4.39
6.	JUST GROUP INVESTMENT PTY LTD <JUST GROUP INVEST P/L A/C>	6,250,001	2.70
7.	COLOURDOME PTY LTD	4,748,071	2.05
8.	CITICORP NOMINEES PTY LIMITED	4,728,171	2.04
9.	V-LEADER PTY LTD <ZHANG FAMILY A/C>	2,741,905	1.18
10.	JAGEN GROUP INVESTMENT PTY LTD <JAGEN GROUP INVESTMENT A/C>	2,083,333	0.90
11.	JECCEM MANAGEMENT PTY LTD <JECCEM MANAGEMENT A/C>	1,566,667	0.68
12.	MR EDMOND WING KIN CHEUNG & MRS ELIZA SIU LING CHEUNG <EDMOND & ELIZA S/F A/C>	1,430,000	0.62
13.	MRS SUIQING BAO	1,093,830	0.47
14.	BNP PARIBAS NOMS PTY LTD <DRP>	1,035,757	0.45
15.	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	996,796	0.43
16.	RBFT PTY LTD <RICHARD BROOME FAMILY A/C>	907,278	0.39
17.	KJ & RJ RETIREMENT PLAN PTY LTD <JONES FAMILY RETIRE PLAN A/C>	739,676	0.32
18.	BNPL PTY LTD <BNPL A/C>	678,228	0.29
19.	AGILEAN PTY LTD <RAYMOND KONG FAMILY A/C>	670,689	0.29
20.	MR POH SENG TAN	650,000	0.28
<b>Total number of shares of Top 20 Holders</b>		<b>135,033,266</b>	<b>58.23</b>
<b>Total Issued Capital</b>		<b>231,910,272</b>	<b>100.00</b>

## UNQUOTED EQUITY SECURITIES

Openpay has the following classes of unquoted equity securities on issue.

<b>Class of Unquoted Securities</b>	<b>Number of Securities</b>	<b>Number of Holders</b>
Unlisted options	6,838,353	130
Performance rights	1,121,351	22
Warrants	5,022,271	2

OP FIDUCIARY PTY LTD holds 4,000,000 Warrants (being 79.65% of the Warrants on issue) and GOLDMAN SACHS BANK USA holds 1,022,271 Warrants (being 20.35% of the Warrants on issue).

MICHAEL EIDEL holds 32.22% of the unlisted options on issue.

BRIAN SHNIDERMAN holds 50.10% of the performance rights on issue.

## OTHER INFORMATION

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

There are no issues of securities approved for the purposes of item 7 of section 611 of the *Corporations Act 2001* (Cth) that have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

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# Corporate Information

**Openpay Group Ltd ACN 637 148 200**

## BOARD OF DIRECTORS

Patrick Tuttle  
(Chair, Independent Non-Executive Director)

Sibylle Krieger  
(Independent Non-Executive Director)

Yaniv Meydan  
(Non-Executive Director)

David Phillips  
(Non-Executive Director)

## COMPANY SECRETARY

Company Secretary is Edward Bunting

## REGISTERED OFFICE

Level 9

469 La Trobe Street

Melbourne VIC 3000

Telephone: +61 1300 168 359

Email: [investors@openpay.com.au](mailto:investors@openpay.com.au)

Website: [openpay.com.au](http://openpay.com.au)

## SOLICITORS

Clayton Utz

Level 18

333 Collins Street

Melbourne VIC 3000

## AUDITOR

PricewaterhouseCoopers

Level 19

2 Riverside Quay

Southbank VIC 3006

## SHARE REGISTRY

Automic Pty Ltd

Level 5

126 Phillip Street

Sydney NSW 2000

Telephone: +61 1300 288 664

## SECURITIES EXCHANGE LISTING

Openpay's ordinary shares are quoted on the Australian Securities Exchange (ASX)

Openpay was admitted to the official list of the ASX on 16 December 2019 (ASX issuer code: OPY)

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