openpay
Buy now.
Pay smarter.

Openpay Group Limited Annual Report.

For the year ended 30 June 2020.

Contents

At Openpay, we're on a mission to change the way people pay, for the better.

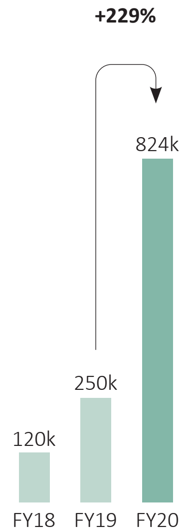
Delivering on our strategic growth pillars.

$18m Revenue **64%** Growth	**$192.8m** TTV **98%** Growth	Well funded: strong mix of cash and undrawn debt
Key partnerships: Pentana, MSL Solutions, MyHealth1st	4 established verticals, 2 emerging	Excellent Trustpilot rating* AUS: 4.7/5.0 UK: 4.8/5.0
Launch of SaaS-based B2B	2 key geographies: ANZ and UK	**164** Team members

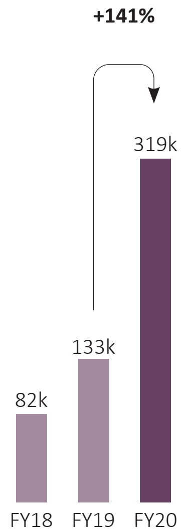
* Openpay is rated 4.7 out of 5 stars on AU Trustpilot and 4.8 out of 5 stars on UK Trustpilot

The good news this year.

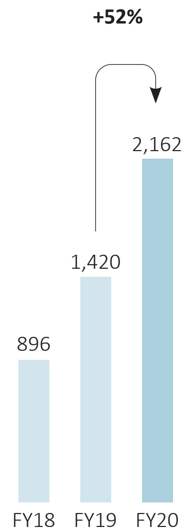
What we've achieved: strong growth in key metrics



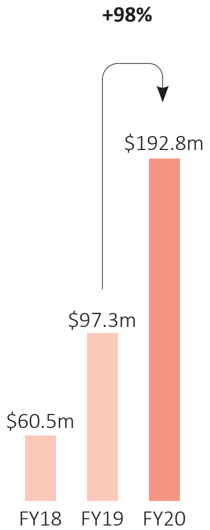
Number of Active Plans



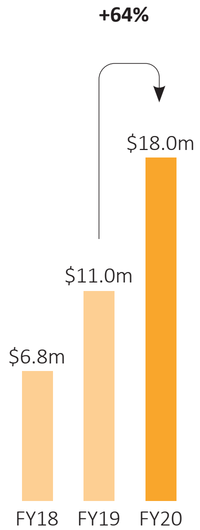
Number of Active Customers



Number of Active Merchants



Total Transaction Value



Revenue

$70.1m
Cash at bank

$45m
Undrawn debt AU

£20m
Undrawn debt UK

Strong cash and debt funding position

FY20 key achievements.

229%
Record Active Plans
up 229% vs FY19

141%
Record Active Customers
up 141% vs FY19,
with increased repeat usage

52%
Active Merchants
up 52% vs FY19

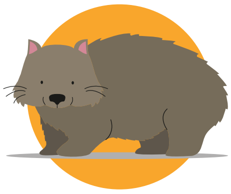
$192.8m
Record Total Transaction Value
(TTV) grew to a record
$192.8m in FY20, up 98% vs FY19

$18m
Revenue
for FY20 of
$18m, up 64% vs FY19

$46.3m
Net Receivables
for FY20 $46.3m, up 75%
from $26.5m in FY19

9.3%
Gross Revenue Yield
as a percentage of TTV
was 9.3% (FY19 11.3%)

Some of the ways we delivered on our FY20 strategy



Local market growth
- Strong growth in Australia
- Record operational and financial results

Successful UK launch
- Strong and rapid growth
- Signing and launching of enterprise merchant JD Sports

Well funded
- IPO and ASX Listing – Dec 2019
- UK debt facility of £25m secured
- Institutional placement raised $33.8m at 50% premium to IPO

Launch into B2B
- Launch of *Openpay for Business* – capital light, low risk SaaS product
- Signing of three year deal with Woolworths Group

Openpay brand refresh
- Branding better communicates our purpose and personality
- Aussie Amber stands out from the crowd

Strong people focus
- Strengthened Board and Management Teams
- Supported Merchants, Customers and team members during COVID-19

About Openpay.

We're on a mission to change the way people pay, for the better.

We believe that everyone deserves more freedom and flexibility in how they use their money, without having to think "what's the catch?"

That's why we provide customers with an appropriate way to purchase their wants and needs, with no hidden fees.

O Ownership

P Passion

E Excellence

N Nimbleness

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

- **Ownership:** If something is valuable to our customers, it's valuable to us. We care about their financial wellbeing and want to earn their trust as a reliable partner.
- **Passion:** We put people first by keeping our standards high, and always taking concrete action. Our goal is to empower customers with the ability to manage their cashflow.
- **Excellence:** Whatever we do, we won't stop until it exceeds expectations. That means hiring, developing and retaining the best people for the job.
- **Nimbleness:** Innovation is in our DNA, our nimbleness helps us find new ways to make life simpler for our customers.

Our values articulate the types of behaviours and personal interactions we expect at Openpay. They represent what we stand for as an organisation and help guide the behaviour of our people. Our values are:

- **Performance:** Achieving superior business results and growth through a strong work ethic, customer service and disciplined financial management, and with the confidence to learn from mistakes and to continually seek improvement across the business.
- **Customer-focused:** Understanding that Openpay's success is based on customer success, with a clear focus on listening to and understanding merchant and customer needs so as to build strong and lasting relationships.
- **Integrity:** Undertaking our work with honesty, efficiency and accountability, and fulfilling our promises.
- **Respect:** Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial. Creating an environment where new ideas are welcomed and where the workforce, as a whole, is challenged to learn and develop, both at an individual and company level.
- **Corporate social responsibility:** Putting health and safety first, being environmentally responsible and supporting our communities.

Message from the Chair.

"The COVID-19 pandemic has merely accelerated the adoption of BNPL across a much higher proportion of consumers as they embrace the obvious benefits of transacting online from home in a highly efficient, safe and convenient way."

The Buy Now Pay Later (BNPL) sector is on the verge of becoming (if this milestone hasn't already been achieved) the ubiquitous payment method for people of all ages, seeking cashless convenience in completing their daily purchases, large and small, whilst prudently managing their everyday household cash flows for budgetary purposes. The COVID-19 pandemic has merely accelerated the adoption of BNPL across a much higher proportion of consumers as they embrace the obvious benefits of transacting online from home in a highly efficient, safe and convenient way. No more is BNPL seen as purely the domain of millennials. To the contrary, older adults are becoming increasingly adept adopters of the BNPL phenomenon. For Openpay, this is evident as the median age of our customers is around 38 years old.

Many BNPL users also bear the scars of having previously managed personal revolving credit card debt, highly aware of the exorbitant interest rates historically incurred on the plastic. This is reflected by the fact that 74%[1] of all BNPL payment plans are typically linked to debit cards. This gives control back to the consumer, enabling them to spread payments for all manner of life's purchases over a timeline that better suits their personal financial circumstances. It also gives consumers the power to adjust the timing of such payments to pivot in response to unforeseen events. The disruption created by the COVID-19 pandemic has reinforced the desire of individuals to take control of their finances at a time when unpredictability is one of the more likely outcomes.

Equally, for a broad cross-section of merchants, retailers and service providers, COVID-19 has reinforced the need for their businesses to increasingly embrace e-commerce solutions and to foster a stronger digital presence, if only to augment their core instore offerings. In BNPL, merchants can see the direct benefits of increased sales conversion rates, higher customer numbers (both new and returning), lower goods returned rates, higher checkout volumes, and more timely cash payments, to name a few. BNPL, as a payments solution, seamlessly facilitates real-time transactions between consumers and merchants, all within a safe, frictionless eco-system which eliminates the need for physical cash and highly expensive consumer credit products. It is a simple and elegant solution for managing a broad range of household transactions.

It is against this backdrop that I'm pleased to reflect on Openpay's inaugural financial year as a publicly listed company. Aside from the successful completion of our initial public offering on the ASX in December, Openpay has achieved impressive growth across a core range of objective operating metrics, including Active Customers, Active Plans, Active Merchants, Repeat Customers and Total Transaction Value (TTV). We expect our strong progress to continue through FY21, underpinned by Openpay's ongoing investment in its core BNPL technology platform and emerging B2B solution, *Openpay for Business*.

This substantial investment focuses on the delivery of continuous and industry-leading improvements to our customer and merchant onboarding processes, including automated self-servicing capabilities, further increasing customer conversion rates through more streamlined identity verification, fraud and credit-decisioning tools, supported by enhanced portfolio analytics to drive even better customer experience and credit performance.

Our proprietary *Openpay for Business* platform provides a unique opportunity for Openpay to become a provider of choice in a multi-trillion dollar Australian and international market for B2B payment and lending services. To date the B2B market, which is many times larger than the widely serviced consumer (B2C) customer market, has not been systematically addressed by any of the existing BNPL players. *Openpay for Business* sees us enter the enterprise merchant market with a payment Software-as-a-Service (SaaS) solution for their business customers (B2B). We will operationalise this solution for the first time in H1 FY21 with a strong focus on expanding our targeted corporate customer base across multiple geographies.

In closing, it would be remiss of me not to sincerely thank Openpay's senior management and employees for their superb contribution to Openpay's achievements in FY20. They have collectively done a tremendous job in not only preparing for and successfully delivering our initial public offering, but also in skilfully navigating the business through what has been an extremely challenging and uncertain Australian and global economy, due to the unprecedented COVID-19 pandemic. Similarly, on behalf of our entire Board of Directors, I'd like to express our gratitude to Openpay's loyal customers, merchants and the many retail and institutional shareholders who continue to place their trust and confidence in our business. Your support is genuinely appreciated and never taken for granted.

We look forward to another exciting year ahead, and the opportunity to further entrench Openpay as a global leader in the fast-growing consumer and enterprise payments sector.

Patrick Tuttle
Independent Chairman

1. Source: ASIC Report 600: Review of buy now pay later arrangements, November 2018.

A note from our CEO.

"Our vision to change the way people pay, for the better, is now coming to life in key markets, fuelled by our strongly differentiated Buy now. Pay smarter. *(BNPS) approach."*

Dear shareholder,
It is my pleasure to present Openpay's FY20 annual report, where we look back upon what has been an extraordinary time for your company.

2020 may have been a volatile year, but it was also a year of firsts. Despite the economic challenges felt around the world, Openpay celebrated its ASX listing, a $50 million Initial Public Offering and historic growth levels in our key markets.

Our vision to 'change the way people pay, for the better' is now coming to life in key markets, fuelled by our strongly differentiated 'Buy now. Pay smarter.' (BNPS) approach. Leveraging our powerful technical platform, we're able to deliver the most flexible plans in the market, in industries where we can make a real difference, particularly Home Improvement, Healthcare and Automotive. It's been rewarding to see our finance-savvy customers (typically of a more mature demographic) using Openpay to truly budget smarter and spread payments along their pay cycle.

Reaching our strategic goals: delivering on three core pillars.

When we listed on the ASX, we promised investors that we would deliver growth across three strategic growth pillars. We're pleased to have successfully delivered on all three of these objectives and are well on track to keep growing:

Local market growth

Win Merchants, attract new Customers, increase repeat business

- Capitalise on already strong position in Automotive, Healthcare and Home Improvement in Australia; continued growth in consumer retail;
- Position Openpay as the "go to" provider for responsible, financially savvy Customers;
- Drive utilization through best-in-class marketing and Customer engagement;
- Invest in partnerships to accelerate growth (software providers, platform integrators, marketplaces)

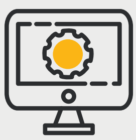
Geographic expansion

Expansion into the UK, EU and Beyond

- Drive our market-entry campaign and grow our business in the UK, app and online first, instore to follow;
- Follow our UK Merchant clients into their main European markets;
- Strengthen our presence in New Zealand;
- Exploring emerging, fast growing markets in Asia

Extended platform capabilities

Innovate and develop adjacent products



- Adapt BNPL product to enter new verticals (Memberships, Education etc.) and segments (SMEs);
- Develop B2B payment solution as a capital light tech business (SaaS model);
- Create unique Customer insights;
- Enhance our credit risk and fraud engine with AI and machine learning capabilities

Highlights from FY20.

✔ **Strong growth in the Australian market**

✔ **Successful launch in the UK, including Merchant wins such as JD Sports**

✔ **Strengthened our Board and Management team**

✔ **Historic IPO and ASX listing in December 2019**

✔ **Launch of B2B product *Openpay for Business* with new client Woolworths**

✔ **Secured UK debt facility of £25m**

✔ **Oversubscribed placement in June 2020 raised $33.77m**

✔ **Ongoing support for Merchants, Customers and team members during COVID-19**

✔ **Record results in FY20 for Active Plans, Active Customers and TTV**

A note from our CEO.

"At Openpay, we're only just getting started. We're confident that with our purpose-driven responsible payment services in B2B and B2C, and differentiated BNPS approach, we will continue to grow and scale, both in Australia and overseas."

A stronger local market.

At home in Australia, Openpay's BNPL offering has exceeded all expectations. This financial year saw more than 636,000 Active Plans (+155%), 210,373 Active Customers (+59%) and over 2,100 Active Merchants (+51%). More than 76% of new plans were generated from Repeat Customers[1] and 49% of our customers had more than one Active Plan.

In May 2020, we celebrated 'OpenMay', a partner-marketing and sales campaign that reached more than 5 million Aussies. The campaign resulted in $16.7m Total Transaction Value (TTV) (+28% month-on-month), an additional 48,000 Active Plans, and 7,500 new Active Customers, with 40% of these online and 60% instore.

In terms of new partnerships, our agreement with leading Automotive technology provider Pentana Solutions was certainly a highlight, with Openpay's BNPL services now being integrated in up to 60% of Australia's vehicle franchise dealerships. Another notable partnership was with health insurance provider Bupa, through which our BNPS service will modernise the payments experience at hundreds of dental, audiology and optometry clinics and practices across Australia.

A global vision.

In just one year in the UK market, our Active Merchants have grown to 25, attracting 108,951 Active Customers with 187,184 Active Plans. Our flagship launch with a major sports retailer in Q4 will continue to attract partners on an enterprise level and raise awareness among smaller Merchants about the opportunity to grow with our BNPS offering.

In terms of our expansion in the UK and into Europe, we've made significant progress in preparing for credit authorisation with the Financial Conduct Authority (FCA) in the UK and are exploring more opportunities in the EU as we continue to acquire multinational Merchants.

Evolving our platform.

Strong growth does not come from standing still. Openpay has continued to extend its platform capabilities this year, with important milestones including our entry into the high-volume, low-risk B2B sector via our *Openpay for Business* product with retailer Woolworths.

Openpay for Business is a Software-as-a-Service solution (SaaS) that allows companies to manage their trade accounts end-to-end, including applications, credit checks, approvals and account management – all in one system. This low capital, SaaS-based product is a huge differentiator for us, and we're excited to see it in action across Australia and the UK in the coming months.

We also launched a new consumer app in March 2020, making it quicker for customers to sign up and easier for them to manage their payments. A new release of our Automated Risk Management (ARM) technology significantly reduced fraud write-offs in Q4 FY20.

You may have seen our soft launches in new verticals of Memberships and Education too, which we expect to welcome as key industries from H1 FY21.

Strong financial performance.

Strong growth in our leading active indicators translated into a TTV this financial year of $192.8m (+98% vs pcp) and revenue of $18.0m (+64% vs pcp). Our EBITDA[2] loss excluding significant items[3] of $30.1m is in line with management expectations and reflects the significant investment made in supporting Openpay's continued geographic expansion and innovation, such as our new *Openpay for Business* offering.

Our Group Net Transaction Margin was 2.5% and Net Transaction Loss was 2.3%. From a temporary peak of our Net Bad Debt from credit and fraud in Q3 of 4.7% of TTV due to targeted fraud challenges, we have been able to reduce the rate significantly to 2.9% in Q4 and to 1.5% in July 2020 through our ARM technology improvements. Credit risk has remained at very low levels despite the COVID-19 impact, due to our focus on finance-savvy people, accommodating instalments that suit their pay cycle, and tightening our credit rules where required.

1. A Repeat Customer is defined as a customer who has previously transacted with Openpay – this is not their first plan.
2. EBITDA is a non-IFRS measure that has not been audited but is a key financial metric used by management to operate the business at the group level. EBITDA represents Earnings Before Interest Tax Depreciation and Amortisation.
3. Significant items include fair value calculation of financial derivatives, convertible notes; share-based payments expense arising on Initial Public Offering; costs of equity raising, IPO and share placement.

Our balance sheet is more than ready to fund new growth ambitions in Australia and the UK, with $70.1m in cash, $45m in Australian undrawn debt funding and £20m in undrawn UK debt facilities. We have two strong funding partners in our home market and securing our first UK debt facility in June 2020 was a huge milestone. This support allows us not only to grow our UK business, but also reinforces the strong, resilient and high-performing nature of Openpay's model during COVID-19.

Thanks to the UK facility agreement and our ongoing performance, we stimulated interest in Openpay from a number of top Australian institutional investors, who joined our share register through a heavily oversubscribed private placement in June 2020, raising more than $33 million.

A uniquely identifiable brand.

FY20 was the year we made significant improvements in communicating our mission: 'to change the way people pay, for the better'. A key part of this was designing a new look and feel to stand out amongst the competition. Phase one of our global rebrand saw us unveil our new look across Openpay owned channels, in all markets, including our app. Phase two will see the brand refreshed across merchant partner channels.

Responding to COVID-19.

It's not only the business growth that makes me proud of our Company this year, but also the responsibility and responsiveness we showed from the onset of COVID-19.

Openpay acted quickly to protect our people, customers, business and shareholders. We provided vulnerable customers with financial hardship support, temporarily reduced our employee expenses by 35% to preserve cash levels, adjusted plan settings and tightened credit rules, strengthened our credit risk decisioning and fraud prevention technology, and closely supported our essential services Merchants.

After raising equity and securing our UK debt facility, our team was restored to full capacity from 1 July 2020, and we're back on track to continue our growth strategy.

The view from here looks good.

Despite a profoundly strange and difficult year in the world, Openpay's outlook is promising. BNPL has proven to be an attractive way for consumers to pay, with significant adoption in all large retail and consumer markets around the globe. Demand for what is a relatively new financial product has grown at extraordinary rates and continues to increase as new markets, products and geographies open up.

At Openpay, we're only just getting started. We're confident that with our purpose-driven 'responsible' payment services in B2B and B2C, and differentiated BNPS approach, we will continue to grow and scale, both in Australia and overseas.

In addition to our existing growth areas, FY21 will see a new focus on strategic partnerships in Australia and the UK for BNPL and B2B, entering merchant agreements, for example, with enterprise retailers and tech platform providers to scale both products. We will also continue to explore a merchant-led expansion into new markets.

To further enrich and extend the capabilities of our technical platform, we will focus in FY21 on integration, automation and self-service of merchant onboarding and activation; on the continuous improvement of customer experience and conversion; and on data analytics to inform credit and fraud decisioning and reporting.

As a fintech company, the continuous improvement of our core technical assets to drive sustainable growth is key to our strategy and the foundation for our ambition to become a global provider of leading payment services for people and businesses. Thanks for your trust and support during this eventful and successful year. We're looking forward to another 12 months of delighting our customers and delivering value to our shareholders.

Michael Eidel
CEO and Managing Director

Financial highlights.

$192.8m
Total Transaction Value (+98% vs FY19)

($30.1m)
EBITDA loss before significant items in line with management expectations

$18.0m
Revenue (+64% vs FY19)

We're on the ASX.

In December 2019, Openpay listed on the Australian Securities Exchange (ASX: OPY), ringing in a new era for the Group.

"We were absolutely delighted to see Openpay complete its ASX debut in December. Listing on the ASX not only reinforces our growth strategy and objectives, but also our commitment to strong regulation and governance. Being a public company provides a great opportunity for investors to participate in what we see as a fast-growing, globally relevant, Australian company. I thank both the long-term shareholders and the ones that invested in the IPO for supporting our great business."

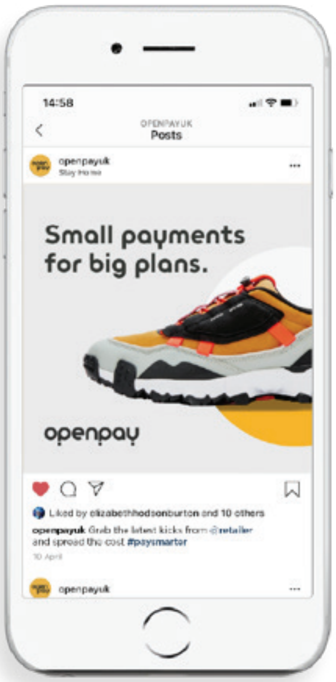
Openpay CEO, Michael Eidel

This followed a historic Initial Public Offer that raised $50 million, strongly supported by institutional and retail investors.

Chairman Patrick Tuttle, CEO Michael Eidel and members of the Openpay senior leadership team attended a listing ceremony at the ASX in Sydney where Michael rang the bell. The team watched the shares go live under Openpay's ticker code OPY.

Our ASX listing was a landmark milestone and is testament to the strength of the market opportunities that lie ahead.

Building our brand.



Aussie Amber rules.

During FY20 we refreshed our brand to better communicate our purpose, personality, proposition and, crucially, to stand out from the traditional blue and green hues of the finance sector.

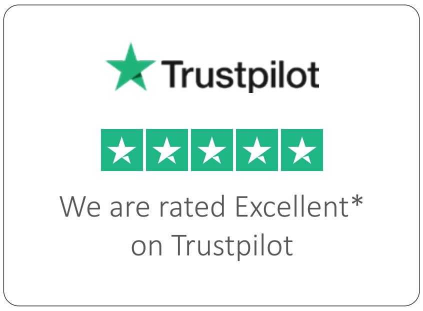
We crafted an identity featuring a new logo that reflects our brand ethos of simplifying payments for consumers and making transactions less intimidating. Our bespoke Openpay Headline font has a simple round design to further reinforce the message of simplified payments and openness and the three squares that break away represent splitting payments into manageable chunks (also affectionately known as wombat poos).

Our new hero colour, 'Aussie Amber' pays homage to our Australian heritage and brings warmth, charm and some rays of Australian sunshine to the markets we operate in. Alongside our new look and feel, we have retained our original tagline 'Buy now. Pay smarter.' for its witty play on the BNPL language used so frequently in the market.

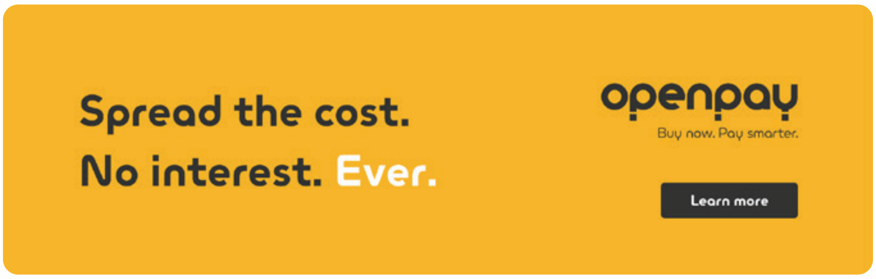
Building brand trust.

Helping customers be smarter with their cash flow is a key part of what we do, and our positive app store and Trustpilot ratings demonstrate that we are building a trusted brand with a strong focus on customer happiness.

"Awesome way to buy! I've had many completed plans now with Openpay and found them to be a great business to deal with. Especially when you're out shopping at a place and you come across something you always wanted or needed, it only takes mins to set up a purchase, and you are done." – P Wynne



* Rated 4.7 out of 5 stars Excellent on AU Trustpilot and 4.8 out of 5 stars excellent on UK Trustpilot.



The Openpay community.

We have seen continued positive customer engagement during FY20 from our finance-savvy audience who use our plans as a cashflow management tool. Tending to be of an older demographic, juggling multiple household needs, from fixing the home, car or cat to treating themselves to a new pair of shoes, they understand the value of spreading payments over time with no interest.

During FY20 our Active Plans increased by 229% and Active Customers increased by 141%. By Q4 FY20, 70% of customers had routinely made use of Openpay plans, with 82% of plans in AU created by Repeat Customers and 49% of Active AU Customers holding Concurrent Plans[1].

Our UK Q4 FY20 numbers were also strong with 48% of plans being created by Repeat Customers and 30% of Active UK Customers holding Concurrent Plans.

Our customer database has grown by 105% in our home market and we can now communicate with over 180,000 UK customers. Social is a key channel for our brand and we have seen our Facebook audience grow by 40% in AU and our engagement rates across Instagram continue to be in line with industry benchmarks. Improvements to our website have seen visitor numbers in Australia grow by 80%.

We have also enhanced our app, creating more ways to call out key merchants and offers as well as refreshing the look and feel in line with our new branding. Our total app downloads have increased by 140%.

High conversion marketing.

We see our brand as an extension of our partners and use our channels of influence to ensure our audience knows exactly where they can use Openpay. As our customers are highly engaged and active, our partners love to work with us on co-branded campaigns – from TV advertising to social competitions and more.

OpenMay is a prime example of the power of the Openpay customer base, achieving what was, at the time, a record-breaking month in Australia, reaching an audience of over 5 million and increasing Active Plans by 26% in May FY20 vs April FY20.

We also really love new brands and get very excited when we launch a new partner – we like to shout about it, a lot!

Our recent UK launches demonstrate the power of the Openpay proposition amongst the competition, where our Aussie Amber stands out at checkout and helps customers embrace the smarter way to pay.

Home owners

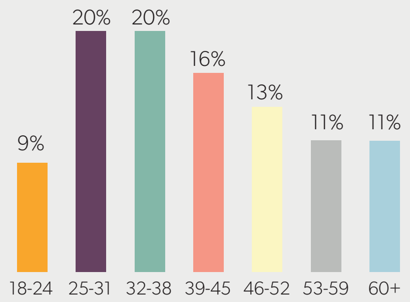
Parents

Car owners

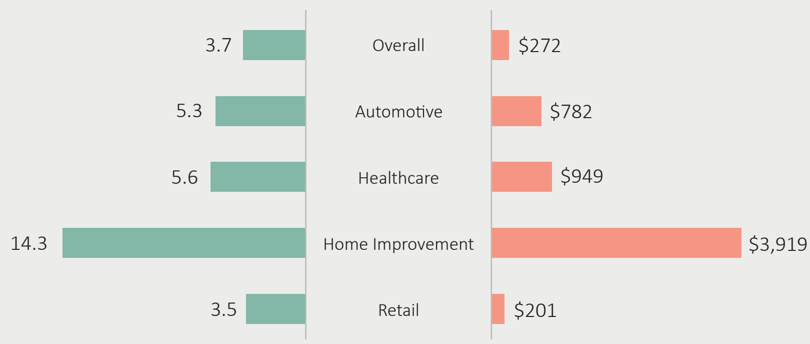
Digital natives

Pet owners

1. Concurrent Plans are multiple Active Plans which an Active Customers holds.



Customer demographics



Average plan length **Average transaction value (ATV)**

Our industry verticals.

Openpay is making a real difference in people's lives, helping customers buy the products and services they want and need – across Healthcare, Automotive, Home Improvement and Retail.

This year, we were proud to call many of Australia and the UK's leading retailers our partners.

Woolworths Group
pentana SOLUTIONS
Henry Schein ONE
THE JUST GROUP
Bupa Dental
Repco Authorised Service
JAX TYRES
Cenvet
nvc National Veterinary Care
THE WATCH HUT
KC Sofas
carpetCALL Floor Centre
BONDS
national tiles
petstock
RAG Retail Apparel Group Pty Ltd
taking shape sizes 12 – 24
M-POWER MSL
BUNNINGS warehouse
myhealth1st

Our industry verticals.

Healthcare.

Automotive.

Home Improvement.

Retail.

"Openpay helped cover Lulu's surgery and medication, allowing me the flexibility to pay for it in instalments instead of the total sum."
– Veterinary customer.

Healthcare.

Compared with FY19, this year Openpay helped 83% more people (and their pets) cope with the financial burden of healthcare, a sector that is worth $18.4 billion[2]. We're proud to act as a fair partner in dental, veterinary, optical, audiology, pharmacy and allied health – all core sectors that keep Aussies healthy and well.

Significant new partners this financial year included Vision Australia, Australia's largest provider of services for people with blindness and low vision; vet practice organisation United Vets Group; and animal hospital Lort Smith.

With BNPL increasingly popular in pharmacy, optometry, dental and veterinary businesses, we also signed some key integration partners this year to ensure that Openpay appears when patients are researching and booking medical treatments or seeking advice.

These include a strategic revenue share partnership agreement with digital health group 1st Group (ASX: 1ST) in June, integrations with EzyVet and Ciderhouse, and another with Henry Schein's leading practice management software.

The agreement with 1st Group will see Openpay plans offered to patients of practices that provide services through the MyHealth1st.com.au health services marketplace. It's an initial three-year term and we're expecting rollout across 60 sites in Q1 FY21. Openpay will also market the MyHealth1st platform to existing Healthcare practices within our Merchant network.

We increased our presence in the dental market by acquiring the MySmilePlan Pty Ltd. brand and marketing rights to directly offer Openpay in more than 600 dental practices nationally.

Now practices can easily offer our solution to their customers and give people the peace of mind that they can manage the cost of staying well.

Automotive.

Driven by a national passion for cars and an ongoing need to improve road safety, Australia's Automotive industry is now worth an impressive $22.8 billion[3]. But a huge number of car owners are under-servicing their vehicles due to cost.

Depending on your make and model, a service can set car owners back anywhere from $185[4] to thousands

2. IBIS World Australia Market Research Dental Services Report, 2019. IBIS World Australia Market Research Optometry and Optical Dispensing, 2019. IBIS World Australia Market Research Veterinary Services Report, 2019.
3. IBIS World Australia Market Research Tyre Retailing Report, 2019. IBIS World Australia Market Research Motor Vehicle Parts Retailing Report, 2019. IBIS World Australia Market Research Motor Vehicle Engine and Parts Repair and Maintenance Report, 2019.
4. Canstar – Car Servicing Costs: What Should You Be Paying?

of dollars, and 29%[5] of people have Automotive tasks waiting on their to-do list. To keep drivers safe and able to enjoy their vehicles, Openpay is now widely available as a payment option at service centres and garages across Australia, making essential repairs and upgrades easier to manage.

Openpay launched in the Automotive industry in June 2016 and is now the leading Australian BNPL provider in this space. We are often the only BNPL player, or one of only two available to motorists, due to the flexibility we offer in plan values and durations. The majority of Australia's enterprise dealership groups now use Openpay.

Openpay's Automotive vertical delivers a significant uplift in Average Transaction Value (ATV). Based on internal data, the ATV uplift ranges between 85% in tyres to 120% in dealerships. We fund car servicing, tyres, batteries, warranties and aftermarket accessories through dealerships, service centres and automotive retailers. Feedback from dealers is that giving customers more time and flexible payment options improves retention for the car service industry and boosts their Customer Satisfaction Index and Net Promoter Scores.

In March, Openpay announced an exclusive multi-year partnership with leading Automotive technology provider, Pentana Solutions. Through its Dealer Management System (DMS) called eraPower, Pentana Solutions is embedded in approximately 2,500 car franchise dealerships across Australia, or 60% of the domestic market. Our partnership will help motorists at over 1,900 additional dealerships service their vehicles with flexible repayments to suit their cashflow.

"After a competitive tender process, we chose Openpay, being at the forefront in the buy now, pay later space for automotive dealerships. Openpay offers a flexible product delivering higher value plans at attractive terms for our dealers and for dealer customers who are asking for BNPL solutions." – CEO of Pentana Solutions, Steve Kloss

"Pentana Solutions' dealers service more than 4.2 million vehicles per year, equating to around $2.5 billion in annual servicing value. Integrating Openpay into eraPower means dealers can simply and easily activate a plan for their customers at the point of sale. It has been our experience that dealerships offering Openpay as a payment option see average requisition order increase from $450 to $950 per customer. Given the market share that Pentana Solutions services, this agreement consolidates our market share in the Automotive vertical, increases highly sought-after payment functionality for Pentana Solutions and provides the platform for us to reinforce our reputation as the BNPL supplier of choice for the Australian automotive industry and a positive customer experience for vehicle owners." – CEO & Managing Director of Openpay, Michael Eidel

Prior to the Pentana announcement, we already had direct agreements with around 1,000 dealer Merchants, of which 600 had the Pentana software, which adds more than 20,000 plans a year and over $16 million in plan value.

Since the onset of COVID-19, Aussies have been using public transport less, so we're seeing more people treating car servicing as an essential service. This gives Openpay the opportunity to innovate and vary our flexible product suite, supporting Merchants with even more mobile car and tyre services.

"Openpay is an important partner with Eagers Automotive Ltd. Openpay has been valuable during the COVID-19 crisis in providing a contactless payment option for our customers. Added to this, Openpay proactively worked with our Group to promote a Vehicle Air Conditioning Sanitisation service offer. This allowed us to deliver an important health and safety message to our valued customers directly via Openpay's database."

Wade Herrmann – GM of Fixed Operations, Eagers Automotive Ltd

"Quality dental care can at times stretch the budget, and if ignored dental problems can become exponentially more expensive to treat over time. Openpay allows our patients to attend to their dental health when it's actually needed with the convenience of no interest repayments. This is a crucial benefit in minimising the long term financial and health burden on our patients."

Dr Kia Pajouhesh – Smile Solutions

5. Openpay – Doers Report 2019

Our industry verticals.

"I've used Openpay a few times for bigger purchases (car servicing, kids dental, Bunnings) and never had an issue. Easy to use and when I had my hours at work cut back recently, their customer service team were great and really helpful with moving repayment dates around so I didn't miss a payment or get penalised." – Melb Marc, AU

Home Improvement.

Refreshing your home doesn't come cheap, as reflected by the $19.5 billion[6] value of the Home Improvement vertical. Openpay offers real value in the Home Improvement vertical with long term plans and higher lending amounts, so that Australians can spread the cost of their investments in their home over time, without paying interest.

Openpay partners with leading Merchants such as Bunnings and Spotlight Retailer Group for popular DIY and do-it-for-me (DIFM) projects, as well as Merchants offering professional services for the supply and installation of flooring, blinds, plumbing and kitchen renovations.

More recently, Openpay signed a deal with leading Home Improvement company National Tiles for both their instore and online businesses.

Retail.

Openpay's roots are in Retail. Since the beginning, we've helped Aussie shoppers get instant access to a wide range of products – from high-velocity goods in fashion, homewares, outdoor, pet care, technology, sporting goods to bedding and furniture and more.

Our differentiated approach gives consumers more choice, with flexible plan lengths and values that support people at all stages of their lives. Whether consumers are moving into their first home, becoming parents or simply enjoying some light gardening in retirement, Openpay gives them a smarter way to manage their cashflow.

We're proud partners of many iconic Australian brands including Hanes Brands Inc., PETstock, Global Retail Brands, MyDeal.com.au, Taking Shape and the Retail Apparel Group. This year we also extended our family offering by entering the "baby" category, with new merchant acquisitions including Tell Me Baby, Silver Cross Prams and Baby Mode.

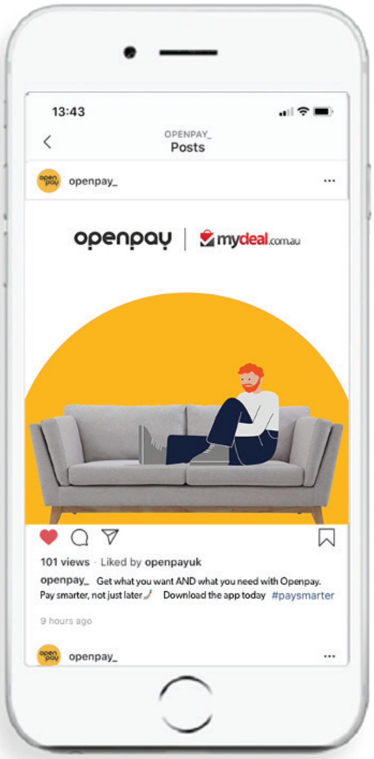
Our Retail footprint is always expanding, with 98% growth in Merchant acquisition during FY20 and services now available in over 279 Active Merchants – consistently driving up Active Plans.

In the COVID-19 era, we've seen a big shift in channels, with online business in Australia currently contributing 28% of TTV and 39% of plan originations, versus 9% and 14% in the same period last year.

Our integrations with leading eCommerce partners like Shopify, Big Commerce, Pronto and Harmony helped accelerate this shift, also driven by the strong growth of online retail in the UK. Despite all this, however, instore Retail has remained strong.

"Our partnership with Openpay is collaborative and dynamic. During the COVID-19 pandemic, MyDeal and Openpay have been determined to ensure that our customers have been able to get everything they need for their homes including office furniture and home entertainment, with costs being spread over time. Openpay has acted with pace to support our growing demand and ensure effective promotion through their channels. This partnership was enhanced during Openpay's month of promotions, OpenMay, where we continued to increase transaction volume."

– John Barkle, MyDeal.com.au, Head of Marketing



6. ABS, 8501.0 Retail Trade Australia 2019

Openpay goes global.

"Openpay is an ingenious method of paying for goods in just a few instalments, interest free. It is simply brilliant, and I hope more UK online stores accept this method of payment!"

– Numaan, UK

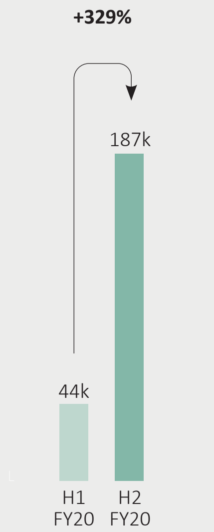
A successful UK Retail launch.

This year, we introduced our differentiated 'Buy now. Pay smarter.' approach in the UK through online Retail, offering our broad audience more flexibility with their spending. Over time we'll expand into other lifestyle areas to mirror our Australian success and become a partner of choice for consumers looking to responsibly manage their cashflow across multiple areas of their lives.

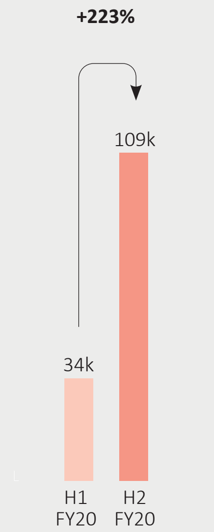
Our UK business has been growing significantly this year, emerging as a strong contributor to Openpay's overall Total Transaction Value. We currently offer among the longest and most flexible interest-free BNPL plans in the UK Retail market, and our BNPS offering has been welcomed by both Merchants and Customers.

"So simple and easy to use. No charge for 'credit' and I didn't feel too guilty about treating myself as I treated my wife as well. Have used several times and will definitely use again. Great service, many thanks." – Steve, UK

Since June 2019, we've partnered with the likes of Watchshop, The Watch Hut, Ideal Shopping Direct, Skinny Tan, Roots, House, KC Sofas, Atlantic Electronics, Hand on Heart Jewellery, Makers Retail, Oxygen Clothing and Masdings. In May we also launched with enterprise merchant JD Sports and post year agreements included global e-commerce technology group and brand owner, The Hut Group (THG).



Number of Active Plans

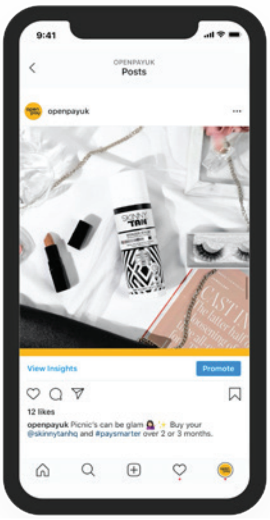


Number of Active Customers

UK Retail opportunity alone:

~£390b[1]

- Major growth in Openpay UK business from standing start in June 2019
- Openpay UK currently trades in online Retail channel only
- Substantial opportunities exist to move into other Openpay verticals
- Significant growth in Active Plans and Active Customers
- Merchant additions in FY20 included leading brands: The Watch Hut, Masdings and JD Sports. Post year end signing, The Hut Group



1. United Kingdom Office of National Statistics: Retail Sales, Great Britain, July 2019.

New markets and innovations.

From a brand-new product to two new industries, the Openpay team has been constantly evolving our offering this year.

Exploring new industries.

In line with our IPO strategy, we conducted a soft launch into the new verticals of Education and Memberships in H2 FY20.

Already, a number of Active Merchants are on board, such as listed SaaS technology provider MSL Solutions Limited in Memberships and social media training group Digital Picnic in Education.

MSL Solutions CEO, Pat Howard said, *"We are proud and excited to partner with Openpay. As with all potential partners, we have carefully reviewed and selected Openpay on the strength of the quantifiable benefits that we believe Openpay can bring to our customers.*

Openpay is at the forefront of the buy-now-pay-later sector, offering a flexible product delivering attractive terms for golf clubs and their patrons. We expect this partnership to add an attractive new dimension to MSL's golf suite of services as it allows for greater profitability and customer retention among our golf club customers."

These new verticals give Openpay a significant growth pipeline, backed by our partnerships with the Australian Society of Association Executives and others.

We expect to have a hard launch in H1 FY21, with products specifically designed to meet the needs of merchants and customers in these sectors.

The launch into these two new verticals is a testament to Openpay's commitment to extend its plan availability into areas of customers lives where they want greater cash flow management.

A new B2B product.

We were very proud to announce *Openpay for Business* in February this year – a unique Software-as-a-Service solution (SaaS) that allows companies to manage trade accounts end-to-end, including applications, credit checks, approvals and account management.

We are proud to support Woolworths' wholesale business.

The B2B solution provides an affordable, scalable, low-risk way for businesses with long-term contracts to manage their accounts and will deliver revenues to Openpay based on usage. First revenues from *Openpay for Business* are expected in H1 FY21.

"From account applications through to reconciliation and remittance, Openpay for Business *is a B2B platform that fully digitises business and trade accounts, end to end."*

New verticals: Education and Memberships

In line with IPO strategy, we conducted a soft launch into new industry verticals: Education and Memberships in H2 FY20

New Active Merchants

Launch has been promising with a number of Active Merchants established in each new vertical

Significant growth pipeline

Also driven by new partnerships with Australian Society of Association Executives, Sports Community, among others

Hard launch in H1 FY21

With these products that specifically target the needs of Merchants and Customers in these verticals

How our tech has evolved.

We bring our customer-centric thinking to the technology that underpins Openpay's BNPS and B2B offerings.

Simple, efficient, flexible, customer-led BNPS technology.

A key point of difference is that our flexible infrastructure enables Openpay to deliver plan lengths of 2 to 24 months and values of up to $20,000, all under the same BNPS customer journey. This simple plan initiation process makes it easy for customers to set up each new plan quickly and efficiently, using the same, familiar process.

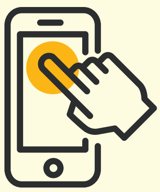
One major innovation we introduced during the year was an update to our plan origination process. We can now verify customer identities through the onboarding process using an Australian driver's license, passport or Medicare card. This provides customers with more ways of verifying themselves and has made it easier for us to check customer identities.

Our customers regularly offer great feedback about the flexibility we bring to repayment schedule management – we understand our approach to be quite unique in the BNPL sector.

We made these important investments in our innovative tech platform in FY20:

Data and analytics:

Our cloud-based data infrastructure enables advanced analytics and insights



New consumer app:

It's now quicker for customers to sign up and easier for them to manage their payment cards

New release of our Automated Risk Management (ARM) technology:

Better detection and prevention of fraud and improved credit decisioning

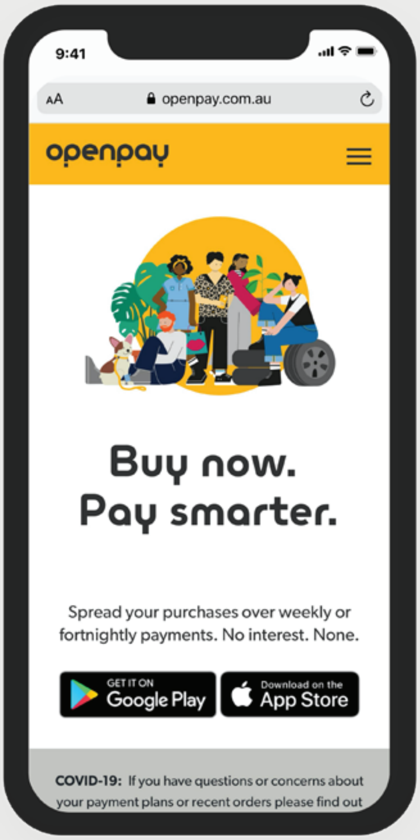
We continue to invest in our core technology platform to underpin our strong growth.

Data analytics
Credit card and transaction fraud prevention

Automated Risk Management
Sophisticated algorithms manage credit risk and lending amounts for new and existing customers

Dynamic billing engine
Automatic debit of repayments

Business/customer insights
Big data enabling unique customer insights



PCI data security compliant
Level 1 service provider

Instant approval
Powerful decision engine grants instant approval

Strong customer identification
ID & contact detail verification

Simple integration
Innovative APIs for POS, online integrations and partnerships

We don't lock customers into just weekly or fortnightly repayments. Instead, through our app and web portal, customers can choose from a repayment schedule that is right for them.

A new Openpay app was launched during the year which has been well adopted by our customer community. It is rated 4.6 out of 5 stars in the Apple AU App Store.

To support our merchant partners, we launched a configurable, dynamic section of Openpay's new app to promote Merchants and offers. This was launched in time to support successful OpenMay promotions.

Ongoing customer feedback is what drives our product and platform improvements. We continue to engage with our customers and merchants to research how we could improve the Openpay platform.

B2B offering – a unique differentiator.

A major area of product development for FY20 was our B2B product, *Openpay for Business*. From account applications through to reconciliation and remittance, *Openpay for Business* is a B2B platform that fully digitises business and trade accounts, end to end. We look forward to launching the product in H1 FY21.

Other innovations.

In order to support our UK debt funding process, we developed back end tools which enable funders to see how we are allocating their debt funding. Flexible special purpose vehicles accommodate specific debt covenant requirements across the Company's verticals and geographies, supporting the recent addition of Global Growth Capital (GGC) as the Company's first debt funder in the UK.

Our new data and advanced analytics infrastructure was introduced to enhance credit risk decisioning. This has enabled the targeted adaptation of credit rules in response to the challenges of COVID-19, keeping credit risk healthy and minimising financial hardship. We delivered new data and advanced analytics infrastructure to enable the generation of rich customer behaviour insights for merchants.

We also upgraded our ARM technology to better detect and prevent fraud, while improving credit decisioning. This continued investment in our core technology is what makes our growth possible.

Our commitment to people.

Everything we do and create is inspired by how our customers will benefit.

This year it was even more important to protect our people, customers, business and shareholders – whether that was during Australian national bushfires or the global health and economic crisis of COVID-19.

Responding to COVID-19.

We moved swiftly to implement decisive measures in response to COVID-19. These initiatives have greatly helped us to strike the right balance between supporting our merchants and customers, protecting the company by preserving cash and keeping our staff safe and healthy. Thanks to our strong performance and investor support, the Openpay team returned to full time hours from 1 July 2020, setting us back on track for continued growth.

Helping through hardship.

The bottom line is that we care. We also want our customers to stay with us for the long term, so we lend appropriately from the outset and have measures in place to support people, should they find themselves in times of true hardship. This approach helps protect our customers in hard times, but this year, few people were completely immune to the impacts of the COVID-19 lockdowns.

Although our customer base is financially savvy and of an older demographic, we saw an increase in hardship claims in March due to the onset of COVID-19, driven by the uncertainty around restrictions and government support. In response, we put in place a range of helpful measures including revisiting our credit rules, extending payment plans, deferring payments, and reversal of fees where appropriate.

We have seen the number of hardship claims reduce moving into April. The volume of these hardship calls, most of which we have been able to solve with customers, is immaterial and has not adversely impacted the credit quality of the portfolio with arrears at a low of 0.8% at the end of FY20.

"Very supportive and understanding about the problems I [had] been having, when I needed to delay some payments, it's a shame other companies were not of the same high standards, well done for looking after your customers properly. Many thanks." – Ann

Protecting our partners.

Openpay's focus on supporting merchants in specialised industries has resulted in strong coverage of essential products and services across all verticals that we operate in.

Customers are using Openpay plans to support their everyday needs. Our merchant partners are key to our success, we see them as an extension of our brand and always work collaboratively to ensure opportunities are maximised through our channels of influence and theirs. This has been more important than ever through 2020 when we have been able to support our partners during an extremely challenging trading period.

"I've used Openpay a few times for bigger purchases (car servicing, kids dental, Bunnings) and never had an issue." - Melb Marc

With the breadth of products and services available through Openpay, we were able to drive relevant and timely messaging to our consumers, offering them products and services that they needed or wanted in lockdown. Our aim was to ensure consumers could keep themselves, their families and pets, their homes and their cars happy and healthy during lock down.

For example, in Automotive, the decline in use of public transport led to an increase in people viewing car servicing as an essential service. This gave Openpay the opportunity to introduce new variations to our flexible product suite, supporting merchants with the introduction of more mobile car and tyre services.

Openpay marketing channels were used extensively to update consumers on the latest news and offers from key partners, with a heavy focus on online but also crucial trading information updates such as stores reopening, new essential services being introduced to be COVID-safe and much needed items being back in stock. These extended marketing opportunities were very well received by merchants and saw strong customer engagement.

Responding to COVID-19.

Some of the ways we've proven our commitment to people during the COVID-19 pandemic include:

Providing vulnerable customers with **financial hardship support**

Closely **supporting essential services merchants** to provide relevant support to customers

Adjusted plan settings and **tightened credit rules,** strengthened credit risk decisioning and fraud prevention technology

Reduced employee expenses by 35% to preserve cash

Acted quickly and flexibly to enable our people to work safely from home

The Openpay Way.

"Love Openpay. The way they set their payments out so I can pay ahead whenever I want to is so flexible for me, I love that I can keep track of all my accounts, what I owe and when I can pay."

Novaheyez

"As a woman of colour, I have not always had the privilege of experiencing the inclusion and comfort I feel while working at Openpay, in other parts of my life. From my very first day, two and a half years ago, I have always been made to feel comfortable in my own skin and not had to try be someone else in order to be accepted. I am proud to be working for a company that has not seen my race and cultural background as a hindrance to my ability to do the role I was employed to do. Openpay continues to be on the front foot in working towards an even more diverse and inclusive community within its employees and that's a movement I am honoured to be a part of."

Emalka Hewawasam

"I'm a father of four young children, so having the right work life balance is very important to me. Openpay offers and encourages that. I am able to arrange meetings and work tasks around my schedule whilst not neglecting my duties as a father especially around these times of uncertainty."

Ola Jacobson

Doing the right thing matters to us.

Our mission is to change the way people pay, for the better. We know we can do this by building a culture where our employees live and breathe our company beliefs of Ownership, Passion, Excellence and Nimbleness.

We are a responsible brand by nature, and this is evident in how we respect our people, respect our customers, and also respect the environment.

We're proud of how we're building a diverse and happy workforce by focusing on diversity and inclusion, long-term employee satisfaction, career progression, health and wellbeing, and creating a positive impact on local and global communities.

From national bushfires to COVID-19: it has been a matter of importance to us to protect our people, customers, business and shareholders during these crises.

Focusing on people.

Openpay is home to 164 employees globally, with teams in Australia and the UK. We're very proud that our employees want to work for us, with an average time to fill a role of only 33 days and a 93% offer acceptance rate.

We look after our teams and seek their feedback through a structured, regular pulse check on our employer value proposition. This proposition is key to helping us become an employer of choice in the wider market and strengthening our appeal to top talent – especially in places already home to established tech firms. We also do a quarterly culture and engagement survey to see how we're faring.

Despite a disruptive year of COVID-19 lockdowns and global stress, FY20 saw consistent improvements, with a 9% uplift in team engagement by Q4. This is even more remarkable given the significant workplace changes that occurred due to the expansion of our business.

We've continued to support our employees through our family-friendly workplace policies which include paid parental leave, serious illness and injury leave, additional annual leave and paid domestic violence leave. We offer flexible work arrangements, including remote working, flexitime, compact weeks and job share opportunities.

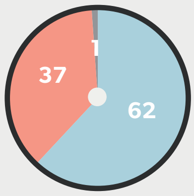
To top it all off, our health and wellness program is designed to aid the wellbeing of our people and provide access to healthcare and mental health support services to help them with whatever they might be going through.

Diversifying our team.

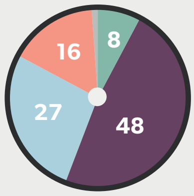
With team members from all five continents, the Openpay workplace celebrates the unique differences that everyone brings to the table. Our hope is that employees feel like they can come to work as their authentic selves each day.

We consistently advance our policies, education and guidance on diversity and inclusion, and take part in gender equity initiatives and the Lean in Circles women's network.

Our overall company mix is 62% male, 37% female, and 1% unspecified with an average age of 34.



Company gender mix
- Male
- Female
- Unspecified



Age (average age 34)
- 18-24 (8%)
- 25-34 (48%)
- 35-44 (27%)
- 45-54 (16%)
- Unspecified (1%)

The Openpay Way.

"We decided to use Openpay in January this year when our son was sick in hospital and we were in the middle of renovating our home. We loved the fact Openpay allowed us to have flexible payments, it took the pressure of us during a difficult time. It was really refreshing to talk to a person when it came time to calling Openpay's customer service. They answered our questions around wanting to increase our limit and the team were fantastic to deal with. We really appreciated that a bigger company was taking the time to listen and talk to their customers directly."
– Mr C Scott

Giving back.

Through the OpenArms Community Program, our team can contribute to community partners via team member giving, structured volunteering, fundraising, vocational programs and pro bono support.

We've also formed partnerships with not-for-profit organisations who promote careers in technology for women, our indigenous communities and other minority groups. And during the catastrophic bushfires in Australia earlier this year, we donated $100,000 to Wildlife Victoria.

With COVID-19 wreaking havoc on the retail sector, Openpay saw an opportunity to pay it forward and became a Corporate Partner to RetailTrust, the UK's leading retail charitable organisation. Openpay passionately believes in and supports the Trust's mission: to improve the lives of all involved in retail and its supporting service industries.

In January 2020, our senior leadership team took part in a team-building event where they built two state-of-the-art bikes for a family from Heart Kids, a charity dedicated to supporting children, teens and adults affected by congenital heart disease. The Scott family's youngest child had undergone multiple heart surgeries and receiving the two bikes brought a smile to all their faces.

We later found out that the family were Openpay customers. Mr Scott had discovered Openpay through point of sale signage in Bunnings.

This was an unexpected example of how Openpay can help everyone budget smarter – no matter their individual circumstances. We're still in touch with the Scott family today.

Reducing our carbon footprint.

Climate change is a global existential risk already impacting our environment and population, as detailed in the Intergovernmental Panel on Climate Change (IPCC) reports[1].

We're looking into a number of initiatives that we can use to make an ongoing and positive difference to the environment, including:

- Measuring and analysing our emissions leading to reductions
- Reducing our energy consumption
- Investigating increased renewables usage
- Fighting waste and item redundancy
- Optimising staff transportation and work from home options
- Greener infrastructure and equipment
- Sustainable suppliers and partnerships
- Education of staff, stakeholders, and customers
- Promoting environmentally responsible ways of working
- Becoming more active on the global stage

These projects may feel small when compared to global emission levels, but Openpay believes that every positive step by every party makes a big difference and promoting a culture of awareness and action is beneficial for everyone. Our first action will be to measure and understand our operations in order to identify room for improvement.

1. https://www.ipcc.ch/

"I was extremely pleased with the outcome and the person that helped was awesome to deal with, very happy!"

Andre

"Amazing, used them to pay for a vet bill. Literally saved my dog's life, I wouldn't have been able to afford the bill without them."

Peter

"Garden looks amazing with many compliments from passersby. This has been all due to Openpay."

Helen

"Very supportive and understanding when I needed to delay some payments, it's a shame other companies are not of the same high standards. Well done for looking after your customers properly."

Ann

Key Risks and Challenges.

At Openpay, we aim to deliver innovative solutions to customers in a timely manner. But this needs to be balanced with a considered approach to the risks and challenges that come hand in hand with our business model and growth objectives. Given the nature and pace of change within the BNPL industry, these risks will change over time and new challenges may arise that impact our business.

We are committed to providing a sustainable, ethical and responsible service to our customers, and therefore the identification, assessment and management of these risks form a cornerstone for how we operate. By managing risks appropriately, we're able to strengthen our decision making and prioritisation efforts and accelerate growth in a sustainable way.

Openpay is committed to the ongoing improvement of our risk management framework and internal control environment to ensure that we deliver the right business outcomes while protecting the organisation from relevant threats to the largest extent possible.

The competition.

Openpay operates in a competitive environment. That means there's a risk of new BNPL providers or existing competitors delivering a superior solution and customer experience to our current offering. There is also a possibility that competitors may consolidate with other providers to deliver benefits at a scale that Openpay can't effectively compete with. To avoid competition having an adverse impact on our financial performance, we must stay informed and innovate ahead of the curve.

Advancing technology.

We must continuously develop our technology platform to maintain its competitive edge and position as the most relevant and flexible BNPL plan configurations for Merchants and Customers. Ongoing innovation to advance our tech remains a core focus.

In our target market segments, our technology needs to address:

- Customer preferences and product design risk
- Product delivery risk and speed to market
- Availability and reliability

Third-party services.

Openpay partners with third-party service providers to support our offering. There is a risk that a third-party provider's service is below expected standards, or experiences disruption. Any such failures will have a consequential impact on the reliability and quality of the Openpay service offering and may adversely affect our relationship with our Merchants and Customers.

Business maturity and key personnel risk.

Openpay is a growing business. As our operations expand, we have to continually standardise and streamline our processes. Any lack of process maturity may lead to inconsistent outcomes, manual errors, inefficiencies, and loss of organisational memory, which may have an adverse effect on the profitability and reputation of our business.

Developing more robust processes also helps to reduce associated key personnel risk. The loss of key personnel may impose significant costs on Openpay in the form of lost investment in employee training, possible loss of proprietary knowledge to competitors and employee commencement and recruitment costs. These may have an adverse impact on Openpay's operational and financial performance.

Bad and doubtful debts.

Relevant controls have been implemented across Openpay to optimise our front-to-back credit decisioning and management process for bad and doubtful debts. But we must continue to improve our credit decisioning capability to match the scale and growth of our operations. A failure to implement any upgrade or enhancement, or failure to manage the upgrade or enhancement process efficiently and appropriately, may result in an increase in bad and doubtful debts, which will adversely impact Openpay's financial performance.

"We are committed to providing a sustainable, ethical and responsible service to our customers, and therefore the identification, assessment and management of these risks form a cornerstone for how we operate."

Key Risks and Challenges.

"Exploring new and different BNPL industry verticals helps Openpay to manage any adverse market conditions more effectively."

Regulatory compliance.

Just like any BNPL provider, we are subject to a range of laws, regulations and industry compliance requirements in the jurisdictions in which we currently conduct business. The main types of laws, regulation, and industry standards applicable to Openpay include, but are not limited to:

- Financial services and consumer protection
- Anti-money laundering and counter-terrorism financing
- Privacy and data protection
- Financial and taxation
- Employment

Failure to comply with requirements in these jurisdictions (or in other jurisdictions in which Openpay may operate in the future), or to appropriately respond to any changes, could adversely impact Openpay's reputation and financial performance. Failure to comply could also result in increased compliance costs, the requirement to cease specific or all of Openpay's business activities, litigation, penalties or other regulatory inquiry or investigation.

There is also a risk that any increased regulation, or changed regulatory requirements, may increase Openpay's costs of compliance, which may result in existing operations becoming uneconomic, or limit or reduce our scope to expand operations in accordance with our strategy. There can be no assurance that such laws and regulations will not change in ways that will require Openpay to modify business models and objectives or affect the returns on investment by making existing practices more restricted or subject to escalating costs.

Cybersecurity and data protection.

Openpay collects and holds a wide range of personal and commercial information about our Customers and Merchant partners. There is a risk that Openpay's systems, or those of third-party service providers, may be impacted by external malicious attacks, or that internal control measures are not sufficient to detect and prevent any unauthorised access to, or disclosure of, such confidential information.

Market growth (Customers and Merchants).

Openpay's ability to increase revenue and achieve profitability is dependent on our ability to profitably scale the business, which in turn is dependent on increases in transaction volumes and growth in our Customer and Merchant base. Failure to grow in this manner may materially impact our ability to achieve economies of scale, optimise our systems and increase market share, which may have an adverse impact on Openpay's financial performance. We have to keep moving upward.

Exposure to general market conditions.

Openpay's performance depends, to a certain extent, on macroeconomic factors outside our control that impact the spending power and habits of Customers. These factors include economic growth, unemployment rates, interest rates, consumer confidence, taxation, inflation and the availability and cost of credit.

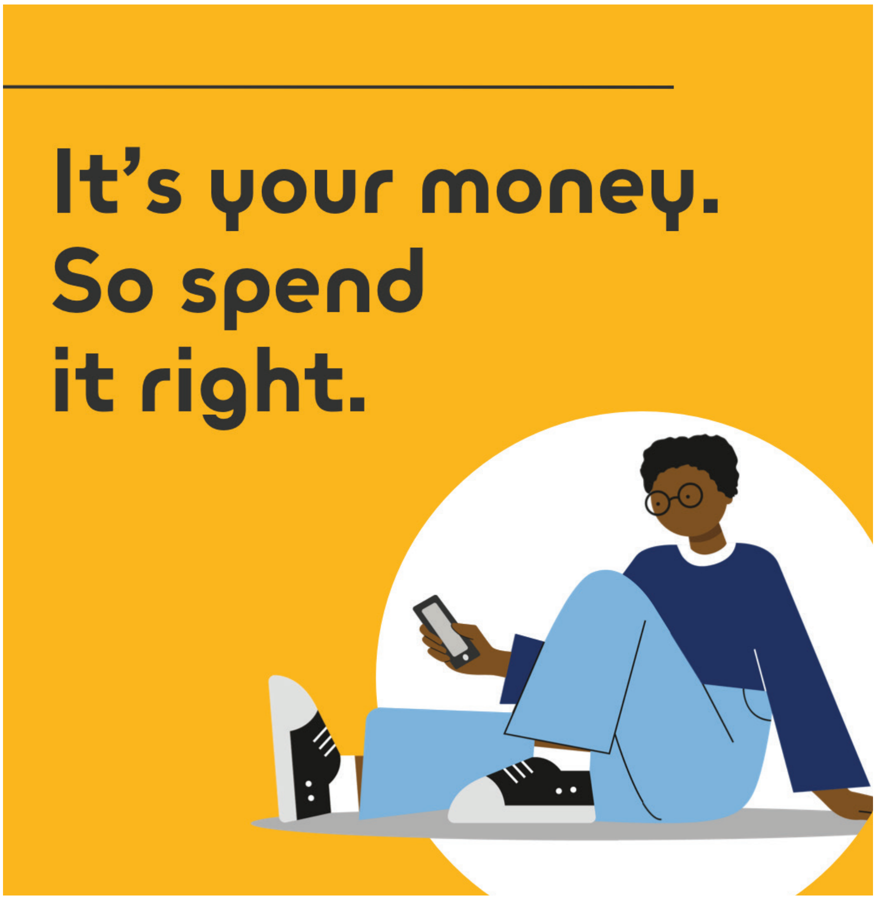
In addition, consumer spending may be affected by unforeseen global events such as floods, droughts, pandemics, and other natural disasters. We are regularly monitoring the market and economic conditions to identify any potential impacts and adapt to those situations. Exploring new and different BNPL industry verticals also helps Openpay to manage any adverse market conditions more effectively.

Economic impact of COVID-19.

Several uncertainties have arisen because of the COVID-19 pandemic, impacting macroeconomic factors such as unemployment and consumer confidence in the jurisdictions in which we operate. In light of these uncertainties, there is an increased risk of economic downturn in these jurisdictions, which may result in a reduction of plans, delays in acquiring new partners or the closure of some of our Merchants, all of which may adversely impact Openpay's financial performance.

Liquidity and funding risk.

Openpay's business model is reliant on the ability to fund Merchants by 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 level agreed in relation to purchases made by the Customer, there is a risk that the Merchant will become dissatisfied and terminate their agreements, which could have an adverse effect on Openpay's operations and financial performance. There is also a risk of significant reputational damage if we are unable to satisfy our contractual obligations in this regard.



Litigation and contingent liabilities.

Openpay may be subject to potential litigation and other claims or disputes in the course of our business, including contractual disputes, intellectual property infringement claims, employment disputes or occupational and personal claims. Even if Openpay is ultimately successful in defending any such claims, there is a risk that such litigation, claims and disputes could adversely impact our business reputation, as well as our operating and financial performance.

As set out in the Company's IPO Prospectus, Openpay received a letter of demand from a former employee, Mr Simon Scalzo, who was CEO of Openpay Pty Ltd from 1 November 2016 to late June 2017. Mr Scalzo has subsequently commenced legal proceedings against Openpay Pty Ltd in the Supreme Court of Victoria.

Openpay is defending the proceedings brought by Mr Scalzo and continues to consider that the claim lacks substantive merit. For further information in relation to Mr Scalzo's claim, please see section 5.1.13 of the Company's IPO Prospectus.

Contents.

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 23.
The financial statements are presented in the Australian currency.

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 Stock Exchange.

The financial statements were authorised for issue by the Directors on 31 August 2020. 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 Limited ('Openpay or 'the Company') and the entities it controlled ('the Consolidated Entity' or 'the Group') at the end of, or during, the year ended 30 June 2020.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Corporate reorganisation

In November 2019, Openpay Pty Ltd (Openpay Australia) undertook a corporate restructure. Under this corporate restructure the shareholders in Openpay Australia exchanged their shares in that company for shares in Openpay Group Ltd (Openpay) in a "top hat restructure" (Restructure). Each shareholder's proportionate interest in Openpay Australia was not altered as a result of the Restructure. Prior to the Restructure, Openpay Australia was the parent company of the Group, however, the effect of the Restructure was to interpose Openpay as the new legal parent of the Group.

While Openpay became the legal parent of Openpay Australia, this did not result in a business combination for accounting purposes. When preparing the financial information for Openpay, the Restructure has been accounted for as a capital reorganisation by Openpay. The financial statements of Openpay present a continuation of the operations of the existing Openpay Australia. Assets and liabilities are recorded at their existing values in the balance sheet for Openpay. The statement of profit or loss for Openpay is a continuation of the existing statement of profit or loss for Openpay Australia.

Initial Public Offering

On 16 December 2019 Openpay completed an Initial Public Offering (IPO) and became listed on the Australian Stock Exchange (ASX).

In accordance with the prospectus, Openpay raised $50,000,000 ($44,876,002 net of costs) through the issue of 31,250,000 shares.

Directors and company secretary

The following persons were directors of Openpay Pty Ltd from the beginning of the reporting period and up to the date of signing this report:

Yaniv Meydan

David Peter Phillips

The following people were directors of Openpay Pty Ltd from the beginning of the reporting period until their resignation on 22 November 2019:

Darron Gary Kupshik

Kelly Bayer Rosmarin

Leslie Yau Chak Leung

Avi Schechter

The following people were appointed directors of Openpay Group Ltd during the period and remain in office as at the date of this report:

Patrick Tuttle (appointed 19 November 2019)

Michael Eidel (appointed 30 October 2019)

Kelly Bayer Rosmarin (appointed 19 November 2019)

Sibylle Krieger (appointed 19 November 2019)

David Phillips (appointed 30 October 2019)

Yaniv Meydan (appointed 30 October 2019)

The company secretary, Edward Bunting LLB, BComm, was appointed 30 October 2019 and has over 10 years' experience as a corporate, commercial and regulatory lawyer with leading Australian and international organisations. Prior to his appointment, Ed was General Counsel at Meydan Group which involved extensive advisory services to listed and unlisted companies. Ed previously served in legal and commercial roles at Ashurst, Cricket Australia and Toyota Australia. Ed is a member of the Law Institute of Victoria and is admitted as a barrister and solicitor in Victoria.

Principal activities

Openpay Group Ltd (ASX: OPY) is a well-established player in the fast-growing global market for 'Buy Now Pay Later' (BNPL) payment solutions. Openpay partners with merchants to provide BNPL repayment plans to customers instore, in-app and online. Openpay's BNPL offering allows customers to purchase what they want and need while spreading repayments over time with no interest costs.

By providing flexible payment solutions to customers, Openpay's BNPL offering also facilitates increased transaction values and conversion rates for merchants at checkout.

Openpay provides services to customers and merchants in Australia, New Zealand and the United Kingdom.

In addition, Openpay has launched into the B2B sector with its *Openpay for Business*, Software as a Service (SaaS) portal. This product enables enterprise customers to manage trade accounts end to end, including applications, credit checks, approvals and account management in one system.

Directors' Report.

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 delivered outstanding operational performance in FY20, resulting in significant growth of key markets via our strongly differentiated 'Buy now. Pay smarter.' approach, with the aim of changing the way people pay, for the better. The Group has delivered successfully on its growth initiatives as outlined at its IPO and experienced strong growth in its key verticals of Retail, Healthcare, Automotive and Home Improvement. In parallel, the Group has made significant investments in our people, processes and platforms to establish Openpay as a growing global player in the Buy Now, Pay Later (BNPL) industry.

Key Operating Metrics

Openpay experienced strong growth across all its key operating metrics for the financial year ended 30 June 2020. Continued growth in its key metrics of Active Plans, Active Customers, Active Merchants and Total Transaction Value (TTV) have been fuelled by successful execution of the Group's core growth strategy; rapid growth in its UK business, increased UK debt funding and solid cash position.

This strong growth occurred despite the onset of COVID-19 and the resulting market volatility. As soon as the immediate impact of COVID-19 was understood, Openpay acted quickly to ensure the continued safety of its people, merchants and customers, while providing the flexibility that customers needed to responsibly utilise our 'Buy Now. Pay Smarter.' offering.

The Group continues its close dialogue with merchants and customers affected by the recent Victorian lockdown, while ensuring that our team continues to operate safely from home.

Active Plans

Active Plans grew by a record 229% over the financial year. Active Plans continue to outperform the Active Customers growth rate of 141%, due to increased usage and a greater number of Concurrent Plans by Active Customers. For the month of June 2020, 70% of new plans were from Repeat Customers[1], up from 65% in June of 2019. This was driven by increased engagement from a growing customer base, and Openpay's increased availability at merchants covering a broader range of customer needs.

$ '000	30 June 2020	30 June 2019	Change %
Active Plans	**823.9**	250.2	229%

COVID-19 restrictions implemented in March 2020 saw a continued shift in channel usage with more consumers moving online, leading to an acceleration of Active Plans through the online sales channel. More than 39% of plans originated in Australia over the final quarter of FY20 were online (Q4 FY19 14%), with 100% of plans in the UK all supported by Openpay's eCommerce platform.

Active Customers

The business continues to see strong growth in Active Customers with an increase of 141%, or more than 319k Active Customers, as of 30 June 2020 compared to 132.6k in FY19. Pleasingly, the usage of Openpay as a preferred payment method is increasing with more than 40% of Active Customers as at 30 June 2020 having more than one Active Plan at any time. The increase in concurrent plans and Repeat Customers is driving the incremental growth seen in Active Plans.

'000	30 June 2020	30 June 2019	Change %
Active Customers	**319.3**	132.6	141%

Active Merchants

Despite national lockdowns in both Australia and the UK during the financial year and associated forced business closures, Active Merchants increased to 2,162, up 52% compared to FY19. Openpay delivered strong Active Merchant growth across all key verticals, including 98% growth in Retail merchants, 65% in Automotive and 42% in Healthcare (Openpay is typically either the sole BNPL provider or one of only two in Automotive and Healthcare merchants). In early March, Openpay announced an agreement to integrate its 'Buy now. Pay smarter.' offering into Pentana Solutions' leading car dealer management software, EraPower, which services more than 60% of the Australian car dealer market. Other sample merchant wins during the financial year include Ryde Motor Group and Zagame Group in Automotive, National Optical Care, Hearing Australia in Healthcare and National Tiles in Home Improvement.

In Retail, significant wins included Retail Apparel Group and Crumpler while new Merchants like Tell Me Baby and Baby Mode marked Openpay's entry into the 'Baby' merchant category. Openpay also soft-launched into the Education and Memberships verticals during the period and enters FY21 with a significant pipeline of potential merchant partnerships in these areas.

	30 June 2020	30 June 2019	Change %
Active Merchants	**2,162**	1,420	52%

Total Transaction Value

TTV from underlying sales grew by 98% to $192.8 million during the financial year, primarily driven by growth in the ANZ Retail vertical of 99%, also strongly supported by the establishment of the UK Retail business. The Automotive and Health verticals have

1. A Repeat Customer is defined as a customer who has previously transacted with Openpay.

continued to grow strongly, with 45% and 33% growth year-on-year, respectively. The Home Improvement vertical was flat (3%) as a result of the reclassification of certain merchants into the Retail vertical.

A$m	30 June 2020	30 June 2019	Change %
TTV	**192.8**	97.3	98%

Group Financial Performance

The Group's statutory loss for the year ended 30 June 2020 was $35.4 million, a loss increase of 141% on the prior year. The Group's loss for the year excluding significant items was $36.6 million representing a loss increase of 156% on the prior year.

Openpay saw significant growth in Total Income of 66% during FY20. Key growth drivers included the increase in TTV from underlying sales, robust growth across all 'Active' operating metrics and significant growth in the Group's UK business, following the establishment of UK operations in June 2019.

EBITDA[2] (excluding significant items) for the financial year was a loss of $30.1 million, a loss increase of 164%, up from the FY19 loss of $11.4 million. This result is in line with management expectations. It reflects the significant, early investment into the people and platforms required to successfully deliver on the Company's core growth initiatives. These included local market growth, geographic expansion and the extension of platform capabilities. This investment led to an increase in operating expenses of 116% during the period, which was offset by the strong revenue growth.

$ '000 (Excluding significant items)	30 June 2020	30 June 2019	Change %
BNPS Income	**18,005**	10,993	64%
Other Income	**248**	-	n/a
Total Income	**18,253**	10,993	66%
Receivables impairment expense	**(7,890)**	(2,970)	166%
Employee benefits expense	**(18,134)**	(7,160)	153%
Share-based payments expense	**(441)**	(96)	359%
Advertising and marketing expenses	**(3,183)**	(2,178)	46%
Other operating expenses	**(18,746)**	(10,020)	87%
Operating expenses	**(48,394)**	(22,424)	116%
EBITDA before significant items[3]	**(30,141)**	(11,431)	164%
Depreciation and amortisation expense	**(1,312)**	(94)	1,296%
Finance costs	**(5,130)**	(2,742)	87%
Net loss before tax and significant items	**(36,583)**	(14,267)	156%
Significant Items:			
Fair value calculation of financial derivatives, Convertible Notes	**6,407**	(415)	n/a
Share-based payments expense arising on Initial Public Offering	**(2,279)**	-	n/a
Costs of equity raising, IPO and share placement	**(2,946)**	-	n/a
Net Profit (Loss) before tax	**(35,401)**	(14,682)	141%
Income tax expense/(benefit)	**-**	-	-
Statutory net profit (Loss)	**(35,401)**	(14,682)	141%

BNPS Income (Revenue)

BNPS Income for FY20 was $18.0 million, representing a 64% increase on FY19. BNPS Income growth was driven by the record growth in TTV, resulting from increased merchant and customer acquisition, as well as the increased propensity of use of the Openpay platform as a preferred payment method.

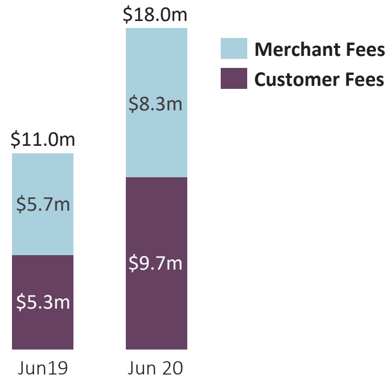
Openpay generates fees from both merchants and customers in exchange for the use of its payments platform. These fees are recognised over the expected life of the associated end consumer's BNPS receivable using the effective interest rate (EIR) method. The revenue sources are as follows:

- Merchant fees represent a percentage of the transaction value of the good or service paid for by customers using the Openpay payment platform. Openpay pays the merchant the value of the transaction less the applicable fee.
- Customer fees include plan management fees and, in some cases, an initial plan establishment fee and late fees. Late fees help to offset some of the costs incurred through plans being in arrears.
- No interest is ever charged by Openpay on any of its current plans.

2. EBITDA is a non-IFRS measure that has not been audited but is a key financial metric used by management to operate the business at the Group level. EBITDA represents Earnings Before Interest Tax Depreciation and Amortisation.
3. Significant items are those that the Group considers non-recurring in nature and therefore not representative of the ongoing financial performance of the Group. Significant items include fair value calculation of financial derivatives, convertible notes; share-based payments expense arising on Initial Public Offering; costs of equity raising, IPO and share placement.

Directors' Report.

During the year, Openpay has seen a shift in revenue mix with merchant fees representing 46% (FY19 52%) and customer fees representing 54% (FY19 48%).



The revenue mix is driven by many factors including the originating merchants and average transaction values that drive merchant fees as well as the number, term length and value of plans that drives customer fees. As reflected above, there has been a record increase in Active Plans, up 229% during the financial year which has in turn driven the proportion of customer fees higher in the period. The average transaction value of plans in FY20 has reduced to $272 (FY19: $467) driven by the increased use of the platform for everyday lifestyle choices and the increase in online retail shopping in both Australia and the UK as a result of the lockdown.

Operating Expenses

Operating Expenses (excluding significant items) for FY20 were $48.4 million, an increase of 116% over FY19. In FY20, Openpay invested significantly in the foundation of people, processes and its technical platforms. These strategic investments align with growth of the business, its expansion into the UK market and the launch of *Openpay for Business* via the inaugural agreement with major Australian retailer, Woolworths Group Limited.

The receivables impairment expense for FY20 was $7.9 million representing 4.1% of TTV (FY19: 3.1%). The increase over the financial year represents an increase in bad debts (addressed in the Credit and Fraud Performance section below) during the year, as well as the increase in provisions for expected credit loss. As of 30 June 2020, the provision for expected credit loss (including additional provisions for the COVID-19 overlay) was 4.2% of the gross receivables, down from 4.6% in FY19, representing an improvement in the underlying credit quality of the book. Given the ongoing market uncertainty due to the impact of COVID-19, Openpay has increased the underlying calculated expected credit loss position by 24% in Australia and 20% in the UK. The provision for expected credit loss prior to the COVID-19 adjustment was 3.5% of gross receivables.

Employee benefits expense increased to $18.1 million over the year to 30 June excluding significant items, due to the increase in operational capacity and the strategic investment in establishing Openpay's UK operations and the *Openpay for Business* B2B solution. During the year, Openpay established an Equity Incentive Plan to align Board identified eligible persons' interests with the interests of shareholders and provide a strategic, value-based reward system.

Other expenses of $18.7 million represent continued operating expenses for technology, communications and processing costs during FY20. The Group also enlisted third-party professional service providers for strategic and corporate support in the continued development and enhancement of our technical platforms, business processes and policies while ramping up the employee base.

Credit and Fraud Performance

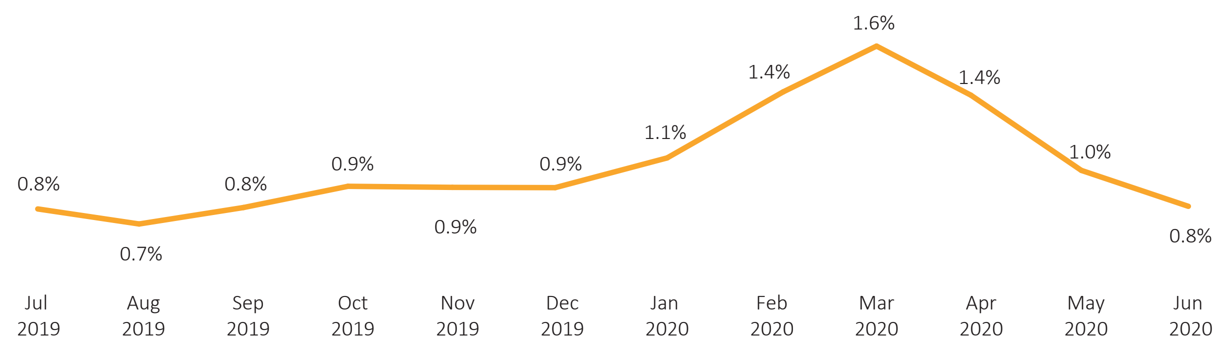
The reported significant improvement in arrears rate of 0.8% as at 30 June 2020 (30 June 2019: 1.2%) was driven by improved credit quality of the portfolio over the last quarter through enhanced credit decisions and despite the economic conditions caused by COVID-19. Openpay wrote off $5.8 million in bad debts, consisting of both credit and fraud, which accounted for 3.0% of TTV during the financial year, up from 2.5% in FY19.

During the year, Openpay experienced an increase in targeted fraud resulting in rolling three months Net Bad Debts to increase to 4.7% of TTV in Q3 FY20, recovering to 2.9% in Q4 FY20. The Group was able to address these challenges through enhancements to our internal Automated Risk Management (ARM) system and the implementation of additional third-party fraud solutions in March which had an immediate impact on overall loss exposure, reducing Net Bad Debts to 2.9% in Q4 FY20.

Openpay maintained the portfolio arrears rate below 1.7% during the financial year, with the March peak relating to the suspected targeted fraud pending final qualification and write off.

The business ended the year with 0.8% of arrears reflecting continued optimisation of credit rules and our decisioning process which, in conjunction with the implementation of enhanced fraud capabilities, has resulted in a significant improvement in the credit quality of the portfolio during the tough economic environment introduced by COVID-19.

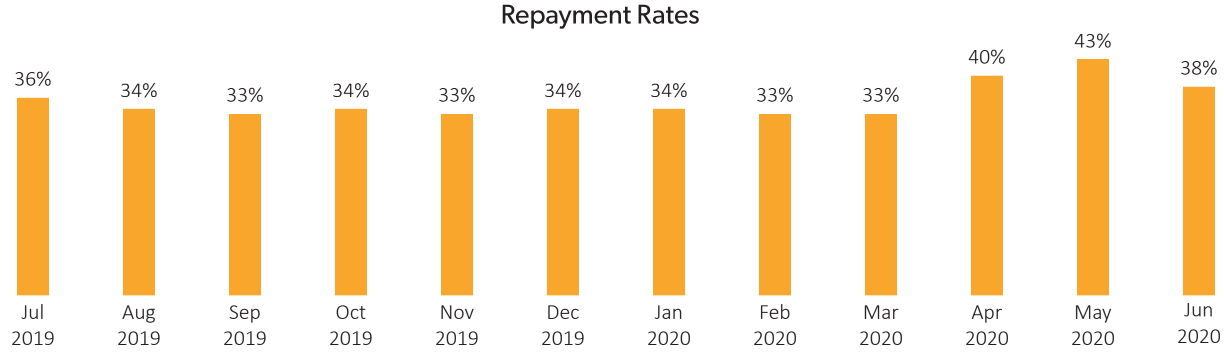
Arrears - % of Receivables by Month



Financial Position

Receivables

Gross receivables as at 30 June 2020 were $50.1 million, representing a 71% increase on FY19. The movement in Openpay's accounts receivables balance reflects the timing difference between the collection of TTV from customers and payments made to merchants at the time of purchase. During the FY20 period, the business increased its average repayment rate to 35% (FY19: 26%), which has increased the velocity of collections to 4.2x for the year compared to 3.1x in FY19, driving up the Company's capital efficiency, enabling reinvestment to support continued growth.



The provision for expected credit loss as outlined as at 30 June 2020 was $2.1 million ($1.3 million FY19) being 4.2% of the gross receivables, representing an improvement in the underlying credit quality of the book.

Capital Management

Openpay successfully listed on the ASX in December after an oversubscribed IPO which raised $50 million (gross) through the issue of 31.3 million new shares at a listing price of $1.60 per share.

In June 2020 after receiving strong inbound interest, Openpay raised approximately $33.8 million gross of placement fees through the issue of 14.1 million new shares, at a price of $2.40 per share through a Share Placement.

Proceeds from the IPO and Share Placement are being primarily used to support Openpay's growth strategies of increasing our addressable market through continued geographic expansion, local market growth, talent acquisition, and investments to enhance our technology platform and decisioning tools.

In addition, Openpay has Australian debt facilities in place of up to $75 million (30 June 2019: $55 million) and a newly established UK debt facility of up to £25 million. As of 30 June 2020, Openpay has undrawn facilities of $45 million in Australia and £20 million in the UK. These facilities are being used to fund growth in the receivables book and to balance the lag time between Openpay's outgoing payments to merchants and incoming payments from customers. Openpay continues discussions with several financiers for additional facilities to augment its strong balance sheet and fund its continued rapid growth.

Cashflows

Cash as at 30 June totalled $70.1 million (30 June 2019: $8.7 million). The movement in cash during the year includes several one-off expenses associated with the company's IPO and ASX listing in December 2019 and Share Placement in June 2020 as well as the associated cash inflows.

Cash receipts from customers in the year ended 30 June 2020 were $186.9 million (FY19: $96.3 million), a 94% increase over the period. Cash receipts are comprised of the collection of cash from accounts receivable, including customer fees and late fees collected during the year.

Operating cash outflows for FY20 were $57.6 million (FY19: $19.4 million), with the increase being driven by investment into the receivables book to support growth in Active Plans and TTV volumes, as well as continued investment in people and platform in support of future growth. Of the $57.6 million, $27.2 million represents the timing differences between the payment of merchants and receipts of cash from consumers.

Movement in financing cashflows relates to drawdowns on receivables funding of $19.4 million, supporting growth in the book and a net cash inflow of $103.2 million relating to equity raised through the issue of convertible notes, the IPO process in December 2019 and subsequent Share Placement in June 2020.

Outlook

Openpay has made significant progress towards its stated goal of becoming a leading provider of payment services. Looking ahead, the Company will continue to leverage its strong investment in the growth of the business and further deliver on the three strategic growth pillars as outlined in its IPO prospectus:

1. **Continued local expansion (strong home market)**

Focus will be on driving further BNPL platform utilisation and revenue growth, capitalising upon Openpay's strong position with engaged customers and merchants in existing verticals. A strong focus on new strategic integration partnerships (like Pentana in Automotive, announced in FY20) will extend Openpay's reach into extensive networks of downstream merchants.

Directors' Report.

2. Expanded geographic expansion (global vision)

The Company will continue to build upon the rapid momentum established during its first year of trading in the UK. Openpay is currently preparing to seek authorisation (expected H2 FY21) from the UK's Financial Conduct Authority (FCA) to conduct regulated credit activities which will enable further product diversity. The Company will also explore other markets to complement current strong growth.

3. Platform enrichment

The unique *Openpay For Business* platform is expected to launch in H1 FY21 with inaugural customer, Woolworths, and will drive a completely new SaaS-based revenue source.

Following a successful soft launch in H2 FY20, Openpay will conduct its hard launch into the new verticals, Education and Memberships.

A continued investment into Openpay's core technology platform, product innovations and advanced analytics will further underpin the Company's strong growth.

Events since the end of the financial year

No material events have occurred subsequent to the end of the year at the time of issuing this report.

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*

Expertise and experience	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.	
Other current directorships	Non-Executive Chairman – Consolidated Operations Group Limited (ASX: COG) Non-Executive Director - GetCapital Pty Ltd, Azora Finance Pty Ltd, Divipay Pty Ltd and Douugh Limited Non-Executive Director of Australian Ireland Fund Limited (registered charity)	
Former listed directorships in last 3 years	None	
Special responsibilities	Chair of the Board	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	180,906
	Options over ordinary shares – Openpay Group Ltd	Nil

Michael Eidel PhD (Magna Cum Laude), MEc, BEc, BA (Hist). *CEO and Managing Director*

Expertise and experience	Michael joined as Chief Executive Officer of Openpay in March 2019. Michael has over 20 years' experience in payments, banking, growth transformation, product and strategic development. Michael has previously held senior executive roles at Credit Suisse, McKinsey and CBA, and served as the Chairman of Fides Treasury Services Ltd, and as a Director on the New Payments Platform (NPP) Ltd and on the Australian Payments Council.	
Other current directorships	None	
Former listed directorships in last 3 years	None	
Special responsibilities	Chief Executive Officer (CEO)	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	Nil
	Options over ordinary shares – Openpay Group Ltd	1,941,965

Kelly Bayer Rosmarin MS (Management Science and Industrial Engineering), BS (Industrial Engineering), MAICD
Non-Executive Director

Expertise and experience	Kelly joined Openpay in February 2019. Kelly has extensive experience growing and operating large global businesses, leadership, banking, risk management, regulated markets, and driving innovation. Kelly is currently CEO at Optus, having previously held the Group Executive role at CBA for Institutional Banking & Markets. Previously Kelly was a management consultant with the Boston Consulting Group, and spent time in Silicon Valley in both start-up and established software companies.	
Other current directorships	None	
Former listed directorships in last 3 years	None	
Special responsibilities	Chair of the Remuneration and Nomination Committee	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	26,560
	Options over ordinary shares – Openpay Group Ltd	125,000

Directors' Report.

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

Expertise and experience	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.	
Other current directorships	Non-Executive Director – My State Limited (ASX: MYS) and Australian Energy Market Operator	
Former listed directorships in last 3 years	Non-Executive Chair – Xenith IP Group Limited (from 2015 to August 2019) Non-Executive Director – Vector Limited (from May 2018 to November 2018)	
Special responsibilities	Chair of the Audit and Risk Management Committee	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	53,125
	Options over ordinary shares – Openpay Group Ltd	Nil

David Phillips LLB(Hons), LLM, BComm. *Non-Executive Director*

Expertise and experience	David joined Openpay in September 2017. David has nearly 25 years' experience in financial services, the last 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 currently remains as a specialist consultant to Investec. David has held a number of board positions including Goshawk Aviation Limited, IGAF and IASL (which collectively owned US$6bn+ of commercial aircraft globally), as well as a number of Investec investee companies including ICM Airport Technics, H2 Ventures, Pulse iD, Propelair and Splend. David has also been a Responsible Manager on Investec licenses related to certain fund management activities it carries 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	None	
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	Non-Executive Director - Axsesstoday Limited (from 2014 to September 2019)	
Special responsibilities	None	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	22,781,920
	Options over ordinary shares – Openpay Group Ltd	Nil

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 2020, and the numbers of meetings attended by each director were:

	Board of Director Meetings		**Audit & Risk Committee Meetings**		**Nomination & Remuneration Committee Meetings**	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Patrick Tuttle	5	5	2	2	-	-
Michael Eidel	5	5	-	-	-	-
Kelly Bayer Rosmarin	5	5	-	-	1	1
Sibylle Krieger	5	5	2	2	1	1
David Phillips	5	5	2	2	-	-
Yaniv Meydan	5	5	-	-	1	1

Remuneration Report.

The Openpay Group Ltd 2020 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 (from 19 November 2019);
- Michael Eidel, Managing Director and Chief Executive Officer (from 30 October 2019);
- Sibylle Krieger, Non-Executive Director (from 19 November 2019);
- Yaniv Meydan, Non-Executive Director (from 30 October 2019);
- Kelly Bayer Rosmarin, Non-Executive Director (from 19 November 2019);
- David Phillips, Non-Executive Director (from 30 October 2019); and
- Andrew Burns, Chief Financial Officer (from 21 November 2019)[4].

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 1st anniversary of the vesting date and 25% payable on the 2nd anniversary of the vesting date.
- Long Term Incentive – aligned to the delivery of long-term performance and delivery of returns to shareholders. Performance conditions 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. 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 and the benefits are amortised over the vesting period.

4. Please note that Andrew Burns resigned from the position of Chief Financial Officer on 13 August 2020 and will remain with the Group until 4 September 2020, post the covered reporting 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. Company performance is presented for 4 years as FY17 was the first year results were audited and share price is only presented for FY20 as the Company became listed on 16 December 2019.

	2020	**2019**	**2018**	**2017**
Loss for the year ($)	**(35,401,258)**	(14,682,165)	(4,439,260)	(2,310,402)
Dividend payments	**-**	-	-	-
Increase/(decrease) in share price %	**58.5%**	N/A	N/A	N/A
TTV (ie underlying sales)	**192,828,657**	97,299,999	60,478,377	27,674,075
Active customers (#)	**319,324**	132,573	82,221	39,696
Active plans (#)	**823,873**	250,168	119,613	55,805
Buy Now Pay Smarter income ($)	**18,004,736**	10,992,809	6,835,402	3,511,566

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.

Balanced Scorecard Performance Conditions	**Measures**	**Weight**	**Rationale**
Financial (40%)	Revenue Growth Net Transaction Margin Operating Profit Before Tax	20% 10% 10%	Strong revenue growth and cost controls directly impacts on shareholder value.
Customer (30%)	Number of Active Merchants Number of Active Customers Number of Active Plans	10% 10% 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.
People & Culture (10%)	Employee Engagement Score Attrition Rate – Senior Leadership and Direct Reports	5% 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.
Strategy Execution (10%)	Achievement of FY20 Strategic Initiatives	10%	Execution on key initiatives drives the basis of innovation and expansion for continued future growth.
Reputation and Risk Management (10%)	Review of Management's response to risk events including customer complaints during FY20	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.

The Board has assessed performance against the balanced scorecard for FY20 as shown below.

Remuneration Report.

Balanced Scorecard Performance Conditions	FY20 Outcome	Commentary on outcome
Financial (40%)	Partially met (Threshold >50%)	■ Revenue Growth only partially met due to reduced volumes in high margin Industry verticals due to COVID-19 (lockdowns of stores) ■ Net transaction margin not met due to heightened net bad debt from fraud and reduced high-margin instore business ■ Operating profit before tax partially met
Customer (30%)	Partially met (Threshold >50%)	■ Number of Active Merchants only partially met due to delays in merchant onboarding due to COVID-19 ■ Number of Active Customers: partially met ■ Number of Active Plans: fully met
People & Culture (10%)	Partially met (Threshold >50%)	■ Threshold employee engagement score met for ANZ ■ Unwanted attrition rate of senior team members fully achieved
Strategy Execution (10%)	Fully met (Target 100%)	■ UK and AU debt funding secured ■ B2B product delivered for launch in H1 FY21 ■ Launch and growth in the UK
Reputation and Risk Management (10%)	Fully met (Target 100%)	■ Risk framework, Business Continuity Planning (BCP) and Disaster Recovery Program (DRP) delivered ■ No adverse finding by a regulator or ombudsman about handling of customer complaints ■ No allegations or findings of material breach of regulatory obligations

As part of the COVID-19 response and the Company's structured cash preservation program, the Board suspended all STI bonuses for executives of Openpay in FY20, despite the criteria achievement meaning that in all categories the 50% threshold was met, and the bonus payout would have been between 50 and 100%. However, in recognition of successfully leading the business response to the COVID-19 pandemic, the Board has issued the CEO a discretionary bonus of $100,000.

Long Term Incentive Overview

The LTI component of the remuneration framework is assessed against two time-based performance hurdles, and both hurdles must be satisfied for vesting to occur. The performance-based hurdles are two equally weighted measures: revenue compound average growth rate (CAGR) and absolute total shareholder return (TSR) CAGR. Both are measured over a three year performance period. These measures were selected as they align with the Company's strategy, 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. Additionally, there is a time-based service hurdle which requires the participant to remain continuously employed at the assessment date set by the Board.

The structure of the long-term incentive plan for FY20 is set out below:

Feature	Description	
Opportunity / Allocation	CEO: 100% of fixed remuneration; CFO: 80% of fixed remuneration. The opportunity is divided by the Black-Scholes value of options to determine the number of instruments.	
Performance Hurdles	Revenue CAGR	The Revenue CAGR is determined based on revenue growth in dollar value for the period from 1 July 2019 to 30 June 2022 with the reported full year revenue for the period ended 30 June 2019 as the base of the calculation.
	TSR CAGR	The TSR CAGR is calculated by the growth in capital (assuming dividends are reinvested) of the period from 16 December 2019 to 1 September 2022.
	Revenue and TSR CAGR Relative to Target	**Proportion of Each Performance Hurdle to Vest**
	Less than 80%	0%
	80%	25%
	100%	50%
	A minimum threshold has been determined for both hurdles at 80% of target. Pro-rata vesting occurs between 80% and 100% of target.	
Exercise price	The options issued under the LTI plan consist of both zero strike price options (ZEPOs), which are nil exercise price options and market priced options (MPOs) which have an exercise price referable to the fair value of the options at the date of the grant as determined by an independent valuer.	
Forfeiture and termination	Options will lapse if performance conditions are not met. Unvested options will be forfeited on cessation of employment unless the Board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.	

During the year, the Board issued 708,484 options under the LTI program to KMP. For further information, see Long Term Incentive Plan section of this report.

There are no changes proposed to non-executive KMP remuneration for FY21.

Details of Remuneration

The following table shows details of the remuneration expense recognised for the Company's KMP for the current financial period measured in accordance with the requirements of the accounting standards. As the Group was only formed during the year ended 30 June 2020, KMP remuneration information is presented only for that same period.

Remuneration Report.

Member of KMP	Fixed remuneration Salary & Fees $	Fixed remuneration Annual and long service leave $	Fixed remuneration Super-annuation $	Variable remuneration Cash bonus $	Variable remuneration Options $	Total $	Performance related
Executive Director							
Michael Eidel	404,664	20,526	20,999	100,000	1,295,261	1,841,450	76%
Other KMP							
Andrew Burns	191,835	11,146	12,911	-	168,199	384,091	44%
Total executive director and other KMP	**596,499**	**31,672**	**33,910**	**100,000**	**1,463,460**	**2,225,541**	
Non-executive directors							
Patrick Tuttle	83,333	-	-	-	-	83,333	
Sibylle Krieger	56,947	-	5,410	-	-	62,357	
Yaniv Meydan	47,456	-	4,508	-	-	51,964	
Kelly Bayer Rosmarin	57,292	-	-	-	200,000[1]	257,292	
David Phillips	52,083	-	-	-	-	52,083	
Total NED remuneration	**297,111**	**-**	**9,918**	**-**	**200,000**	**507,029**	
Total KMP remuneration expenses	**893,610**	**31,672**	**43,828**	**100,000**	**1,663,460**	**2,732,570**	

1. Options relate to compensation in recognition of services provided prior to the IPO as disclosed in the Company's Prospectus dated 22 November 2019.

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:

Name:	Michael Eidel
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	21 November 2019
Contract duration:	Ongoing contract

Term of agreement:	Annual salary of $500,000, inclusive of superannuation contributions. Michael is 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. Michael may terminate his employment with Openpay on provision of 6 months' notice. Openpay may terminate Michael's employment on provision of 6 months' notice. Openpay may elect to pay Michael in lieu of all or part of any notice period, with such payment to be based on Michael's remuneration over the relevant period. Michael'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 Michael upon termination of his employment will be limited to the maximum amount permitted by the Corporations Act without Shareholder approval.

Name:	Andrew Burns
Title:	CFO
Agreement commenced:	21 November 2019
Contract duration:	Ongoing contract
Term of agreement:	Annual salary of $380,000, inclusive of superannuation contributions. Andrew is eligible to receive a discretionary short term incentive bonus of up to $152,000 and options under the long term incentive plan up to a value equal to 50% of his fixed annual remuneration. Andrew may terminate his employment with Openpay on provision of 6 months' notice. Openpay may terminate Andrew's employment on provision of 6 months' notice. Openpay may elect to pay Andrew in lieu of all or part of any notice period, with such payment to be based on Andrew's remuneration over the relevant period. Andrew'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 Andrew upon termination of his employment will be limited to the maximum amount permitted by the Corporations Act without Shareholder approval.

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.

Remuneration Report.

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 2020.

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
Retention Offer (MPOs)	22 November 2019	9 December 2029	$1.60	$0.81
Retention Offer (ZEPOs)	22 November 2019	9 December 2029	Nil	$1.60
Revenue LTI (MPOs)	23 June 2020	15 July 2030	$1.60	$1.68
Revenue LTI (ZEPOs)	23 June 2020	15 July 2030	Nil	$2.52
TSR LTI (MPOs)	23 June 2020	15 July 2030	$1.60	$0.84
TSR LTI (ZEPOs)	23 June 2020	15 July 2030	Nil	$0.96

Long Term Incentive Plan

The Group has established an Equity Incentive Plan (EIP) designed to provide long-term incentives to eligible employees and/or directors. Under the EIP, the Group has provided both a Long Term Incentive (LTI) offer and a Retention Offer. There are two categories of options issued under each offer: zero strike price options (ZEPOs), which are nil exercise price options and market price options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant.

The Retention Offer options vested immediately on admission of the Group to the official list of ASX and were not subject to any other performance conditions. Vested Retention Offer MPOs are subject to exercise restrictions for 2 years from vesting. Options are granted under the plan for no consideration and carry no dividend or voting rights.

The amount of options that will vest under the LTI Offer depends on the Group's Total Shareholder Return (TSR) and Revenue CAGR over a period covering FY20 through to FY22. The vesting of the LTI Offer options is also contingent on service-based conditions.

Options granted carry no dividend or voting rights.

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 2020 is set out below:

Member of KMP and Option Category	Balance at 1 July 2019	Cancelled	Granted as Remuneration	Vested Number	Vested %	Balance at 30 June 2020 Vested	Balance at 30 June 2020 Unvested
Michael Eidel							
Cash Settled LTI[1]	500,652	(500,652)	-	-	-	**-**	**-**
Retention Offer (MPOs)	-	-	1,428,571	1,428,571	100	**1,428,571**	**-**
Revenue LTI (MPOs)	-	-	178,572	-	-	**-**	**178,572**
Revenue LTI (ZEPOs)	-	-	78,125	-	-	**-**	**78,125**
TSR LTI (MPOs)	-	-	178,572	-	-	**-**	**178,572**
TSR LTI (ZEPOs)	-	-	78,125	-	-	**-**	**78,125**
Andrew Burns							
Retention Offer (MPOs)	-	-	142,857	142,857	100	**142,857**	**-**
Revenue LTI (MPOs)	-	-	67,857	-	-	**-**	**67,857**
Revenue LTI (ZEPOs)	-	-	29,688	-	-	**-**	**29,688**
TSR LTI (MPOs)	-	-	67,857	-	-	**-**	**67,857**
TSR LTI (ZEPOs)	-	-	29,688	-	-	**-**	**29,688**
Kelly Bayer Rosmarin							
Retention Offer (ZEPOs)	-	-	125,000	125,000	100	**125,000**	**-**

1. Before listing, 500,652 Cash Settled LTI options were granted to Michael Eidel. These were cancelled on 21 November 2019, the related liability of $96,503 was derecognised in accordance with applicable accounting standards.

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 2020 is set out below:

Member of KMP	Balance at 1 July 2019	Granted as Remuneration	Received on Exercise	Other Changes	Held at 30 June 2020
Michael Eidel	-	-	-	-	**-**
Andrew Burns	-	-	-	-	**-**
Patrick Tuttle	-	-	-	180,906	**180,906**
Sibylle Krieger	-	-	-	53,125	**53,125**
Yaniv Meydan	-	-	22,781,920[1]	-	**22,781,920**
Kelly Bayer Rosmarin	-	-	-	26,560	**26,560**
David Phillips	-	-	-	113,496	**113,496**

1. These shares were issued on the conversion of convertible notes at the time of the IPO.

Other Transactions with KMP

Andrew Burns provided services under a consultancy agreement prior to his appointment as Chief Financial Officer. Consulting fees of $119,517 were paid in connection with this agreement during the financial year. Payments were made on normal commercial terms and conditions, and at market rates.

Patrick Tuttle and Sibylle Krieger provided consulting services related to the listing of the Company prior to their appointment as Non-Executive Directors. Payments for these services totalled $18,700 and $24,214, respectively and were made on normal commercial terms and conditions, and at market rates.

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:

Date options issued	Expiry date	Exercise price	Number under option
22 November 2019	9 December 2019	$1.60	2,457,143
22 November 2019	9 December 2019	Nil	125,000
23 June 2020	15 July 2030	$1.60	1,298,084
23 June 2020	15 July 2030	Nil	567,912

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

Included in these options are options 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.

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 22 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*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58.

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

Patrick Tuttle
Chairman
Melbourne
31 August 2020

Michael Eidel
Managing Director
Melbourne
31 August 2020

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Openpay Group Ltd for the year ended 30 June 2020, 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.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
31 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757
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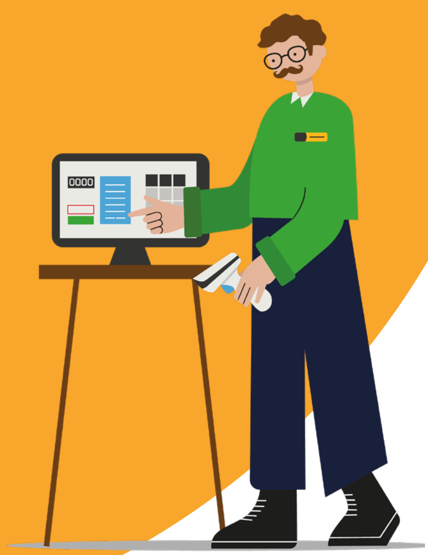
Financial Report.



Consolidated Statement of Profit or Loss and other Comprehensive Income.

For the year ended 30 June 2020

As at 30 June	Notes	2020 $	2019 $
Income	6	**18,004,736**	10,992,809
Other income	6	**248,442**	-
Total income		**18,253,178**	10,992,809
Receivables impairment expense	9	**(7,890,239)**	(2,969,993)
Employee benefits expense		**(18,509,516)**	(7,159,986)
Share-based payments expense	20	**(2,719,828)**	(96,503)
Depreciation and amortisation expense	6(e)	**(1,311,917)**	(93,748)
Advertising and marketing expense		**(3,197,704)**	(2,177,787)
Changes in fair value of derivatives at fair value through profit or loss	21	**6,406,615**	(415,194)
Other operating expenses	6(c)	**(20,635,877)**	(10,019,812)
Finance costs	6(d)	**(5,795,970)**	(2,741,951)
Loss before tax		**(35,401,258)**	(14,682,165)
Income tax expense/(benefit)	7	-	-
Loss for the year		**(35,401,258)**	(14,682,165)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	18(b)	**(1,194,540)**	(417)
Other comprehensive loss for the year		**(1,194,540)**	(417)
Total comprehensive loss for the year		**(36,595,798)**	(14,682,582)
Loss attributable to:			
Owners of Openpay Group Ltd		**(35,401,258)**	(14,682,165)
Total comprehensive loss attributable to:			
Owners of Openpay Group Ltd		**(36,595,798)**	(14,682,582)
Loss per share of loss attributable to the ordinary equity holders of Openpay Group Ltd			
		Cents	Cents
Basic loss per share	19	**(0.51)**	(0.39)
Diluted loss per share	19	**(0.51)**	(0.39)

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 2020

As at 30 June	Notes	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**70,058,763**	8,705,229
Receivables	9	**45,179,708**	25,136,269
Other current assets	10	**2,144,573**	186,398
TOTAL CURRENT ASSETS		**117,383,044**	34,027,896
NON-CURRENT ASSETS			
Receivables	9	**1,099,394**	1,365,181
Property, plant and equipment	11	**824,648**	300,602
Intangible assets	12	**1,095,317**	-
Right-of-use assets	3	**3,913,296**	-
Other financial assets	13	**146,079**	113,190
TOTAL NON-CURRENT ASSETS		**7,078,734**	1,778,973
TOTAL ASSETS		**124,461,778**	35,806,869
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**6,553,035**	4,709,004
Employee benefits	17	**991,296**	436,025
Borrowings	15	**-**	1,500,000
Lease liabilities	3	**1,694,219**	-
Derivative financial liabilities	16	**-**	2,296,324
TOTAL CURRENT LIABILITIES		**9,238,550**	8,941,353
NON-CURRENT LIABILITIES			
Borrowings	15	**37,220,677**	34,498,931
Lease liabilities	3	**2,456,235**	-
Employee benefits	17	**35,767**	29,514
TOTAL NON-CURRENT LIABILITIES		**39,712,679**	34,528,445
TOTAL LIABILITIES		**48,951,229**	43,469,798
NET ASSETS/(LIABILITIES)		**75,510,549**	(7,662,929)
EQUITY			
Issued capital	18(a)	**138,160,501**	15,179,113
Reserves	18(b)	**1,532,374**	(417)
Accumulated losses	18(c)	**(64,182,326)**	(22,841,625)
TOTAL EQUITY		**75,510,549**	(7,662,929)

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 2020

2020

	Note	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2019		15,179,113	(22,841,625)	(417)	(7,662,929)
Loss for the period		-	(35,401,258)	-	(35,401,258)
Other comprehensive income/(loss)		-	-	(1,194,540)	(1,194,540)
Total comprehensive income/(loss)		-	(35,401,258)	(1,194,540)	(36,595,798)
Transactions with owners in their capacity as owners					
Options exercised		287,652	1,835,674	-	2,123,326
Conversion of convertible notes		45,562,049	(7,775,117)	-	37,786,932
Issue of share capital, net of costs		77,042,687	-	-	77,042,687
Employee shares issued		89,000		-	89,000
Share-based payments		-	-	2,727,331	2,727,331
Balance at 30 June 2020		138,160,501	(64,182,326)	1,532,374	75,510,549

2019

	Note	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2018		15,179,113	(8,018,654)	-	7,160,459
Initial application of accounting standards		-	(140,806)	-	(140,806)
Adjusted balance at 1 July 2018		15,179,113	(8,159,460)	-	7,019,653
Loss for the period		-	(14,682,165)	-	(14,682,165)
Other comprehensive income/(loss)		-	-	(417)	(417)
Total comprehensive income/(loss)		-	(14,682,165)	(417)	(14,682,582)
Balance at 30 June 2019		15,179,113	(22,841,625)	(417)	(7,662,929)

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 2020

	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**186,930,348**	96,341,157
Payments to merchants		**(195,672,371)**	(94,928,751)
Payments to suppliers and employees (inclusive of GST)		**(44,699,261)**	(18,203,169)
Interest received on cash and cash equivalents		**172,541**	-
Interest paid - borrowings		**(3,868,980)**	(2,636,166)
Interest paid - leases		**(423,413)**	-
Net cash outflow from operating activities	29	**(57,561,136)**	(19,426,929)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(779,677)**	(181,088)
Payments for internally developed technology		**(1,115,101)**	-
Net cash outflows from investing activities		**(1,894,778)**	(181,088)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**19,382,623**	7,500,000
Proceeds from issue of convertible notes		**26,200,000**	13,160,441
Proceeds from shareholder loans		**-**	17,589,559
Repayment of shareholder loans		**-**	(12,450,000)
Proceeds from capital raisings		**83,767,380**	-
Share issue costs		**(6,724,694)**	-
Principal elements of lease payments		**(817,803)**	-
Net cash inflows from financing activities		**121,807,506**	25,800,000
Net increase in cash and cash equivalents held		**62,351,592**	6,191,983
Cash and cash equivalents at beginning of year		**8,705,229**	2,513,246
Effects of exchange rate changes on cash and cash equivalents		**(998,058)**	-
Cash and cash equivalents at end of year	8	**70,058,763**	8,705,229

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

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

Note 1: Significant changes in the current reporting period

a) Corporate reorganisation

In November 2019, Openpay Pty Ltd (Openpay Australia) undertook a corporate restructure. Under this corporate restructure the shareholders in Openpay Australia exchanged their shares in the company for shares in Openpay Group Ltd (Openpay) in a “top hat restructure” (Restructure). Each shareholder’s proportionate interest in Openpay Australia was not altered as a result of the Restructure.

Prior to the Restructure, Openpay Australia was the parent company of the Group. Post the Restructure, Openpay became the new legal parent of Openpay Australia. However, this did not result in a business combination for accounting purposes. When preparing the financial report for Openpay, the Restructure has been accounted for as a capital reorganisation by Openpay. The financial statements of Openpay present a continuation of the existing financial performance and financial position of Openpay Australia. Assets and liabilities are recorded at their existing values in the balance sheet for Openpay. The statement of profit or loss for Openpay is a continuation of the existing statement of profit or loss for Openpay Australia.

b) ASX Listing and Initial Public Offering

On 16 December 2019 Openpay completed an Initial Public Offering (IPO) and became listed on the Australian Stock Exchange (ASX).

In accordance with the prospectus, Openpay raised $50,000,000 through the issue of 31,250,000 shares.

c) Impact of COVID-19

Background

COVID-19 is a respiratory illness caused by a new form of coronavirus. This outbreak and related government measures to slow the spread of the virus have and are expected to continue to have a significant impact on global economies, consumer confidence and demand, financial wellbeing, capital markets and most importantly the health and safety of our employees. The extent of the impact of these measures and the expected economic slowdown on the Group’s operational and financial performance will depend on future developments, including the spread and duration of the outbreak and the nature and duration of response measures implemented which are uncertain and cannot be predicted.

To date, the Group has experienced continued growth during the COVID-19 outbreak despite national lockdowns and forced business closures and has not observed evidence of any significant negative impact on other key business indicators such as repayment behaviour or funding availability. The Group continued to achieve strong growth in Australia and the UK as exhibited by indicators such as Active Merchants, Active Customers, Active Plans, and Total Transaction Values. New merchants continue to be onboarded, particularly in Automotive and Healthcare verticals, to increase reach and scale.

The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements as outlined below. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group’s assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period have been disclosed and will be accounted for in future reporting periods.

Consideration of the statements of financial position and further disclosures

In addition, the Group has considered the following key balance sheet items and related disclosures that have been impacted by COVID-19:

(i) Recoverability of Receivables and Provisions for Doubtful Debts

In response to the challenges of COVID-19, the Group has enhanced its credit risk decisioning processes to keep its credit risk profile healthy and minimise financial hardship. The Group has therefore observed that the percentage of receivables in arrears has not deteriorated significantly from pre-COVID-19 levels and the number of financial hardship requests has not been significant since the beginning of the pandemic.

The Group also undertook a model recalibration and validation of the expected credit loss of its plan receivables. The model parameters were revised but its ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the ECL disclosures was also considered.

Impact of COVID-19 on the macro-economic outlook

The Group has used judgement to apply an overlay in adjusting modelled ECL results during the period. This overlay reflects the Group’s assessment of the economic impact of the pandemic on the expected credit losses of its plan receivables portfolio. It considered unemployment rates to be the key driver of stress in future economic scenarios. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, this overlay represents reasonable and supportable forward-looking views as at the reporting date. Refer to Note 9.

(ii) Availability of and repayment of borrowings

The Group funds its receivables through a combination of external debt facilities and equity. Despite challenging market conditions during the year, it has managed to secure new debt funding for its UK business and raise additional equity via a private placement from Australian institutional investors shortly after.

All the debt facilities currently in use are not contractually due for repayment and/or renewal during the next 12 months. The Group monitors its funding requirements closely, including a rolling cashflow forecast for at least the next 12 months to ensure adequate funding is available to support receivables growth, operating costs and continued investment. As outlined in Note 4, based on this assessment, the Group is confident that the group will be able to pay its debts as and when they become due and payable.

Debt covenants have been assessed regularly to determine whether there were any breaches for which disclosure is required and considered in the forward forecast. Covenants have been complied with throughout the year and up to the date of this report, with the exception of one instance where a technical covenant requirement was formally waived by the relevant lender.

Note 2: Statement of significant accounting policies

(a) 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.

(i) 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 31 August 2020. The directors have the power to amend and reissue the financial statements.

(ii) Historical cost convention

These financial statements have been prepared on a historical cost basis except for the following:

- Certain financial liabilities (including derivative instruments) that have been measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied AASB 16 Leases for the first time for the annual reporting period commencing 1 July 2019.

The Group had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively but recognise the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in Note 3.

The Group has applied AASB 133 Earnings per Share for the first time as a result of becoming listed on the ASX. The accounting policies applied are described in Note 2(s).

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 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.

(b) 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.

(i) 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.

(c) Foreign currency translation

(i) Function 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 operations ("the functional currency"). The consolidated financial statements are presented in Australian Dollars ($) which is Openpay Group Ltd's functional and presentation currency.

(ii) 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.

Notes to the Consolidated Financial Statements.
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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.

(iii) 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 or 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.

(d) 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.

(e) Income

Openpay Buy Now Pay Smarter income (BNPS income) is derived from the difference between the customer's underlying sale transaction value and the amount paid to the merchant for that transaction, referred to as merchant fees. BNPS income including merchant and consumer fees are recognised in the consolidated statement of profit or loss using the effective interest rate (EIR) method. These fees are accreted over the period from initial payment to the merchant by Openpay to the final instalment paid by the customer to Openpay. The Group defers BNPS income over the life of the associated end consumer's BNPS receivable.

Merchant fees

Merchant fees are a percentage of the customer sale transaction value for each BNPS consumer plan. Openpay pays merchants upfront the net amount of the previous day orders less the merchant fees and Openpay then assumes all non-repayment risk from the customer.

Consumer fees

BNPS services are designed with flexibility for the best consumer experience and value considering the associated credit and other business risks. Depending on the terms and conditions of each BNPS product plan entered into and the associated plan duration, the amount of the fixed transaction fees for each payment can vary. Consumer fixed transaction fees are credited against their outstanding BNPS receivable at the time payment is made. Late fees are assessed when customers fail to make payments when due and are recognised when paid.

(f) 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 9 for further details on each stage.

(g) Leases

The Group's accounting policies relating to leases are discussed in Note 3.

(h) Impairment of 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.

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

(i) 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.

(j) 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

(k) 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.

(l) 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 be 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 is as follows:

Internally developed technology	3-5 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.

Refer to Note 2(h) for the Group's impairment policy.

(m) 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 noncash 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.

(n) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(o) Employee benefits

(i) 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.

(ii) 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 high-quality corporate 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.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Openpay Equity Incentive Plan and the Tax Exempt Plan. Information relating to these plans is set out in Note 20.

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

Tax Exempt Plan

Under the Tax Exempt Plan, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as a share-based payments expense with a corresponding increase in equity.

(iv) 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.

(p) 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.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

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.

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

(s) Earnings per share

(i) 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

(ii) 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

Note 3: Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different from those applied in prior periods.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

a) Adjustments recognised on adoption of AASB 16

All operating leases held by the Group as at 30 June 2019 were short-term in nature and are therefore recognised on a straight-line basis under AASB 16.

Accordingly, there were no adjustments required to the financial statements as at 1 July 2019.

The following table reconciles the operating leases commitments of the Group as at 30 June 2019 to the lease liability recognised as at 1 July 2019.

	$
Operating lease commitments disclosed as at 30 June 2019	217,185
Less: short-term leases recognised on a straight-line basis as expense	(217,185)
Lease liability recognised as at 1 July 2019	–

During the year ended 30 June 2020, the Group signed agreements relating to property leases in both Australia and the United Kingdom. The Group recognises right-of-use assets and lease liabilities in relation to these leases based on the accounting policies described in Note 3 (b) below. The Group's weighted average incremental borrowing rate applied to lease liabilities was 13.04%.

	30 June 2020 $	1 July 2019 $
Total right-of-use assets	**3,913,296**	–
Total lease liabilities	**4,150,454**	–

(b) The Group's leasing activities and how these are accounted for

The Group leases its offices in Australia and the United Kingdom. Rental contracts are typically made for fixed periods of 2 to 5 years. There are no extension options on the Group's leases.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, 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 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.

(c) Balances recognised

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2020 $	1 July 2019 $
Right-of-use assets		
Buildings	**3,913,296**	–
Lease liabilities		
Current	**1,694,219**	–
Non-current	**2,456,235**	–
	4,150,454	–

Additions to the right-of-use assets for the year ended 30 June 2020 were $4,947,377.

(ii) Amounts recognised in the statement of profit or loss

	2020 $	2019 $
Depreciation – buildings	**1,057,396**	–
Interest (included in finance costs)	**423,412**	–

The total cash outflow for leases in the year ended 30 June 2020 was $1,241,214.

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Note 4: Significant estimates and judgements

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.

(a) Liquidity and funding

Overview

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.

During the year, the Group continued to secure additional debt funding for receivables growth and raise funds through equity, with net operating cash outflow of $57,561,136 offset by net cash inflows from financing of $121,807,506.

Ongoing Cash Flow Management

The Directors have reviewed the cashflow forecasts for the Group that indicate that the Group will have sufficient funding available from working capital and unused committed debt facilities to continue its current operations for at least 12 months from the date of this report. The Group will need to renew expiring debt facilities by November 2021 and continue to source new funding; and/or raise funds through the issue of new shares in line with the continued growth of the business.

The Group is required to comply with certain debt covenants throughout the forecast period, which include: Loan-to-Value Ratio (LVR) requirements and sufficient cash allocated to lender-controlled cash accounts.

The Group is confident that they will be successful in obtaining funding or capital in the future given the Group has been successful in securing a new £25 million (approximately $44.8 million) debt facility to fund its UK operations; and raised $33.7 million in share capital from institutional placement through the second half of the year ended 30 June 2020.

Funding Sources

To support the operations of the Group as a going concern, the following sources of funding are available as of 30 June 2020

- **Cash at bank** – $70,058,763
- **Debt financing in Australia** – The debt financing is represented by key facilities (Facilities) which are utilised to fund its Australian receivables as follows:
  - $40 million facility ($10 million undrawn at balance date) expiring in November 2022
  - $25 million facility ($25 million undrawn at balance date) that the Group expects to draw down during the year ending 30 June 2021. The facility requires repayment or renewal by 30 November 2021. The Group has recently signed amended terms to this facility in August 2020. There are certain conditions that the Group needs to satisfy prior to drawdown of this facility. The Group is confident that these conditions will be met prior to the date when the Group expects to require these funds.
- **Debt financing in UK** – The business has secured a debt financing facility in June 2020 to fund its UK receivables as follows:
  - £25 million (approximately $44.8 million) facility (£20 million (approximately $35.8 million) undrawn at balance date) expiring in May 2022
- **Working capital** – The Company also has a working capital facility of $10 million ($10 million undrawn) available to fund operating expenses.

(b) Provision for estimated credit loss on plan receivables – refer Note 9

(c) Fair value measurement of embedded derivatives – refer Note 21

Note 5: Segment information

The Group provides 'buy now pay later' (BNPL) payment solutions by partnering with merchants to provide BNPL repayment plans to customers instore, in-app and online. The Group provides services to Customers and Merchants in Australia/New Zealand and the United Kingdom, which commenced operations during the year ended 30 June 2020. While distinct geographic locations, the operations in the United Kingdom are still in an early growth stage. Additionally, as of 30 June 2020, management has not found any significant difference in the economic performance of each geographic location to justify a separate reportable segment. The Chief Executive Officer is Chief Operating Decision Maker (CODM) and monitors the operating results on a consolidated basis, and accordingly, the Group has concluded that it has one reportable segment. Revenues and non-current assets related to locations outside Australia are not considered material as at 30 June 2020.

Note 6: Profit and loss information

(a) Income

	2020 $	2019 $
Income		
Buy Now Pay Smarter income	**18,004,736**	10,992,809
Other income		
Interest income on cash and cash equivalents	**183,395**	–
Other income	**65,047**	–
	248,442	–

Included within other items are government "cash boost" payments totalling $50,000 (2019: nil). There are no unfulfilled conditions or contingencies attached to these payments. The Group did not benefit directly from any other forms of government assistance.

(b) Significant items

Net loss for the year includes the following items that are significant because of their nature, size or incidence:

	2020 $	2019 $
Changes in fair value of derivatives at fair value through profit or loss	**6,406,615**	(415,194)
Expenses		
Share-based payments expense arising on initial public offering	**(2,279,286)**	–
Other costs associated with initial public offering	**(2,945,884)**	–
Total costs associated with initial public offering	**(5,225,170)**	–

Other costs associated with initial public offering are included within other expense – professional services ($1,888,850), finance costs ($666,000), employee benefits expense ($375,861) and advertising and marketing expense ($15,173) in the consolidated statement of profit or loss.

(c) Other operating expenses

	2020 $	2019 $
Processing and data costs	**(5,262,374)**	(1,665,598)
Professional services	**(8,401,561)**	(3,674,525)
Technology and communication	**(2,677,595)**	(2,675,779)
Sales, general, and administrative	**(4,294,347)**	(2,003,910)
Total other expense	**(20,635,877)**	(10,019,812)

(d) Finance costs

Interest and finance costs – borrowings	**(5,372,558)**	(2,741,951)
Interest and finance costs – leases	**(423,412)**	–
Total finance costs	**(5,795,970)**	(2,741,951)

(e) Depreciation and amortisation

Depreciation – property, plant and equipment	**234,737**	93,748
Depreciation – right-of-use assets	**1,057,396**	–
Amortisation – intangible assets	**19,784**	–
Total depreciation and amortisation	**1,311,917**	93,748

Notes to the Consolidated Financial Statements.
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Note 7: Income tax expense

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.

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	2020 $	2019 $
Loss from continuing operations before income tax expense	**(35,401,258)**	(14,628,165)
Tax at the Australian tax rate of 30% (2019: 30%)	**(10,620,377)**	(4,137,063)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in tax rates for foreign subsidiary	**(1,041,065)**	(251,386)
Change in fair value of derivatives	**(1,921,985)**	–
Share-based payment expenses	**815,948**	–
Other	**35,929**	25,583
Subtotal	**(12,731,550)**	(4,362,866)
Deferred tax assets not recognised	**12,731,550**	4,362,866
Income tax expense / (benefit)	**-**	–

(b) Tax losses

	2020 $	2019 $
Unused tax losses for which no deferred tax asset has been recognised	**52,342,869**	15,999,689
Potential tax benefit at 30% (Australia)	**12,177,993**	4,799,907
Potential tax benefit at 18% (United Kingdom)	**2,232,416**	–
Total potential tax benefit	**14,410,409**	4,799,907

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 2020. The unrecognised tax losses can be carried forward indefinitely. Refer below for further details.

(c) Components of deferred tax assets not recognised

	2020 $	2019 $
The balance comprises temporary differences attributable to:		
Employee benefits	**308,119**	139,662
Research and Development costs for inhouse software expensed	**987,516**	762,296
Deferred receivables	**512,703**	459,288
Provision for impairment of receivables	**636,498**	395,408
Tax losses carried forward	**14,410,409**	4,799,907
Other	**312,121**	231,615
Total deferred tax assets not recognised	**17,167,366**	6,788,176

Note 8: Cash and cash equivalents

Cash at bank and on hand	**70,058,763**	8,705,229

Restricted cash

The cash and cash equivalents disclosed above includes $8,500,000 (2019: $4,261,986) in restricted cash not available to the Group at balance date. The restricted cash is held in Openpay SPV Pty Ltd. The cash is restricted under debt covenants to meet Loan to Valuation Ratio (LVR) requirements on eligible receivables funded plus restricted cash. The Group notes that additional cash is retained in the restricted cash facility to ensure compliance with debt covenant LVR requirements.

Note 9: Receivables

	2020 $	**2019 $**
Current		
Plan receivables – face value	**48,725,135**	27,578,297
Unearned future income	**(1,446,379)**	(1,127,328)
	47,278,756	26,450,969
Provision for expected credit loss	**(2,099,048)**	(1,314,700)
Net current plan receivables	**45,179,708**	25,136,269
Non-Current		
Plan receivables – face value	**1,384,640**	1,798,736
Unearned future income	**(262,632)**	(403,633)
	1,122,008	1,395,103
Provision for expected credit loss	**(22,614)**	(29,922)
Total non-current plan receivables	**1,099,394**	1,365,181
Total receivables	**46,279,102**	26,501,450

Impairment

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

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 aged 1 to 90 days (Stage 2)	Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, it is an indication that credit risk has increased. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL, being the expected credit losses that result from all possible default events over the expected life of the receivables and BNPS income is calculated on the gross carrying amount of the asset.
Receivables aged 90 days or more (Stage 3)	Stage 3 includes receivables aged 90 days or more where 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 BNPS income is calculated on the net carrying amount.

Significant increase in credit risk since initial recognition

The provisioning model utilises receivables past due 1 day as the absolute criteria to identify increases in credit risk.

Notes to the Consolidated Financial Statements.
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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.

Provision for expected credit loss movement

The provision for expected credit loss has increased $777,040 from 30 June 2019 to 30 June 2020. This was driven by the increase in the value of customer receivables of $20,732,742 primarily in stages 1 and 2 as well as the economic overlay applied to adjust modelled ECL results to reflect the Group's assessment of the economic impact of the COVID-19 pandemic on the expected credit losses of its plan receivables portfolio. The key driver of stress in future economic scenarios in determining the overlay was unemployment rates. This resulted in an increase of 22.9% of the provision for expected credit loss prior to COVID-19 adjustment. The provision for expected credit loss as a percentage of receivables has fallen from 4.58% of the gross customer receivables balance at 30 June 2019 to 4.23% at 30 June 2020 largely as a result of an improvement in the underlying credit quality of the receivables book.

The value of receivables in each of the stages, and the corresponding provision for expected credit loss is as follows:

	Stage 1 Not yet due	Stage 2 Aged 1 – 90 days	Stage 3 Aged greater than 90 days	Total
2020				
Receivables – face value	**47,427,330**	**2,480,347**	**202,098**	**50,109,775**
Provision for expected credit loss	**(983,582)**	**(943,009)**	**(195,071)**	**(2,121,662)**
Net receivables	**46,443,748**	**1,537,338**	**7,027**	**47,988,113**

	Stage 1 Not yet due	Stage 2 Aged 1 – 90 days	Stage 3 Aged greater than 90 days	Total
2019				
Receivables – face value	27,550,518	1,286,959	539,556	29,377,033
Provision for expected credit loss	(292,573)	(531,332)	(520,717)	(1,344,622)
Net receivables	27,257,945	755,627	18,839	28,032,411

The provision for expected credit loss as at 30 June reconciles to the opening provision as follows:

	2020 $	2019 $
Balance at the beginning of the year	**(1,344,622)**	(805,612)
Impact of adoption of AASB 9	**–**	(140,806)
Increase in expected credit loss recognised in profit or loss during the year[1]	**(6,533,440)**	(2,969,993)
Receivables written off during the year as uncollectible[1]	**5,756,400**	2,571,789
Balance at the end of the year	**(2,121,662)**	(1,344,622)

1. Amounts include impairment losses due to credit and fraud.

Note 10: Other current assets

	2020 $	2019 $
Prepayments	**1,074,249**	133,524
Sundry debtors	**1,070,324**	52,874
	2,144,573	186,398

Note 11: Property, plant and equipment

	2020 $	2019 $
IT equipment		
At cost	**578,759**	321,666
Accumulated depreciation	**(265,263)**	(106,062)
Total IT equipment	**313,496**	215,604
Furniture and fittings		
At cost	**613,079**	123,447
Accumulated depreciation	**(101,927)**	(38,449)
Total furniture and fittings	**511,152**	84,998
Total property, plant and equipment	**824,648**	300,602

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:

	IT equipment $	Furniture and fittings $	Total $
Year ended 30 June 2020			
Balance at the beginning of the year	**215,604**	**84,998**	**300,602**
Additions	**257,093**	**516,806**	**773,899**
Disposals	**–**	**(15,116)**	**(15,116)**
Depreciation expense	**(159,201)**	**(75,536)**	**(234,737)**
Balance at the end of year	**313,496**	**511,152**	**824,648**
Year ended 30 June 2019			
Balance at the beginning of the year	109,190	107,769	216,959
Additions	175,768	1,623	177,391
Depreciation expense	(69,354)	(24,394)	(93,748)
Balance at the end of the year	215,604	84,998	300,602

Note 12: Intangible assets

	2020 $	2019 $
Internally developed technology		
At cost	**203,497**	–
Accumulated amortisation	**(19,784)**	–
	183,713	–
Work in progress	**911,604**	–
Total intangible assets	**1,095,317**	–

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Movements in intangible assets

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

	Internally developed technology $	Work in progress $	Total $
Year ended 30 June 2020			
Balance at the beginning of the year	-	-	-
Additions	**203,497**	**911,604**	**1,115,101**
Transfers	-	-	-
Disposals	-	-	-
Amortisation expense	(19,784)	-	(19,784)
Balance at the end of year	183,713	911,604	1,095,317

Note 13: Other financial assets

	2020 $	2019 $
Non-Current		
Other financial assets	**146,079**	113,190

Other financial assets are rental bonds relating to leases of the Group.

Note 14: Trade and other payables

	2020 $	2019 $
Trade payables	**2,484,824**	2,815,857
Share-based payments accrual	**–**	96,503
Other payables	**4,068,211**	1,796,644
	6,553,035	4,709,004

Note 15: Borrowings

	2020 $	2019 $
Current		
Unsecured liabilities		
Loans from shareholders	–	1,500,000
Total current borrowings	–	1,500,000
Non-Current		
Secured liabilities		
Commercial bills	**37,220,677**	19,354,386
Unsecured liabilities		
Convertible notes	–	15,144,545
Total non–current borrowings	**37,220,677**	34,498,931
Total borrowings	**37,220,677**	35,998,931

Commercial bills

Openpay SPV Pty Ltd (as Borrower), a subsidiary of Openpay Pty Ltd (as Agent, Originator and Servicer) has an agreement with Global Credit Investments Pty Ltd in its capacity as trustee for GCI Consumer Credit Finance Trust 1 (as Lender/Financier) to provide a committed limited recourse commercial bill facility of $40 million, of which $30 million is committed and $10 million is uncommitted. This facility is secured against eligible receivables and was established for the sole permitted purpose of funding plan receivable assets for a term of three years. As at balance date, the facility is drawn to $30 million. The total amount is repayable on maturity being 28 November 2022. The facility bears interest that is payable monthly in arrears. The interest rate is based on the Bank Bill Swap Rate plus a fixed margin.

In June 2020, the Group entered into a UK funding agreement with Global Growth Capital (GGC) for £25 million (approx. $44.8 million) with an option to extend to £60 million (approx. $107.4 million) for funding plan receivable assets. As at 30 June 2020, £10 million (approx. $17.9 million) is immediately available and a further £15 million (approx. $26.9 million) available upon satisfaction of further conditions precedent. Of the £25 million (approx. $44.8 million) committed, £5 million (approx. $9.0 million) is drawn as of 30 June 2020. The facility bears interest that is payable monthly in arrears based on a fixed interest rate and the total facility amount is repayable on maturity being 31 May 2022.

Convertible notes

Convertible notes totalling $26,200,000 were issued during the year ended 30 June 2020. All convertible notes were redeemed for ordinary shares in the Company at the time of the IPO.

255 finance facility

Openpay SPV 2 Pty Ltd (as Borrower), a subsidiary of Openpay Pty Ltd (as Guarantor, Originator and Servicer) has an agreement with Lease Collateral Pty Ltd as trustee for the Specialised Finance Warehouse Trust 1 (as Lender/Financier) to provide a committed limited recourse loan facility of $25 million, with the option to extend to $100 million. The facility was established for the sole purpose of funding plan receivable assets on an undisclosed basis. As at balance date this facility has not been drawn as the financial close has not occurred. Financial close will occur upon the satisfaction of conditions precedent at which time a 12 month availability period will commence with a maturity date for the facility three months after the last day of the availability period.

The facility bears interest that is payable monthly in arrears. The interest rate is based on the "cash rate target" as published by the Reserve Bank of Australia plus a fixed margin. Openpay Pty Ltd is required to provide a minimum credit enhancement of $5 million for the duration of the facility term.

Working capital facility

The Group has access to a working capital facility provided by A H Meydan Pty Ltd, a related party, totalling $10 million. The facility bears interest that is payable monthly in arrears based on a fixed rate and expires on or about 25 October 2021. This facility remained undrawn at 30 June 2020.

Debt covenants

The facilities are subject to covenants that are in line with standard market practice given the nature of the financing facilities. The primary covenant for all facilities is a maximum LVR which varies based on negotiated terms. The LVR is measured as the value of the facility drawn over total eligible receivables funded plus restricted cash. Covenants have been complied with throughout the year and up to the date of this report, with the exception of one instance where a technical covenant requirement was formally waived by the relevant lender.

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d) Assets pledged as security

The amounts of assets pledged as security for current and non-current borrowings are:

	2020 $	2019 $
Current		
Plan receivables	**49,928,370**	27,923,593

The plan receivables have been pledged as security against $30 million of the commercial bill facility and £5 million (approx. $9.0 million) of the UK financing facility.

Note 16: Financial derivative liabilities

	2020 $	2019 $
Embedded derivative – convertible notes	–	1,541,500
Embedded derivative – commercial bills	–	754,824
	–	2,296,324

Details of the inputs used to calculate the fair values of embedded derivatives are disclosed in Note 21.

Note 17: Employee benefit obligations

	2020 $	2019 $
Current		
Leave obligations	**991,296**	436,025
Non-Current		
Leave obligations	**35,767**	29,514

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(o).

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.

Note 18: Equity

(a) Share Capital

	2020 $	2019 $
Ordinary shares – fully paid	**138,160,501**	15,179,113
	No. Shares	No. Shares
Ordinary shares – fully paid	**107,868,028**	12,516,250

(i) Movements in ordinary shares

	2020 No.	2019 No.	2020 $	2019 $
Opening balance	**12,516,250**	12,516,250	**15,179,113**	15,179,113
Share split	**25,032,500**	–	**–**	–
Options converted	**1,327,079**	–	**287,652**	–
Conversion of convertible notes	**23,616,832**	–	**45,562,049**	–
Issue of share capital, net of costs	**45,319,742**	–	**77,042,687**	–
Employee shares issued under employee gift plan	**55,625**	–	**89,000**	–
Closing balance	**107,868,028**	12,516,250	**138,160,501**	15,179,113

(ii) 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.

(b) Reserves

	2020 $	2019 $
Foreign currency translation reserve		
Balance at the beginning of the year	**(417)**	–
Other comprehensive loss for the year	**(1,194,540)**	(417)
Balance at the end of the year	**(1,194,957)**	(417)

	2020 $	2019 $
Share-based payments reserve		
Balance at the beginning of the year	**–**	–
Share-based payments expense	**2,727,331**	–
Balance at the end of the year	**2,727,331**	–
Total reserves	**1,532,374**	(417)

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(c) 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.

Notes to the Consolidated Financial Statements.
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(c) Accumulated losses

Movements in accumulated losses were as follows:

	2020 $	2019 $
Balance at beginning of the year	**(22,841,625)**	(8,018,654)
Impact of initial adoption of accounting standards	**–**	(140,806)
Net loss for the period	**(35,401,258)**	(14,682,165)
Options exercised	**1,835,674**	–
Conversion of convertible notes	**(7,775,117)**	–
Balance at end of the year	**(64,182,326)**	(22,841,625)

Conversion of convertible notes

The convertible notes were mandatorily converted on IPO at a conversion price that was greater than the market price, resulting in 23,616,832 shares issued (see Note 18 (a)) with a net value of $37,786,932: being $7,775,117 less than the carrying amount of the host debt as at conversion of $42,958,500 plus the opening carrying value of the embedded derivative of $1,541,500 plus accrued interest of $1,062,049.

Note 19: Loss per Share

(a) Losses used in calculating loss per share

	2020 $	2019 $
Loss attributable to the owners of the consolidated entity used to calculate basic and diluted loss per share	**(35,401,258)**	(14,682,165)

(b) Weighted average number of shares used as the denominator

	2020 $	2019 $
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**68,747,665**	37,548,750

Potential ordinary shares as at 30 June 2020 are not dilutive and therefore no adjustment is required to the denominator used in calculating loss earnings per share.

Note 20: Share-based payments

The Group has established an Equity Incentive Plan (EIP) designed to provide long-term incentives to eligible employees and/or directors. 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.

Under the EIP, the Group has provided both a Long Term Incentive (LTI) offer and a Retention Offer. There are two categories of options issued under each offer: zero strike price options (ZEPOs), which are nil exercise price options and market price options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant.

Long Term Incentive (LTI)

The amount of options that will vest under the LTI depends on the Group's Total Shareholder Return (TSR) and Revenue CAGR over a period covering FY20 through to FY22. The vesting of options is also contingent on service-based conditions. 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.

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

	Average exercise price per share option	Number of options
As at 1 July 2019	–	–
Granted during the period:		
Zero strike price options (ZEPOs)	**Nil**	**567,912**
Market price options (MPOs)	**$1.60**	**1,298,084**
As at 30 June 2020	**$1.11**	**1,865,996**

During the year ended 30 June 2019, 500,652 Cash Settled LTI options were granted. These were cancelled on 21 November 2019, and the related liability of $96,503 was derecognised.

Retention Offer

The Retention Offer options vested immediately on admission of the Group to the official list of ASX and were not subject to any other performance conditions. Vested Retention Offer MPOs are subject to exercise restrictions for 2 years from vesting.

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:

	Average exercise price per share option	Number of options
As at 1 July 2019	–	–
Granted during the period:		
Zero strike price options (ZEPOs)	**Nil**	**125,000**
Market price options (MPOs)	**$1.60**	**2,457,143**
As at 30 June 2020	**$1.52**	**2,582,143**

Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 30 June 2020 ranges between $0.81 and $2.52 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 2020 included:

Input	LTI Plan	Retention Plan
a) Exercise price:	$1.60 (MPO), Nil (ZEPO)	$1.60 (MPO), Nil (ZEPO)
b) Grant date	23 June 2020	22 November 2019
c) Expiry date:	15 July 2030	9 December 2029
d) Share price at grant date:	$2.49	$1.60
e) Expected share-price volatility:	70%	60%
f) Expected dividend yield:	0%	0%
g) Risk-free interest rate:	0.41% (MPO), 0.27% (ZEPO)	0.82%

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 2020

Note 21: Fair value measurement of financial instruments

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication of the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed in the accounting standards. An explanation of each level follows underneath the table.

	Level 1 $	Level 2 $	Level 3 $	Total $
June 2020				
Embedded derivative – convertible notes	–	–	–	–
Embedded derivative – commercial bills	–	–	–	–
	–	–	–	–
June 2019				
Embedded derivative – convertible notes	–	–	1,541,500	1,541,500
Embedded derivative – commercial bills	–	–	754,824	754,824
	–	–	2,296,324	2,296,324

There were no transfers between levels during the year.

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 (for example, over-the-counter derivatives) is determined using valuation techniques which 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.

(ii) Valuation techniques

Embedded derivatives are valued using option pricing techniques, including the Black-Scholes model. Given that, at the time of performing valuations, the Company's shares were unlisted, the resulting valuations are classified as level 3.

(iii) Fair value estimates using significant unobservable inputs

The following table summarises the movements in level 3 instruments:

	Embedded derivatives – commercial bills $	Embedded derivatives – convertible notes $	Total $
Opening balance at 30 June 2019	**754,824**	**1,541,500**	**2,296,324**
Changes in fair value through profit and loss	**1,368,502**	**(7,775,117)**	**(6,406,615)**
Derecognition on conversion of option	**(2,123,326)**	**6,233,617**	**4,110,291**
Closing balance at 30 June 2020	**–**	**–**	**–**

	Embedded derivatives – commercial bills $	Embedded derivatives – convertible notes $	Total $
Opening balance at 30 June 2018	339,630	–	339,630
Initial recognition	–	1,541,500	1,541,500
Changes in fair value through profit and loss	415,194	–	415,194
Closing balance at 30 June 2019	754,824	1,541,500	2,296,324

(iv) Valuation inputs and relationships to fair value

Accounting for embedded derivative liabilities is a key accounting estimate. The following outlines the key inputs that are used to determine the valuation of these liabilities:

Item	Unobservable inputs		Inputs
		2020 (at conversion)	2019
Embedded derivatives – commercial bills and convertible notes	Share Price	$1.60	$4.11
	Volatility	N/A	50%
	Risk-free rate	N/A	0.98%
	Expected dividend yield	N/A	0%
	Likelihood of conversion	N/A	75%

(v) Valuation processes

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

The valuation of the embedded derivatives 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:

- The IPO share price of $1.60 has been used in the valuation calculations at the time of conversion. The share price as at 30 June 2019 was calculated using a multiple of revenue approach including the following unobservable inputs:
  - Discount rates for financial liabilities are determined as a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk of the specific asset
  - Earnings growth factors for unlisted securities are estimated based on market information for similar types of companies
- Expected volatility was measured using the historical volatility of selected benchmark listed companies.

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

Note 22: 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:

	2020 $	2019 $
Audit and review of financial reports	**370,000**	220,000
Total remuneration for audit and review of financial reports	**370,000**	220,000
Other services		
Initial public offering advisory services	**477,231**	–
Other advisory services	**215,220**	–
Total other services	**692,451**	–
Total remuneration of PricewaterhouseCoopers Australia	**1,062,451**	220,000

Note 23: Interests in other entities

The Group's subsidiaries as at 30 June 2020 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 held by the Group		Principal activities
		2020 %	2019 %	
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**	-	(7)

Principal Activities

(1) Australian operations
(2) Special purpose vehicle for global investments facility
(3) Holder of Australian Credit Licence
(4) Special purpose vehicle for 255 finance
(5) Special purpose vehicle for funding as required
(6) United Kingdom operations
(7) Special purpose vehicle for UK finance/funding arrangements

Note 24: Related party transactions

(a) Key management personnel compensation

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

	2020 $	2019 $
Short-term employee benefits	**628,171**	522,535
Post-employment benefits	**33,910**	33,356
Share-based payments	**1,463,460**	96,503
	2,125,541	652,394

(b) Transactions with other related parties

	2020 $	2019 $
Purchases of consulting services from other related parties	**–**	65,741
Purchases of software development services from entities controlled by key management personnel	**362,602**	592,411

(c) Loans from related parties

	2020 $	2019 $
Balance at the beginning of the year	**–**	–
Loans advanced	**–**	13,450,000
Loans repaid	**–**	(12,450,000)
Loans converted to convertible notes	**–**	(1,000,000)
Interest charged	**–**	273,715
Interest paid	**–**	(273,715)
Balance at the end of the year	**–**	–

(d) Terms and conditions

The related party loan facilities expired in February 2020.

Note 25: 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.
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Interest rate risk	The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, other financial assets and interest-bearing borrowings. Refer Note 25(a).
Foreign currency risk	Risk that fluctuations in foreign exchange rates may impact the Group's results. The Group's consolidated balance sheet at 30 June 2020 can be affected by movements in the US Dollar, New Zealand Dollar, and Great British Pound. Refer Note 25(b).
Credit risk	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. 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(c). Credit risk also arises from cash held with banks and financial institutions.
Liquidity risk	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 controlled cash allocated in Openpay SPV Pty Ltd, in a lender-controlled cash account, 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 covenants. Refer Note 25(d).

(a) Interest rate risk

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

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	**44,365,044**	3,000,046
Total financial assets	**44,365,044**	3,000,046
Financial liabilities		
Interest bearing borrowings	**28,495,535**	19,354,386
Total financial liabilities	**28,495,535**	19,354,386
Net exposure	**15,869,509**	(16,354,340)

During the 2020 financial year the weighted average of the variable interest rate component for interest bearing borrowings subject to interest rate risk was 9.35% (2019: 11.12%). 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 2020. The Group has not hedged any interest rate risks during the year or at 30 June 2020.

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 profit and equity would have been affected as follows:

	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Judgements of reasonable possible movements				
-0.25% (25 basis points)	**60,616**	43,815	**60,616**	43,815
+1.00% (100 basis points)	**(242,466)**	(187,209)	**(242,466)**	(187,209)

(b) Foreign currency risk

The Group has not hedged any foreign currency risk during the financial year or at 30 June 2020.

At 30 June 2020, the Group has the following exposure to foreign currency, expressed in Australian dollars.

	2020 $	**2019 $**
Financial assets		
Cash and cash equivalents		
NZD	**122,884**	58,656
GBP	**13,245,992**	171,601
Receivables and other financial assets		
NZD	**171,469**	257,251
GBP	**15,071,909**	210,743
Financial liabilities		
Trade and other payables		
NZD	**5,974**	25,914
GBP	**853,064**	550,584
USD	**103,998**	205,846

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

	2020 $	**2019 $**
Net foreign exchange gain/(loss) recognised in loss before income tax	**(49,493)**	175,934

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

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:

	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Judgements of reasonable possible movements				
AUD / NZD +5%	**(14,419)**	(14,500)	**(14,419)**	**(14,500)**
AUD / NZD -5%	**14,419**	14,500	**14,419**	**14,500**
AUD / USD +5%	**5,200**	10,292	**5,200**	**10,292**
AUD / USD -5%	**(5,200)**	(10,292)	**(5,200)**	**(10,292)**
AUD / GBP +5%	**1,373,242**	8,412	**1,373,242**	**8,412**
AUD / GBP -5%	**(1,373,242)**	(8,412)	**(1,373,242)**	**(8,412)**

(c) Credit risk

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

(i) Risk management

Credit risk is managed on a Group basis.

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

(ii) Impairment of financial assets

The Group's plan receivables are subject to impairment under the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was 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 9.

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 our 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.

As outlined in Notes 1(c) and 9, given the ongoing market uncertainty due to the impact of COVID-19, the Group has applied an overlay to adjust modelled ECL results to reflect the Group's assessment of the economic impact of the pandemic on the expected credit losses of its plan receivables portfolio.

(iii) Net impairment losses on financial assets recognised in the profit or loss

During the year, the followings gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2020 $	**2019 $**
Impairment losses on movement in provision for expected loss for plan receivables	**7,890,238**	2,969,993
Net impairment losses on financial assets	**7,890,238**	2,969,993

(d) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to ensure there is sufficient cash allocated 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.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 $	2019 $
Expiring within one year (bank overdraft and bill facility)	–	20,000
Expiring beyond one year (bill facility)	80,803,795	–
Convertible notes issued but not subscribed	–	43,200,000
	80,803,795	43,220,000

(ii) 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.

As at 30 June 2020	Less than 6 months $	Between 6 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
Trade payables	2,484,824	–	–	–	2,484,824	2,484,824
Borrowings	–	–	8,950,949	30,000,000	38,950,949	37,220,677
Lease liabilities	886,472	905,736	1,281,670	2,008,171	5,082,049	4,150,454
Total	3,371,296	905,736	10,232,619	32,008,171	46,517,822	43,855,955

As at 30 June 2019	Less than 6 months $	Between 6 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
Trade payables	2,815,857	–	–	–	2,815,857	2,815,857
Borrowings	1,500,000	–	20,000,000	16,800,000	38,300,000	35,998,931
Total	4,315,857	–	20,000,000	16,800,000	41,115,857	38,814,788

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

Note 26: 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.

(i) Debt covenants
As detailed in Note 15, the Group has various financing facilities in place. Covenants have been complied with throughout the year and up to the date of this report, with the exception of one instance where a technical covenant requirement was formally waived by the relevant lender.

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

(iii) Franking credits
There are no franking credits available for subsequent reporting periods.

Note 27: Capital and leasing commitments

(a) Operating Leases

The Group leases various offices under non-cancellable operating leases expiring within 2 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

	2020 $	2019 $
Minimum lease payments under non-cancellable operating leases:		
– not later than one year	–	217,185
– between one year and five years	–	–
– later than five years	–	–
	–	217,185

(b) Capital Commitments

The Group had no capital commitments as at 30 June 2020 (2019: Nil).

(c) Bank Guarantees

The Group has a bank guarantee totalling $915,103 as at 30 June 2020 (2019: Nil). The bank guarantee relates to security for the Group's lease of its premises.

Note 28: Contingencies

As set out in the Company's IPO Prospectus, Openpay received a letter of demand from a former employee, Mr Simon Scalzo, who was CEO of Openpay Pty Ltd from 1 November 2016 to late June 2017, claiming the former employee is required to be vested with a 15% equity entitlement in "Openpay Pty Ltd's group".

Mr Scalzo subsequently commenced legal proceedings against Openpay Pty Ltd in the Supreme Court of Victoria.

Openpay has retained and is advised by Senior Counsel in respect of the claim. Openpay continues to consider that the claim lacks substantive merit.

Note 29: Cash flow information

(a) Reconciliation of loss after income tax to net cash inflow from operating activities

	2020 $	2019 $
Loss for the period	**(35,401,258)**	(14,682,165)
Adjustments for:		
Depreciation and amortisation	**1,311,917**	93,748
Receivables impairment	**6,533,441**	2,969,993
Non cash share based payments	**2,719,828**	96,503
Fair value adjustment to embedded derivatives	**(6,406,615)**	415,194
Accrued interest on convertible notes and shareholder loans	**1,176,005**	105,785
Gain on modification of loan	**(619,112)**	–
Net capitalisation of financing costs	**(476,434)**	–
Loss on disposal of property, plant and equipment	**12,435**	–
Changes in operating assets and liabilities:		
Decrease / (increase) in other operating assets	**(28,994,364)**	(9,602,822)
Increase / (decrease) in trade creditors and other operating liabilities	**2,583,021**	1,176,835
Net cash inflow (outflow) from operating activities	**(57,561,136)**	(19,426,929)

(b) Non-cash investing and financing activities

	2020 $	2019 $
Conversion of convertible notes to shares	**43,000,000**	–
Conversion of shareholder loans to shares	**1,500,000**	3,639,559
Shares issued to employees for no cash consideration	**89,000**	–
Shares issued to financiers on the exercise of options	**467,172**	–

(c) Net debt reconciliation

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

	2020 $	2019 $
Cash and cash equivalents	**70,058,763**	8,705,229
Borrowings – repayable within one year	**–**	(1,500,000)
Borrowings – repayable after one year	**(37,220,677)**	(34,498,931)
Net cash / (net debt)	**32,838,086**	(27,293,702)

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2020

	2020 $	2019 $
Cash and cash equivalents	**70,058,763**	8,705,229
Gross debt – fixed interest rates	**(8,725,142)**	(16,644,545)
Gross debt – variable interest rates	**(28,495,535)**	(19,354,386)
Net cash / (net debt)	**32,838,086**	(27,293,702)

Note 30: Parent entity

(a) Summary financial information

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

	2020 $
Balance sheet	
Current assets	–
Total assets	**138,160,501**
Current liabilities	–
Total liabilities	–
Shareholders equity	
Issued capital	**138,160,501**
Accumulated losses	–
Total equity	**138,160,501**
Statement of profit or loss and other comprehensive income	
Profit/(loss) for the period	–
Total comprehensive income/(loss)	–

As disclosed in Note 1, Openpay Group Ltd became the parent entity in November 2019.

(b) Contingent liabilities of the parent entity

There are no contingent liabilities as at 30 June 2020 except as disclosed in Note 28.

(c) 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:

(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 31: Events occurring after the reporting date

No material events have occurred subsequent to the end of the year at the time of issuing this report.

Directors' Declaration.

In the directors' opinion:

(a) the financial statements and notes set out on pages 64 to 95 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional requirements;

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Patrick Tuttle	Michael Eidel
Chairman	**Managing Director**
Melbourne	Melbourne
31 August 2020	31 August 2020

Independent Auditor's Report

Independent auditor's report

To the members of Openpay Group Ltd

Report on the audit of the financial report

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 2020 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 2020
- 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 a summary of significant accounting policies
- the directors' declaration.

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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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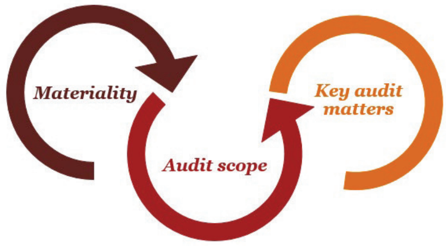
Independent Auditor's Report

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 $1.24 million, 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.
- The Group is principally involved in providing services to customers and merchants in Australia, the United Kingdom 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 Management Committee.

Independent Auditor's Report

pwc

Key audit matter	*How our audit addressed the key audit matter*
Provision for expected credit losses (ECL) for receivables *(Refer to note 1(c) and 9)* Receivables from customers are generated in the ordinary course of the Group's business. Under the credit impairment model required by AASB 9: Financial Instruments (AASB9), losses on receivables are 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 AASB 9, the Group has developed ECL models. Judgement is applied in determining the appropriate construct of the model and relevant assumptions such as defining a significant increase in credit risk (SICR). The models rely on numerous data elements and certain post model adjustments (overlays) are applied based on the Group's judgement. The rapidly developing COVID-19 pandemic has meant that assumptions regarding the economic outlook and the impact on the Group's customers is uncertain, increasing the degree of judgement required to be exercised by the Group in calculating the ECL. Specifically, this includes judgements regarding the impact of COVID-19 on forward looking information, given the range of potential economic outcomes and impacts from COVID-19. Given the inherent estimation uncertainty in this area and the extent of judgement involved, we considered this to be a key audit matter.	Our audit procedures included the following: • We, along with PwC credit modelling experts, assessed whether the methodologies and assumptions applied by the Group to estimate the ECL are in accordance with the requirements of AASB 9. This included inspecting the methodology applied and the reasonableness of conclusions reached by the Group from model monitoring performed on key models during the year. • We agreed a sample of data used as inputs into the ECL models to relevant source documentation. • We assessed the mathematical accuracy of the modelled calculations by reperforming the ECL calculations. • We obtained ECL model source codes to assess whether these appropriately reflected the Group's methodologies. • Together with PwC credit modelling experts, we assessed the reasonableness of forward-looking information incorporated into the ECL calculation, including overlays for the impact of COVID-19, by assessing the appropriateness of the assumptions applied in the multiple economic scenarios, and comparing against external supporting evidence where applicable. • We assessed the adequacy of the related disclosures in the financial report against the requirements of Australian Accounting Standards.
Liquidity and funding *(Refer to note 4(a) and 15)* The financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. The Group's business model and current stage of development requires external debt and equity funding to support receivables growth, investment and operational expenditure. During the year, the Group recorded a significant net operating cash outflow,	In assessing the appropriateness of the Group's going concern basis of preparation for the financial report, we performed the following procedures, amongst others: • We evaluated the appropriateness of the Group's assessment of their ability to continue as a going concern, including whether the level of analysis is appropriate given the nature of the Group, the period covered is at least 12 months from the date of our auditor's report and relevant information of which we are aware as a result of the audit has been included. • We evaluated selected data and assumptions used in the Group's cash flow forecasts for at

Independent Auditor's Report

Key audit matter	*How our audit addressed the key audit matter*
which was offset by financing cash inflow from equity raised and debt funding drawn down during the year. The Group's assessment of the appropriateness of the going concern basis of preparation requires judgement with respect to the forecast cash flows of the Group for at least 12 months from the audit report date. This includes judgement as to the Group's ability to access borrowings, compliance with debt covenants and the satisfaction of conditions in order to access certain undrawn borrowing facilities in future periods. This was a key audit matter due to its importance to the financial report and the level of judgement involved.	least 12 months from the date of the auditor's report, including forecast borrowing requirements. • We enquired of management and the board of directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. • We read the most up-to-date borrowing agreements between the Group and its financiers to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown over the forecast period. • We obtained confirmations directly from the Group's financiers to confirm the borrowings' outstanding principal balance, facility limits, tenure and rates. • Where debt was regarded as non-current, we evaluated the Group's assessment that they had the unconditional right to defer payment such that there were no repayments required within 12 months from the balance date. • We requested written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans. • We evaluated whether in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about the Group's assessment of its liquidity and funding position and its borrowings.
Accounting for Share Capital - Initial Public Offering *(Refer to note 18)* During the year, the Group completed an Initial Public Offering (IPO) and became listed on the Australian Stock Exchange (ASX), raising funds through the issue of ordinary shares. The IPO triggered the conversion of convertible notes options into ordinary shares, based on a conversion formula contained in the convertible note agreement. Under Australian Accounting Standards, the Group was required to value the options at the point of conversion and recognise the movement in the income statement. The value of the options was then transferred to share	Our audit procedures over the IPO related transactions included the following: • We agreed cash received (IPO proceeds net of Lead manager and underwriting fees) on share issue to the Group's bank statement. • We agreed the conversion formulas to the underlying convertible note agreement and correspondence with key noteholders. • We recalculated the number of shares issued based on the conversion formula in the convertible note agreement. • We tested a sample of transaction cost invoices to assess the allocation of the IPO

Independent Auditor's Report

Key audit matter	*How our audit addressed the key audit matter*
capital and adjusted against accumulated losses. The Group also incurred transaction costs in the course of the IPO that under Australian Accounting Standards are required to be deducted from equity. We considered the Group's accounting for share capital related to the IPO to be a key audit matter as the valuation of the convertible notes options and treatment of transaction costs involved significant judgement and estimates by the Group.	transaction costs between the income statement and equity was in accordance with 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. • IT operation controls (i.e. system monitoring and backups). 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. 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. We considered this to be a key audit matter because of the reliance on IT systems in the financial reporting process.	Our procedures included, amongst others: • We assessed the design and implementation of relevant and key IT controls over the Group's IT governance, Change Management, User Access Management, and IT Computer Operations over key financial systems supporting the Group's financial reporting. • Where we noted design deficiencies in Change Management and User Access Management processes relevant to our audit, we performed alternative or additional audit procedures. • 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 2020, 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.

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. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 48 to 55 of the directors' report for the year ended 30 June 2020.

Independent Auditor's Report

In our opinion, the remuneration report of Openpay Group Ltd for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
31 August 2020

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 at 13 August 2020 (**Reporting Date**).

Corporate Governance Statement

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.

For the 2020 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.

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
OPENPAY GROUP LIMITED[1]	FULLY PAID ORDINARY SHARES	57,082,748	52.92
PROGRAM FORCE PTY LTD, YEMIVA PTY LTD, BNPL PTY LTD, MOSHE MEYDAN, YANIV MEYDAN AND EIDO MEYDAN	FULLY PAID ORDINARY SHARES	22,781,920	21.12
CHOW TAI FOOK ENTERPRISES LIMITED, SWIFT HUNTER LIMITED AND THE CTF GROUP	FULLY PAID ORDINARY SHARES	11,033,163	10.23
INVESTEC AUSTRALIA LIMITED	FULLY PAID ORDINARY SHARES	9,582,131	9.13

1. A technical interest in its own shares under s608(1)(c) of the Corporations Act 2001 due to the restrictions on disposal of the shares held under mandatory and voluntary escrow.

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	13,985
UNLISTED OPTIONS	14

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
107,868,028	70,387	649	0.07

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 13,985 holders of a total of 107,868,028 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	8,221	3,800,470	3.52
1,001 – 5,000	4,239	10,247,744	9.50
5,001 – 10,000	821	6,303,091	5.84
10,001 – 100,000	658	15,704,913	14.56
100,001 – 999,999,999	46	71,811,810	66.57
Totals	13,985	107,868,028	100.00

Additional Security Exchange Information.

Distribution of Option Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	0	0	0.00
10,001 – 100,000	4	258,565	5.81
100,001 – 999,999,999	10	4,189,576	94.19
Totals	14	4,448,141	100.00

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>	18,956,920	17.57
2.	INVESTEC AUSTRALIA LIMITED	9,852,131	9.13
3.	CHOW TAI FOOK ENTERPRISES LTD	7,946,433	7.37
4.	COLOURDOME PTY LTD	4,748,071	4.40
5.	MRGS PTY LTD <SAF A/C>	3,570,000	3.31
6.	CITICORP NOMINEES PTY LIMITED	3,306,724	3.07
7.	YEMIVA PTY LTD <YEMIVA A/C>	2,550,000	2.36
8.	WISE PARK INTERNATIONAL LTD	2,533,042	2.35
9.	V-LEADER PTY LTD <ZHANG FAMILY A/C>	2,341,341	2.17
10.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,281,240	2.11
11.	INNVALE PROPRIETARY LIMITED <FOURT COURT CHAMBERS A/C>	1,449,501	1.34
12.	GLOBAL CREDIT INVESTMENTS PTY LTD <GCI CON CREDIT FINANCE A/C 1>	1,327,079	1.23
13.	BNPL PTY LTD <BNPL A/C>	1,275,000	1.18
14.	PIZ BY PIZ PTY LTD <PIZMONY FAMILY A/C>	1,148,850	1.07
15.	RBFT PTY LTD <RICHARD BROOME FAMILY A/C>	892,500	0.83
16.	MR AVI SCHECHTER	718,750	0.67
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	685,202	0.64
18.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	538,131	0.50
19.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	531,995	0.49
20.	LESLIE LEUNG	526,694	0.49
	Total number of shares of Top 20 Holders	67,179,604	62.28
	Total Remaining Holders' Balance	40,688,424	37.72

Escrow

Class of Restricted Securities	Type of Restriction	Number of Securities	End Date of Escrow Period
FULLY PAID ORDINARY SHARES	ASX MANDATORY ESCROW	24,844,664	16 December 2021
FULLY PAID ORDINARY SHARES	ASX MANDATORY ESCROW	1,666,604	16 December 2020
FULLY PAID ORDINARY SHARES	VOLUNTARY ESCROW	30,571,480	10 days post release of FY20 preliminary results

Unquoted equity securities

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

Class of Unquoted Securities	Number of Securities	Number of Holders
FULLY PAID ORDINARY SHARES – MANDATORY ESCROW	26,511,268	20
UNLISTED OPTIONS	4,448,141	14

PROGRAM FORCE PTY LTD <MEYDAN FAMILY A/C NO 4> holds 60.56% of the unquoted fully paid ordinary shares.

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.

In accordance with ASX Listing Rule 4.10.19, the Company confirms the cash and assets in a form readily convertible to cash that it had at the time of admission to the official list of ASX (being 16 December 2019) has been used in a way consistent with its business objectives.

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Corporate Information.

Openpay Group Limited ACN 637 148 200

Board of Directors

Patrick Tuttle (Chair, Independent Non-Executive Director)
Michael Eidel (Chief Executive Officer and Managing Director)
Sibylle Krieger (Independent Non-Executive Director)
Kelly Bayer Rosmarin (Independent Non-Executive Director)
Yaniv Meydan (Non-Executive Director)
David Phillips (Non-Executive Director)

General Counsel & Company Secretary

Openpay's General Counsel and Company Secretary is Edward Bunting.

Registered Office

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Email: investors@openpay.com.au
Website: www.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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