Annual Report FY2021

A year of transformative change

openpay

Buy now.
Pay smarter.

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All numbers pretented in this report are in Australian dollars, which is Openpay's functional and presentation currency, with all values rounded to the nearest thousand dollars ($k) in accordance with ASIC Corporations Instrument 2016 /19 unless otherwise indicated.

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

Taking Openpay to the World

FY21 saw our tech get smarter and our approach even more differentiated from our competitors – think longer terms, larger payment plans, and unparalleled customisation for merchants.*

*Plus, we did most of it from home, leveraging our one, strong platform.

A bold strategy

For 8 years, we've been on a mission to 'change the way people pay, for the better' - but working merchant by merchant is a slow way to go in a business scaling globally. In FY21, ease of integration sat at the forefront of our strategy.

This means natively integrating into the technology platforms of world-leading payment processors and software providers, as well as embedding Openpay at point-of-sale instore and online. Strategic partnerships - including merchant aggregators (such as dental service organisations) and ecosystem partners deliver growth quicker and more efficiently. The strategic sweet spot is global deals that unlock instore and ecommerce opportunities across markets.

In total we integrated with 6 new instore and 11 new online software platforms and signed some more which will go live in the next few months.

Smarter tech for smarter payments

This year, for our 'Buy now. Pay smarter'. product, we walked the walk when it comes to 'smarter' with epic tech upgrades that will deliver huge benefits to merchants and customers in FY22.

Starting with our customers (as we always do!) we worked hard, innovating to improve their digital experience – from pre-populating details to improved design around sign-up and plan creation. We're also getting a lot better at communicating with our customers, thanks to new MarTech that delivers 1:1 rather than one-size-fits-all. Now when we get in touch, it's tailored and timely.

Across the UK, US and ANZ regions, Openpay spent FY21 growing (or developing, in the case of the US), its place as a leader in both B2B and B2C BNPL solutions.

Meet OPY, a play on our ASX ticker

Our merchants will also notice the sign-up process is A LOT easier. Something that's helped to boost merchant conversion rates over the year.

We did a few things just for us too. A complete overhaul of our insights machine has given us loads of new data to improve our decisioning. This also feeds into our new and improved credit decisioning engine – because who doesn't want to make more informed decisions faster and for a better customer experience?

Making a meaningful difference to merchants and the lives of our customers

Aussie roots and global ambitions

As Australia's original BNPL player who still calls Melbourne home, we'll always stay true to our Aussie roots, but Openpay is proud to now have a truly global team.

Leveraging Aussie knowledge from our most mature market, FY21 saw us expanding our strong UK business into new verticals. We did this while gearing up for our FY22 entry into the $5t US consumer payments market, focused on our sweet spots of Healthcare and Automotive. To prepare, we even gave ourselves a little American makeover. Meet Opy, a play on our ASX ticker.

As if that didn't keep us busy enough, we also began revolutionising the B2B payments market via our SaaS product, OpyPro. Giving this brand-new platform life in FY21 was a proud achievement and one that opens us up to the multi-trillion-dollar global enterprises market.

Leaning on local

Each decision we make ladders up to building a trusted brand that puts merchants and customers first. If we can meet the needs of finance-savvy people who want to be in control of their cash flow, wherever they are, we've done our job. Of course, it's a job that requires a strong global leadership team and single technology mindset, but we couldn't do it without our local teams and strategies in each market to ensure:

- Strong product fit for each country and vertical
- Responsible operations meet local regulatory frameworks
- Localised understanding of cultural diversity and business practices

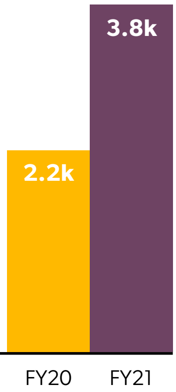
FY21 Performance Highlights.

Active Merchants

3.8k

up 77% on pcp

Supported by contact
to contract system



Larger, Longer Plans

91%

of TTV

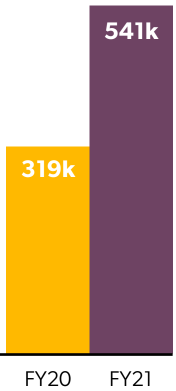
% of plans, 3 months +

Active Customers

541k

up 69% on pcp

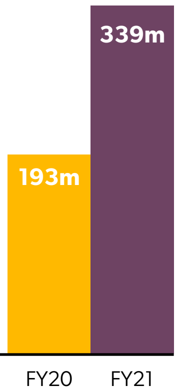
before Payment Assist
integration



Total Transaction Value

$339m

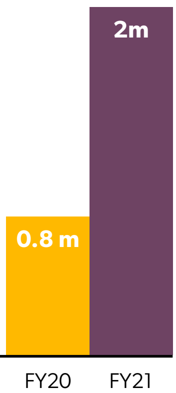
up 77% on pcp



Active Plans

2m

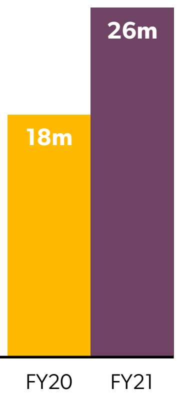
up 141% on pcp



Revenue

$26m

up 44% on pcp



FY21 Performance Highlights – cont.

June 2021 cash balance of $52.1m, which when combined with undrawn funding lines of $162.1m, equates to an overall funding headroom of:

$214.2m

FY21 a market-leading revenue margins landed at:

7.6%

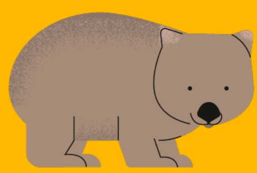
We prepared in FY21 for step change growth in TTV from FY22 onwards

Australia

– Openpay established a platform and POS relationships to build moats around core BNPL verticals

– OpyPro operationalised in the multi-trillion dollar international B2B market

– Openpay became a founding member of the BNPL Code of Practice

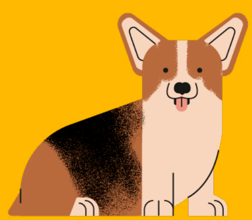


United Kingdon

– Established strong retail base and major aggregator partnerships

– Expanded into Healthcare

– Announced highly material anticipated acquisition of Payment Assist, positioning Openpay as the leading BNPL provider in the UK Automotive sector



US

– Entered into the US BNPL market valued at $5,500b with Opy's Estimated Target Market of $829b*

– Established significant ecosystem partnerships

– Prepared to start transacting in October 21

*Source: see notes page 26

The Year That Was: FY21

March – 2020

Signed Pentana Solutions agreement

June – 2020

$33.77m placement

July – 2020

Signed 1st Group partnership

August – 2020

Signed The Hut Group in UK

Signed partnership with veterinary software provider ezyVet in Australia

Signed partnership with MSL Solutions Limited

September – 2020

Signed omnichannel agreement Retail and Sports Systems (RSS)

Fulham FC goes live

Woolworths Group goes live as inaugural OpyPro customer

Launched Monash Student Association partnership

October – 2020

Launched Wolverhampton Wanderers FC through integration with Retail and Sports Systems (RSS)

Over the course of the FY21 year, we achieved significant success in delivering on our strategic targets, including signing new merchant, aggregator, and enterprise relationships, expanding our technological capability, and connecting with our global community.

November – 2020

Signed partnership with Kogan including; Dick Smith, Matt Blatt

Signed major channel partnership with BigCommerce

Signed Barbeques Galore, Intersport and KOOKAÏ

Signed Partnership with Game Day (Stack Sports)

December – 2020

Announced launch of Openpay US: Opy

Signed Hull Kingston Rovers

February – 2021

Signed UK integration partnership with APEXX

Signed partnership with Ford Motor Company of Australia

Rolled out Officeworks partnership online in February - in-store Australia-wide in March

"Contact to contract" "straight through" goes live for processing of merchant applications

Signed Brentford FC partnership

March – 2021

Secured agreement with Worldpay from FIS

Launched ezyVet integration partnership in UK & US

Signed agreement with St John of God Health Care

Expanded healthcare partnership with 1st Group

Memberships partnership with Gameday goes live

Launched customer engagement tool, Braze

Launched BNPL Code of Practice with Openpay as founding member

April – 2021

Openpay Deloitte 2020 #Technology #Fast500APAC winner

Signed Lumi Financial Management partnership

May – 2021

Live Brentford FC partnership

June – 2021

Payment Assist acquisition announced

Announced partnership with Melbourne Storm

July – 2021

Launched new global operating model and values framework

"We are unapologetic about pursuing a business model which will ultimately differentiate Openpay from many of its peers in the more traditional "pay-in-4" BNPL segment."

Patrick Tuttle, Chairman

Chairman's Letter.

As the ongoing pandemic pushed our everyday lives even further online, FY21 has proven to be another tremendous year of growth for Openpay. Across all key metrics the business has continued to go from strength to strength. We have been able to make some crucial investments to underpin our stated strategy of targeting core business verticals which will deliver higher transaction margins and stronger portfolio performance in the medium term.

Openpay provides a superior consumer experience compared to traditional credit solutions, which includes real-time approval processes, simpler and tech-savvy user experiences, transparent pricing terms, and all within a highly responsible lending framework.
Our target consumers are financially mature, responsible borrowers who can afford major purchases, but need to spread the cost over time to meet their budgeting needs. They want greater financial flexibility without increasing their credit card debt. We put the customer in better control of their finances, both online and in-store.

We focus on industries where we can make a true difference: Automotive, Healthcare (including Dentistry and Veterinary practices), Home Improvement, Memberships, Education and Retail; where our target customers are finance-savvy, typically using Openpay plans as a cashflow management tool. Our higher value, longer length plans are delivered across our core verticals in a single, consistent customer journey.

We are unapologetic about pursuing a business model which will ultimately differentiate Openpay from many of its global and domestic peers in the more traditional "pay-in-4" BNPL segment which offers shorter term plans, typically lower in value. Ultimately, we see ourselves filling the gap between the highly competitive pay- in-four space and more traditional consumer credit providers, albeit much more responsibly with respect to the affordability and pricing of our offering relative to traditional providers. Nowhere is this strategy more prevalent than in the United States of America where we have assembled a superb management team to oversee the Company's launch into the world's most developed BNPL market.

The US rollout is progressing far beyond our expectations with partnerships announced with ezyVet and many other pending, potential partnerships which we cannot yet announce. The US verticals that are the focus of our "aggregator" driven go to market strategy represent a huge opportunity for Openpay, our partners, merchants and consumers alike.

As a market opportunity, BNPL's share of online checkout will quadruple in North America by 2024. However, most existing solutions are either pay-in-4, or long-term with interest. The estimated size of Openpay's US target verticals comprises: US$379b: Big-ticket Retail; US$218b: Healthcare; US$78b: Home Improvement; US$89b: Education Services; and US$65b: Auto Repair and Maintenance.[1]

To accelerate our growth, Openpay continues to establish partnerships with "aggregators" (for example, Dental Services Organisations in the Health/ Dental vertical) to drive more seamless integration with new merchants and customers at scale. We have also recently entered into a global collaboration agreement with Worldpay from FIS, which aims to have Openpay products integrated onto the payment Gateway operated by Worldpay from FIS, thereby offering Openpay products to FIS' merchants and enabling those merchants to implement Openpay's offerings quickly and seamlessly.

Similarly in the United Kingdom, our anticipated acquisition of Payment Assist will accelerate our market leadership in the Automotive vertical and further builds on our global vertical-based strategy. The transaction establishes Openpay as a major player in the UK BNPL market, nearly tripling our UK TTV and growing by about two-thirds our UK Active Customers. With a total addressable market of £26.7 billion per annum across 42,000 UK garages[2], the acquisition provides Openpay with significant expansion and scale opportunity in the automotive vertical and beyond.

In closing, I'd once again like to sincerely thank our senior management and employees for their superb contribution to Openpay's achievements in FY21. They have collectively done a tremendous job in skilfully navigating the business through a challenging and uncertain Australian and global economy due to the ongoing 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, particularly as Openpay commences operations in the United States, the world's most developed BNPL market.

Patrick Tuttle, Chairman

1. Source: see notes page 26
2. Source: October 2020 UK INDUSTRY (UK SIC) REPORT G45.200 by IBIS World.

"Our vision to 'change the way people pay, for the better' has been at the heart of our strategic focus. **We are laser focused on owning our specialised verticals.**"

Michael Eidel, Group CEO

Message from our CEO.

Dear fellow shareholders,

FY21 has been another challenging year for global economies and societies, but it's also been a transformative year for Openpay, with significant strategic and operational achievements that set us up to achieve our long-term objectives of sustainable growth and profitability.

Over the past 12 months, our team has continued to follow our 'north star', delivering solidly on three strategic growth pillars:

1 Maximising the home advantage

On our home turf in Australia, we celebrated signature deals with large aggregators and iconic household names across all verticals, including Ford in Automotive, Officeworks in bigger-ticket Retail and National Tiles in Home Improvement.

We also launched our Memberships vertical via major aggregator deals with Gameday and Monash University's Student Association. We also signed an initial six-month agreement with St John of God Health Care in the fully unpenetrated Hospitals segment.

Despite repeat lockdowns in our main markets of Victoria and New South Wales, we recorded very strong performance across our leading indicators which continue to define our success. This is testament to our fast-growing presence across leading ecommerce platforms, which worked to counter repeated store closures throughout FY21.

- **80% of plans are from repeat customers with 53% holding multiple plans**
- **Total Active Plans reached 2.0m (+141%), Active Customers 541k (+69%), and Active Merchants 3.8k (+77%)**
- **Our TTV grew to $339m (+77%), with recorded Revenue of $26m (+44%)**

2 Openpay abroad

Big strides in the UK: To mark our second birthday in the UK, we signed on the dotted line with bigger ticket Retail, Automotive and Healthcare partnerships, including our first UK veterinary clinics in June 2021 via our Aussie relationship with market-leading platform, ezyVet.

Our anticipated acquisition of Payment Assist, leading BNPL provider to the UK Automotive sector, marked a big splash into the hugely underpenetrated £26bn UK Automotive aftersales market. This deal proves Openpay's attractiveness to specialised providers and comes with Financial Conduct Authority (FCA) credit authorisation once approved (anticipated in early Q2 FY22).

The combined, pro forma metrics of 706k Active Customers with 2.1m Active plans, 8.2k Active Merchants and TTV of A$416.8m for 2020 make Openpay and Payment Assist a formidable player in the UK BNPL market, with significant potential for cross-selling and merchant acquisition.

America's $5t opportunity: In December 2020, Openpay announced its launch into the US, the largest consumer market in the world. Branded locally as Opy, we've attracted some of the most respected leaders in the US payments industry – including CEO US and Group Chief Strategy Officer Brian Shniderman, a former Deloitte senior partner and leader of Deloitte's global payments practice.

In a fundamentally transformative move, we signed a collaboration agreement with global leading payments processor Worldpay from FIS. This deal aims to have Openpay products integrated onto the payment Gateway operated by WorldPay from FIS, thereby offering Openpay products to FIS' merchants.

As with the UK, we also extended our partnership with ezyVet into the American vet channel and expect to see this launch in early October 2021.

3 Delivering ground-breaking innovations

OpyPro: Formerly known as Openpay for Business, our ground-breaking Software-as-a-Service (SaaS) solution, OpyPro had its debut in the Australian B2B market with Woolworths in September 2020. Since then, thousands of business purchases at Woolworths' brands instore and online have migrated to OpyPro, welcoming the first revenue from this high growth product.

Lumi: In Q4 FY21, we proudly announced a game-changing partnership with B2B lender Lumi to add a funding component to Openpay's SaaS product suite, OpyPro, a business and trade account management platform. In early FY22, the combined offer has enabled Openpay to build a mature pipeline of new B2B customers and sign a deal with HP which will launch in September. The value of this unique platform is being realised by the broader enterprise market.

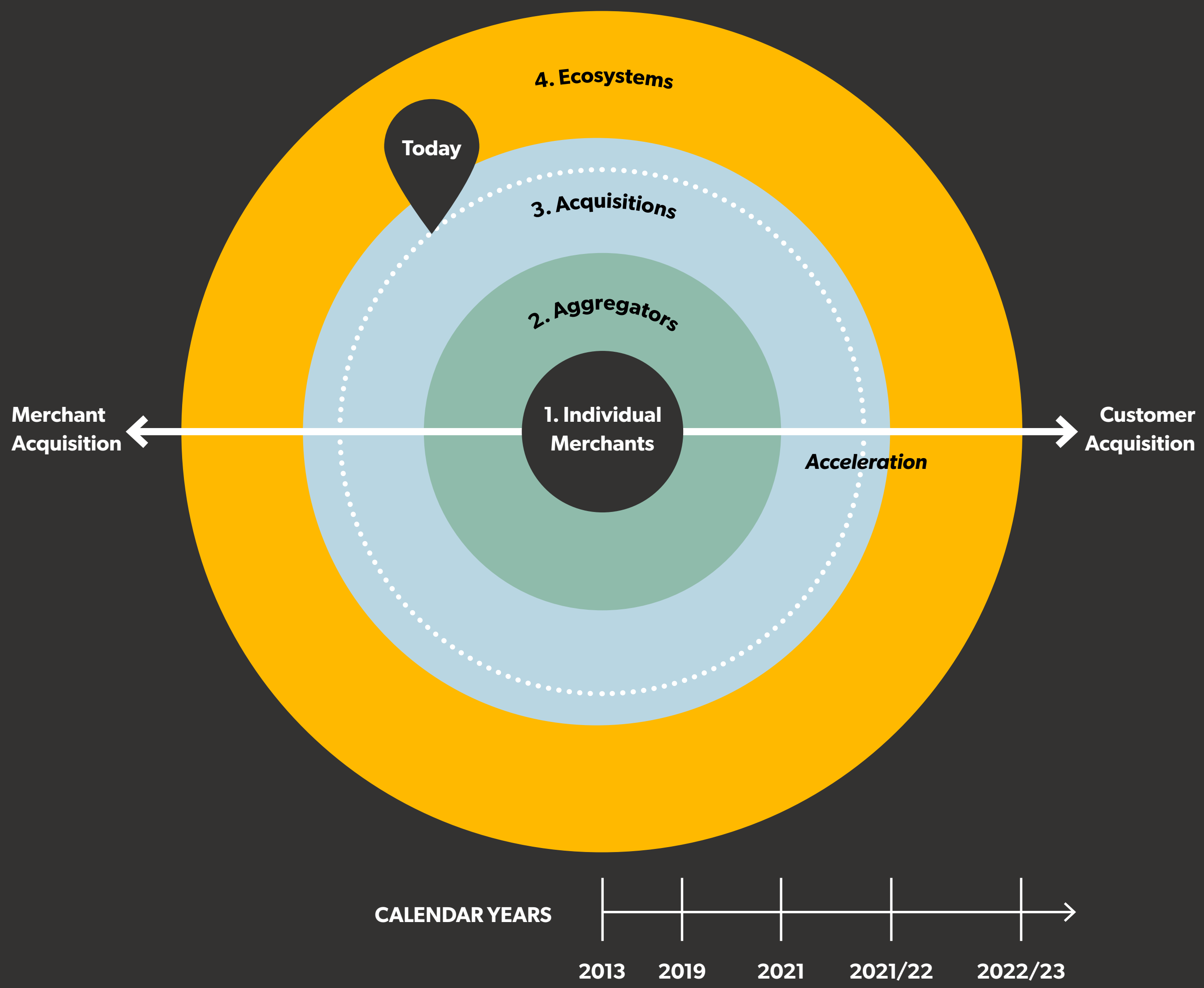
Let's not forget the complete redesign and upgrade of Openpay's ecommerce customer journey - which rolled out first in the UK. We now offer a more intuitive, fast, and user-friendly customer experience for purchasing online, equipped with automation that enhances the customer verification process and seeks to ensure we lend responsibly.

Automated sign-up: For Aussie retailers, a quantum leap in our ability to go from 'contact to contract' with smaller merchants came via a new, fully automated sign-up capability. After integration, we quickly saw a sharp increase in new merchants, which has provided our customers even more choice.

Pivoting our distribution strategy.

Accelerated growth and scale.

1. Traditional focus on individual merchant integrations across Retail and Verticals (from 2013)
2. First integrations into aggregator platforms from 2019
3. Complementary consolidation play commenced with the anticipated acquisition of Payment Assist (2021)
4. Focus on wholesale distribution model – partnership agreements signed with world-leading payments provider, Worldpay from FIS.

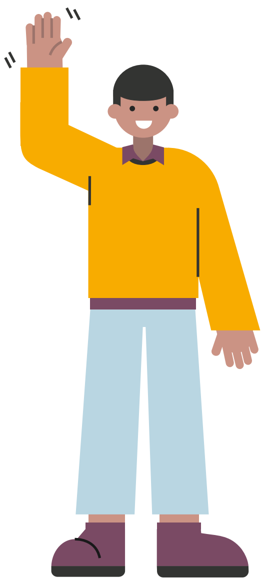


Being different is valuable

For years, BNPL has largely been characterised by 'pay-in-4' payment plans. That's interest-free, fixed, short-term credit for 't-shirts and tennis shoes' in the fast-moving discretionary retail category, predominantly frequented by the GenZ demographic.

We offer this too. But we've also found that more time to pay equals happier customers in all verticals. So, Openpay offers a wider choice of plan lengths and spending limits - flexibility that appeals to a greater breadth of industries such as healthcare or automotive, where 'pay-in-4' just won't cut it.

Take Dental for example. A patient looking to improve their smile could take out an Openpay plan matched exactly to the payment frequency and duration of their treatment cycle. Meanwhile, the dental practice treats their patient with the care they need today, without worrying about cashflow, or the admin of managing payment plans themselves.



Our longer, larger plans offer demonstrably higher margins, designed for big purchases with higher average transaction values. Our verticals also have less competitive pressure, plus a "loyalty factor", like doctor-patient relationships. This key ingredient translates to significantly lower loss rates from credit and fraud risk.

Openpay's strategic focus on specialised verticals is maximised by our integration focus which provides thousands of merchants and tens of thousands of customers with access to our product via a single deal.

I'm happy to see that this differentiated approach has resulted in an attractive spread of customer segments and merchant types, balanced and sustainable revenue lines, a commercially healthy mix of instore and online sales and wide scope for further expansion.

These dynamics provide investors a vision of profitable growth as we scale across geographies, with our financial performance.

Strong financial performance.

Growth in our leading active indicators led us to close with TTV this financial year of $339m (+77% vs pcp) and revenue of $26.3m (+44% vs pcp). Our EBITDA loss (excluding significant items) was $55.1m - in line with management expectations. The result 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.

FY22 is expected to be truly transformative

FY22 is set to be our most exciting and transformational chapter yet. Our goal is to pivot all markets to the 'upper quadrant', leveraging our Aussie innovation to achieve both a vertical foothold in the UK and a strong presence in the US. I see this strategy delivering huge uplifts in usage, volume, transaction value and revenue.

I want to reflect on the efforts of our team and the impact COVID-19 has had on every single one of us in the past year. Months of lockdown have been endured by employees, merchants and customers alike. Despite this, we stayed committed to, and successful in supporting our customers and growing our business, which has been no mean feat.

With this in mind I'd like to extend a heartfelt thanks to our team, and to our shareholders for their continued trust and support. It's been a transformative year, stacked with major achievements that have undoubtedly set us up for a whole new level of growth and operating performance in FY22. We now look forward to twelve more successful months of delighting customers and delivering shareholder value.

Michael Eidel, CEO

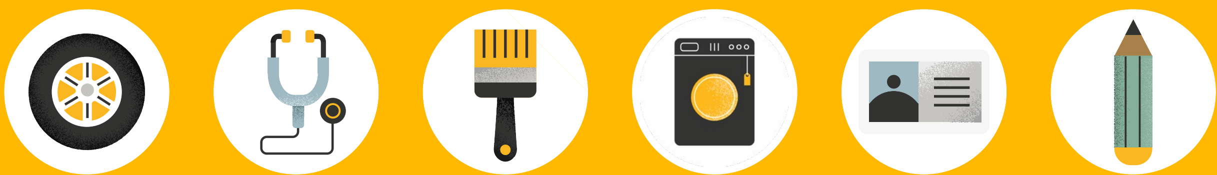
The Openpay Difference:

We focus on longer, larger, customised plans in verticals where we make a true difference and which we can own, enabling us to fulfil our global mission: To change the way people pay, for the better.

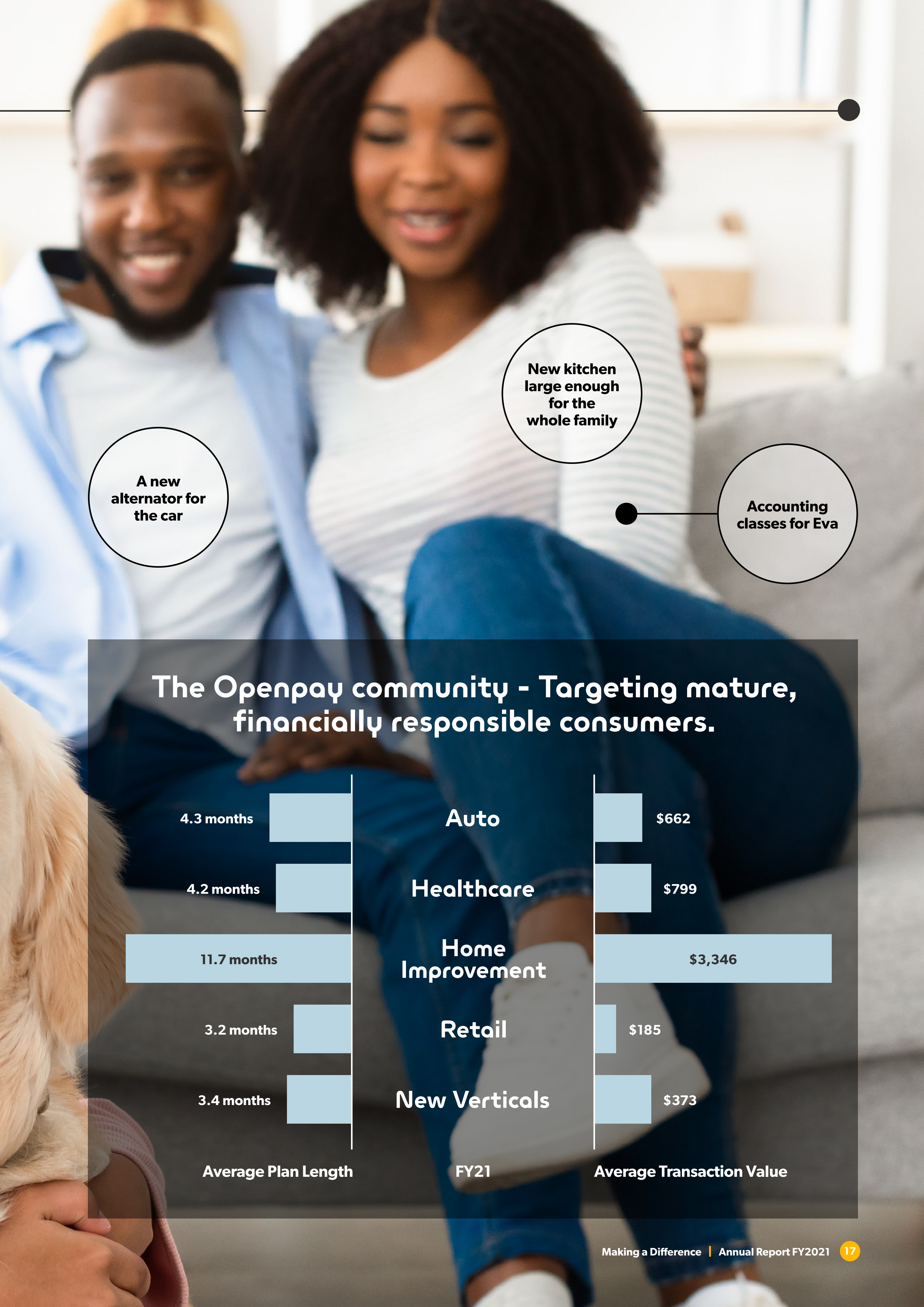
Up to $20k

Up to 24 months

Auto
Health
Home Improvement
Big Ticket Retail
Memberships
Education



Making a Difference.



The Openpay community - Targeting mature, financially responsible consumers.

Average Plan Length	FY21	Average Transaction Value
4.3 months	Auto	$662
4.2 months	Healthcare	$799
11.7 months	Home Improvement	$3,346
3.2 months	Retail	$185
3.4 months	New Verticals	$373

Buy now. Pay smarter. In Australia & New Zealand.

Commercialised successfully since 2013, Australia is our R&D playground. Here, we create the playbook to export to the world, where our product and service knowledge can be localised to deliver significant value in more sizeable markets.

It's our most mature source of innovation, and home to partnerships such as ezyVet, Gameday and BigCommerce that we can take global.

With 1.6m credit cards being closed since October 2018,* Australia's Openpay customers - with a median age of 38 years old - choose to 'Buy now. Pay smarter" with 88% using debit to pay off Openpay plans. Our commitment to listening to our customers was also demonstrated clearly in the rise of our Trustpilot score to an excellent level of 4.7/5 from over 2000 reviews.

FY21 saw great success across our portfolio, leading to new verticals, sub-verticals, key partnerships, a B2B product launch, and significant uplifts in our lead indicators:

Making the verticals bigger

Retail: Welcoming more 'household brands'

In the crowded and competitive Retail sector, our 3-4 month plans are the most popular and deliver industry-leading average transaction value (ATV) uplift for merchants.

New enterprise wins included:

Kogan, Officeworks, Mosaic Brands, Retail Apparel Group, Surfstich. Some great new ecommerce and POS platform partnerships included Adobe Magento, Quest Payments and Apparel 21.

Home Improvement: The roof, the floor and everything in between

Unsurprisingly, our Home Improvement sector was buoyant throughout the FY21 lockdowns as people shifted spending indoors.

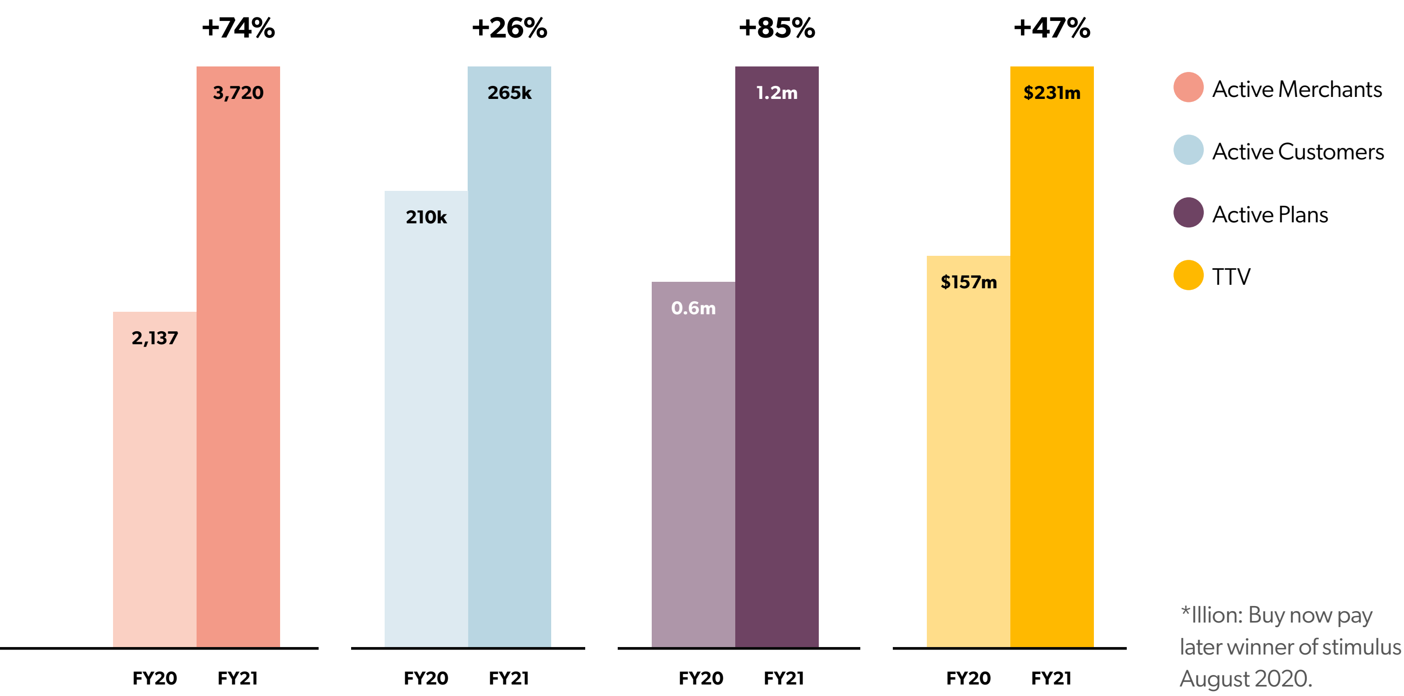
Automotive: Accelerating our network

After headlining the year with our first Original Equipment Manufacturer (OEM) partnership with Ford, we rolled out our integration with dealer management system provider Pentana solutions in May 2021, which services 60% of the new car dealership market. More than 350 new dealership groups commenced onboarding and transacting in June.

Our anticipated acquisition of Payment Assist in the UK also paved the way for key auto dealers to promote Openpay to their members.

Major Enterprise Merchant Wins over the year included:

Ford, The Tyre Factory and Servicedealstore.com just to name a few, and new major partnerships via the Pentana Solutions launch, and COSTAR agreement.



*Illion: Buy now pay later winner of stimulus August 2020.

Healthcare: All is well with our sub-verticals

Our launch into Audiology and Hospitals was a major evolution to support our existing base of Dental, Veterinary, Optometry and CPAP.

Openpay was a first BNPL mover into the Hospitals space, via our inaugural partnership with St John of God Healthcare. Our new partnership agreement with Henry Schein, in dental, and the digital health practice (telehealth) provider CorePlus added to the health offering.

Our partnership agreement with 1st Group continued to evolve this year – going full scale earlier than anticipated after a strong initial trial.

New verticals gather pace

Memberships: Game on

Major enterprise wins with Gameday and MSL Solutions solidified Openpay's launch into the sports memberships industry.

The new normal

Openpay commenced its launch into the education industry in late FY20 with the Digital Picnic and expanded its offering in FY21, tapping into an emerging desire for online learning and re-skilling – accelerated by the pandemic.

This year we signed:

Monash University Student Association and VA Institute of Australia.

Campaigning for growth

During FY21 Openpay developed key strategic partnerships and marketing initiatives to hero our 'Buy now. Pay smarter.' message, and cement Openpay as the leading BNPL solution in Australia.

- 'Smarter payments for grown up purchases': This social campaign focused on our health and auto verticals, positioning Openpay as the most responsible BNPL provider and the smartest way to shop, with our strong Aussie Amber colour playing hero across all touchpoints.
- OpenMay: Working closely with some of Australia's largest retailers such as Officeworks, Kogan and MyDeal, we promoted our OpenMay campaign via an integrated digital marketing strategy. With strong TTV and new customer sign ups across the month of May, we reached over 5 million Aussies and over 50k in app downloads.
- Melbourne Storm: Openpay was announced as the official (and only) BNPL partner of National Rugby League powerhouse, Melbourne Storm.

AUSTRADE

Openpay is pleased to announce it is working with the Australian Trade and Investment Commission (Austrade) as part of their Accelerator Program for key growth markets of the UK and USA. Austrade is also providing introductions to prospective investors in Asia. Austrade supports born global Australian businesses with high-growth potential, such as Openpay, to accelerate their global expansion into international markets. Through its network of global specialists, Austrade provides market insights, connections, on-the-ground assistance and actionable ideas.

We proudly launched a major partnership with Melbourne Storm: The partnership includes category exclusivity, partnership and signage rights at all home games, as well as access to the Storm's 1m+ social media fans. That's an engaged national demographic if ever there was one!


carsales

Buy now. Pay smarter. In the United Kingdom.

Since entering our first international market in 2019, Openpay has successfully created a strongly engaged, large customer base in bigger ticket Retail in the UK. With the acquisition of leading UK Automotive BNPL provider Payment Assist and an integration partnership with ezyVet in Healthcare, we've now commenced our pivot into our core verticals within the UK.

Openpay UK now contributes 51% of total global Active Customers and 40% of total global Active Plans. During the year, 71% of UK plans were taken out by repeat customers, with an average of 2.9 Active Plans per UK Active Customer at year end.

Openpay is also proud to be one of the highest rated BNPL providers in the UK on Trustpilot with a consistently Excellent rating of 4.8/5.

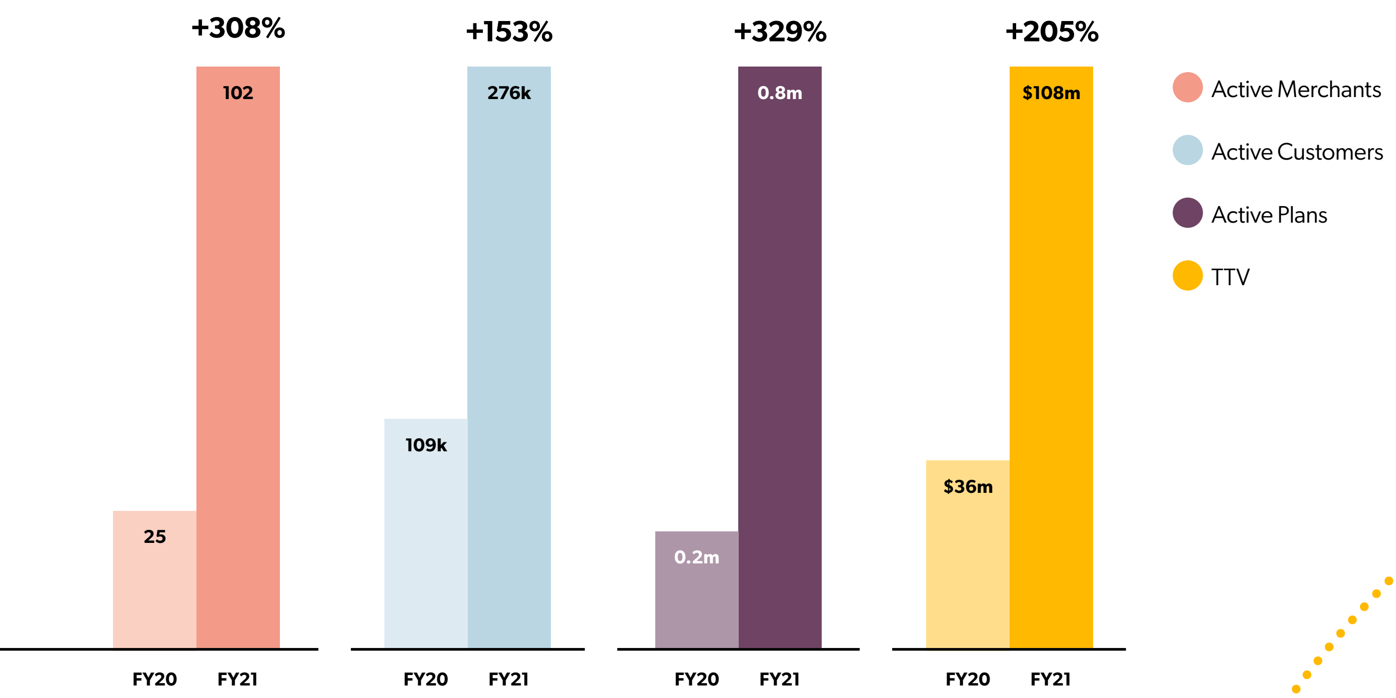
Adding value to high-value Retail

Bigger ticket retail has been a strong differentiator versus more traditional 'pay-in-4' BNPL providers, with Openpay's higher-value, longer-lend plans mostly between 3 and 6 months. Snug Sofa, THG brands, Lookfantastic, Myprotein, Zavvi, Thehut.com, All Sole and Glossybox, JD Group brands, Size! and Tessuti, Kiddies Kingdom were some of our new enterprise successes this year. Perfume Direct and Maplin are also on the list.

Pentland Group main brands Speedo, Berghaus, Kickers, and Endura, as well as TM Lewin, Dawsons Music, and Marks Electrical, have all recently signed on.

Retail growth was powered by launches with several new brands including and significant wins within the sporting arena.

Openpay UK saw continued momentum during FY21, driven by the Retail vertical with:



Kicking goals

Openpay UK signed multiple football club partners including Fulham FC, Wolverhampton Wanderers FC, West Brom and Brentford FC who have recently been promoted to the Premier League.

Signing The Elite Group Ltd. a sportswear industry supplier supporting over 65 Football Clubs across Europe with bespoke clothing and accessories like Coventry City and Charlton Athletic.

The nation of integration

Following on from successful integrations with THG's Ingenuity Platform and Retail Sports Solutions at the end of FY20, Openpay UK has landed several major partner deals.

FY21 integrations:

Apexx, Aero, One Step Checkout, NOP Commerce, Aurora, Astound Commerce and Shopware offering access to 15,000 retail merchants.

We are due to go live early FY22 with:

Episerver/Optimizily, 247 Commerce, IOCEA, Medoc, Commerce Tools and Shopwired with a combined network of 30,000 retail merchants.

A healthy hemisphere

During the second half of FY21 Openpay signed a global deal with ezyVet, the next generation in cloud-based practice management software for veterinary professionals.

To further enhance Openpay UK's healthcare offering a recent integration with Software of Excellence (SOE) will provide access to 7,000 UK dental practices marking another first for Openpay UK and putting a smile on British consumers faces.

> *'Openpay has proven to be a great partner for us from easy integration through to running successful marketing campaigns and the results are impressive with strong increases in ATV and conversion.'*
>
> ***Rob Bridgman, CEO & Founder, Snug Sofa***

Wolves
FULHAM FC
WEST BROMWICH ALBION
BRENTFORD FOOTBALL CLUB
CARDIFF CITY FC
CHARLTON ATHLETIC
COVENTRY CITY FOOTBALL CLUB
HASHTAG UNITED
NEWPORT COUNTY AFC
Red Bull RACING ESPORTS

TESSUTI
JD
LOOKFANTASTIC
size?
ezyVet
THG
MYPROTEIN
THE HUT.
GLOSSYBOX
SNUG
Marks Electrical
IWOOT.COM
KiddiesKingdom
maplin
allsole
WATCHSHOP
DAWSONS Music & Sound
zavvi

Highly material acquisition of Payment Assist.

Perhaps the biggest milestone in FY21 for Openpay UK was the highly material proposed acquisition of the Automotive BNPL leader: Payment Assist.

Upon completion, the deal will give Openpay UK access to Payment's Assist's network of over 7,000 locations across the UK, including well known chains such as Halfords Autocentres, Stratstone, National Tyres, Autocare and many more.

Payment Assist was established in 2013, has over 177,000 Active Customers and an excellent rating on Trustpilot of 4.9/5. Payment Assist has helped over 500,000 customers with the often-unforeseen costs of car repairs.

The Payment Assist acquisition is very significant even when considered from an overall Openpay Group perspective. It more than doubles the Group's Active Merchants globally, increases by a third our active customer base, and increases roughly by half our TTV and revenues.

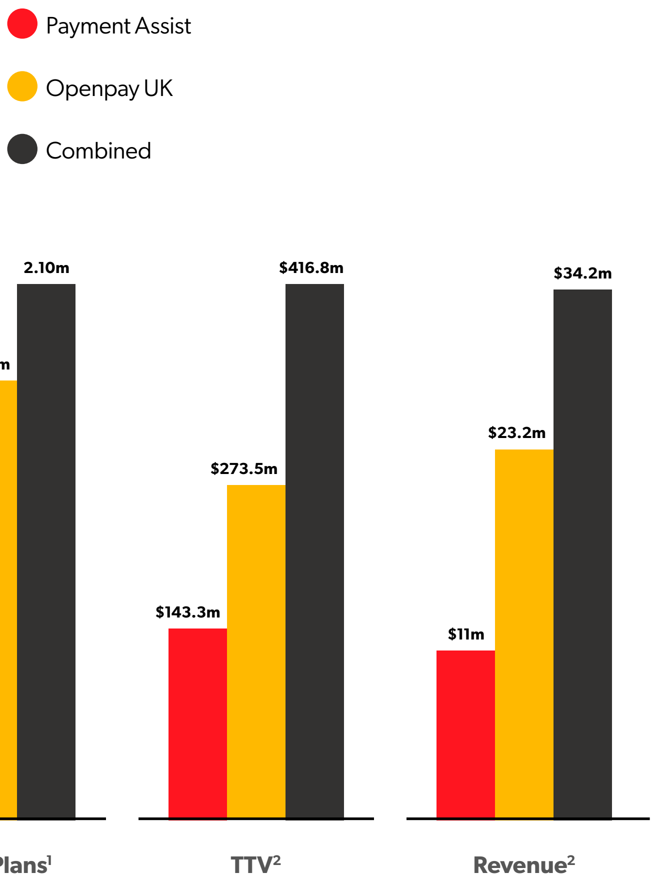
Importantly, it accelerates growth and the path to profitability for Openpay Group and makes the UK the most dominant geographic market for Openpay on a pro-forma basis, expected to generate more than half of Openpay Group's TTV and nearly half of its revenue in CY21.

Pending FCA approval of a Change of Control application, the acquisition is expected to also provide FCA authorisation, consistent with Openpay's responsible approach and strategy to enter the regulated credit market.

The transaction is an important stepping-stone on Openpay's path to becoming a leader in its chosen verticals including in the UK and the US. It further differentiates Openpay from peers in the "pay-in-4" space and underscores our focus on delivering longer, larger, verticalised plans in meaningful industries

Together we make a powerful combination.

We complement each other well in key metrics setting the stage for compelling synergies.



1. Figures as of June 9, 2021.
2. TTV and Revenue numbers calculated on the basis of a GBP to Australian Dollar average exchange rate of $0.5422 across the period from January 1 to December 31, 2020.

paymentassist

"By teaming up, Payment Assist and Openpay bring combined expertise and market knowledge which is unrivalled in the UK automotive industry. We are delighted to be joining with Openpay and look forward to the benefits we can bring to merchants and customers."

Neil Jeffery, Managing Director at Payment Assist

Our US Expansion.

The US market for BNPL offerings is valued at US$5.5 trillion. That's a major opportunity! But what's even more exciting is that the market for Opy's 'Buy now. Pay smarter.' solution is estimated to be US$829 billion.

BNPL has only recently taken off in the US but is the fastest growing payment option[1], with consumers beginning to understand long-term credit card debt realities, and worse, a lack of credit availability for many - amplified by the COVID-19 pandemic.

400%

Forecast increase to BNPL share of US online checkout by 2024[1]

The incumbent US players offer either standard pay-in-4 and/or interest-bearing offerings. These are designed on the assumption that consumers will miss a payment or underpay, triggering pricing that can move them from zero to up to 36% interest - which can put some BNPL in line with credit cards. But not us. OpyPay's maximum 9.99% Annual Percentage Rate puts us 300% lower.[1]

Our US launch

Openpay officially launched in the United States as Opy USA Inc. (Opy) in December 2020, with a differentiated Americanised BNPL focus (OpyPay) and a SaaS B2B product (OpyPro).

Our launch strategy has three sequential, but overlapping phases:

1. **Awareness:** Drive awareness amongst potential partners (e.g., investors, merchants, aggregators) by releasing the OpyPay MVP with existing partner ezyVet across thousands of veterinary hospitals.
2. **Market penetration:** Translate many of the already gathered, localised requirements into our US instance of OpyPay. Begin to diversify with our US OpyPro B2B offering through large aggregators.
3. **Scale:** Dramatically scale the business to achieve profitability - driven by excellent execution and growth in merchants and consumers, coupled with a lower cost of capital that comes from scale.

Opy's Target Verticals

US$379b: Big-ticket Retail[2-7]

US$218b: Healthcare[9-13]

US$78b: Home Improvement[8]

US$89b: Education Services[14-16]

US$65b: Auto Repair and Maintenance[16]

Notes: 1. Barclays Research, 2021: Buy Now, Pay Later: Global Uptake Points to a Long US Growth Runway 2. IBIS 3. CNBC 4. IBIS 5. IBIS 6. IBIS 7. IBIS 8. Census 9. IBIS 10. World Bank 11. Assumption based on UK Market 12. IBIS 13. IBIS. 14. IBIS. 15. PR News 16. IBIS 17. IBIS Note: Addressable market in the US comprises of Total Retail Commerce, Out of Pocket Healthcare (including vet care), Home Improvement services, Education Services, Auto Repair and Maintenance Services

OpyPay for consumers

OpyPay's transparent, flat fees are much more affordable than traditional lenders' products, and the first generation BNPL products currently in the market.

OpyPay will also offer plan terms up to 24 months, limits of up to US$20,000, and plan designs tailored to specific verticals. These longer and larger plans have been lacking in the US market until now, and are expected to attract financially savvy consumers and their merchants.

> "The US is the key market for Openpay with growth potential and relevance significantly greater than even that seen in Australasia and Europe to-date." Brian Shniderman

Opy for merchants

Opy's next-gen 'Buy now. Pay smarter.' approach is designed by and for merchants. Some of the most well-known and respected merchants have joined Opy's Merchant Advisory Council, which seeks to fairly share costs and rewards between merchants and consumers.

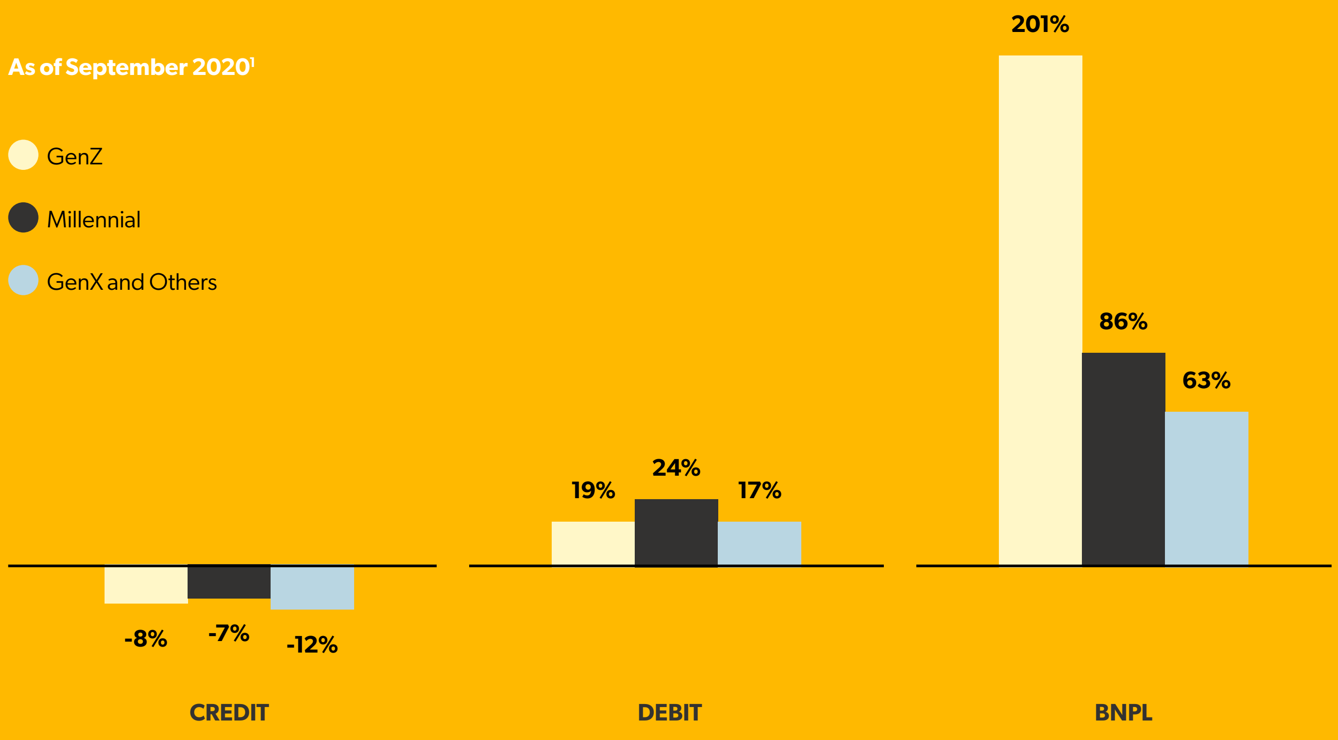
Opy's unique value proposition is to significantly increase sales, margins, and repeat customer value. Merchant costs are transparent and help subsidise the cost of the consumer loan to keep it low. Large aggregator partnerships also create scale and therefore incremental value for Opy's partners.

OpyPro for the B2B market

In 2022, OpyPro, our Software as a Service (SaaS) product will set down its roots in the US. Already active in the Australian market, the product will be Americanised and diversified into the payments space, alongside its fintech beginnings (more on this later).

Year-To-Date US Spending Changes

BNPL is the fastest growing US payment option. While credit card volume declines, payments in BNPL are gathering speed.



1. Barclays Research, 2021: Buy Now, Pay Later: Global Uptake Points to a Long US Growth Runway

Our 6 Pillars of Success.

1

Recruit strong leadership

2

Launch a wholesale merchant strategy and distribution model

3

Create large-scale, sustainable ecosystem partnerships

Added leading industry veterans to Opy's leadership team across key areas including:

✔ Risk
✔ Finance
✔ Marketing
✔ Customer Engagement
✔ Growth
✔ Strategy

Significant progress on our wholesale merchant strategy:

✔ Strong pipeline of wholesale merchant aggregators aligned with Opy's targeted verticals

✔ Pilot program with one of America's largest insurance providers

✔ Advanced across all core verticals with diversification to multiple sub-sectors (eg. ezyVet in Healthcare)

✔ Agreement signed with one world leading payment processor

✔ In discussion with two other large global payment processors

✔ Additionally, in late stage, advanced discussions with two of the largest US and global payments companies to begin piloting Opypay in the first half 2022

Our US market entry was carefully designed with goals in six realms.

4
'Americanize' the platform

✔

- ✔ Leveraging existing platform
- ✔ All requirements integrated for fully licensed and differentiated platform, customised to US market
- ✔ Advanced negotiations with banking and funding partners
- ✔ Ready to launch in October 2021

5
Product tuning: designed by US merchants, for US merchants

✔

- ✔ Launched Opy Merchant Advisory Council to help design and build solutions ensuring continuous feedback and unique user experience

6
Pivot, expand and scale from our existing areas of strength

✔

- ✔ US consumers who safely use Opy in a lower risk target vertical, can take the product to other adjacent verticals where the risk is typically higher
- ✔ Ongoing negotiations with major big-ticket retail merchants to expand beyond our targeted core verticals.

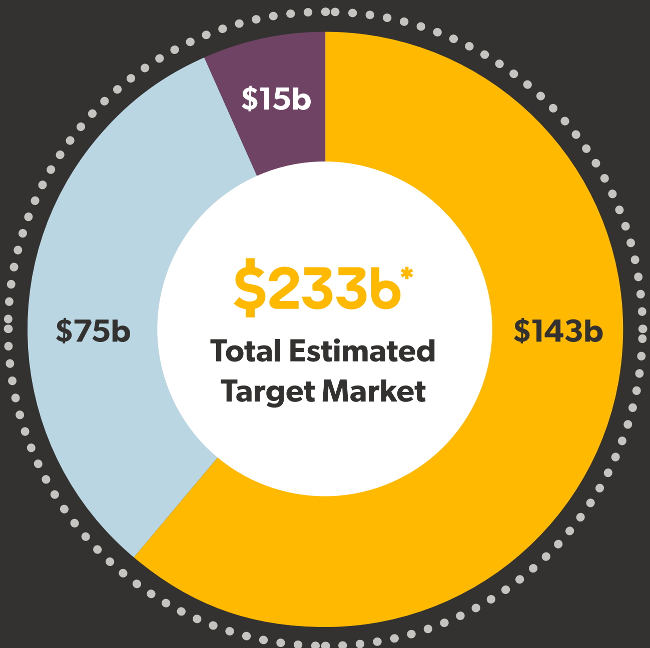
✔ **Completed**

✔ **Progressing**

OpyPro (B2B)

OpyPro makes business account management easy for enterprise businesses and their customers.

Just like our approach to BNPL, our approach to B2B is also differentiated. Many existing business account providers follow an old-world and somewhat manual approach to servicing their trade customers, by only thinking about invoice payment. But OpyPro allows companies to manage their trade accounts end-to-end, digitally from application to transaction and remittance.



Australian B2B Target Market

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

- Self-Funded enterprise merchants – *OpyPro*
- Externally Financed enterprise merchants – *OpyPro + Credit*
- No Current B2B Solution – *OpyPro / OpyPro + Credit*

*Percentage on Trade Credit – Artemis Report (2019)

The OpyPro SaaS solution is fully digitised and commences at the point where a business customer is acquired and the supplier is required to gather information prior to supplying products and services. OpyPro is designed to make that information gathering simpler and easier for the supplier and the buyer, with customisation to fit each supplier's information needs. The process includes credit checks, Know Your Customer (KYC) checks and automated collection and storage of documentation. Once onboarded, OpyPro allows businesses to purchase instore and online using approved credit limits, issue invoices and reconcile payments to reduce the workload on administration teams and grow sales. There is an administration portal for suppliers and a customer portal for their buyers, both fully self-service enabled for simpler real-time account management.

+ Credit

Openpay recently partnered with Lumi, a funding partner focused on the Small to Medium Business (SMB) sector, to expand our addressable market for OpyPro. The partnership adds credit capability for trade customers to the OpyPro SaaS solution, catering to businesses who need funding as part of the trade management solution. This partnership keeps Openpay's OpyPro B2B business model capital light and low risk.

OpyPro + Credit pays the supplier at the point of the transaction, while the buyer receives an invoice aligned with the extended payment terms. Openpay receives a margin on the transaction fee charged to the suppler for the credit terms and benefits from increasing spend through the OpyPro platform. The OpyPro platform has been built in modules that cater to the needs of both self-funded and externally funded companies, our addressable market for OpyPro in Australia is now estimated at a combined $233 billion.

To further bring our OpyPro strategy to life:

- We remain on strategy with Woolworths and focused on delivering the OpyPro solution to a maturing and rich pipeline of new customers in Australia.
- We have integrated with Lumi who will seamlessly provide credit funding for customers that seek to outsource this function, staying true to our strategy of remaining capital light and risk free.
- Furthermore, we have engaged research specialists Forrester to conduct a global review of the market to independently qualify the applicability of the OpyPro solution in other geographies, with a focus on the UK and the US to align with our BNPL operations.

RECENT SUCCESS

A year ago, Openpay announced a partnership with iconic Australian retailer Woolworths Group to help deliver on Woolworths' process and growth priorities.

The OpyPro platform is well progressed in migrating Woolworths' business customers who make purchases both online and in store using the OpyPro solution.

Our Technology & Innovation.

Our tech is getting smarter.

Just as customers are at the centre of everything we do, our powerful technology platform forms the backbone of Openpay's global business. Throughout FY21, we delivered several major initiatives to set us up to deliver on our global promises.

We expanded our platform to new verticals.

In Australia, we launched in Memberships and Education. We launched into the completely unpenetrated Healthcare subsector of Hospitals and geared up to launch in Healthcare and Automotive in the UK. In the US, we're preparing the platform for expansive vertical use.

We integrated with some of the world's biggest payment processors and aggregators.

In line with our one-to-many approach we integrated with 6 new instore and 11 new online software platforms. This enables merchants using platforms such as Salesforce, Magento, Pentana and ezyVet to opt in, simply and easily, to use Openpay as a payment method.

With these FY21 integrations, Openpay is now available across 17 instore (point of sale) platforms and 29 online channels, helping to expand our presence to 7,608 active merchant locations.

Openpay is also in the process of exploring integration work on the BigCommerce and Worldpay from FIS platforms.

Trustpilot

We improved the customer journey.

We modernised our online customer experience, enabling pre-population of customer details, automated address checking and a redesigned sign up and plan creation process for UK customers. These upgrades are delivering a better experience, improved conversion rates and reduced fraud. Development is underway to roll these improvements out to the US and Australian markets in FY22.

We used the power of our data and MarTech.

We migrated from a 'one size fits all' approach to direct communications, to the delivery of a 1:1 multichannel strategy that delivers tailored and timely content to our customers at each point in their lifecycle.

Investment in new technology (Braze) and the building of a global customer engagement team allows us to better understand our target base in each market. Our ability to predict the needs of a customer and their next purchase will help increase 'cross pollination' across verticals via ongoing test, learn and optimisation of our CRM strategy via in-app messaging, mobile push notifications, SMS, website landing pages and email.

We made it easier to be an Openpay merchant.

The introduction of an automated self-service program for merchants significantly shortened and simplified the sign-up process. This led to a substantial uplift in Openpay's Active Merchants, and a ~35% increase in conversion of small- and mid-sized merchants, complementing the strong sales focus on enterprise merchants and aggregators.

We built a better 'insights' machine.

Improvements were made to our data platform and warehouse, enabling improved data analytics, reporting and optimisation of customer and business insights.

Deeper insights enable us to deliver highly customised products and services to our merchants and customers. They also inform our credit model, helping us to lend responsibly, provide support and visibility to our debt funders and keep our margins at industry leading levels.

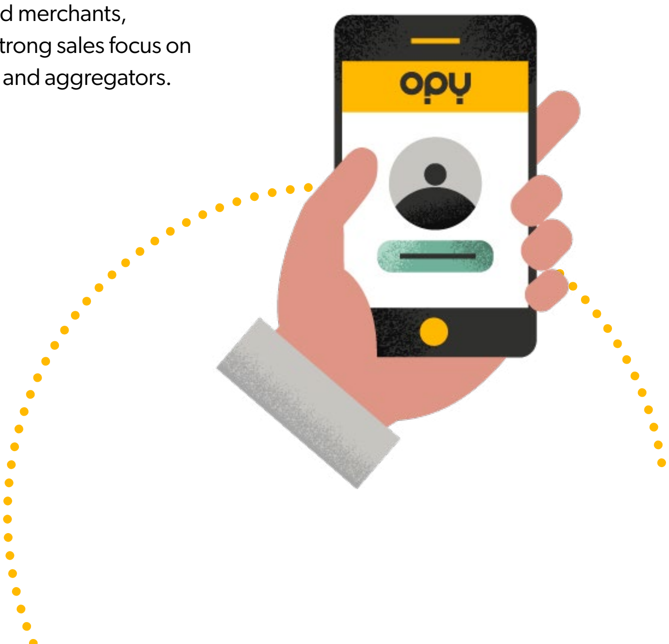
We further fortified our credit decisioning.

We continued to make improvements to our Automated Risk Management (ARM) system in FY21, and we have added in a new layer which went live in FY22. The Provenir decisioning platform has been deployed to enable faster credit model development, machine learning and optimised auto decisioning. It is expected to further improve credit loss profiles and conversion rates.

We launched OpyPro – our unique B2B product.

A substantial investment was made in launching OpyPro with our iconic and foundational customer, Woolworths.

The 3rd party funded OpyPro MVP (with Lumi in Australia and other funders in other markets) has HP as its inaugural customer, as recently announced.



Our tech is getting smarter

WHAT'S NEXT? Well, we're already into FY22, and we're moving quickly to complete projects that will change the way we do our business this financial year. **This continued investment in our core technology will underpin our growth as we take our innovations into global markets.**

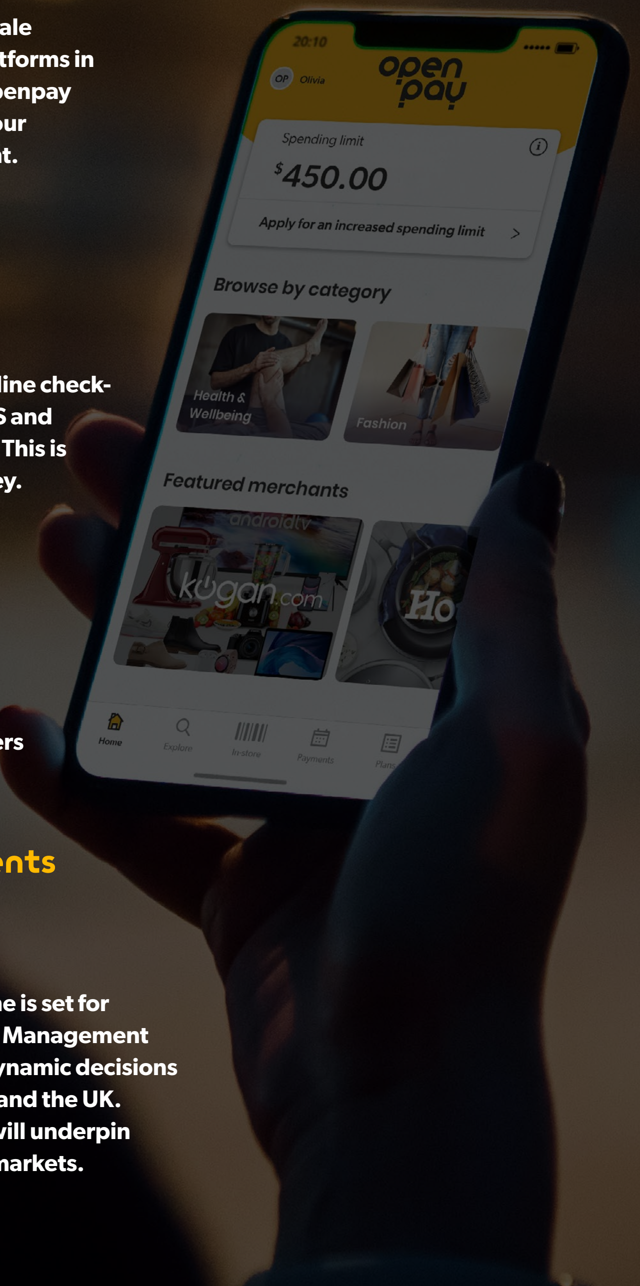
Here's a taste of what you can expect in H1:

We'll launch our UK Healthcare vertical.

Very soon, you'll see Openpay at instore points of sale (POS) across ezyVet and Henry Schein software platforms in the healthcare vertical. This will be the first time Openpay is available instore, and the first demonstration of our healthcare presence in the UK sector - a big moment.

We're further improving the customer journey.

We will roll out a redesigned and re-platformed online check-out, sign-up and plan-creation experience in the US and Australia based on our successful roll out in the UK. This is designed to further streamline the customer journey.



We'll be launching our biggest partnerships to date.

Expect to see our native platform integrations with payment gateways kick off, as well as a slew of others which we'll announce when the time is right.

We'll make continuous improvements to our credit decisioning.

A significant update to our credit decisioning engine is set for release in the coming months. Our Automated Risk Management (ARM) system, which will enable faster and more dynamic decisions to be made for trusted customers in both Australia and the UK. This continued investment in our core technology will underpin our growth as we take our innovations into global markets.

Openpay's team grew to 236 in FY21. We now operate in 4 countries and our global team is spread across 7. As we grow and adopt new ways of working, it's important that our core beliefs continue to guide us; in our interactions as a team, in our actions, and the decisions we make in our roles.

The Openpay Way

In October 2020, our team developed a new set of company values to better reflect who we are today and to help shape the Culture of Openpay in the future.

We Rise Together

We show up for each other, act with empathy and care. We seek to learn; we value diverse perspectives and respect our unique differences. Above all, we are one team.

Relentlessly Focused

We are relentless in our pursuit of excellence and remain humble in our successes. We drive value with our laser sharp focus and an undeniable drive to get it done.

Do the Right Thing

We all take responsibility to act with integrity and respect. We are committed to generating a positive impact for customers, merchants, our community and the environment.

Deliver the WOW!

We put the customer at the heart of everything we do. We have the courage to challenge ourselves to deliver the wow factor through amazing quality and service.

Be Fair Dinkum

We operate with trust and transparency and stay true to our word. We keep it real and tell it like we would to a mate, with candour, honesty and respect.

Amberfy it

We stay true to who we are, approaching things in our own unique way. We inspire growth and deliver innovation that matters. We're not afraid to be brave and change the game.

Environmental, Social & Governance.

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

Embracing responsibility

Regulatory landscape

As a BNPL provider, Openpay is subject to a complex set of laws, regulations and industry requirements in the jurisdictions in which we operate. These include, but are not limited to, financial services, consumer protection, anti-money laundering and counter-terrorism financing, privacy and data protection, taxation and employment. Failure to comply with regulatory requirements in any of our current (or future) jurisdictions, or to respond adequately to any regulatory change, could adversely impact Openpay's reputation and financial performance. Failure to comply could also result in increased compliance costs, the requirement to cease specific parts or all of Openpay's business activities, litigation (including class actions), penalties or other regulatory enforcement action.

In FY21, there were a number of developments impacting Openpay and the broader BNPL industry in multiple jurisdictions:

- In Australia, the AFIA Buy Now Pay Later Code of Practice commenced in March 2021, of which Openpay is a founding Code Compliant Member.
- In the UK, Openpay has been working with the Financial Conduct Authority (FCA) prior to and following release of the Woolard Review into the unsecured credit market. We welcome appropriate regulatory oversight of the BNPL industry and look forward to further engagement with the FCA.
- In New Zealand, Openpay has been in discussions with government officials, together with our industry peers, regarding the development of BNPL services in that country.
- In the United States, we have had preliminary discussions with federal and state authorities as part of our regulatory compliance strategy and product launch preparations.

In all jurisdictions in which Openpay operates, we seek to operate our business in a responsible and fully compliant manner, and to advocate for regulation which appropriately protects against consumer harm, while not stifling the innovation and consumer choice BNPL products provide.

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

Governance

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

> *"The flexible work options that Openpay provides me allow me to adapt my work to fit around family demands. We have an open-door policy at Openpay and I feel confident that if I am struggling with work life balance I can reach out to anyone from management team and have my concerns addressed in a supportive and positive way."* **– Avantika Avantika, QA Team Lead, Australia**.

Diversity and inclusion

Our commitment: A space to thrive.

Diversity and Inclusion is more just than an agenda. We are proud of our strong and diverse workforce and are committed to supporting and further developing this through attracting, recruiting, engaging and retaining diverse talent, while aligning our culture and management systems with this commitment.

Collectively led

Our culture is created, maintained and advanced by each and every Team Member. In 2021, we reaffirmed our commitment to build an inclusive culture of belonging at Openpay and increased workplace participation of underrepresented groups including; Women, First Nations People, Black, Indigenous and People of Colour, and members of the LGBTQ+ community.

Some examples of our efforts:

- ***Education:*** Building awareness of Diversity and Inclusion at Openpay, learning about our roadmap and charter, conscious/unconscious bias awareness training.
- ***Policy:*** Conducting regular reviews of our workplace policies to ensure inclusive language and equal access to best practice employee benefits and entitlements, irrespective of gender.
- ***Process:*** Our recruitment and other performance processes are regularly reviewed in line with local anti-discrimination and EEO laws to make sure that we continue to provide equal opportunity, eliminate bias, and attract a greater number of diverse candidates.
- ***Our environment:*** The introduction of Team Member Networks (TMN's) has provided team members with avenues to come together, based on shared identity or life experiences. These voluntary groups promote a greater sense of connection and belonging and an environment in which our people can share, learn, and be inspired.

Year 1 Diversity Targets Acheived:

– Reduce gender pay gap by 5%

– Increase representation of underrepresented groups in applications to form baseline metric

– 10% of vacancies filled by internal promotions

– Increase % of females in product and technology roles by 10%

– 100% participation in ongoing Diversity and Inclusion Education specifically, 8 hours per annum per team member

Recognised by US Recruitment Platform, Mogul, one of the world's largest resources for diverse talent, as one of the Top 100 Workplaces for Diverse representation in 2021.

In 2021, Openpay were accepted into the 10,000 Black Interns movement in the UK. The movement transforms the horizons and prospects of young black people in the UK by offering paid work experience across a wide range of industries, as well as world-class training and development.

Our Diversity Profile

We remain committed to achieving gender balance at a senior leadership level. In FY21 our gender balance was impacted by an increase in the number of Senior Executive roles following the roles of US CEO and Global Strategy Officer and Group Chief Information Officer being introduced.

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

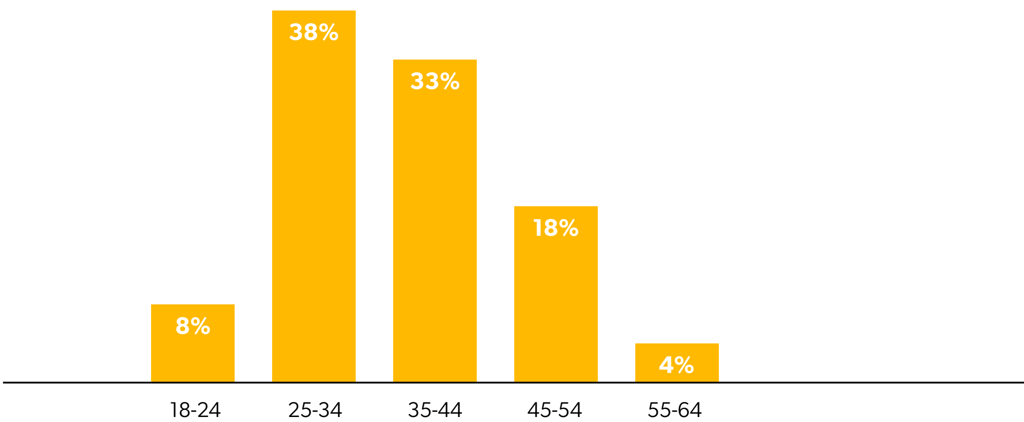
	Board	Group Senior Executive	Senior Leaders	Mid-Level Leaders	Openpay Group
Male	66%	82%	70%	75%	64%
Female	33%	18%	30%	29%	34%

Females in Product and Technology

In the past 12 months, the gender balance of our Product and Technology teams has strengthened with a 25% increase in female team members. We actively promote careers in product and technology for women, and partner with several diversity-based organisations including HackerX and WomenHack.

What's in an age?

Our average age of Openpay employees is 36 with most employees aged 25-44.



Staying healthy and well

The health and safety of our team members and contractors is the highest priority for Openpay. Our range of holistic wellbeing initiatives includes mental health, physical health and financial wellbeing resources, plus a flexible work structure and free and anonymous counselling services in each country through our EAP partnerships.

We recorded no injuries in the workplace or within our remote workforce through FY21 and fully complied with internal regulations and applicable OHS laws.

Support for our people through COVID-19

The impact of the pandemic continues to be felt by our team members globally, with all markets at different stages of easing restrictions. To support a safe return to our offices, we have introduced and continue to evolve safety measures in line with local government guidance in each region.

As a responsible employer we encourage team members to be vaccinated and offer team members up to 2 days of Paid Vaccination Leave.

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

Support for Working Parents

Our working parents have been impacted severely by the frequent closure of schools. Throughout the year, we've built channels via our internal comms platform that allow parents to crowdsource ideas, tips and activities to engage their children. We organised activities and events specifically for Openpay kids like colouring competitions and Kids Yoga classes, and senior leaders even got involved by reading short stories in a virtual Story Time.

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

Adapting to a changing environment

The Openpay team is made up of 236 individuals, with offices in Australia, New Zealand, the UK and US. Despite the world still reeling from COVID-19, our team has grown by over 43% in FY21. Much of our growth has been focused on enhancing our internal capabilities, specifically in Product and Technology, alongside building our core US team in preparation for our upcoming launch.

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

In a recent team survey over 95% of our team told us that the changes to our ways of working since moving to a remote model have either met or exceeded their expectations. Also, 90% of our team said that they were proud with the way in which we responded to the pandemic.

Adopting a hybrid work model has allows us to look further afield for new talent. Since FY19 the number of team members who reside outside of our home cities has increased from just 3 to over 70. Our 'talent first, location second' approach has expanded our talent pool considerably and uncovered markets which were previously inaccessible, contributing to a reduction in our average recruitment time – now 23.9 days, down from 33 days last FY.

Learning and Development

Every single team member has participated in learning events in FY21 with over 90% delivered virtually due to an expansion of our internal capabilities through a new L&D function.

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

With our investment in L&D, we also aim to provide equal opportunity for team members to progress their career at Openpay.

In FY21, 15.6% of roles were filled by internal candidates. To support the growth of this figure, we have introduced one-on-one career coaching, a job shadowing program and team-based learning programs and professional mentoring.

Openpay in the Community

Everyone on our team has a cause important to them. Openpay actively engages with these communities through both financial and non-financial support. In FY21 this included:

- Medical Oxygen for India relief fund
- Supporting Fitted For Work and Children's Ground in Australia
- Supporting Retail Trust in the UK
- Joining the Red Cross Lifeblood initiative in April 2020. Over the past 12 months our team have donated blood over 67 times, helping to save over 200 lives.

We empower our team to make a difference by donating to local charities through Openpay's team member referral program. For each successful team member referral made by an employee, they can donate up to $3000 to a charity of their choice. All donations are matched by Openpay.

In FY22 we are excited to launch our Epic Cause program. Designed in support of a social cause, this business wide initiative was born from our internal Dream the Dream innovation program and will focus on building financial awareness.

Leaving a lighter footprint

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

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

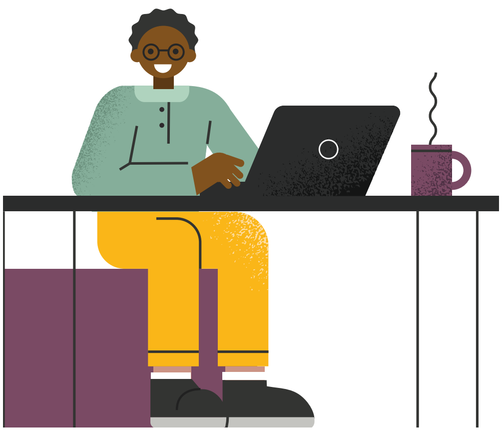
- Office locations designed to facilitate public transport or biking to work
- Team members encouraged to use virtual meeting technology over in-person meetings
- We recycle paper, cardboard, plastic, coffee cups and green waste
- Team Members get keep cups to prevent the usage of disposable coffee cups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

Moving forward

We take our responsibility to the Earth seriously. Openpay is currently undergoing the B-Corp accreditation process and in FY22 we'll further advance our commitment to sustainability by establishing a committee to govern our efforts in identifying and focusing on specific sustainability goals.

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

- Refine and evolve our sustainability approach through research, education and engagement
- Consider the sustainability risks and opportunities, set appropriate goals and track our progress against them
- Engage with investors and other stakeholders on sustainability matters
- Analyse the overlap between ESG reporting requirements and other reporting frameworks, aligning with the most appropriate to support our disclosures
- Report on progress in our annual report and to our risk and sustainability committees and the board.



Thank you for your continued trust and support during this transformative year for Openpay. We are truly proud to have reported many major achievements

Michael Eidel, CEO

Risks & Challenges.

Innovation always has a flip side. As we leave our mark in highly competitive and rapidly evolving global sectors, a considered approach to any risks and challenges that arise in the context of our business model and strategic objectives is, well, imperative.

If we're going to provide a sustainable, ethical, and responsible service to customers and merchants, the identification, assessment and management of risk forms a cornerstone for how we operate. Appropriate management strengthens our decision making and prioritises efforts that accelerate growth in a sustainable and responsible way.

Openpay continually invests in improving its risk management framework and internal control environment to ensure that we continue to deliver the right business and customer outcomes while protecting the organisation.

Let's talk about risk

	RISK	MITIGATION
The Competition	*Openpay operates in a competitive environment, which means there's a risk of new providers or existing competitors delivering a comparatively superior solution or experience.* *Competitors consolidating or partnering to deliver benefits at a scale that Openpay can't effectively compete with is also a risk.*	Competition isn't always adverse if we stay informed and continue to innovate. Openpay has a clearly articulated strategy and a unique position in the market relative to its competitors that can be built upon and diversified. We create 'moats' around our longer, larger and verticalised product, with our wholesale distribution strategy seeing our product natively integrated in the technical platforms of globally leading aggregators and ecosystem partners: one deal and one integration providing thousands of merchants and tens of thousands of customers with access to our product. Building a reputable brand across both the BNPL (B2C) and SaaS (B2B) sectors strengthens our overall position in the market. Our dedicated focus on constant refinement of our systems and processes also ensures our product remains effective and relevant, if not ahead, of our competitors.

	RISK	MITIGATION
Regulatory Compliance	*Just like any financial services provider, we are subject to a range of laws, regulations and industry compliance requirements in the jurisdictions in which we 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 (including product suitability)* • *Anti-money laundering and counter-terrorism financing* • *Privacy and data protection* • *Financial and taxation* • *Employment* *Failure to comply with these obligations, or to appropriately respond to changes, could adversely impact reputation and performance, including increased compliance costs, the requirement to cease certain business activities, and exposure to litigation, penalties or other regulatory inquiries.* *There is also a risk that changing regulatory Requirements may increase.*	Openpay has dedicated legal and compliance functions in place to ensure effective management of all obligations. We constantly monitor the legislative and regulatory landscape for relevant changes and continue to work in proactive collaboration with industry bodies and regulators in a constructive and timely manner. This helps support the ongoing suitability, appropriateness and viability of our products and services.
Liquidity and Funding Risk	*Our business model is reliant on the ability to pay merchants while enabling customers to use Openpay services to acquire goods and services. If sufficient liquid funds are not available to transfer to merchants within the specific service levels agreed, in relation to purchases made by the customers, there is a risk that the merchant may become dissatisfied and not offer Openpay as a payment solution. This could have an adverse effect on Openpay's operations and financial performance.* *In addition, access to incremental capital is required to support the continued growth in both the Openpay receivables book, general working capital and inorganic acquisitions. Should investor sentiment deteriorate, share price or the share market underperform, there is a risk that that Openpay is unable to secure the required capital to support its growth plans, either on terms acceptable to Openpay or at all.*	Openpay's Treasury function continually works with new and existing debt providers, as well as investors and investment banks (domestically and abroad) to identify the most appropriate funding solutions for the current and future business requirements. Openpay also monitors its existing portfolio of merchants to ensure that sufficient funds are available for expected business volumes.

	RISK	MITIGATION
Third-party Services	*There is a risk that the service offered by third-party providers - who support our product and service offerings - may fall below expected standards or experience disruption. Any such failures will have a consequential impact on the reliability and quality of the Openpay offering and may adversely affect our relationships with our merchants and customers.*	Openpay proactively manages relationships with third party services throughout the entire vendor lifecycle, particularly those supporting key business processes. To ensure Openpay deals with reputable and reliable partners, due diligence is undertaken on all vendors prior to onboarding, followed by ongoing monitoring to ensure that service disruptions are identified early and managed proactively. As part of Openpay's Business Continuity Framework, all critical services are identified including dependencies on third parties, which is used as a key input into the design and implementation of resilient solutions to minimise the impact of any disruptions.
Bad and Doubtful Debts	*A current operating expense incurred by Openpay relates to bad and doubtful debts, which represents the portion of customers who delay or fail to meet their repayment obligations (outside of the initial deposit received by Openpay).* *Excessive exposure to bad and doubtful debts, could be caused by a failure to implement upgrades or enhancements to our front-to-back credit decisioning and management process, or anti-fraud controls. Failure to efficiently manage the upgrade or enhancement is also a risk.*	Openpay has dedicated teams that monitor and manage fraud risk and credit risk performance against target loss threshold levels. Relevant controls are implemented and optimised on an ongoing basis across the front-to-back customer journey. These include but are not limited to: • Credit and fraud decisioning systems • Limits • Collection strategies • Internal process Openpay achieves this with its own IP and internal expertise, as well as integration with market-leading third party providers across customer verification, fraud prevention, merchant screening and credit worthiness services.
Advancing Technology	*Technology systems are core to ensuring Openpay's product and service remain relevant and able to evolve at the required pace.* *Without continuous investment and development, it'll be hard to retain a competitive edge and position as the most relevant and flexible products and service offering for merchants and customers.*	As a fintech, ongoing development and advancement of our technology platform remains a core focus. With unrelenting investment in our platforms, we continue to address: • Customer preferences and product design risk • Product delivery and speed to market risk • Availability and reliability of our systems

	RISK	MITIGATION
Market Growth *Customers & Merchants*	*Openpay's ability to increase revenue and achieve profitability is dependent on the ability to profitably scale the business, which in turn is dependent on increases in transaction volumes and growth in our customer and merchant base. Failure to grow may materially impact our ability to achieve economies of scale and increase market share, which may have an adverse impact on Openpay's financial performance.*	Openpay has a diverse base of merchants and customers across industry sectors. Operations have expanded internationally and are currently present in four jurisdictions including Australia, New Zealand, the UK and US. We continue to invest in optimising our customer and merchant onboarding approach and processes to grow at scale rather than in small increments. Our growth strategy is further diversified given our entry into new products/markets (such as SaaS) for the B2B sector.
Exposure to General Market Conditions *(including COVID-19)*	*Openpay's performance depends, to a certain extent, on macroeconomic factors that impact the spending power and preferences of customers. These factors include economic growth, unemployment rates, interest rates, consumer confidence, taxation, inflation and the availability and cost of credit.* *Consumer spending may be affected by unforeseen global events such as floods, droughts, pandemics and natural disasters. Several uncertainties have arisen because of the COVID-19 pandemic, impacting macroeconomic factors such as unemployment and consumer confidence. The visible economic impact in our jurisdictions may result in a reduction of credit underwritten, delays in acquiring new merchant partners or the closure of current merchants - all of which may adversely impact Openpay's financial performance.*	Openpay regularly monitors the market and economic conditions to identify any potential changes and associated impacts to adapt and proactively manage those situations. Diversification across different BNPL industry verticals (Automotive, Healthcare, Home improvement, Retail, Memberships and Education) as well as in the B2B sector (with its SaaS offering), helps Openpay manage adverse market conditions, particularly in the current s cenario of disproportionate impacts being felt in the Retail sector.
Cybersecurity and Data Protection	*Openpay collects and holds a wide range of personal and commercial information about customers and merchant partners.* *There is a risk that Openpay's systems, or those of its third-party service providers, may be impacted by external malicious attacks.* *Unauthorised access to, or a breach of Openpay's technology infrastructure due to cyber-attacks, negligence, human error or other third-party actions, could disrupt our operations and result in the loss or misuse of confidential data. This may expose Openpay to litigation, claims, regulatory fines or penalties and adversely affect our reputation, operations and financial performance.*	Openpay deploys defence-in-depth strategies to strengthen its security posture and uses a mix of governance, technical and procedural controls to prevent, detect and manage any cyber-attacks or unauthorised access to data we hold. This includes, but is not limited to: • Embedding the Openpay Information Security Policy and supporting procedures across the business • Employee education and awareness • Defend and detect controls across the different layers of Openpay's technology stack (i.e. from network to application) • Support from a robust incident management program.

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 22. The financial statements are presented in Australian dollars.

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

The financial statements were authorised for issue by the Directors on 26 August 2021. The Directors have the power to amend and reissue the financial statements.

Directors' Report.

Your directors present their report on the consolidated entity consisting of Openpay Group Ltd ('Openpay' or 'the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2021 (together "the Consolidated Entity" or "the Group").

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial period, except as otherwise noted in this report.

DIRECTORS AND COMPANY SECRETARY

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

Patrick Tuttle

Michael Eidel

Kelly Bayer Rosmarin

Sibylle Krieger

David Phillips

Yaniv Meydan

The company secretary, Edward Bunting LLB, BComm, 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 fast-growing and highly differentiated player in the global 'Buy now pay later' (BNPL) payment solutions market. The Company's strong platform enables it to deliver the most flexible plans in the market with durations of 2-24 months and values up to $20,000.

Openpay focuses on industries where it can make a true difference: Automotive, Healthcare, Home Improvement, Memberships and Education; and its target customers are finance-savvy and of an older demographic who use Openpay plans as a cashflow management tool.

Openpay also has a unique B2B offering, OpyPro (formerly Openpay for Business), a SaaS-based platform that allows companies to manage trade accounts end-to-end, including applications, credit checks, approvals and account management in one system.

Openpay provides services to Customers and Merchants in Australia, New Zealand and the UK and entered the US market, under the brand name Opy, in December 2020.

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

A differentiated approach to BNPL

With its 'Buy now. Pay smarter.' approach, Openpay is different from its main BNPL competitors in the following ways:

- **Product**: Openpay has larger payment plan sizes with a greater mix of plan terms. Its payment plans extend up to $20,000 and 24 months, with no interest. There is flexibility around timing of the first repayment and scope to defer payments to better align with customers' pay cycle and cash flow. Different to other providers, Openpay customises its plans in each vertical to the business cycles of merchants.
- **Industry approach**: Complementing its Retail offering, Openpay focuses on specialised industries like Automotive, Healthcare, Home Improvement, Sports Memberships and Education where it is often the sole BNPL provider or one of only two. The Average Transaction Values in these five verticals also tend to be higher than Retail.
- **Customer approach**: Openpay targets finance-savvy, responsible purchasers who use its product as a smart budgeting tool for a broad range of lifestyle-related needs.
- **B2B offering**: Openpay has a unique B2B offering, OpyPro (formerly Openpay for Business) – a SaaS-based platform that allows companies to manage trade accounts end-to-end, including applications, credit checks, approvals and account management in the one system. During FY21, onboarding of business customers with inaugural customer Woolworths continued, with volumes ramping up during H2 FY21.
- **International reach**: Openpay has seen further record growth in Australia and the UK and is well positioned for further international expansion. Following the build of a solid Retail customer base, the Company is now rolling out into specialised verticals of Automotive and Healthcare in the UK. Under the brand, Opy, Openpay commenced its launch in the US in December 2020. Openpay is targeting go-live of its US product and Americanised platform in early October 2021.

Directors' Report.

REVIEW OF PERFORMANCE

Operational performance – BNPL (Openpay; OpyPay)

Openpay's merchant and customer-led 'Buy now. Pay Smarter.' (BNPS) business showed strong growth across all key metrics in FY21:

- Active Plans increased by 141% to 2 million
- Active Customers increased by 69% to 541k
- Active Merchants increased by a record 77% to 3.8k
- Total Transaction Value increased 77% to $339 million, and
- BNPS Revenue increased by 43% to $25.8 million, with a market leading revenue margin of 7.6% for the year.

In Australia, Openpay was present both instore and online in the Retail vertical, but importantly also across a range of specialised verticals, including Automotive, Healthcare, Home Improvement, Education and Memberships.

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

A selection of key wins for Openpay Australia included major merchants Kogan, Officeworks, Mosaic Brands, Retail Apparel Group, Surfstitch, Ford, National Tiles and VetPartners. Openpay announced its entry into the Hospitals sub-segment of the Healthcare vertical, via a partnership with St John of God Health Care.

Openpay continued to sign and integrate with major platform and aggregator partners to enable merchants to simply "switch on" Openpay as a payment type. This strategy is designed to deliver transaction volume and merchant growth at scale (rather than signing up merchants one-by-one). Partnerships were put in place with partners including Gameday, MSL Solutions, Pentana Solutions, Adobe Magento, Quest Payments and Apparel 21.

Openpay was announced as the official (and only) BNPL partner of Australian National Rugby League team, Melbourne Storm. The partnership includes category exclusivity, partnership and signage rights at all home games, as well as access to the Storm's 1m+ social media fans.

The UK business operated solely in the online Retail vertical. For the first time, at the full year mark, the UK business outstripped the remainder of the group with two of its key metrics, finishing the year with:

- 802k Active Plans, up 329% over the prior year and
- 276k Active Customers, up 153% over the prior year

A selection of wins for Openpay UK included Snug Sofa, THG brands of companies including Lookfantastic, Myprotein, Zavvi, Thehut.com, All Sole and Glossybox, JD Group brands, Size! and Tessuti with Pentland Group main brands Speedo, Berghaus and Kickers. Openpay was also integrated with ecommerce platforms in the UK including Apexx, Aero, One Step Checkout, NOP Commerce, Aurora, Astound Commerce and Shopware, offering access to 15,000 retail merchants. Openpay UK signed multiple football club partners including Fulham FC, Wolverhampton Wanderers FC, West Brom and Brentford FC just to name a few.

Through FY21, Openpay UK announced it would expand into the Healthcare vertical with ezyVet. For the first time, Openpay payment plans will be made available instore to consumers from early FY22, through a recent signing with Pennard Vets veterinary group, an ezyVet customer.

Openpay UK announced it would move into Automotive via the highly transformative anticipated acquisition of leading BNPL provider to the UK automotive market, Payment Assist expected to be completed in the first half of FY22. The Payment Assist acquisition will establish Openpay as a major player in the UK BNPL market, nearly tripling UK TTV and growing UK Active Customers by about two-thirds. The deal will provide Openpay with FCA credit authorisation, contingent on FCA approval of change of control application, responding to the company's strategy to provide regulated credit.

Following announcement of its expansion into the US market in December 2020, through FY21 Opy recruited a team of leaders in the US payments market, then localised the Opy platform and systems, positioning it in the world's largest developed market as the next generation BNPL product.

A cohesive US entry program has been designed with Opy's differentiated longer terms, larger value and customised payment plans, built around a model to scale quickly with strategic aggregator partnerships as shown by Openpay's partnership with world-leading payments provider Worldpay from FIS, which was announced in late March 2021. Following extensive collaboration with Opy's Merchant Advisory Group of US business leaders, the US product will be a highly competitive interest free, significantly lower cost alternative to credit cards and longer duration BNPL peers that commonly charge compounding interest with annualised percentage rates as high as 36%. Go-live is targeted for October 2021.

Opy has built a large pipeline of banking and funding partners, wholesale merchant aggregators aligned with its key verticals (Healthcare, Automotive, etc) as well as ecosystem partners (processors, banks, card networks), with further key strategic partnerships expected to be announced in Q1 FY22. Many of those are industry leading companies who are in advanced stages of planning Opy pilots and controlled roll outs to launch in H1 FY22.

Step change TTV growth is anticipated to be registered during Q2 FY22 when Payment Assist, UK healthcare, and US volumes are expected to be delivered for all or most of the quarter.

Operational performance – B2B (OpyPro)

OpyPro, Openpay's differentiated B2B SaaS platform continued to deliver strong growth with Woolworths Group. Since soft-launch of the platform in September 2020, transactions have grown substantially month on month whilst trade business customers were onboarded to the platform which is now functioning instore and online.

In partnership with Lumi, Openpay is now also able to offer a funded B2B solution, OpyPro + Credit. This partnership enables the platform to deliver end-to-end payment experiences, including funding for the merchant's B2B customer should they want to include this in the offering beyond Openpay's core B2B SaaS solution.

The OpyPro pipeline of new partnerships is maturing with new B2B partnerships expected to be announced early in Q1 FY22.

FINANCIAL PERFORMANCE

The Group's statutory loss for the year ended 30 June 2021 was $63.1 million, a loss increase of 78% on the prior year.

The Group's loss for the year excluding significant items was also $63.1 million translating into a loss increase of 72% on the prior year, and represents investment in its global growth strategy ahead of launch into the US.

Openpay saw significant growth in total income of 44% during FY21. Key growth drivers included the increase in TTV from underlying sales accompanied by growth across all 'Active' operating metrics and continued growth in the Group's UK business.

EBITDA[1] (excluding significant items[2]) for the financial year was a loss of $55.1 million, a loss increase of 83%, up from the FY20 loss of $30.1 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 excluding interest, depreciation and amortisation of 68% during the period.

In $'000s (Excluding significant items)	30 June 2021	30 June 2020	Change
Income	**26,032**	18,005	45%
Other income	**287**	248	16%
Total income	**26,319**	18,253	44%
Receivables impairment expense	**(12,210)**	(7,890)	55%
Employee benefits expense	**(27,705)**	(18,134)	53%
Share-based payments expense	**(2,064)**	(441)	368%
Advertising and marketing expenses	**(7,162)**	(3,183)	125%
Other operating expenses	**(32,250)**	(18,746)	72%
Operating expenses	**(81,391)**	(48,394)	68%
EBITDA before significant items	**(55,072)**	(30,141)	83%
Depreciation and amortisation expense	**(2,321)**	(1,312)	77%
Finance costs	**(5,666)**	(5,130)	10%
Net loss before tax and significant items	**(63,059)**	(36,583)	72%
Significant items:			
Fair value calculation of financial derivatives	**-**	6,407	n/a
Share-based payments expense arising on IPO	**-**	(2,279)	n/a
Cost of equity raising, IPO and share placement	**-**	(2,946)	n/a
Net loss before tax	**(63,059)**	(35,401)	78%
Income tax expense/(benefit)	**-**	-	-
Statutory net loss	**(63,059)**	(35,401)	78%

1 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.

2 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.

INCOME (REVENUE)

Income, which includes both BNPS income and OpyPro income, for FY21 was $26.0 million, representing a 45% increase on FY20. BNPS income grew $7.8 million and 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. OpyPro, having been launched during the course of FY21 contributed $217k in revenue for the financial year.

Openpay generates BNPS 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 and credit losses incurred as a result of delinquent plans. Late fees amounted to $6.6 million in FY21 (FY20: $4.2 million), predominantly driven by early stage loss performance related to a large enterprise merchant in the UK; however, the late fees have since reduced during Q4FY21 and in early FY22.
- No interest is ever charged by Openpay on any of its current plans.

OpyPro income is generated via transaction fees, based on a percentage of transaction volume, and account set-up fees for each new customer account set up on the SaaS platform. Going forward, and through the introduction of Opy Pro + Credit, new sources of revenue will be introduced.

During the year, Openpay has seen a shift in revenue mix with merchant fees representing 50% (FY20: 46%) and customer fees also representing 50% (FY20: 54%). 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. The average transaction value of plans in FY21 has reduced to $215 (FY20: $272) 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 ongoing lockdowns.

OPERATING EXPENSES

Operating Expenses (excluding significant items) for FY21 were $81.4 million, an increase of 68% over FY20. In FY21, Openpay invested significantly in the foundation of people, processes and its technical platforms, to deliver its growth strategy. These strategic investments align with growth of the business and its expansion into the US market.

The receivables impairment expense for FY21 was $12.2 million representing 3.6% of TTV (FY20: 4.1%). The 55% increase in bad debt charges over the previous year follows portfolio growth along with early stage losses within the UK portfolio (addressed in the Credit and Fraud Performance section below), as well as the resultant increase in provisions for expected future credit losses. As of 30 June 2021, the provision for expected credit loss (including an additional overlay for macroeconomic conditions) was 6.9% of gross receivables, up from 4.2% in FY20, representing a mix shift in the year toward the Retail vertical as well as early stage losses recorded in the UK (performance which has since improved and reverted towards targeted levels during the latter part of the financial year and further into FY22).

Employee benefits expense increased to $27.7 million (FY20: $18.1 million) over the year to 30 June excluding significant items, due to the increase in operational capacity in Australia and the UK and the addition of the US team in preparation for the commencement of operations in the US.

Other operating expenses of $32.3 million (FY20: $18.7 million) represent continued operating expenses for technology, communications and processing costs during FY21. 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 preparing for launch of its US presence.

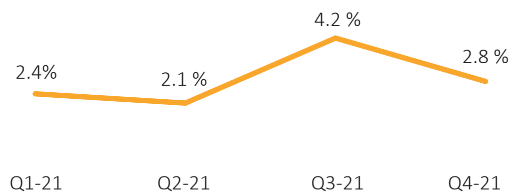
Credit and Fraud Performance

The increase of the Group's arrears rate to 2.8% as at 30 June 2021 (30 June 2020: 0.8%) was recorded as a result of the tail-end of temporary early stage losses noted in the UK region, relating to the Group's largest enterprise merchant within the Retail vertical. The portfolio has since returned to more normalised performance levels and is expected to remain within the targeted loss range on an on-going basis. Openpay wrote off $10.1 million (FY20: $5.8 million) in bad debts during the year, consisting of both credit and fraud, which accounted for 3.0% of TTV (FY20: 3.0%), translating into a consistent loss rate of TTV as compared to FY20.

Openpay targets a credit and fraud loss rate operating band within 1.5% and 2.5%, which it pro-actively manages toward by using both internal and external risk management capability.

The Group continued to make enhancements to its proprietary Automated Risk Management (ARM) system throughout the period to assist with ongoing improvements to credit and fraud decisioning, and continues to roll-out increased risk management capability across all regions it operates within.

Arrears - % of Receivables

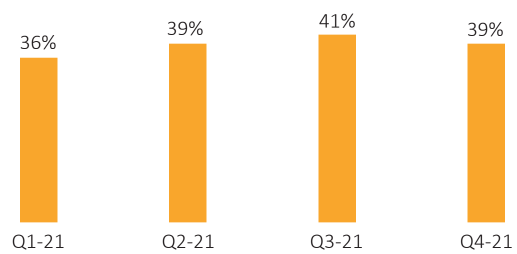


FINANCIAL POSITION

Receivables

Gross receivables as at 30 June 2021 were $63.2 million, representing a 26% increase on FY20. The movement in Openpay's accounts receivables balance reflects the growth in the overall book, and the timing difference between collection of TTV from customers and payments made to merchants as at the time of purchase. During the FY21 period, the business increased its average repayment rate to 38% (FY20: 35%), which has increased the velocity of collections to 4.6x for the year compared to 4.2x in FY20, driving up the Company's capital efficiency, enabling more rapid reinvestment of funding to support continued growth.

Repayment Rate



The provision for expected credit loss as outlined as at 30 June 2021 was $4.4 million ($2.1 million FY20) being 6.9% of gross receivables, representing continued portfolio growth and associated temporary early stage dynamics noted.

Capital Management and Funding

In Q4 FY21, Openpay successfully closed a $71.2 million equity and funding package, which was approved by shareholders at a General Meeting on 10 May 2021. This funding comprises an institutional placement of $37.5 million, a corporate debt facility of $25 million, and a share purchase plan (SPP), which closed oversubscribed through the June quarter at $8.7 million.

The funding will support the Group to continue investment in its strong growth trajectory in Australia, the UK, and now also within the USA where progress toward launch preparedness is on track with funders and regulatory licensing partners anticipated to support the early October 2021 launch.

In addition, Openpay has Australian receivables funding facilities in place of up to $55 million committed, with a further $10 million uncommitted (30 June 2020: $55 million), an existing corporate debt facility of $10 million (30 June 2020: $10 million), and a committed UK receivables debt facility of up to £25 million (and a further £35 million uncommitted). As of 30 June 2021, Openpay has undrawn facilities of $70 million in Australia ($35 million receivables funding facilities and $35 million corporate debt facilities) and £50 million receivables funding facilities 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. As explained further in Note 4 to the financial statements, Openpay will require and intends to secure additional facilities from financiers or equity to support and augment its strong balance sheet and fund its continued rapid growth.

CASHFLOWS

Cash as at 30 June totalled $52.1 million (30 June 2020: $70.1 million) representing a total net cash outflow for FY21 of $18.3 million (FY20: $62.4 net cash inflow). The movement in cash during the year is a result of the investment associated with the company's US expansion and ongoing growth in both Australia and the UK, offset by capital raise proceeds received during the year.

Cash receipts from customers in the year ended 30 June 2021 were $359.9 million (FY20: $186.9 million), a 93% 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 FY21 were $66.4 million (FY20: $57.6 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.

Movement in financing cashflows relates to drawdowns on receivables funding of $9.0 million, supporting growth in the book and a net cash inflow of $44.5 million relating to equity raised through the Share Placement and Share Purchase Plan in H2 FY21.

OUTLOOK

FY22 is expected to be Openpay's most transformational year yet and one that will see Openpay work hard to become a leader in its chosen verticals.

Buy now. Pay smarter.

The goal for the BNPS business is to pivot all markets to the 'upper quadrant', toward higher value, longer term and more customised plans across the Company's specialist verticals, delivering substantial value to both merchants and customers. This strategy helps us generate a healthy, best in class revenue yield as a precursor of sustainable, long-term profitability.

Openpay Australia will continue to leverage the strong foundations created across Retail and specialised verticals of Automotive, Healthcare, Home Improvement, Education and Memberships. It will act as an innovation core, developing new ideas and platform developments for rolling out to other markets.

A strong vertical foothold will be established in the UK as Openpay moves into the UK Automotive vertical with Payment Assist, and also into other verticals, such as Healthcare.

Opy USA is anticipated to 'go-live' in October 2021, bringing with it an entirely new revenue stream in the world's largest consumer payments market. Many key strategic partnerships are in advanced stages of planning Opy pilots and controlled roll outs to launch in the first half of FY22. This new business area is expected to deliver very strong growth during FY22.

OpyPro

OpyPro will continue to grow as a new B2B solution for enterprise customers, with this highly value accretive SaaS based revenue further contributing to Openpay's bottom line.

Across these key tenets, the strategy is expected to deliver substantial uplifts in usage, volume, transaction value and revenue. Continued investment into Openpay's core technology platform, product innovations and advanced analytics will further underpin the Company's strong growth.

FY22 will see the launch of Openpay's Opy Pro + Credit product which, in co-operation with Lumi, will allow for the Group to expand into a funded version of its SaaS product and again increase its service offering and strengthen its results in a capital-light way.

Events since the end of the financial year

With the exception of the item listed below, no other matters or circumstances have occurred subsequent to 30 June 2021 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Payment Assist acquisition

On 22 June 2021, the Group entered into a Share Purchase Agreement (SPA) with Payment Assist UK to acquire 100% of the issued capital in Payment Assist Ltd (Payment Assist). Payment Assist is a buy now, pay later provider to the UK automotive sector.

As part of the SPA, Payment Assist UK will receive a minimum of £11.5 million (approximately $21.2 million) in consideration payable as follows:

- Upfront consideration - £11.5 million (approximately $21.2 million), comprising £8.2 million (approximately $15.1 million) cash (subject to certain adjustments) and £3.3 million (approximately $6.1 million) in Openpay scrip payable at completion.
- Earn-out consideration of up to £17 million (approximately $31.3 million), payable as follows:
  - Tranche 1 of up to £5.5 million (approximately $10.1 million), subject to satisfaction of certain key performance indicators (KPIs) for the financial years of Payment Assist ending 31 December 2021 (FY2021) and 31 December 2022 (FY2022);
  - Tranche 2 of up to £5.5 million (approximately $10.1 million), subject to satisfaction of certain KPIs for the financial year of Payment Assist ending 31 December 2023 (FY2023); and
  - Outperformance Earn-out Consideration of up to £6 million (approximately $11.1 million), subject to satisfaction of certain 'outperformance' KPIs for FY2021, FY2022 and FY2023

    60% of the earn-out consideration shall be payable in cash and 40% shall be payable in Openpay scrip (subject to receipt of shareholder approval which must occur within three months of determination of each relevant earn out consideration amount). Openpay may also elect (at its discretion) to pay the earnout consideration entirely in cash.

The earn-out consideration is contingent upon performance of Payment Assist's business measured against total transaction value (TTV), net transaction margin and profit before tax. Subject to at least 80% of the KPIs for an earn-out period being satisfied, the vendors shall be entitled to a pro-rata share of the earn-out consideration in respect of that earn-out period, equal to the proportion of the KPIs that have been satisfied.

The financial effects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of Payment Assist will be consolidated following completion of the transaction.

The Acquisition is conditional upon certain conditions precedent, including the UK Financial Conduct Authority approving the Acquisition. Subject to satisfaction of the conditions precedent, the Company expects to complete the transaction during the first half of FY2022.

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 – COG Financial Services Limited (ASX: COG) Non-Executive Director - GetCapital Pty Ltd, Azora Finance Pty Ltd, Beforepay Group Limited, 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	205,537
	Options over ordinary shares – Openpay Group Ltd	Nil

Michael Eidel PhD (Magna Cum Laude), MEc, BEc, BA (Hist). *Group 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	251,023
	Options over ordinary shares – Openpay Group Ltd	2,203,409

Directors' Report.

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

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 AEMO Services Limited	
Former listed directorships in last 3 years	Non-Executive Chair – Xenith IP Group Limited Non-Executive Director – Vector Limited	
Special responsibilities	Chair of the Audit and Risk Management Committee	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	92,003
	Options over ordinary shares – Openpay Group Ltd	Nil

David Phillips LLB(Hons), LLM, BComm. *Non-Executive Director*	
Expertise and experience	David joined the board of Openpay in September 2017. David has nearly 25 years' experience in financial services, 14 of which were with Investec where he has been the Head of Structured Finance, Global Co-head of Investec Aviation Finance and Head of Investec Emerging Companies. David is the Managing Director and Chief Investment Officer of Commencer Capital, fund manager and investment committee member of the Commencer Capital Emerging Companies Fund, and non- executive, independent member of the investment committee of W23, the venture capital arm of Woolworths Group Limited. David has held a number of board positions including Goshawk Aviation Limited, IGAF and IASL (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, 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	Executive Director: Commencer Capital Non-Executive Director: Dresden Optics, MadeComfy, Comestri and Tiliter	
Former listed directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	113,496
	Options over ordinary shares – Openpay Group Ltd	Nil

Yaniv Meydan *Non-Executive Director*		
Expertise and experience	Yaniv is a co-founder of Openpay and has extensive experience in structured and property finance, receivables financing and business operations both globally and in Australia. Yaniv has been the CEO of the Meydan Group since 2004. He is responsible for the Meydan Group's worldwide operations. Yaniv has a key role in the strategic and senior management of all of the Meydan Group's finance, operational and new business activities within Australia and international markets.	
Other current directorships	None	
Former listed directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Ordinary shares – Openpay Group Ltd	24,155,592
	Options over ordinary shares – Openpay Group Ltd	Nil

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 2021, and the numbers of meetings attended by each director were:

	Board of Director Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Patrick Tuttle	4	4	4	4	-	-
Michael Eidel	4	4	4	4	2	2
Kelly Bayer Rosmarin	4	4	-	-	2	2
Sibylle Krieger	4	4	4	4	2	2
David Phillips	4	4	4	4	-	-
Yaniv Meydan	4	4	-	-	2	2

Remuneration Report.

The Openpay Group Ltd 2021 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; and
- Additional statutory information

Key management personnel covered in this report

- Patrick Tuttle, Non-Executive Chairman ;
- Michael Eidel, Managing Director and Group Chief Executive Officer;
- Sibylle Krieger, Non-Executive Director ;
- Yaniv Meydan, Non-Executive Director ;
- Kelly Bayer Rosmarin, Non-Executive Director ;
- David Phillips, Non-Executive Director ;
- Jussi Nunes, Group Chief Financial Officer (from 7 September 2020); and
- Andrew Burns, Chief Financial Officer (until 4 September 2020).

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 (LTI) – 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.

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

Performance

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

	2021	2020	2019	2018	2017
Loss for the year ($)	**(63,059,351)**	(35,401,258)	(14,682,165)	(4,439,260)	(2,310,402)
Dividend payments	**-**	-	-	-	-
Increase/(decrease) in share price %	**(31.9%)**	58.5%	N/A	N/A	N/A
TTV (ie underlying sales)	**339,350,848**	192,828,657	97,299,999	60,478,377	27,674,075
Active customers (#)	**540,746**	319,324	132,573	82,221	39,696
Active plans (#)	**1,982,211**	823,873	250,168	119,613	55,805
Income ($)	**26,031,528**	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.

Balance Scorecard Performance Conditions	Measures	Weight	Rationale
Financial (40%)	Revenue Growth	20%	Strong revenue growth and cost controls directly impacts on shareholder value.
	Net Transaction Margin	10%	
	Operating Profit Before Tax	10%	
Customer (30%)	Number of Active Merchants	10%	Continued expansion of the Merchant and Customer base drives the growth in underlying transactional value which is the basis of our short term and mid-term expansion strategy.
	Number of Active Customers	10%	
	Number of Active Plans	10%	
People & Culture (10%)	Employee Net Promoter Score	5%	Employees are essential to the success of Openpay. We are committed to attracting and retaining the highest quality employees and strive to provide them with exciting and satisfying opportunities.
	Attrition Rate – Senior Leadership and Direct Reports	5%	
Strategy Execution (10%)	Achievement of FY21 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 FY21	10%	Managing our compliance and risk environment is a crucial aspect of ensuring the business is a good corporate citizen and is responsive to all our customers' feedback.

Remuneration Report.

The Board has assessed performance against the balanced scorecard for FY21 as shown below.

Balanced Scorecard Performance Conditions	FY21 Outcome	Commentary on outcome
Financial (40%)	Partially met	The Group's financial targets were partially met, but were impacted by higher early stage losses in the UK and the decision to expand into the US market.
Customer (30%)	Partially met	The Group's Active Merchants growth targets were exceeded, with Active Plans and Active Customers growth targets partially met.
People & Culture (10%)	Partially met	The Group's threshold employee engagement score was partially met and the Group's unwanted attrition rate target for senior team members was fully achieved.
Strategy Execution (10%)	Fully met	
Reputation and Risk Management (10%)	Fully met	

Given the partial achievement of the FY21 outcomes, the Board has agreed that no FY21 STI will be payable. The Board has also supported a review and benchmarking of the remuneration framework to ensure it is aligned with business aspirations and shareholder returns, as we anticipate that continued execution of the strategy will result in significant rewards in future periods.

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 FY21 is set out below:

Feature	Description	
Opportunity / Allocation	CEO: 100% of fixed remuneration; CFO: 50% 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 in the period FY21 to FY23.
	TSR CAGR	The TSR CAGR is calculated by the growth in capital (assuming dividends are reinvested) of the period 2 September 2020 to 1 September 2023.
	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 volume weighted average price as at the date approved by the Board.	
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 261,445 options under the LTI program to KMP with a further 65,053 options granted in early FY22 related to the FY21 LTI program. For further information, see Long Term Incentive Plan section of this report.

There are no changes proposed to non-executive KMP remuneration for FY22.

Details of remuneration

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

Remuneration Report.

Member of KMP	Financial Year	Fixed remuneration Salary & Fees $	Annual and long service leave $	Super-annuation $	Variable remuneration Cash bonus $	Options $	Total $	Performance related
Executive director								
Michael Eidel	**2021**	**478,706**	**10,853**	**21,715**	**-**	**110,778**	**622,052**	**18%**
	2020	404,664	20,526	20,999	100,000	1,295,261	1,841,450	76%
Other KMP								
Jussi Nunes (part year)	**2021**	**286,953**	**22,251**	**27,205**	**-**	**138,398**	**474,807**	**29%**
Andrew Burns (part year)	**2021**	**166,015[1]**	**-**	**9,361**	**-**	**-**	**175,376**	**0%**
	2020	191,835	11,146	12,911	-	168,199	384,091	44%
Total executive director and other KMP	**2021**	**931,674**	**33,104**	**58,281**	**-**	**249,176**	**1,272,235**	
	2020	596,499	31,672	33,910	100,000	1,463,460	2,225,541	
Non-executive directors								
Patrick Tuttle	**2021**	**160,000**	**-**	**-**	**-**	**-**	**160,000**	**0%**
	2020	83,333	-	-	-	-	83,333	0%
Sibylle Krieger	**2021**	**109,589**	**-**	**10,411**	**-**	**-**	**120,000**	**0%**
	2020	56,947	-	5,410	-	-	62,357	0%
Yaniv Meydan	**2021**	**91,324**	**-**	**8,676**	**-**	**-**	**100,000**	**0%**
	2020	47,456	-	4,508	-	-	51,964	0%
Kelly Bayer Rosmarin	**2021**	**110,000**	**-**	**-**	**-**	**-**	**110,000**	**0%**
	2020	57,292	-	-	-	200,000[2]	257,292	0%
David Phillips	**2021**	**100,000**	**-**	**-**	**-**	**-**	**100,000**	**0%**
	2020	52,083	-	-	-	-	52,083	0%
Total NED remuneration	**2021**	**570,913**	**-**	**19,087**	**-**	**-**	**590,000**	
	2020	297,111	-	9,918	-	200,000	507,029	
Total KMP remuneration expensed	**2021**	**1,502,587**	**33,104**	**77,368**	**-**	**249,176**	**1,862,235**	
	2020	893,610	31,672	43,828	100,000	1,663,460	2,732,570	

1 Includes termination payment of $89,576.

2 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:	Jussi Nunes
Title:	CFO
Agreement commenced:	7 September 2020
Contract duration:	Ongoing contract
Term of agreement:	Annual salary of $350,000 plus superannuation contributions. Jussi is eligible to receive a discretionary short term incentive bonus of up to $140,000 and options under the long term incentive plan up to a value equal to 50% of his fixed annual remuneration. Jussi may terminate his employment with Openpay on provision of 6 months' notice. Openpay may terminate Jussi's employment on provision of 6 months' notice. Openpay may elect to pay Jussi in lieu of all or part of any notice period, with such payment to be based on Jussi's remuneration over the relevant period. Jussi'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 Jussi 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.

Remuneration Report.

Non-executive director arrangements

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

Base fees	
Chair	$150,000
Other non-executive directors	$90,000

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

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

Share-based compensation

Issue of Shares
There were no shares issued to KMP as part of compensation during the year ended 30 June 2021.

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 19	9 December 29	$1.60	$0.81
Retention Offer (ZEPOs)	22 November 19	9 December 29	Nil	$1.60
Revenue LTI (MPOs)	23 June 20	15 July 30	$1.60	$1.68
Revenue LTI (ZEPOs)	23 June 20	15 July 30	Nil	$2.52
TSR LTI (MPOs)	23 June 20	15 July 30	$1.60	$0.84
TSR LTI (ZEPOs)	23 June 20	15 July 30	Nil	$0.96
Revenue LTI (MPOs)	25 November 20	20 January 31	$2.64	$1.54
Revenue LTI (ZEPOs)	25 November 20	20 January 31	Nil	$2.69
TSR LTI (MPOs)	25 November 20	20 January 31	$2.64	$0.56
TSR LTI (ZEPOs)	25 November 20	20 January 31	Nil	$0.63

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 specific to each annual grant. 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 2021 is set out below:

Member of KMP and Option Category	Balance at 1 July 2020	Granted as Remuneration	Vested Number	Vested %	Exercised	Forfeited Number	Forfeited %	Balance at 30 June 2021 Vested	Balance at 30 June 2021 Unvested
Michael Eidel									
Retention Offer (MPOs)[1]	1,428,571	-	-	-	-	-	-	**1,428,571**	**-**
Revenue LTI (MPOs)	178,571	83,333	-	-	-	-	-	**-**	**261,904**
Revenue LTI (ZEPOs)	78,125	47,390	-	-	-	-	-	**-**	**125,515**
TSR LTI (MPOs)	178,572	83,333	-	-	-	-	-	**-**	**261,905**
TSR LTI (ZEPOs)	78,125	47,389	-	-	-	-	-	**-**	**125,514**
Andrew Burns									
Retention Offer (MPOs)[1]	142,857	-	-	-	(142,857)	-	-	**-**	**-**
Revenue LTI (MPOs)	67,857	-	-	-	-	(67,857)	100%	**-**	**-**
Revenue LTI (ZEPOs)	29,688	-	-	-	-	(29,688)	100%	**-**	**-**
TSR LTI (MPOs)	67,857	-	-	-	-	(67,857)	100%	**-**	**-**
TSR LTI (ZEPOs)	29,688	-	-	-	-	(29,688)	100%	**-**	**-**
Kelly Bayer Rosmarin									
Retention Offer (ZEPOs)[1]	125,000	-	-	-	-	-	-	**125,000**	**-**

1 Retention Offer options vested immediately on admission of the Group to the office list of ASX. ZEPOs are not subject to exercise restrictions; however MPOs are subject to a 2-year exercise restriction.

Remuneration Report.

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 2021 is set out below:

Member of KMP	Balance at 1 July 2020	Granted as Remuneration	Received on Exercise	Other Changes	Held at 30 June 2021
Michael Eidel	-	-	-	251,023	**251,023**
Jussi Nunes	-	-	-	24,305	**24,305**
Patrick Tuttle	180,906	-	-	24,631	**205,537**
Sibylle Krieger	79,688	-	-	12,315	**92,003**
Yaniv Meydan	22,781,920	-	-	1,373,672	**24,155,592**
Kelly Bayer Rosmarin	26,560	-	-	-	**26,560**
David Phillips	113,496	-	-	-	**113,496**

Other Transactions with KMP

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

This concludes the remuneration report, which has been audited.

Directors' Report.

SHARES UNDER OPTION

Unissued ordinary shares

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

Date options issued	Expiry date	Exercise price	Number under option
22 November 2019	9 December 2029	$1.60	2,314,286
22 November 2019	21 January 2030	Nil	125,000
23 June 2020	15 July 2030	$1.60	1,162,371
23 June 2020	15 July 2030	Nil	508,538
20 January 2021	20 January 2031	$2.64	166,666
20 January 2021	20 January 2031	Nil	94,779

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.

Directors' Report.

AUDIT AND NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 21 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.*

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 67.

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

Patrick Tuttle
Chairman
Melbourne
26 August 2021

Michael Eidel
Managing Director
Melbourne
26 August 2021

Auditor's Independence Declaration.

Auditor's Independence Declaration

As lead auditor for the audit of Openpay Group Ltd for the year ended 30 June 2021, 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
26 August 2021

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Financial Report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended 30 June 2021

For the year ended 30 June	Notes	2021 $	2020 $
Income	6(a)	**26,031,528**	18,004,736
Other income	6(a)	**287,541**	248,442
Total income		**26,319,069**	18,253,178
Receivables impairment expense	9	**(12,210,293)**	(7,890,239)
Employee benefits expense		**(27,705,482)**	(18,509,516)
Share-based payments expense	20	**(2,063,936)**	(2,719,828)
Depreciation and amortisation expense	6(e)	**(2,321,157)**	(1,311,917)
Advertising and marketing expense		**(7,162,163)**	(3,197,704)
Changes in fair value of derivatives at fair value through profit or loss	6(b)	**-**	6,406,615
Other operating expenses	6(c)	**(32,248,905)**	(20,635,877)
Finance costs	6(d)	**(5,666,484)**	(5,795,970)
Loss before tax		**(63,059,351)**	(35,401,258)
Income tax expense/(benefit)	7	**-**	-
Loss for the year		**(63,059,351)**	(35,401,258)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	18(b)	**338,265**	(1,194,540)
Other comprehensive income/(loss) for the year		**338,265**	(1,194,540)
Total comprehensive loss for the year		**(62,721,086)**	(36,595,798)
Loss attributable to:			
Owners of Openpay Group Ltd		**(63,059,351)**	(35,401,258)
Total comprehensive loss attributable to:			
Owners of Openpay Group Ltd		**(62,721,086)**	(36,595,798)
Loss per share of loss attributable to the ordinary equity holders of Openpay Group Ltd		**Cents**	Cents
Basic loss per share	19	**(0.56)**	(0.51)
Diluted loss per share	19	**(0.56)**	(0.51)

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 2021

As at 30 June	Notes	2021 $	2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**52,078,094**	70,058,763
Receivables	9	**57,527,246**	45,179,708
Other current assets	10	**5,031,160**	2,144,573
Other financial assets at amortised cost	14	**22,060**	-
TOTAL CURRENT ASSETS		**114,658,560**	117,383,044
NON-CURRENT ASSETS			
Receivables	9	**924,650**	1,099,394
Property, plant and equipment	11	**829,410**	824,648
Intangible assets	12	**4,325,748**	1,095,317
Right-of-use assets	13	**2,424,348**	3,913,296
Other financial assets at amortised cost	14	**372,951**	146,079
TOTAL NON-CURRENT ASSETS		**8,877,107**	7,078,734
TOTAL ASSETS		**123,535,667**	124,461,778
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**10,861,297**	6,553,035
Employee benefits	17	**1,740,195**	991,296
Borrowings	16	**18,329,843**	-
Lease liabilities	13	**1,233,047**	1,694,219
Other liabilities		**850,000**	-
TOTAL CURRENT LIABILITIES		**33,014,382**	9,238,550
NON-CURRENT LIABILITIES			
Borrowings	16	**28,682,043**	37,220,677
Lease liabilities	13	**1,565,083**	2,456,235
Employee benefits	17	**101,585**	35,767
Other liabilities		**850,000**	-
TOTAL NON-CURRENT LIABILITIES		**31,198,711**	39,712,679
TOTAL LIABILITIES		**64,213,093**	48,951,229
NET ASSETS		**59,322,574**	75,510,549
EQUITY			
Issued capital	18(a)	**182,745,390**	138,160,501
Reserves	18(b)	**3,818,861**	1,532,374
Accumulated losses	18(c)	**(127,241,677)**	(64,182,326)
TOTAL EQUITY		**59,322,574**	75,510,549

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 2021

2021	Note	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2020		**138,160,501**	**(64,182,326)**	**1,532,374**	**75,510,549**
Loss for the period		**-**	**(63,059,351)**	**-**	**(63,059,351)**
Other comprehensive income		**-**	**-**	**338,265**	**338,265**
Total comprehensive income/(loss)		**-**	**(63,059,351)**	**338,265**	**(62,721,086)**
Transactions with owners in their capacity as owners					
Options exercised		**344,285**	**-**	**(115,714)**	**228,571**
Issue of share capital, net of costs		**44,240,604**	**-**	**-**	**44,240,604**
Share-based payments		**-**	**-**	**2,063,936**	**2,063,936**
Balance at 30 June 2021		**182,745,390**	**(127,241,677)**	**3,818,861**	**59,322,574**

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 loss		-	-	(1,194,540)	(1,194,540)
Total comprehensive 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

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 2021

	Notes	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**359,943,793**	186,930,348
Payments to merchants		**(357,044,460)**	(195,672,371)
Payments to suppliers and employees (inclusive of GST)		**(63,948,176)**	(44,699,261)
Interest received on cash and cash equivalents		**113,008**	172,541
Interest paid - borrowings		**(5,027,891)**	(3,868,980)
Interest paid - leases		**(429,169)**	(423,413)
Net cash outflow from operating activities	28	**(66,392,895)**	(57,561,136)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(329,634)**	(779,677)
Payments for internally developed technology		**(3,716,354)**	(1,115,101)
Net cash outflow from investing activities		**(4,045,988)**	(1,894,778)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**9,015,507**	19,382,623
Proceeds from issue of convertible notes		**-**	26,200,000
Proceeds from capital raisings		**46,437,583**	83,767,380
Capital raising costs		**(1,968,408)**	(6,724,694)
Principal elements of lease payments		**(1,369,917)**	(817,803)
Net cash inflow from financing activities		**52,114,765**	121,807,506
Net (decrease)/increase in cash and cash equivalents held		**(18,324,118)**	62,351,592
Cash and cash equivalents at beginning of year		**70,058,763**	8,705,229
Effects of exchange rate changes on cash and cash equivalents		**343,449**	(998,058)
Cash and cash equivalents at end of year	8	**52,078,094**	70,058,763

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

NOTE 1: SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Impact of COVID-19

The COVID-19 pandemic and measures undertaken to contain it continue to impact the global economic outlook. The impact of COVID-19 continues to evolve and remains a source of estimation uncertainty. The Group has carefully considered its impact in preparing financial statements for the year ended 30 June 2021, including the application of critical estimates and judgments. The key impacts on the financial statements are discussed below.

Provisions for expected credit loss

The Group's impairment methodology remains unchanged, but the Group has incorporated estimates, assumptions and judgements specific to the impact of COVID-19 in the measurement of expected credit losses (ECL). Refer to Note 9.

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 26 August 2021. 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

Certain new accounting standards and amendments were applicable for the first time for the reporting period commencing 1 July 2020. These new standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 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 operates ("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.

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

(i) Buy Now Pay Smarter income

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

Merchant fees

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

Consumer fees

BNPS services are designed with flexibility for the best consumer experience and value considering the associated credit and other business risks. Consumer fees include all fees payable by BNPS customers including fixed transaction fees (establishment, plan management, and redraw fees) and late fees. 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. Late fees arise and are recognised when customers fail to make scheduled repayments. As late fees are due immediately, they are not discounted. Late fees amounted to $6.6 million in FY21 (FY20: $4.2 million) of which $625k (FY20: $282k) were uncollected and included in the value of receivables at year end.

(ii) OpyPro income

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

(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 the methodology applied to estimate expected credit losses.

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2021

(g) Leases

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

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

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

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

(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.

(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 are as follows:

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

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

Intangible assets that are not ready for use as at the reporting date are assessed for impairment. Refer to Note 2(h) for the Group's policy related to the assessment of impairment.

(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 government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

(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 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.

(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: 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) Provision for expected credit loss on plan receivables – refer Note 9

NOTE 4: GOING CONCERN

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 successfully raised funds through equity offerings and secured a $25 million corporate debt facility, with net operating cash outflow of $66.4 million and a net loss of $63.1 million.

Funding Sources

In addition to the cash at bank of $52.1 million, the Group has available to it the following sources of funding as at 30 June 2021:

Facility and Permitted Use	Facility Amount $	Committed	Amount $ Drawn	Uncommitted	Maturity
Receivables funding facilities					
Receivables funding in Australia[1]	40,000,000	30,000,000	30,000,000	10,000,000	Nov-22
Receivables funding in Australia[2]	25,000,000	25,000,000	-	-	Oct-22
Receivables funding in UK[3]	110,517,591	46,048,996	18,419,598	64,468,595	May-22
Total receivables funding facilities	**175,517,591**	**101,048,996**	**48,419,598**	**74,468,595**	
Working capital facilities					
Working capital[4]	10,000,000	10,000,000	-	-	Oct-22
Working capital[5]	25,000,000	25,000,000	-	-	Sep-22
Total working capital facilities	**35,000,000**	**35,000,000**	**-**	**-**	

1 $40 million facility ($10 million undrawn, which is uncommitted and subject to fulfilling certain conditions) maturing in November 2022.

2 $25 million facility ($25 million undrawn) with an expected maturity date in October 2022.

3 £60 million (approximately $110.5 million) facility of which £25 million is committed (and £35 million is uncommitted). Of the £25 million committed, £10 million is drawn as of 30 June 2021. This facility is due to mature in May 2022.

4 The Company has a working capital facility of $10 million ($10 million undrawn) with an entity over which a director and shareholder of the Group has significant influence, available to fund operating expenses. The maturity date is in October 2022.

5 In March 2021, the Company entered into a $25 million corporate debt facility ($25 million undrawn) with an entity associated with an existing shareholder. The facility has an expected maturity date in September 2022.

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

Ongoing Cash Flow Management

In order to ensure the Group has sufficient funding, management continually assess anticipated cash flows such that the business is appropriately scaled in line with growth forecasts. The Group is confident that they will continue to be successful in obtaining funding and capital, in the future, given its track record to date.

In the event that:

- existing funding is not renewed at expiry or
- the Group cannot secure additional working capital facilities or
- the Group's receivables growth materially exceed current plans, or
- operating results materially underperform against current plans,

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

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

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

(b) Provision for expected credit loss on plan receivables – refer Note 8

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, the United Kingdom and entered the US market in December 2020. While distinct geographic locations, the operations in the United Kingdom are still in an early growth stage. Additionally, as of 30 June 2021, 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 the 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. Non-current assets related to locations outside Australia are not considered material as at 30 June 2021.

Disaggregation of revenue by geographic location

	2021 $	2020 $
Income		
Australia and New Zealand	**19,044,294**	16,750,689
United Kingdom	**6,987,234**	1,254,047

NOTE 6: PROFIT AND LOSS INFORMATION

(a) Income

	2021 $	2020 $
Income		
Buy Now Pay Smarter income[1]	**25,814,143**	18,004,736
OpyPro income	**217,385**	-
Total income	**26,031,528**	18,004,736
Other income		
Interest income on cash and cash equivalents	**113,008**	183,395
Other income	**174,533**	65,047
Total other income	**287,541**	248,442

1 Recognised under the effective interest rate method

Included within other items are government "cash boost" payments totalling $50,000 (2020: $50,000). 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[2]

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

	2021 $	2020 $
Changes in fair value of derivatives at fair value through profit or loss	-	6,406,615
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)

(c) Other operating expenses

	2021 $	2020 $
Processing and data costs	**(10,041,193)**	(5,262,374)
Professional services	**(13,429,104)**	(8,401,561)
Technology and communication	**(4,827,635)**	(2,677,595)
Sales, general, and administrative[2]	**(3,950,973)**	(4,294,347)
Total other operating expenses	**(32,248,905)**	(20,635,877)

2 During the period, previously disclosed proceedings involving a former employee, Mr Simon Scalzo, which involved a claimed entitlement to 15% of equity in "Openpay Pty Ltd's group" were settled on confidential terms and the matter is now closed. No further costs are anticipated. Disclosure of the details of the settlement is prohibited by the terms of the agreement. The total amount of the settlement and related costs were significant, but were substantially less than the face value of the claim. The settlement amount and related costs have been recognised in full in the year ended 30 June 2021 and are included within 'sales, general, and administrative expenses' above.

(d) Finance costs

	2021 $	2020 $
Interest and finance costs - borrowings	**(5,237,315)**	(5,372,558)
Interest and finance costs – leases	**(429,169)**	(423,412)
Total finance costs	**(5,666,484)**	(5,795,970)

(e) Depreciation and amortisation

	2021 $	2020 $
Depreciation – property, plant and equipment	**(329,972)**	(234,737)
Depreciation – right-of-use assets	**(1,505,262)**	(1,057,396)
Amortisation – intangible assets	**(485,923)**	(19,784)
Total depreciation and amortisation	**(2,321,157)**	(1,311,917)

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

	2021 $	2020 $
Loss from continuing operations before income tax expense	**(63,059,351)**	(35,401,258)
Tax at the Australian tax rate of 30% (2020: 30%)	**(18,917,805)**	(10,620,377)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in tax rates for foreign subsidiary	**2,773,853**	1,041,065
Change in fair value of derivatives	**-**	(1,921,985)
Share-based payment expenses	**619,181**	815,948
Other	**62,909**	35,929
Subtotal	**(15,461,862)**	(10,649,420)
Deferred tax assets not recognised	**15,461,862**	10,649,420
Income tax expense / (benefit)	**-**	-

(b) Tax losses

	2021 $	2020 $
Unused tax losses for which no deferred tax asset has been recognised	**115,116,046**	52,342,869
Potential tax benefit at 30% (Australia)	**23,078,456**	12,177,993
Potential tax benefit at 19% (United Kingdom)	**5,979,276**	2,232,416
Potential tax benefit at 21% (United States)	**1,276,418**	-
Total potential tax benefit	**30,334,149**	14,410,409

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 2021. The unrecognised tax losses can be carried forward indefinitely. Refer below for further details.

(c) Components of deferred tax assets not recognised

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Employee benefits	**552,534**	308,119
Research and development costs for inhouse software expensed	**794,600**	987,516
Deferred receivables	**107,837**	512,703
Provision for impairment of receivables	**1,316,435**	636,498
Tax losses carried forward	**30,334,149**	14,410,409
Other	**(640,393)**	312,121
Total deferred tax assets not recognised	**32,465,162**	17,167,366

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**52,078,094**	70,058,763

Restricted cash

The cash and cash equivalents disclosed above includes $515,260 (2020: $8,500,000) 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.

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2021

NOTE 9: RECEIVABLES

	2021 $	2020 $
Current		
Plan receivables – face value	**62,100,601**	48,725,135
Unearned future income	**(206,461)**	(1,446,379)
	61,894,140	47,278,756
Provision for expected credit loss	**(4,366,894)**	(2,099,048)
Net current plan receivables	**57,527,246**	45,179,708
Non-Current		
Plan receivables – face value	**1,098,868**	1,384,640
Unearned future income	**(152,996)**	(262,632)
	945,872	1,122,008
Provision for expected credit loss	**(21,222)**	(22,614)
Total non-current plan receivables	**924,650**	1,099,394
Total receivables	**58,451,896**	46,279,102

Provision for expected credit losses

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 past due 1 to 90 days (Stage 2)	The provisioning model utilises receivables past due 1 day as the absolute criteria to identify significant increases in credit risk. Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, the Group considers this to demonstrate there has been a significant increase in credit risk. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL, being the expected credit losses that result from all possible default events over the expected life of the receivables. BNPS income on the relevant receivable remains calculated on the gross carrying amount of the receivable.
Receivables past due 90 days or more (Stage 3)	Stage 3 includes receivables aged 90 days or more 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.

Definition of default and credit-impaired assets

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

Calculation of expected credit loss

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

The Group also considers forward looking adjustments, including macroeconomic factors that are not captured within the base ECL calculations. The inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECLs. The inclusion of forward-looking adjustments in calculating ECL allowances adjusts the overall ECL through market-based macro-overlays. Openpay has identified unemployment rate as the key variable that used to incorporate forward-looking adjustments into the overall provision. The predicted relationship between this key variable and the key model inputs in measuring the ECL has been developed by analysing historical data as part of the model build, calibration, and validation process. The final probability weighted ECL amount is calculated from a baseline estimate, upside case and downside scenario. While the impact of the COVID-19 pandemic remains uncertain and represents a downside risk to the economy, the Group has incorporated judgements, estimates and assumptions specific to the impact of COVID-19, where relevant, in the measurement of ECL.

In addition to the ECL calculated based on modelling of historical losses and the incorporation of forward looking economic factors, the Group employs additional 'overlays' where required to account for information that is not the subject of existing modelling or forecasts (such as the effect of COVID-19) and known limitations in the models employed, to the extent these exist. As at 30 June 2021, these overlays included an adjustment for Model Risk and COVID-19 uncertainty but were not material.

The provision for expected credit loss has increased $2,266,454 from 30 June 2020 to 30 June 2021 and as a percentage of receivables has increased from 4.2% of the gross customer receivables balance at 30 June 2020 to 6.9% at 30 June 2021. The increase is the result of a growth in the overall portfolio of $13,089,694 combined with a shift of plan receivables from stage 1 to stage 2 when compared to 30 June 2020, driven by stated early stage losses within the UK portfolio, thus requiring a higher provision.

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 Past due 1 – 90 days**	**Stage 3 Past due greater than 90 days**	**Total**
2021				
Receivables – face value	**56,996,531**	**5,264,962**	**937,976**	**63,199,469**
Provision for expected credit loss	**(1,627,892)**	**(1,855,996)**	**(904,228)**	**(4,388,116)**
Net receivables	**55,368,639**	**3,408,966**	**33,748**	**58,811,353**

	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

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

	2021 $	2020 $
Balance at the beginning of the year	**(2,121,662)**	(1,344,622)
Increase in expected credit loss recognised in profit or loss during the year[1]	**(12,381,912)**	(6,533,440)
Receivables written off during the year as uncollectible[1]	**10,115,458**	5,756,400
Balance at the end of the year	**(4,388,116)**	(2,121,662)

1 Amounts include impairment losses due to credit and fraud

NOTE 10: OTHER CURRENT ASSETS

	2021 $	2020 $
Prepayments	**4,640,290**	1,074,249
Sundry debtors	**390,870**	1,070,324
	5,031,160	2,144,573

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2021 $	2020 $
IT equipment		
At cost	**913,732**	578,759
Accumulated depreciation	**(475,120)**	(265,263)
Total IT equipment	**438,612**	313,496
Furniture and fittings		
At cost	**615,399**	613,079
Accumulated depreciation	**(224,601)**	(101,927)
Total furniture and fittings	**390,798**	511,152
Total property, plant and equipment	**829,410**	824,648

Movements in carrying amounts of property, plant and equipment

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

Consolidated	IT equipment $	Furniture and fittings $	Total $
Year ended 30 June 2021			
Balance at the beginning of the year	**313,496**	**511,152**	**824,648**
Additions	**342,511**	**1,901**	**344,412**
Disposals	**(14,779)**	**-**	**(14,779)**
Depreciation expense	**(207,394)**	**(122,578)**	**(329,972)**
Foreign exchange movements	**4,778**	**323**	**5,101**
Balance at the end of year	**438,612**	**390,798**	**829,410**
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

NOTE 12: INTANGIBLE ASSETS

	2021 $	2020 $
Internally developed technology		
At cost	**4,831,455**	203,497
Accumulated amortisation	**(505,707)**	(19,784)
	4,325,748	183,713
Work in progress	**-**	911,604
Total intangible assets	**4,325,748**	1,095,317

Notes to the Consolidated Financial Statements.
For the year ended 30 June 2021

Movements in intangible assets

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

Consolidated	Internally developed technology $	Work in progress $	Total $
Year ended 30 June 2021			
Balance at the beginning of the year	**183,713**	**911,604**	**1,095,317**
Additions	**-**	**3,716,354**	**3,716,354**
Transfers	**4,627,958**	**(4,627,958)**	**-**
Disposals	**-**	**-**	**-**
Amortisation expense	**(485,923)**	**-**	**(485,923)**
Balance at the end of year	**4,325,748**	**-**	**4,325,748**
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: LEASES

The Group leases its offices in Australia and the United Kingdom. Rental contracts are typically made for a fixed period of 2 to 5 years. There are no extension options on the Group's leases. The Group recognises right-of-use assets and lease liabilities in relation to these leases based on the accounting policies described in Note 2(g). The Group's weighted average incremental borrowing rate applied to the lease liabilities was 13.04%.

	2021 $	2020 $
Right-of-use-assets		
At cost	**4,947,377**	4,947,377
Accumulated depreciation	**(2,571,524)**	(1,057,396)
Foreign exchange movements	**48,495**	23,315
Total right-of-use assets	**2,424,348**	3,913,296

Movements in carrying amounts of right-of-use assets

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

	Right-of-use assets $
Year ended 30 June 2021	
Balance at the beginning of the year	**3,913,296**
Depreciation expense	**(1,505,262)**
Foreign exchange movements	**16,314**
Balance at the end of the year	**2,424,348**
Year ended 30 June 2020	
Balance at the beginning of the year	-
Initial recognition of right-of-use assets	4,947,377
Depreciation expense	(1,057,396)
Foreign exchange movements	23,315
Balance at the end of the year	3,913,296

Lease liabilities

	2021 $	2020 $
Current		
Lease liabilities	**1,233,047**	1,694,219
Non Current		
Lease liabilities	**1,565,083**	2,456,235

NOTE 14: OTHER FINANCIAL ASSETS AT AMORTISED COST

	2021 $	2020 $
Current		
Other financial assets	**22,060**	-
Non-Current		
Security deposits	**372,951**	146,079

NOTE 15: TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables	**4,473,512**	2,484,824
Other payables	**6,387,785**	4,068,211
	10,861,297	6,553,035

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NOTE 16: BORROWINGS

	2021 $	2020 $
Current		
Secured liabilities		
Commercial bills	**18,329,843**	–
Non-Current		
Secured liabilities		
Commercial bills	**28,682,043**	37,220,677
Total borrowings	**47,011,886**	37,220,677

Commercial Bills

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

As at 30 June 2021, the Group had access to a facility in Australia totalling $40 million ($30 million committed, $10 million uncommitted subject to fulfilling certain conditions). This facility was drawn to $30 million as at 30 June, leaving $10 million in unused and uncommitted facilities. This facility is due to mature in November 2022.

The Group has access to a second facility totalling $25 million. The facility has an expected maturity date in October 2022. This facility, although available, was undrawn at 30 June 2021.

The Group also has a £60 million (approximately $110.5 million) facility in the UK of which £25 million is committed and £35 million is uncommitted. This facility is drawn to £10 million (approximately $18.4 million), leaving £50 million in unused facilities of which £35 million is uncommitted. The facility is due to mature in May 2022.

Working Capital Facilities

As at 30 June 2021, the Group had access to a working capital facility with an entity over which a director and shareholder of the Group has significant influence totalling $10 million. This facility's maturity date is in October 2022. This facility remained undrawn at 30 June 2021.

The Group had access to a second working capital facility with an entity over which a shareholder of the Group has significant influence totalling $25 million. This facility has an expected maturity date in September 2022. This facility remained undrawn at 30 June 2021.

Debt Covenants

The wholesale debt facilities are subject to covenants that are in line with standard market practice given the nature of the financing facilities. The primary covenant for all facilities is a maximum Loan-to-Value Ratio (LVR) which varies based on negotiated terms. The LVR is measured as the value of the facility drawn over total eligible receivables funding plus restricted cash. Debt covenants have been complied with through the period and as at 30 June 2021.

Assets pledged as security

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

Current	2021 $	2020 $
Plan receivables	**62,919,295**	49,928,370

The plan receivables have been pledged as security against the commercial bill facilities, $30 million of the Australian financing facility and £10 million (approx. $18.4 million) of the UK financing facility.

NOTE 17: EMPLOYEE BENEFIT OBLIGATIONS

	2021 $	2020 $
Current		
Leave obligations	**1,740,195**	991,296
Non Current		
Leave obligations	**101,585**	35,767

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

	2021 $	2020 $
Ordinary shares – fully paid	**182,745,390**	138,160,501
	No. Shares	No. Shares
Ordinary shares – fully paid	**130,773,716**	107,868,028

(i) Movements in ordinary shares

	2021 Nos	2020 Nos	2021 $	2020 $
Opening balance	**107,868,028**	12,516,250	**138,160,501**	15,179,113
Share split	**–**	25,032,500	**–**	–
Options converted	**–**	1,327,079	**–**	287,652
Options exercised	**142,857**	–	**344,285**	–
Conversion of convertible notes	**–**	23,616,832	**–**	45,562,049
Issue of share capital, net of costs	**22,762,831**	45,319,742	**44,240,604**	77,042,687
Employee shares issued under employee gift plan	**–**	55,625	**–**	89,000
Closing balance	**130,773,716**	107,868,028	**182,745,390**	138,160,501

(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

	2021 $	2020 $
Foreign currency translation reserve		
Balance at the beginning of the year	**(1,194,957)**	(417)
Other comprehensive income/(loss) for the year	**338,265**	(1,194,540)
Balance at the end of the year	**(856,692)**	(1,194,957)

	2021 $	2020 $
Share-based payments reserve		
Balance at the beginning of the year	**2,727,331**	–
Share-based payments expense	**2,063,936**	2,727,331
Options exercised	**(115,714)**	–
Balance at the end of the year	**4,675,553**	2,727,331
Total reserves	**3,818,861**	1,532,374

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.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	2021 $	2020 $
Balance at beginning of the year	**(64,182,326)**	(22,841,625)
Net loss for the period	**(63,059,351)**	(35,401,258)
Options exercised	**–**	1,835,674
Conversion of convertible notes	**–**	(7,775,117)
Balance at end of the year	**(127,241,677)**	(64,182,326)

NOTE 19: LOSS PER SHARE

(a) Losses used in calculating loss per share

	2021 $	2020 $
Loss attributable to the owners of the consolidated entity used to calculate basic and diluted loss per share	**(63,059,351)**	(35,401,258)

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

	2021 $	2020 $
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**112,481,958**	68,747,665

Potential ordinary shares as at 30 June 2021 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. During the year ended 30 June 2021, the Group offered and issued awards consisting of options and performance rights under the Group's Long Term Incentive plan and as sign-on incentives.

Set out below is an overview of the Group's equity awards during the year ended 30 June 2021.

Long Term Incentive (LTI)

Awards offered under the LTI plan include nil price options (ZEPOs) and market price options (MPOs) which have an exercise price referable to the fair value of options at the date of the grant. The amount of options that will vest under the LTI depends on the Group's Total Shareholder Return (TSR) and Revenue CAGR over a three year performance period. The vesting of options is also contingent on service based conditions. 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.

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The Group awarded 932,873 LTI options and performance rights during the year, of which 261,445 had a grant date during the year. The grant date of the remaining 671,428 options was on 26 July 2021.

Performance Rights

Performance rights awards offered during the year included awards with service based vesting conditions as well as awards with both performance and service based vesting conditions. All performance rights awards have a nil exercise price and expire 10 years past the grant date. Options are granted under the plan for no consideration and carry no dividend or voting rights. The Group awarded 1,565,453 of service based awards and 1,175,190 of awards with both service and performance based conditions during the year ended 30 June 2021, all of which had a grant date of 26 July 2021.

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

	LTI Options				Retention Options[1]			
	2021		2020		**2021**		2020	
	No.	**WAEP**	**No.**	**WAEP**	**No.**	**WAEP**	**No.**	**WAEP**
	#	**$**	**#**	**$**	**#**	**$**	**#**	**$**
Outstanding at the beginning of the year								
ZEPOs	**567,912**	**$ –**	–	–	**125,000**	**$ –**	–	–
MPOs	**1,298,084**	**$ 1.60**	–	–	**2,457,143**	**$ 1.60**	–	–
Granted during the year								
ZEPOs	**94,779**	**$ –**	567,912	$ –	**–**	**–**	125,000	$ –
MPOs	**166,666**	**$ 2.64**	1,298,084	$ 1.60	**–**	**–**	2,457,143	$ 1.60
Forfeited during the year								
ZEPOs	**(59,375)**	**$ –**	–	–	**–**	**–**	–	–
MPOs	**(135,714)**	**$ 1.60**	–	–	**–**	**–**	–	–
Exercised during the year								
ZEPOs	**–**	**$ –**	–	–	**–**	**–**	–	–
MPOS	**–**	**$ –**	–	–	**(142,857)**	**$ 1.60**	–	–
Outstanding at the end of the year								
ZEPOs	**603,316**	**$ –**	567,912	$ –	**125,000**	**$ –**	125,000	$ –
MPOS	**1,329,036**	**$ 1.73**	1,298,084	$ 1.60	**2,314,286**	**$ 1.60**	2,457,143	$ 1.60
Exercisable at the end of the year								
ZEPOs	**–**	**–**	–	–	**–**	**–**	–	–
MPOS	**–**	**–**	–	–	**–**	**–**	–	–

1 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.

Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 30 June 2021 ranges between $0.56 and $2.69 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 2021 included:

Input	LTI Plan
a) Exercise price:	$2.64 (MPO), Nil (ZEPO)
b) Grant date	25 November 2020
c) Expiry date:	20 January 2031
d) Share price at grant date:	$2.69
e) Expected share-price volatility:	70%
f) Expected dividend yield:	0%
g) Risk-free interest rate:	.30% (MPO), .11% (ZEPO)

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.

NOTE 21: 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:

	2021 $	2020 $
Audit and review of financial reports	**520,000**	370,000
Total remuneration for audit and review of financial reports	**520,000**	370,000
Other services		
Initial public offering advisory services	–	477,231
Other advisory services	**304,876**	215,220
Total other services	**304,876**	692,451
Total remuneration of PricewaterhouseCoopers Australia	**824,876**	1,062,451

NOTE 22: INTERESTS IN OTHER ENTITIES

The Group's subsidiaries as at 30 June 2021 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.

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Subsidiary	Principal place of business / Country of Incorporation	Ownership interest held by the Group		Principal Activities
		2021 %	2020 %	
Openpay Pty Ltd	Australia	**100**	100	(1)
Openpay SPV Pty Ltd	Australia	**100**	100	(2)
Openpay Solutions Pty Ltd	Australia	**100**	100	(3)
Openpay SPV 2 Pty Ltd	Australia	**100**	100	(4)
Openpay SPV 3 Pty Ltd	Australia	**100**	100	(5)
Openpay UK Limited	United Kingdom	**100**	100	(6)
Openpay UK SPV 1 Ltd	United Kingdom	**100**	100	(7)
OPY USA Inc	United States	**100**	–	(8)

Principal Activities

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

NOTE 23: 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:

	2021 $	2020 $
Short-term employee benefits	**964,778**	628,171
Post-employment benefits	**58,281**	33,910
Share-based payments	**249,176**	1,463,460
	1,272,235	2,125,541

(b) Transactions with other related parties

	2021 $	2020 $
Purchases of software development services from entities controlled by key management personnel	–	362,602

(c) Working capital facilities

As at 30 June 2021, the Group had access to a working capital facility with an entity over which a director and shareholder of the Group has significant influence totalling $10 million. This facility's maturity date is in October 2022. This facility remained undrawn at 30 June 2021. Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

The Group had access to a second working capital facility with an entity over which a shareholder of the Group has significant influence totalling $25 million. This facility has an expected maturity date in September 2022. This facility remained undrawn at 30 June 2021. Interest is payable on any drawn amounts. The facility obtained was based on normal commercial terms and conditions comparable to those the Group has obtained in other arms-length facilities.

NOTE 24: 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.

Interest rate risk	The Group's exposure to market interest rates relate primarily to the Group's cash and cash equivalents, other financial assets and interest-bearing borrowings. Refer Note 24(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 2021 can be affected by movements in the US Dollar, New Zealand Dollar, and Great British Pound. Refer Note 24(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 bank 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 restricted cash allocated in SPV controlled cash accounts to meet LVR requirements (3) is focused on improving operational cash flow; (4) has adequate flexibility in financing facilities to balance the growth objectives with short-term and long-term liquidity requirements and (5) complied with all debt and working capital covenants. Refer Note 24(d).

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(a) Interest rate risk

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

	2021 $	2020 $
Financial Assets		
Cash and cash equivalents	**34,376,610**	44,365,044
Total financial assets	**34,376,610**	44,365,044
Financial Liabilities		
Interest bearing borrowings	**28,726,381**	28,495,535
Total financial liabilities	**28,726,381**	28,495,535
Net exposure	**5,650,229**	15,869,509

During the 2021 financial year the weighted average of the variable interest rate component for interest bearing borrowings subject to interest rate risk was 8.5% (2020: 9.35%). 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 2021. The Group has not hedged any interest rate risks during the year or at 30 June 2021.

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)	
	2021 $	2020 $	2021 $	2020 $
Judgements of reasonable possible movements				
-0.25% (25 basis points)	**75,000**	60,616	**75,000**	60,616
+1.00% (100 basis points)	**(300,000)**	(242,466)	**(300,000)**	(242,466)

(b) Foreign currency risk

The Group has not hedged any foreign currency risk during the financial year or at 30 June 2021.

At 30 June 2021, the Group has the following exposure to foreign currency, expressed in Australian dollars.

	2021 $	2020 $
Financial assets		
Cash and cash equivalents		
NZD	**97,693**	122,884
GBP	**10,837,447**	13,245,992
USD	**48,998**	–
Receivables and other financial assets		
NZD	**280,174**	171,469
GBP	**20,420,085**	15,071,909
USD	**99,787**	–
Financial liabilities		
Trade and other payables		
NZD	**15,436**	5,974
GBP	**602,928**	853,064
USD	**1,634,487**	103,998

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

	2021 $	2020 $
Net foreign exchange gain/(loss) recognised in loss before income tax	**(53,633)**	(49,493)

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)	
	2021	2020	2021	2020
	$	$	$	$
Judgements of reasonable possible movements				
AUD / NZD +5%	**(18,122)**	(14,419)	**(18,122)**	(14,419)
AUD / NZD -5%	**18,122**	14,419	**18,122**	14,419
AUD / USD +5%	**74,285**	5,200	**74,285**	5,200
AUD / USD -5%	**(74,285)**	(5,200)	**(74,285)**	(5,200)
AUD / GBP +5%	**(1,532,730)**	1,373,242	**(1,532,730)**	1,373,242
AUD / GBP -5%	**1,532,730**	(1,373,242)	**1,532,730**	(1,373,242)

(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 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 incorporated judgements, estimates and assumptions specific to the impact of COVID-19, where relevant, in the measurement of ECL.

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

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

	2021 $	2020 $
Impairment losses on movement in provision for expected loss for plan receivables	**12,210,293**	7,890,238
Net impairment losses on financial assets	**12,210,293**	7,890,238

(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 (committed and uncommitted) at the end of the reporting period:

	2021 $	2020 $
Expiring within one year	**92,097,993**	–
Expiring beyond one year	**70,000,000**	80,803,795
	162,097,993	80,803,795

Refer to Notes 4 and 16 for further details on availability of borrowings as at 30 June 2021.

(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.

	Less than 6 months $	Between 6 and 12 months $	Between1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
As at 30 June 2021						
Trade payables	**4,473,512**	**-**	**-**	**-**	**4,473,512**	**4,473,512**
Borrowings	**-**	**18,419,598**	**30,000,000**	**-**	**48,419,598**	**47,011,886**
Lease liabilities	**854,721**	**438,797**	**906,848**	**1,101,323**	**3,301,689**	**2,798,130**
Total	**5,328,233**	**18,858,395**	**30,906,848**	**1,101,323**	**56,194,799**	**54,283,528**

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	Less than 6 months $	Between 6 and 12 months $	Between1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
As at 30 June 2020						
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

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

NOTE 25: 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 16, the Group has various financing facilities in place. Covenants have been complied with throughout the year and up to the date of this report.

(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 26. CAPITAL AND LEASING COMMITMENTS

(a) Capital Commitments

The Group had no capital commitments as at 30 June 2021 (2020: Nil).

(b) Bank Guarantees

The Group has two bank guarantees totalling $1,648,797 as at 30 June 2021 (2020: $915,103). The bank guarantees relate to security for the Group's lease of its premises and obligations under an employment contract.

NOTE 27: CONTINGENCIES

As outlined in Note 6(c), a previously disclosed proceeding was settled during the period is and now closed.

The Group is not aware of the existence of any contingent assets or contingent liabilities as at 30 June 2021.

NOTE 28: CASH FLOW INFORMATION

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

	2021 $	2020 $
Loss for the period	**(63,059,351)**	(35,401,258)
Adjustments for:		
Depreciation and amortisation	**2,321,157**	1,311,917
Receivables impairment	**12,389,978**	6,533,441
Non cash share-based payments	**2,063,936**	2,719,828
Fair value adjustment to embedded derivatives	**–**	(6,406,615)
Accrued interest on convertible notes and shareholder loans	**–**	1,176,005
Gain on modification of loan	**–**	(619,112)
Net capitalisation of financing costs	**327,220**	(476,434)
Loss on disposal of property, plant and equipment	**–**	12,435
Changes in operating assets and liabilities:		
Increase in other operating assets	**(26,542,444)**	(28,994,364)
Increase in trade creditors and other operating liabilities	**6,106,609**	2,583,021
Net cash outflow from operating activities	**(66,392,895)**	(57,561,136)

(b) Non-cash investing and financing activities

	2021 $	2020 $
Conversion of convertible notes to shares	**–**	43,000,000
Conversion of shareholder loans to shares	**–**	1,500,000
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:

	2021 $	2020 $
Cash and cash equivalents	**52,078,094**	70,058,763
Borrowings – repayable within one year	**(18,329,843)**	–
Borrowings – repayable after one year	**(28,682,043)**	(37,220,677)
Net cash	**5,066,208**	32,838,086

	2021 $	2020 $
Cash and cash equivalents	**52,078,094**	70,058,763
Gross debt – fixed interest rates	**(18,329,843)**	(8,725,142)
Gross debt – variable interest rates	**(28,682,043)**	(28,495,535)
Net cash	**5,066,208**	32,838,086

NOTE 29: PARENT ENTITY

(a) Summary financial information

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

	2021 $	2020 $
Balance sheet		
Current assets	**–**	–
Total assets	**191,454,416**	138,160,501
Current liabilities	**–**	–
Total liabilities	**–**	–
Equity		
Issued capital	**182,745,390**	138,160,501
Accumulated losses	**8,709,026**	-
Total equity	**191,454,416**	138,160,501
Statement of profit or loss and other comprehensive income		
Profit for the period	**8,709,026**	–
Total comprehensive income	**8,709,026**	–

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 2021.

(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 30: EVENTS OCCURRING AFTER THE REPORTING DATE

With the exception of the item listed below, no other matters or circumstances have occurred subsequent to 30 June 2021 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Payment Assist acquisition

On 22 June 2021, the Group entered into a Share Purchase Agreement (SPA) with Payment Assist UK to acquire 100% of the issued capital in Payment Assist Ltd (Payment Assist). Payment Assist is a buy now, pay later provider to the UK automotive sector.

As part of the SPA, Payment Assist UK will receive a minimum of £11.5 million (approximately $21.2 million) in consideration payable as follows:

- Upfront consideration - £11.5 million (approximately $21.2 million), comprising £8.2 million (approximately $15.1 million) cash (subject to certain adjustments) and £3.3 million (approximately $6.1 million) in Openpay scrip payable at completion.
- Earn-out consideration of up to £17 million (approximately $31.3 million), payable as follows:
  - Tranche 1 of up to £5.5 million (approximately $10.1 million), subject to satisfaction of certain key performance indicators (KPIs) for the financial years of Payment Assist ending 31 December 2021 (FY2021) and 31 December 2022 (FY2022);
  - Tranche 2 of up to £5.5 million (approximately $10.1 million), subject to satisfaction of certain KPIs for the financial year of Payment Assist ending 31 December 2023 (FY2023); and
  - Outperformance Earn-out Consideration of up to £6 million (approximately $11.1 million), subject to satisfaction of certain 'outperformance' KPIs for FY2021, FY2022 and FY2023.

60% of the earn-out consideration shall be payable in cash and 40% shall be payable in Openpay scrip (subject to receipt of shareholder approval which must occur within three months of determination of each relevant earn out consideration amount). Openpay may also elect (at its discretion) to pay the earnout consideration entirely in cash.

The earn-out consideration is contingent upon performance of Payment Assist's business measured against total transaction value (TTV), net transaction margin and profit before tax. Subject to at least 80% of the KPIs for an earn-out period being satisfied, the vendors shall be entitled to a pro rata share of the earn-out consideration in respect of that earn-out period, equal to the proportion of the KPIs that have been satisfied.

The financial effects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of Payment Assist will be consolidated following completion of the transaction.

The Acquisition is conditional upon certain conditions precedent, including the UK Financial Conduct Authority approving the Acquisition. Subject to satisfaction of the conditions precedent, the Company expects to complete the transaction during the first half of FY2022.

Directors' Declaration.

In the directors' opinion:

(a) the financial statements and notes set out on pages 73 to 105 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 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
Chairman
Melbourne
26 August 2021

Michael Eidel
Managing Director
Melbourne
26 August 2021

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 2021 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 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors’ declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial report, which indicates that the Group incurred a net operating cash outflow of $66.4 million and a net loss of $63.1 million for the year ended 30 June 2021. The ability of the Group to continue as a going concern is dependent upon maintaining existing cash reserves and debt facilities and securing additional debt facilities and/or the issue of new shares. The Group will be required to secure additional funding options, either debt or equity, in support of its business growth and working capital. These conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

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

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

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $1.23 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.	• 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.

- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

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

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

Key audit matter	***How our audit addressed the key audit matter***
Provision for expected credit losses (ECL) for receivables *(Refer to note 1 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. Assumptions regarding the economic outlook and the impact on the Group's customers require judgement to be exercised by the Group in calculating the ECL. This includes judgements regarding the impact of COVID-19 on forward looking information, given the range of potential economic outcomes and impacts from the pandemic.	We performed the following procedures, amongst others: • Evaluated the actual outcomes of previous accounting estimates for ECL and the results of model monitoring performed, which included back-testing of actual losses against expected losses. This included reperformance of certain tests within the Group's model monitoring. • Together with PwC credit modelling experts, evaluated the appropriateness of the Group's methods for developing the estimate by reference to the nature of the estimate, the requirements of Australian Accounting Standards, and the business, industry and environment in which the Group operates. • Evaluated whether judgements made in selecting the method, significant assumptions and data for developing the estimate give rise to indicators of possible bias by the Group. • Evaluated whether the model design and adjustments to the model output meet the measurement objectives of Australian Accounting Standards, are appropriate in the circumstance and whether judgements have been applied consistently. This included assessing the appropriateness of overlays identified by the Group.

Independent Auditor's Report.

Given the inherent estimation uncertainty in this area and the extent of judgement involved, we considered this to be a key audit matter.

- Evaluated whether the integrity of the significant assumptions and the data has been maintained in applying the method.
- Together with PwC credit modelling experts, evaluated the appropriateness of significant assumptions used to develop ECL in the context of Australian Accounting Standards. This included considering the appropriateness of forward looking information incorporated into the ECL and probability weightings applied.
- Together with PwC credit modelling experts, evaluated the appropriateness of data used to develop ECL in the context of Australian Accounting Standards and whether the data is relevant and reliable in the circumstances and has been appropriately understood or interpreted by the Group.
- Tested the mathematical accuracy, on a sample basis, of the calculations of the ECL and assessed whether they were in accordance with the method.
- Considered events occurring subsequent to balance date on the ECL.
- Evaluated the reasonableness of the disclosures made in Note 9, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.

IT General Controls

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

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

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.

Our procedures included, amongst others:

- We evaluated control design and implementation as well as testing the operating effectiveness of key ITGCs which underpin key financial systems and IT dependencies which support the Group's financial reporting.
- Where we identified design or operating effectiveness testing control deficiencies relevant to our audit, we have performed alternative or additional audit procedures to address the risk(s) presented.
- 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.

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, and key financial IT dependencies, such as reports and calculations, in the financial reporting process.

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 2021, but does not include the financial report and our auditor's report thereon.

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

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.

Independent Auditor’s Report.

pwc

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 56 to 64 of the directors’ report for the year ended 30 June 2021.

In our opinion, the remuneration report of Openpay Group Ltd for the year ended 30 June 2021 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

Sam Garland
Partner

Melbourne
26 August 2021

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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 9 August 2021 (**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 2021 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 Ltd[1]	Fully paid ordinary shares	24,844,664	19.00
Program Force Pty Ltd, Yemiva Pty Ltd, BNPL Pty Ltd, Moshe Meydan, Yaniv Meydan and Eido Meydan	Fully paid ordinary shares	24,155,592	18.47
Health Care Ventures Holdings Limited, Chow Tai Fook Enterprises Limited, Swift Hunter Limited and The CTF Group	Fully paid ordinary shares	11,526,530	10.67

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	15,967
Unlisted options	26
Performance rights	15

Additional Security Exchange Information.

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
130,773,716	959,548	4,281	0.73

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 15,967 holders of a total of 130,773,716 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	8,631	3,990,657	3.05
1,001 – 5,000	4,987	12,283,103	9.39
5,001 – 10,000	1,156	8,825,912	6.74
10,001 – 100,000	1,130	28,644,748	21.90
100,001 – 999,999,999	63	77,029,296	58.90
Totals	**15,967**	**130,773,716**	**100.00**

Distribution of Option Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	16	697,824	13.57
100,001 – 999,999,999	10	4,445,281	86.43
Totals	**26**	**5,143,105**	**100.00**

Distribution of Performance Rights Holders

Holding Ranges	Holders	Total Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	13	663,693	25.13
100,001 – 999,999,999	2	1,976,912	74.87
Totals	**15**	**2,640,605**	**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>	16,054,464	12.28
2.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	9,695,386	7.41
3.	CITICORP NOMINEES PTY LIMITED	7,129,493	5.45
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,076,612	4.65
5.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,658,391	4.33
6.	COLOURDOME PTY LTD	4,748,071	3.63
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,997,157	3.06
8.	MRGS PTY LTD <SAF A/C>	3,570,000	2.73
9.	V-LEADER PTY LTD <ZHANG FAMILY A/C>	2,741,905	2.10
10.	INVESTEC AUSTRALIA LIMITED	1,810,326	1.38
11.	YEMIVA PTY LTD <YEMIVA A/C>	1,356,456	1.04
12.	JECCEM MANAGEMENT PTY LTD <JECCEM MANAGEMENT A/C>	1,150,000	0.88
13.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,075,438	0.82
14.	PIZ BY PIZ PTY LTD <PIZMONY FAMILY A/C>	978,778	0.75
15.	RBFT PTY LTD <RICHARD BROOME FAMILY A/C>	907,278	0.69
16.	BNPL PTY LTD <BNPL A/C>	678,228	0.52
17.	MR AVI SCHECHTER <NO 2 A/C>	526,772	0.40
18.	WILFERS DEVELOPMENTS PTY LTD	500,000	0.38
19.	SLY MANAGEMENT PTY LTD <SLY FAMILY A/C>	450,000	0.34
20.	MR AVI SCHECHTER	406,250	0.31
	Total number of shares of Top 20 Holders	**69,511,005**	**53.15**
	Total Remaining Holders' Balance	**61,262,711**	**46.85**

Additional Security Exchange Information.

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

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	24,844,664	11
Unlisted options	5,143,105	26
Performance rights	2,640,605	15

Program Force Pty Ltd <Meydan Family A/C NO 4> holds 64.62% of the unquoted fully paid ordinary shares.

Michael Eidel holds 42.84% of the unlisted options on issue.

Brian Shniderman holds 70.77% of the performance rights on issue.

OTHER INFORMATION

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

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

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

In accordance with ASX Listing Rule 4.10.19 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.

Corporate Information.

Openpay Group Ltd ACN 637 148 200

BOARD OF DIRECTORS

Patrick Tuttle (Chair, Independent Non-Executive Director)
Michael Eidel (Group 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 (Independent Non-Executive Director)

GENERAL COUNSEL & COMPANY SECRETARY

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

REGISTERED OFFICE

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Website: www.opy.com

SOLICITORS

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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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