payright

Level 2, 789 Toorak Rd , Hawthorn East 3123
1300 338 496

APPENDIX 4D 2021 HALF-YEAR REPORT

UNDER ASX LISTING RULE 4.2A

Company Details

Name of Entity: Payright Limited (formerly known as Devizo Pty Ltd)

ACN: 605 753 535

Reporting Period: 1 July 2020 to 31 December 2020

Prior Corresponding Period: 1 July 2019 to 31 December 2019

Results for Announcement to the Market

Consolidated Statutory Results Summary

Key Information		Change from period ended 31 December		2020		2019
		%		$		$
Total revenue from ordinary activities	up	37.6	to	5,837,234	from	4,241,065
Loss from ordinary activities after tax attributable to the ordinary equity holders of the Parent	up	0.6	to	(4,754,930)	from	(4,726,634)
Total comprehensive loss attributable to the ordinary equity holders of Payright Limited	up	1.6	to	(4,804,374)	from	(4,729,287)

Financial performance
The higher revenue is attributable to the increase in active merchants 22% and total customers 59%.
The net loss for the consolidated entity for the half-year period totalling $4,754,930 (31 December 2019: $4,726,634), with the result impacted by the increased in expenses for the preparation and execution of the IPO.
Further information on the results is detailed in the ‘Review of operations’ section of the Directors’ report which is part of the interim report.

Net Tangible Assets

	31 December 2020	31 December 2019
Net tangible assets per ordinary share	$0.29	($0.03)

Dividends

No dividends were declared or paid for the half-year ended 31 December 2020.

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying 31 December 2020 half-year Interim Report (which includes the Directors’ Report).
This document should be read in conjunction with the Group’s 2020 Annual Report and any public announcements made during the period, pursuant to the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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1300 338 496

Accounting Standards

This report has been compiled using Australian Accounting Standards and International Financial Reporting Standards and has been reviewed by Ernst & Young.

Myles Redward and Piers Redward
Co-Founders and Joint Chief Executive Officers

- ENDS-

For further information, please contact:
investors@payright.com.au

This announcement was authorised by the Board of Directors of Payright Limited.

Payright Limited and its controlled entities
ABN 24 605 753 535

Consolidated interim financial report for the half-year ended 31 December 2020

The directors submit their report on Payright Limited (formerly Devizo Pty Ltd) (the "Company") and its controlled entities (collectively, the "Group" or "Payright") for the half-year ended 31 December 2020.

Initial Public Offering

On 23 December 2020, Payright completed an Initial Public Offering (IPO) and became listed on the Australian Securities Exchange (ASX).

Payright raised $18,515,364 through the issuance of 15,429,470 shares at $1.20 per share.

Directors

The names and details of the of the Company's directors in office during the half-year period and until the date of this report are set out below. Directors were in office for this entire period, unless otherwise stated.

Paul Samuel Cowan
Chairman and Non-Executive Director

Piers James Redward
Executive Director

Myles Redward
Executive Director

Matthew Pringle
Non-Executive Director (appointed 27 October 2020)

Lindley Edwards
Non-Executive Director (appointed 27 October 2020)

Director qualifications, experience and special responsibilities

Paul Samuel Cowan

(Chairman and Non-Executive Director)

Paul has over 30 years of experience in the financial services industry, currently also serving as Executive Director of River Capital. He has served on a number of public company Board's including Cash Converters International, Brumby's Bakeries and as Chairman of ASX listed Prime Financial. Prior to joining River Capital in 2003, Paul served as Chief Executive Officer of Lowell Capital Limited. Paul has a Bachelor of Economics degree from Monash University and is a qualified Chartered Accountant. Paul is a member of, the Audit and Risk Committee and the Remuneration and Nomination Committee.

Piers James Redward

(Co-Founder and Joint Chief Executive Officer)

In his role as Joint CEO, Piers takes responsibility for sales, marketing, product and people & culture at Payright. Piers holds a Diploma of Business (Management) and has over 10 years of experience in the finance industry where he has developed a deep expertise across business and consumer finance, specialising in interest free products, leasing and personal loans. Prior to establishing Payright, he worked with FlexiGroup, Esanda finance, MacCredit and Now Finance.

Myles Redward

(Co-Founder and Joint Chief Executive Officer)

In his role as Joint CEO, Myles takes responsibility for finance, legal & compliance, technology and investor relations at Payright. Myles has over 15 years of experience working within Moody's, Bank of Ireland and GE Capital. He spent his earlier years in finance where he headed up the planning and analysis function at GE Capital developing his detailed understanding of financial modelling and accounting practices in the context of the consumer finance industry. Myles has a Bachelor of Business Management degree from Monash University and is a qualified CPA Accountant.

Matthew Pringle

(Non-Executive Director – appointed 27 October 2020)

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

Lindley Edwards

(Non-Executive Director – appointed 27 October 2020)

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

Company Secretary

Saara Mistry

Saara has over 18 years of experience as in-house legal counsel, compliance and risk professional across financial services in Australia, United Kingdom and the Middle East. She specialises in consumer finance, privacy and wealth management. Her previous employment includes Barclays Bank in the UK, HSBC in the Middle East and NAB and Liberty Financial in Australia. She holds a Bachelor of Science/Bachelor of Laws (Hons) from Monash.

Dividends

No dividends have been paid or declared for the half-year ended 31 December 2020 (30 June 2020: $nil).

Principal activities

The principal activity of the Group during the half-year period was to provide merchants with a buy-now, pay later flexible payment option to offer their customers; intended for higher value transactions that are more considered purchases rather than smaller impulse-driven buys.

Merchants are paid upfront, net of the merchant fee typically on the same day and include a diverse mix of broad-reaching products and services such as retail, home improvement, education, photography, health & beauty and after-market automotive.

The Group provides services to merchants, along with its customers, in Australia and New Zealand.

There were no significant changes in the nature of these activities during the half-year period.

Review of operations

The Group (trading as "Payright") is a fast-growing player in the 'Buy Now Pay Later' (BNPL) industry. It is a payment plan provider developed for merchants to generate incremental sales and providing customers with the ability to spread the cost of purchases over time.

The Group continued its momentum delivering strong operational performance in the challenging economic conditions, remaining focused on top-line sustainable growth through customer acquisition and expansion in merchant volume and diversification.

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

	31 December		
	2020 $	2019 $	Change
Total revenue	5,837,234	4,241,065	37.6%
Operating expenses	(7,538,995)	(6,463,847)	16.6%
Net finance costs	(2,995,208)	(2,440,534)	22.7%
EBTDA	(4,696,969)	(4,663,316)	0.72%
Depreciation	(57,961)	(63,318)	(8.5%)
NLAT	**(4,754,930)**	**(4,726,634)**	**0.6%**
EPS (cents)	(0.08)	(0.20)	

1 Throughout this report, certain non-IFRS information, such as EBTDA, Net Loss after Tax (NLAT), Gross merchandise value (GMV), Average transaction value, Active merchants and Total customers are used. EBTDA represents earnings before income tax expense, depreciation and amortisation. The individual components of EBTDA are included as line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-IFRS information is not audited.

Group financial performance and reported results

The Group's commitment to cementing its position as a BNPL provider of choice in Australia and New Zealand by continuing to enhance customer experience and adding value to its merchant partners has led to the increase in total revenue for the half-year ended 31 December 2020 by 38% from the prior comparative period (pcp). The increase was achieved through the Group's:

- Optimised marketing investment campaigns with more targeted direct marketing and brand campaign driving customer acquisition growth by 59% to 42,274 total customers as at 31 December 2020 (31 December 2019: 26,573).
- Increase in active merchants by 22% to 1,755 (31 December 2019: 1,438) as a result of a focused merchant acquisition strategy, across the retail, home improvement, automotive, health and beauty and photography industry sectors.
- GMV growth and higher average transaction value of $3,576 (31 December 2019: $3,536). This was a combined result of the Group's continued focus on higher value transactions, targeting industries with a more matured audience.

Operating expenses for the half-year were $7,538,995, an increase of $1,075,148 (or 16.6%) from pcp of $6,463,847. The increase is mainly driven by the Group's preparation and execution of the IPO resulting in increased spend on consulting and professional fees as well as marketing activities.

The Group continued its investment in people, doubling its sales team and building out support teams has positioned itself well for ongoing future growth.

Summary of financial results for the half year ended (continued)

Group financial performance and reported results (continued)

Expected credit loss (ECL) for the half-year ended 31 December 2020 was $558,107 (31 December 2019: $2,592,168). The Group continues to manage its credit and fraud risk exposure through robust underwriting and credit decisioning, a heavy focus on arrears management, investment in technology enabling the early prevention of fraud and enhancing its merchant onboarding process.

Net finance costs for the half-year period were $2,995,208, an increase of $2,440,534 (or 23%) versus the prior year period due to higher average loans and borrowings held in the period.

The net loss after tax of the Group for half-year ended 31 December 2020 was $4,754,930 (31 December 2019: $4,726,634).

Financial position and cash flow

Cash flow summary	31 December 2020 $	31 December 2019 $	Change %
Net cash flows used in operating activities	(10,906,062)	(20,199,752)	(46.0%)
Net cash used in investing activities	(63,014)	(19,498)	223.2%
Net cash flows from financing activities	28,566,929	22,259,737	28.3%
Net increase in cash and cash equivalent	17,597,853	2,040,487	762.4%

Financial position summary	31 December 2020 $	30 June 2020 $	Change %
Total assets	77,880,735	52,341,617	48.8%
Total liabilities	(51,957,250)	(45,038,980)	15.4%
NET ASSETS	**25,923,485**	**7,302,637**	**255.0%**
EQUITY	**25,923,485**	**7,302,637**	**255.0%**

Cash flows

Cash as at 31 December 2020 was $25,767,798 (30 June 2020: $8,228,409). Payright successfully listed on the ASX in December which raised $18,515,364 through the issuance of 15,429,470 shares at $1.20 per share.

Cash receipts in the half-year period were $26,687,162 (31 December 2019: $17,182,376), representing a 55% increase over pcp. As a result, net cash flows used in operating activities for 31 December 2020 were 46% lower than pcp.

An increase in total cash flows from financing activities for the half-year ended 31 December 2020 of $6,307,192 (28%). The combined raisings from the IPO proceeds and convertible notes of $7,000,000 has enabled the Group to accelerate its growth strategy.

As at 31 December 2020, the Group has an undrawn loan book facility of $781,000 (30 June 2020: $281,375).

Financial position

Total assets have increased from 30 June 2020 by 49% to $77,880,735 due mainly to an increase in cash balance from the IPO proceeds and the Group's receivables balance. Total receivables as at 31 December 2020 is $51,155,365, representing an increase from 30 June 2020 by 18.4%.

Total liabilities have increased by 15% to $51,957,250 mainly due to proceeds from loans and borrowings with the issuance of Series 6 Notes facility of $7,000,000.

Net equity as at 31 December 2020 was $25,923,485, an increase from 30 June 2020 of $18,620,848. The increase was due predominantly to the issuance of shares on IPO, offset partially by the half-year period operating loss.

Outlook

Following the successful listing on the ASX, the Group is excited to continue on its strong growth trajectory into 2021 and beyond, strengthening its position as a BNPL provider of choice for 'considered purchases' over $1,000 in Australia and New Zealand. Funds raised from the IPO will continue to support the Group's three core strategic pillars.

- Leverage off strength in the current markets to continue growing its merchant base, expanding both locally and to build its presence in the New Zealand market.
- Increase marketing presence and brand awareness, complimenting the Group's merchant first philosophy with customer retention and acquisition strategies.
- Develop smart new technologies to create frictionless onboarding process and streamline user experience.

The Group remains aware of the current economic circumstances and will continue to closely monitor these including potential changes in the BNPL regulatory environment, as well as continued developments of COVID-19 pandemic and its direct and indirect impacts on the business.

Significant change in the state of affairs

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

Significant events after the reporting date

Since 31 December 2020, the Group has continued to secure investment to fund the continued working capital required to support the Group's strategic growth activities, as follows:

On 2 February 2021, the Group secured an exclusive agreement with iPartners Nominees Pty Ltd (iPartners) for them to act as placement manager for an additional series of loan notes pursuant to the Group's loan note funding programme. The new series 7 note will have an aggregate face value of up to $20 million to fund the Group's loan book, with maturity date being 18 months after its Tranche 1 issue date. On 18 February 2021, Payright called the first tranche to the value of $3 million, to be issued on 26 February 2021.

The Group has also reached agreement with iPartners to act as placement manager for a Note facility in New Zealand – NZ Series 1 loan notes, which will have an aggregate face value of up to NZ$3 million to accelerate growth in the Group's NZ customer receivables. The Notes have a maturity date of 1 December 2022. On 24 February 2021, Payright called the first tranche to the value of NZ$0.5 million, to be issued on 26 February 2021.

On 22 February 2021, the Group called upon Tranche 3 of its senior secured note facility (Pool B) to the value of $781,000, to be issued on 1 March 2021. The notes have a maturity date of 31 December 2021.

There were no other significant events occurring after the reporting period which may significantly affect either the Group's operations or results of those operations or the Group's state of affairs.

Likely developments and expected results or operations

There are no other developments and expected results or operations, other than those mentioned in the 'Outlook' section. Any other detail on likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Share Options

During the half-year period, options to acquire shares in the Company were granted with no shares issued. Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
30 October 2020	20 October 2024	$0.63	1,168,152
23 December 2020	1 October 2024	$2.10	4,125,000

Indemnification and insurance of directors and officers

Payright Limited has entered into insurance contracts with a third-party insurance provider, in accordance with normal commercial practices. Under the terms of the insurance contract, the nature of the liabilities insured against and the amount of premiums paid are confidential. The Group is not aware of any liability that arose under theses indemnities as at the date of this interim report.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young (Australia) as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year or half-year.

Auditors independence

The directors have received a declaration from the auditor of Payright Limited, Ernst & Young (Australia). This has been included on page 5.

Signed in accordance with a resolution of the directors.

Piers James Redward

Director

26 February 2021

Myles Redward

Director

26 February 2021

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Auditor's independence declaration to the Directors of Payright Ltd

As lead auditor for the review of the half-year financial report of Payright Ltd for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

b. No contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

T M Dring
Partner
26 February 2021

Financial Statements

For the half-year ended 31 December 2020

About this report

This is the interim report for Payright Limited and its controlled entities (collectively, the "Group"). Payright Limited (the "Company") is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: PYR).

The interim report of Payright Limited for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of Directors on 26 February 2021.

The registered office of the Group is Level 1, 55 Whitehorse Road, Balwyn, VIC 3103.

The principal place of business of the Group is Suite 4 Level 2, 787-789 Toorak Road, Hawthorn East, VIC 3123.

The directors have the power to amend and reissue the financial statements.

Reading the financials

Section introduction

Introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the interim report which are relevant to that section or note.

Contents

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Half-year ended 31 December 2020 $	Half-year ended 31 December 2019 $
Fee income	2.1	5,267,817	4,140,852
Other income	2.1	569,417	92,681
Finance income		-	7,532
Total revenue		**5,837,234**	**4,241,065**
Administration costs		(398,332)	(481,727)
Consulting and professional fees		(1,244,514)	(233,699)
Depreciation		(57,961)	(63,318)
Employee benefits expense		(3,884,040)	(2,667,803)
Expected credit loss		(558,017)	(2,592,168)
Marketing and advertising		(681,374)	(215,141)
Rent and occupancy		(48,224)	(46,554)
Other expenses		(724,494)	(226,755)
Operating loss		**(1,759,722)**	**(2,286,100)**
Finance costs		(2,995,208)	(2,440,534)
Loss before tax		**(4,754,930)**	**(4,726,634)**
Income tax expense		-	-
Loss for the half-year		**(4,754,930)**	**(4,726,634)**
Other comprehensive loss for the half-year			
Foreign currency translation movements		(49,444)	(2,653)
Total comprehensive loss for the half-year		**(4,804,374)**	**(4,729,287)**
Loss per share of loss attributable to the ordinary equity holders of the Parent		**Cents**	**Cents**
Basic loss per share	2.2	(0.08)	(0.20)
Diluted loss per share	2.2	(0.08)	(0.20)

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

Consolidated Statement of Financial Position

	Note	As at 31 December 2020 $	30 June 2020 $
Assets			
Current assets			
Cash and cash equivalents		25,767,798	8,228,409
Receivables	3.1	36,872,644	24,828,639
Prepayments		253,928	83,402
Other assets		347,598	455,514
Total current assets		**63,241,968**	**33,595,964**
Non-current assets			
Receivables	3.1	14,282,721	18,390,229
Property, plant and equipment		106,934	60,234
Right-of-use assets		200,691	240,829
Other assets		48,421	54,361
Total non-current assets		**14,638,767**	**18,745,653**
Total assets		**77,880,735**	**52,341,617**
Liabilities			
Current liabilities			
Trade and other payables	3.2	4,757,642	3,290,450
Loans and borrowings	4.2	13,529,000	6,643,625
Lease liabilities		89,063	77,342
Employee benefit liabilities		442,197	231,923
Total current liabilities		**18,817,902**	**10,243,340**
Non-current liabilities			
Loans and borrowings	4.2	32,953,624	34,591,026
Lease liabilities		127,080	177,019
Employee benefit liabilities		58,644	27,595
Total non-current liabilities		**33,139,348**	**34,795,640**
Total liabilities		**51,957,250**	**45,038,980**
Net assets		**25,923,485**	**7,302,637**
Equity			
Issued capital	4.1	44,695,426	21,297,765
Other reserves	4.1	(32,199)	(10,316)
Accumulated losses		(18,739,742)	(13,984,812)
Total Equity		**25,923,485**	**7,302,637**

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

Consolidated Statement of Changes in Equity

For the half-year period	Issued capital $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2019	**9,644,900**	**-**	**-**	**(6,476,046)**	**3,168,854**
Loss for the period	-	-	-	(4,726,633)	(4,726,633)
Other comprehensive loss	-	-	(2,653)	-	(2,653)
Total Comprehensive loss	**-**	**-**	**(2,653)**	**(4,726,633)**	**(4,729,286)**
Transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 December 2019	**9,644,900**	**-**	**(2,653)**	**(11,202,679)**	**(1,560,432)**
Balance at 1 July 2020	**21,297,765**	**-**	**(10,316)**	**(13,984,812)**	**7,302,637**
Loss for the period	-	-	-	(4,754,930)	(4,754,930)
Other comprehensive loss	-	-	(49,444)	-	(49,444)
Total Comprehensive Loss	**-**	**-**	**(49,444)**	**(4,754,930)**	**(4,804,374)**
Transactions with owners in their capacity as owners:					
Shares issued on initial public offering	18,515,364	-	-	-	18,515,364
Issuance of share capital	100,000	-	-	-	100,000
Conversion of convertible notes	7,103,285	-	-	-	7,103,285
Employee shares issued	48,980	-	-	-	48,980
Share issuance costs	(2,369,968)	-	-	-	(2,369,968)
Share-based payments	-	27,561	-	-	27,561
	23,397,661	27,561	-	-	23,425,222
Balance at 31 December 2020	**44,695,426**	**27,561**	**(59,760)**	**(18,739,742)**	**25,923,485**

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

Consolidated Statement of Cash Flows

	Note	Half-year ended 31 December 2020 $	2019 $
Cash Flows from Operating Activities			
Receipts from customers		26,687,162	17,182,376
Payments to suppliers and employees		(5,019,687)	(4,152,061)
Payments to merchants		(29,959,869)	(31,348,162)
Interest received		-	7,532
Interest paid		(2,602,412)	(1,875,228)
Interest paid on lease liabilities		(11,256)	(14,209)
Net cash flows used in operating activities		**(10,906,062)**	**(20,199,752)**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(63,014)	(19,498)
Net cash flows used in investing activities		**(63,014)**	**(19,498)**
Cash Flows from Financing Activities			
Proceeds from issuance of share capital		18,615,365	-
Payment of share issuance costs		(1,948,113)	-
Proceeds from issuance of notes payable		15,500,375	16,750,000
Repayment of notes payable		(3,280,000)	-
Payment of notes issuance costs		(282,479)	(655,769)
Proceeds from subordinated loans		-	3,550,000
Payment of related party loans		-	(878)
Proceeds from cash advance facility		-	2,718,625
Payment of cash advance facility issuance costs		-	(68,869)
Payments of principal portion of lease liabilities		(38,219)	(33,372)
Net cash flows from financing activities		**28,566,929**	**22,259,737**
Net increase in cash and cash equivalents		17,597,853	2,040,487
Net foreign exchange difference		(58,464)	(2,652)
Cash and cash equivalents at the beginning of the period		8,228,409	7,017,452
Cash and cash equivalents at the end of the period		**25,767,798**	**9,055,287**

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2020

Section 1: Basis of preparation

This section explains basis of preparation of our interim report and provides a summary of our key accounting estimates and judgements.

1.1 Basis of preparation of the interim report

The consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2020.

1.2 Significant changes in the current reporting period

Initial Public Offering

On 23 December 2020, Payright completed an Initial Public Offering (IPO) and became listed on the Australian Securities Exchange (ASX).

Payright raised $18,515,364 through the issuance of 15,429,470 shares at $1.20 per share.

1.3 Going concern

As at 31 December 2020 the Group had consolidated net assets of $25,923,485 and incurred a loss of $4,754,930 and had net operating cash outflows of $10,906,062 for the half-year ended 31 December 2020. It is anticipated that further losses will be incurred by the Group during its growth phase as it continues to invest and increase its market share growing its reach and presence in its core markets of Australia and New Zealand.

In addition to the Group's successful equity raise from the IPO, the following sources of funding have been secured, or are in the process of being secured.

Australia

During the half-year period, the Group raised $7 million through the issuance of secured loan notes (series 6) and completed another successful pre-IPO raising of $7 million through the issuance of convertible note, which supported the Group's increased activity levels on merchant acquisition and customer acquisition strategy.

The Group has secured an exclusive agreement with iPartners Nominees Pty Ltd (iPartners) for them to act as placement manager for an additional series of loan notes pursuant to the Group's loan note funding programme. The new series 7 notes will have an aggregate face value of up to $20 million to fund the Group's loan book.

New Zealand

The Group has also reached agreement with iPartners to act as placement manager for a note facility – NZ Series 1 loan notes, which will have an an aggregate face value of up to NZ$3 million, to accelerate growth in the Group's NZ customer receivables.

Future funding arrangement

While the Group is exploring future funding arrangements, no assurance can be given that such financing arrangements (or any comparable arrangements) will be secured, or that these arrangements will be able to be secured on acceptable terms.

The Directors believe that the funds available from existing cash reserves and debt facilities would provide the Group with sufficient working capital to carry out its stated business objectives for at least the next 12 months period from the date of signing these financial statements and have therefore prepared the interim financial report on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.

1.4 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020. Several amendments and interpretations apply for the first time in 2020, but do not have a material impact on the interim consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1.5 Terminology used

Earnings before, income tax expense, depreciation and amortisation (EBTDA) reflects profit or loss for the period prior to including the effect of depreciation and amortisation.

Our management uses EBTDA, in combination with other financial measures, primarily to evaluate the Group's operating performance.

1.6 Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the interim report are found in the following notes:

Note	Section	Page
2.1	Revenue	13
3.1	Receivables	15
5.2	Employee share plans	20

1.7 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officers, who are considered Chief Operating Decision Makers (CODM's).

The Group provides services to customers and merchants in Australia and New Zealand, which commenced operations during the year ended 30 June 2016 and 30 June 2019, respectively. While distinct geographic locations exist, the operations in New Zealand are still in a very early growth stage. The CODM's monitors the operating results on a consolidated basis, and accordingly, the Group has concluded that it has one reportable segment.

Section 2: Performance for the period

This section explains our results and performance, as well as our earnings per share for the period. It also provides selected details about our cash and cash equivalents performance for the period.

2.1 Consolidated Revenue

	Half year ended 31 December 2020 $	2019 $
Fee income		
Customer fees	1,933,003	1,269,237
Merchant fees	3,334,814	2,871,615
Total fee income	**5,267,817**	**4,140,852**
Finance income	-	7,532
Sundry income	569,417	92,681
Total revenue	**5,837,234**	**4,241,065**

Recognition and measurement

Revenue including merchant fees, consumer fees and interest income are recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate (EIR) method.

The Group allocated fee income over the life of the associated end consumer's receivable balance.

Customer fees

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

Merchant fees

Merchant fees are fees paid by merchants in exchange for the Group's payment solution services. It is derived from the difference between the customer's underlying sale transaction value and the amount paid to the merchant for that transaction.

Finance income

Finance income relates to interest income earned from cash and cash equivalents.

Sundry income

Sundry income consist mainly of government support income such as JobKeeper grant income and Australian Tax Office's cash flow boost totaling $458,000 (31 Dec 2019: $nil). The government support income is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2.2 Loss per share

This note outlines the calculation of Loss Per Share (EPS) which is the amount of post-tax profit attributable to each share.

We calculate basic and diluted EPS. Diluted EPS reflects the effects of the equity instruments allocated to our employee share schemes under Payright's share-based payment plans.

The following table reflects the income and share data used in the basic and diluted EPS calculations.

	Half-year ended 31 December	
	2020 $	**2019 $**
Loss attributable to the equity holders of the parent	(4,754,930)	(4,726,634)
WANOS[1] for basic earnings per share	57,249,685	23,344,157
Effect of dilution[2]	452,012	-
WANOS[1] adjusted for effect of dilution	57,701,697	23,344,157
Loss per share:		
Basic EPS	(0.08)	(0.20)
Diluted EPS	(0.08)	(0.20)

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

[2] Includes the effect of dilution from the employee share options

Recognition and measurement

Basic Earnings Per Share

Basic EPS is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings Per Share

Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (if any).

The adjustment for the calculation of diluted EPS in the table above does not take into account 4,125,000 of shares issued under the director options grant because they are anti-dilutive as at the half-year reporting period. Refer Note 5.2 for further information.

Section 3: Our core assets and working capital

This section describes the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.

3.1 Receivables

	Consolidated	
	31 December 2020 $	30 June 2020 $
Current		
Receivables	39,452,062	27,018,517
Provision for expected credit loss	(2,579,418)	(2,189,878)
	36,872,644	24,828,639
Non-current		
Receivables	15,285,828	20,180,787
Provision for expected credit loss	(1,003,107)	(1,790,558)
	14,282,721	18,390,229
Total receivables	**51,155,365**	**43,218,868**
Movements in the provision for expected credit losses were as follows:		
Opening provision	(3,980,436)	(1,283,932)
Provided in the period	(367,308)	(4,588,520)
Debts written-off[1]	765,615	1,892,016
Foreign exchange movement	(396)	-
Closing provision	**(3,582,525)**	**(3,980,436)**

[1] During the half-year period, credit impaired receivables of $1,185,276 (30 June 2020: $1,932,953) had been written off, of which $419,661 (30 June 2020: $40,937) was covered by the contingency fund balance.

Recognition and measurement

Receivables are financial assets generated in the ordinary course of business. They are generally due for settlement within 2 to 60 months. If collection of the amount is expected in one year or less, they are classified as current assets otherwise, they are classified as non-current assets. The Group's model is to hold the receivables with the objective to collect the contracted cashflows. Receivables are initially recognised at fair value and are subsequently measured at amortised cost less an allowance for impairment.

Significant increase in credit risk (SICR)

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

Definition of default and credit-impaired assets

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

Impairment of receivables

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

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

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

Stage	Ageing	Measurement basis
Stage 1	Up to 30 days past due	Although there is usually no objective evidence of impairment in stage 1, an ECL has been determined based on a probability of a default event occurring over the next 12 months.
Stage 2	30 to 89 days past due	When a receivable is past due between 30 to 89 days, it is an indication that credit risk has increased. As a result, the loss allowance for that receivable is measured at an amount equal to the lifetime ECL. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of the receivables.
Stage 3	90 days or more past due	Stage 3 includes receivables aged 90 days or more past due where there is objective evidence of impairment at reporting date. Ageing of 90 days or more is considered to have an adverse impact on the estimated future cash flows of the receivables.

3.1 Receivables (continued)

Set out below is the information about the credit risk exposure on the Group's receivable using the ECL model adopted by the management.

31 December 2020	Loans receivable Days past due Stage 1 - Up to 30 days past due	 Stage 2 - Aged 30 to 89 days	 Stage 3 - Aged 90 days or more past due	 Total
	$	$	$	$
Expected credit loss rate	4.7%	9.7%	62.2%	
Estimated total gross carrying amount at default	51,807,672	1,301,016	1,629,202	**54,737,890**
Expected credit loss	(2,443,709)	(125,892)	(1,012,924)	**(3,582,525)**

30 June 2020	Loans receivable Days past due Stage 1 - Up to 30 days past due	 Stage 2 - Aged 30 to 89 days	 Stage 3 - Aged 90 days or more past due	 Total
	$	$	$	$
Expected credit loss rate	3.6%	50.4%	70.1%	
Estimated total gross carrying amount at default	43,232,342	1,757,709	2,209,253	**47,199,304**
Expected credit loss	(1,545,922)	(885,417)	(1,549,097)	**(3,980,436)**

Key estimates – provision for expected credit losses

Management estimates and judgement is utilised in measuring provision for ECLs and determining whether the risk of default has increased significantly since initial recognition of the receivables. The Group considers both quantitative and qualitative information in determining the ECLs on its receivables.

The measurement of the provision for ECL is a result of:

- probability of default
- loss given default
- exposure at default

The probability of default has been developed by analysing customer credit score (sourced from independent third party), against the proportion of those balances that have defaulted over time, to form a basis to determine the PD. The loss given default is based on historical loss experienced, and also incorporates the contingency fund agreement the Group has in place across specific merchants, whereby a percentage of the merchant settlement amount is withheld to cover losses incurred as a result of default events. As at 31 December 2020, the contingency fund in place has reduced the provision recorded against credit impaired assets by $469,754 (30 June 2020: $719,600). The exposure at default represents the present value of the estimated customer receivable at the reporting date.

Given the ongoing market uncertainty due to the impact of COVID-19, the Group has applied an overlay in adjusting the results of the ECL model. Unemployment rates and GDP rates have been considered as the base overlay parameter, this increases the degree of judgement required to assess the effects of the COVID-19 on the Group's ECL, however, is reflective of the Group's assessment on the wider macro-economic impact on its ECL and represents a reasonable view as at reporting date.

The Group's ECL assumptions and methodologies are reviewed regularly.

3.2 Trade and other payables

	Consolidated	
	31 December 2020 $	30 June 2020 $
Trade payables	2,292,164	737,954
Customer deposits	2,366	16,751
Accrued interest	552,242	576,660
GST payable	715,508	269,122
Contingency funds payable[1]	709,411	1,378,604
Other	485,951	311,359
Total trade and other payables	**4,757,642**	**3,290,450**

[1] The reduction in contingency funds balance is due to the recovery of receivables written off against the fund and the release of contingency funds to merchants.

Recognition and measurement

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

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Contingency funds payable

Contingency funds payable to merchants, due for release 3 months from settlement date. This represent a percentage of the purchase price that the Group has withheld from settlement to cover losses incurred in the event of default.

Interest payable

Interest payable is settled quarterly or half-yearly throughout the period.

Section 4: Our capital and risk management

This section sets out the policies and procedures applied to manage our capital structure and the financial risks we are exposed to. We manage our capital structure in order to maximise shareholders' return, maintain optimal cost of capital and provide flexibility for strategic investments.

4.1 Equity

Share capital

	Consolidated 31 December 2020	30 June 2020
Authorised fully paid ordinary shares	**89,100,980**	**21,297,765**

Movements in ordinary shares	Number of Shares	Share Capital $
At 1 July 2019	**23,344,157**	**9,644,900**
Shares issued[1]	9,260,869	11,901,137
Share issuance costs	-	(248,272)
At 30 June 2020	**32,605,026**	**21,297,765**
Shares issued	324,488	100,000
Share Split[2]	33,737,143	-
Conversion of convertible notes[3]	6,964,036	7,103,285
Shares issued on IPO	15,429,470	18,515,364
Employee shares issued under employee gift offer	40,817	48,980
Share issuance costs	-	(2,369,968)
At 31 December 2020	**89,100,980**	**44,695,426**

[1]On 15 May 2020, the Group raised $11,901,137 of authorised share capital and accordingly issued 9,260,869 ordinary shares for $1.29 per share. This transaction was completed in two transactions as follows:

- Existing notes were exchanged for shares to the value of $9,340,000; and
- Issuance of new ordinary shares of $2,561,137

[2]The Company's pre-IPO issued shares were split. Each shareholder of the Company will hold 2.024526 shares for each share they previously held, with a corresponding diminution in the value of each share such that the total aggregate value of that shareholder's holding would remain unchanged.

[3]Convertible notes with a face value of $7,000,000 were issued during the half-year periodThese notes plus any accrued but unpaid interest amount were converted on the completion of the IPO. The conversion feature of the embedded derivative liability has been assessed at zero fair value.. This has resulted in a loss of $357,223 in the half-year period (31 December 2019: nil).

Recognition and measurement

Ordinary shares

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

Ordinary shares have no par value and entitle the holder to the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amount paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

Unquoted shares

Shares issued as part of Employee Options Grant and Director Options Grant are unquoted shares. Refer to Note 5.2 for further details.

4.2 Loans and borrowings

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
Current		
Secured		
Notes payable	13,529,000	3,925,000
Cash advance facility	-	2,718,625
	13,529,000	**6,643,625**
Non-current		
Secured		
Notes payable	29,379,255	31,016,657
Subordinated loans	3,550,000	3,550,000
	32,929,255	**34,566,657**
Unsecured		
Loans from related parties	24,369	24,369
	32,953,624	**34,591,026**
Total loans and borrowings	**46,482,624**	**41,234,651**

Notes payable

Senior secured notes with a gross value of $43,424,000 (30 June 2020: $35,485,000) were issued to institutional and professional investors at fixed interest rates and are expected to be settled in full on maturity:

Series	Drawn amount $	Interest rate	Maturity date[1]
1	425,000	12%	19 Feb 2021
2	2,600,000	12%	9 March 2021
3	6,285,000	12%	25 July 2021
Pool B 1	4,219,000	8%	31 December 2021
4	7,550,000	12%	19 February 2022
5	15,345,000	11%	24 May 2022
6	7,000,000	10%	31 March 2022

[1]The Group has unconditional right to extend maturity date of its series 1 to series 6 senior secured notes, with intention to extend given no later than 1 month prior to the maturity date. As at 31 December 2020, management has not elected to extend the maturity dates.

In August 2020, the Group converted its existing cash advance facility into a new senior secured note facility (Pool B), with the existing charge over the Group's assets withdrawn. This facility will be used for the purpose of funding the Group's long-term lending in the Home improvement sector.

The facility has a limit of $5,000,000, drawn to $4,219,000 as at 31 December 2020, leaving $781,000 available to be called.

In December 2020, the Group repaid $3,280,000 of its senior secured notes.

As at reporting date, fair value of all loans and borrowings amounted to $47,420,135 (30 June 2020: $42,514,160). Senior secured notes and subordinated notes are secured against assets of $62,305,957 (30 June 2020: $51,306,106) in Devizo Finance Pty Ltd.

Recognition, measurement and classification

Loans and borrowings are financial liabilities, initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees which are directly attributable to the establishment of the loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Derecognition

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

Debt covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants, including loan value ratio. These have been complied with during the half-year ended, and as at, 31 December 2020.

Section 5: Our people

We are working to attract and retain employees with the skills and passion to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.

5.1 Key management personnel compensation

Key management personnel (KMP) refer to those who have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group are the same as those directors listed in the directors' report.

KMP compensation for the half-year is shown as follows:

	31 December 2020 $	31 December 2019 $
Short-term employee benefits	447,629	362,199
Post-employment benefits	27,081	27,785
Other long-term benefits	27,417	9,880
Share-based payments	3,499	-
	505,626	**399,864**

Other transactions with our KMP and their related parties

During the half-year ended 31 December 2020, apart from transactions disclosed in Note 7.1 of the interim report, There were no other transactions with our KMP and their related parties.

5.2 Employee share ownership plans (ESOP)

A transaction will be classified as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments.

This note summarises the primary employee share plans and the key movements in the share-based payment arrangements during the period.

Recognition and measurement

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value was determined by the Directors and management using an adjusted form of the Black-Scholes-Merton Model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods where there is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

5.2 Employee share ownership plans (continued)

The recognised expense arising from equity settled share-based payment plans during the period is shown in note 2.3. During the half-year ended 31 December 2020, the Group had the following share-based payment plans in place:

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

There have been no cancellations or modifications to any of the plans during the half-year period.

Employee Gift Offer

In consideration of providing employees with the opportunity to share the Company's future success in performance and growth, the Company granted 833 of restricted shares per eligible employee, for nil consideration pursuant to the terms of the ESOP.

The key terms of the employee options grant are as follows:

- There is no initial cost to the recipient to participate in the employee gift offer, but the restricted shares will be restricted from trading for three years from grant date whilst being employed by the Group.
- The employee gift shares are allocated to each eligible employee with the number of restricted shares determined by dividing the $1,000 remuneration value by the IPO offer price of $1.20.

Cessation of employment

Where an employee ceases employment with the Company during the restriction period, the employee will be entitled to keep their shares and the dealing restriction will cease at the time of the employment ends.

Summary of Shares Issued under the Employee Gift Offer

The following table illustrates the number of, and movements in shares granted during the half-year period:

	31 December 2020 Number	30 June 2020 Number
Outstanding at the beginning of the period	-	-
Granted during the period	40,817	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding at the end of the period	**40,817**	**-**

The assessed cost at of options granted during the half-year period ended 31 December 2020 was at $1.20 per option.

For the six months ended 31 December 2020, the Group has recognised $48,980 of IPO share issuance costs in the share capital (31 December 2019: $nil) as a result of the employee gift offer.

5.2 Employee share ownership plans (continued)

Employee Options Grant

To motivate Employees to grow the Company and share in its financial success, align the interests of employees and shareholders, and attract and retain employees, a total of 1,168,152 options (in aggregate) was awarded to eligible employees of the Company under the terms of the ESOP.

The key terms of the employee options grant are as follows:

- Until the Employee Options Grant vest and ordinary shares are issued, the participant is not entitled to exercise any voting rights attached to the Performance Rights and is not entitled to any dividend payments.
- Vesting will occur on expiry of a three-year term, subject to continuity of employment and the options will lapse if not exercised upon expiry of a four-year term.

Cessation of employment

The Board has discretion to determine the manner in which a recipient's unvested awards will be dealt with in the event that they cease employment with the Company group, including to determine that some or all awards vest or lapse. Vested rights or options must be exercised within 60 days of cessation of employment, save that where a recipient ceases employment by reason of termination for cause or breaches restraints, vested awards will lapse.

Summary of Shares Issued under the Employee Options Grant

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

	31 December 2020 Number	30 June 2020 Number
Outstanding at the beginning of the period	-	-
Granted during the period	1,168,152	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding at the end of the period	**1,168,152**	**-**

Fair value of options granted

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

	Grant on 30 October 2020
Expiry date	20 October 2024
Exercise price	$0.63
Risk free rate	0.207%
Dividend yield	0%
Expected volatility	36.0742%

The assessed fair value at grant date of options granted during the half-year period ended 31 December 2020 was at $0.3638 per option.

For the six months ended 31 December 2020, the Group has recognized $24,062 of share-based payment expense in the statement of profit or loss (31 December 2019: $nil).

5.2 Employee share ownership plans (Continued)

Director Options Grant

The options were granted with an exercise price equal to 175% of the listing price. Together with the applicable duration and employment-based performance milestone, the premium pricing is designed to incentivise the Company's key officers to promote the Company's long-term growth following Listing. The participants are required to play a direct role in meeting the applicable performance milestone in each case by continuing their employment with the Company for the prescribed performance period

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

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

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

Cessation of employment

The Board has discretion to determine the manner in which a recipient's unvested awards will be dealt with in the event that they cease employment with the Company group, including to determine that some or all awards vest or lapse. Vested rights or options must be exercised within 60 days of cessation of employment, save that where a recipient ceases employment by reason of termination for cause or breaches restraints, vested awards will lapse.

Summary of Shares Issued under Director Options Grant

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

	31 December 2020 Number	30 June 2020 Number
Outstanding at the beginning of the period	-	-
Granted during the period	4,125,000	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding at the end of the period	**4,125,000**	-

Fair value of options granted

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

	Grant on 23 December 2020
Expiry date	1 October 2024
Exercise price	$2.10
Risk free rate	0.207%
Dividend yield	0%
Expected volatility	36.0742%

The assessed fair value at grant date of options granted during the half-year period ended 31 December 2020 was at $0.1161 per option.

For the six months ended 31 December 2020, the Group has recognized $3,499 of share-based payment expense in the statement of profit or loss (31 December 2019: $nil).

Section 6: Other information

This section provides other information and disclosures not included in the other sections, for example related party transactions and significant events occurring after the reporting date.

6.1 Related party transactions

Transactions and their terms and conditions with other related parties

Loans from related parties

Loans from Brakus Private Trust (controlled by Piers Redward) and Myles Redward Family Trust (controlled by Myles Redward) were established as a source of funding during its early stages of the Group.

Amounts owed to related parties are as follows:

	31 December 2020 $	30 June 2020 $
Loan from Brakus Private Trust	24,146	24,146
Loan from Myles Redward Family Trust	223	223
Total loans from related parties	**24,369**	**24,369**

Purchases of consulting services from other related parties

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

Transactions with other related parties are as follows:

Purchases of consulting services from:	31 December 2020 $	31 December 2019 $
Key management personnel of the Group	**312,416**	152,967
Close family members of the directors	**335,831**	172,933

6.2 Events after the reporting date

Since 31 December 2020, the Group have continued to secure investment to fund the continued working capital required to support the Group's strategic growth activities, as follows:

On 2 February 2021, the Group secured an exclusive agreement with iPartners Nominees Pty Ltd (iPartners) for them to act as placement manager for an additional series of loan notes pursuant to the Group's loan note funding programme. The new series 7 note will have an aggregate face value of up to $20 million to fund the Group's loan book, with maturity date being 18 months after its Tranche 1 issue date. On 18 February 2021, Payright called the first tranche to the value of $3 million, to be issued on 26 February 2021.

The Group has also reached agreement with iPartners to act as placement manager for a note facility – NZ Series 1 loan notes, which will have an aggregate face value of up to NZ$3 million to accelerate growth in the Group's NZ customer receivables. The notes have a maturity date of 1 December 2022. On 24 February 2021, Payright called the first tranche to the value of NZ$0.5 million, to be issued on 26 February 2021.

On 22 February 2021, the Group called upon Tranche 3 of its senior secured note facility (Pool B) to the value of $781,000, to be issued on 1 March 2021. The notes have a maturity date of 31 December 2021.

There were no other significant events occurring after the reporting period which may significantly affect either the Group's operations or results of those operations or the Group's state of affairs.

Directors' Declaration

In accordance with a resolution of the Directors of Payright Limited we state that:

1. In the opinion of the Directors:

    a. the consolidated financial statements and notes that are set out on pages 6 to 24 and the Directors' report, are in accordance with the Corporations Act 2001, including:
        i. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, for the half-year ended on that date; and
        ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
        iii. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities;

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the half-year ended 31 December 2020; and

4. The Directors draw attention to Note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

On behalf of the Directors

Piers James Redward	**Myles Redward**
Director	Director
Melbourne,	Melbourne,
26 February 2021	26 February 2021

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Independent Auditor's Review Report to the Members of Payright Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Payright Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

T M Dring
Partner
Melbourne

26 February 2021