Beforepay

Replacement Prospectus

Beforepay Group Limited

ACN 633 925 505

Initial Public Offering

E&P

ShawandPartners an EFG company

Joint Lead Managers

Important Notices

Offer

This Prospectus is issued by Beforepay Group Limited (ACN 633 925 505) (the **Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus (**Offer**) is an initial public offering to acquire fully paid ordinary shares in Beforepay (**Shares**). See Section 7 for further information on the Offer, including the details of the Shares that will be issued under this Prospectus.

Lodgement and listing

This Prospectus is dated 29 November 2021 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This Prospectus is a replacement prospectus which replaces the prospectus dated 22 November 2021 and lodged with ASIC on that date (**Original Prospectus**). For the purposes of this document, this replacement prospectus will be referred to as the Prospectus. The differences between this Prospectus and the Original Prospectus are: amending the Chairman's letter, Section 1.3 and Section 3.1 to remove a reference to other companies in the on demand revolution; adding to Section 1.2 details relating to financial performance that are described in Section 4.2.2; clarifying comments in Sections 1.4 and 5.2.5 regarding "scraping" bank accounts; removing a chart from Section 3.1; adding explanatory notes for Figure 4.6.11 and Figure 4.6.15; updating the definition of the Exposure Period to now refer to the date of lodgement of the Original Prospectus with ASIC; and updating the definition of the Prospectus Date to now refer to the date of lodgement of this replacement Prospectus with ASIC.

The lodgement of a replacement prospectus has also required certain references to reflect the fact the Company has now applied to the Australian Securities Exchange (**ASX**) for admission to the Official List and quotation of its Shares on the ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be other risk factors in addition to the risks in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors (including the Proposed Director), the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information. Section 4 includes both statutory historical and pro forma historical financial information for the years ended 30 June 2020 (FY2020) and 30 June 2021 (FY2021). Historical Financial Information for the period from 5 June 2019 to 30 June 2019 (FY2019) has been lodged with ASIC and is available at https://beforepay.com.au/investor-hub/corporate-governance together with FY2020 and FY2021.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information (**RG 230**). The Company considers that non-IFRS information provides useful information to users in measuring the financial performance and position of the Company. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios in this Prospectus.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5.

The Directors (including the Proposed Director) cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

There is no assurance that any of the third-party estimates or projections contained in this Prospectus will be achieved. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Statements of past performance

This Prospectus includes information regarding past performance of Beforepay and prospective investors should be aware that past performance is not and should not be relied upon as being indicative of future performance.

Industry and Market Data

This Prospectus contains statistics, data and other information (including estimates and projections) relating to markets, market sizes, market shares, market segments, market positions and other industry data relating to Beforepay and the markets in which it operates, which uses market data and third-party estimates and projections. This includes the Industry Overview in Section 2, which is a market research report prepared by Frost & Sullivan Australia Pty Ltd (ACN 096 869 108) (**Frost & Sullivan**), as well as references in the Investment Overview in Section 1 and the Company Overview in Section 3 which are based on the Frost & Sullivan report.

Investors should note that market data and statistics are inherently subject to uncertainty and may not necessarily be reflective of actual market positions. General warnings above regarding forward-looking information, forecasts and estimates, apply to the market research report and any other market research, as well as statements based upon it. The Directors (including the Proposed Director), the Company and their advisers have relied on the market research report and third-party research and have not independently verified it. The Company cannot give any assurances as to the accuracy or completeness of the market and industry data or the underlying assumptions used in generating this market and industry data.

Disclaimers

E&P Corporate Advisory Pty Limited (ACN 137 980 520) (**E&P**) and Shaw and Partners Limited (ACN 003 221 583) (**Shaw and Partners**) have acted as the Joint Lead Managers to the Offer. E&P and Shaw and Partners have not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of its affiliates, officers or employees. To the maximum extent permitted by law, E&P and Shaw and Partners and their affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any state or other jurisdiction in which such offer, solicitation, distribution or sale would be unlawful under applicable law, including the US Securities Act and applicable state securities laws. In addition, any hedging transactions involving the Shares or any Shares into which the Shares may be converted may not be conducted unless in compliance with the US Securities Act.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia, please refer to Section 9.

Exposure Period

The Corporations Act prohibits the Company from processing Applications for Shares in the seven-day period after the lodgement of the Original Prospectus with ASIC (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus availability

During the Offer period, a paper copy of this Prospectus is available free of charge to any person in Australia by calling the Beforepay IPO Information Line on 1300 429 201 (within Australia) and +61 2 7208 4523 (outside Australia) from 9.00am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). This Prospectus is also available to persons who are Australian residents in electronic form at the Offer website https://www.beforepay.automic.com.au/. The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the Offer period on the Broker Firm Offer Application Form or Priority Offer Application Form (whichever is relevant to you) (in general referred to as **Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from https://www.beforepay.automic.com.au/. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Offer management

The Offer is being arranged and managed by E&P and Shaw and Partners.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Another grammatical form of a defined word or expression has a corresponding meaning. Unless otherwise stated or implied, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to days, dates or years are calendar days or year (as applicable) references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company, through its service provider, Automic Pty Ltd (ACN 152 260 814) (**Share Registry**), which is contracted by or on behalf of the Company, to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, provide facilities and services that you request and administer the Company. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date. This Prospectus contains trademarks and service marks that are the property of their respective owners.

Company Website

The Company maintains a website at www.beforepay.com.au. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website, is not a part of this Prospectus.

Independent Limited Assurance Report and Financial Services Guide

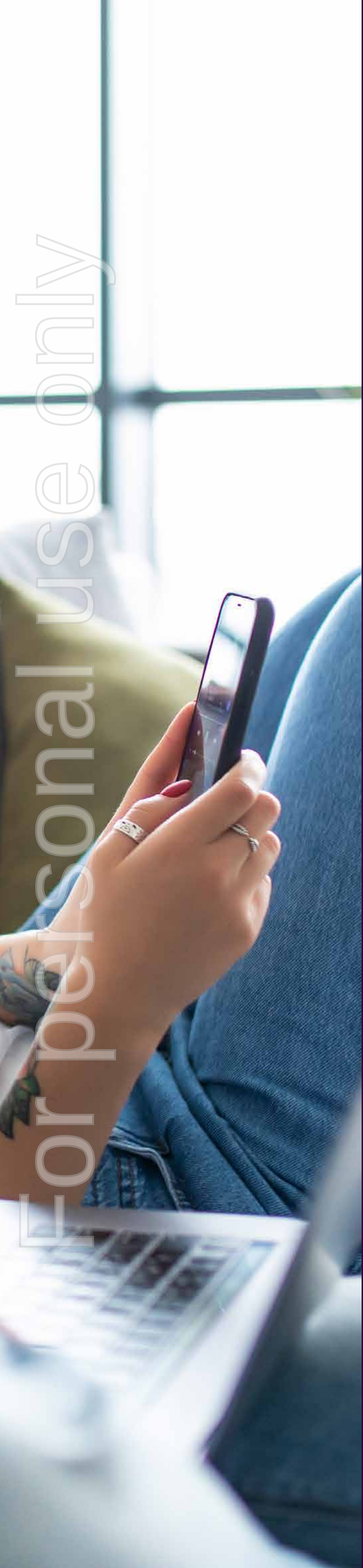
The provider of the Independent Limited Assurance Report is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act (**Financial Services Guide**). The Independent Limited Assurance Report and Financial Services Guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Beforepay IPO Offer Information Line on 1300 429 201 (within Australia) and +61 2 7208 4523 (outside Australia) from 9.00am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether to invest in Company.

This Prospectus is important and should be read in its entirety.



Contents

Offer Statistics and Key Dates

Offer Statistics

Offer Price	$3.41 per Share
Gross cash proceeds from the Offer	$35.0 million
Total number of New Shares to be issued by Beforepay under the Offer	10.3 million
Total number of Shares on issue on Completion of the Offer	46.4 million
Total number of Shares to be held by Existing Shareholders at Completion of the Offer[1]	40.2 million
Market capitalisation at the Offer Price[2]	$158.4 million
Pro forma historical net cash as at 30 June 2021 on Completion of the Offer[3]	$43.7 million
Enterprise Value[4]	$114.7 million

1. Existing Shareholders may acquire additional Shares under the Offer (which are not included in this amount).
2 Market Capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares at Completion of the Offer.
3 Pro forma historical net cash as at 30 June 2021 on Completion of the Offer calculated as cash and cash equivalents of $50,719,863 less total current and non-current borrowings of $7,010,918 as at 30 June 2021.
4 Enterprise Value is equal to the market capitalisation of the Company, less the expected pro forma historical net cash as at 30 June 2021 on Completion of the Offer.

Key Dates

Lodgement of the Original Prospectus with ASIC	Monday, 22 November 2021
Lodgement of this Prospectus with ASIC	Monday, 29 November 2021
Retail Offer opens	Tuesday 9:00am, 30 November 2021
Retail Offer closes	Thursday 5:00pm, 16 December 2021
Settlement of the Offer	Monday, 10 January 2022
Allotment of Shares under the Offer (Completion of the Offer)	Tuesday, 11 January 2022
Expected despatch of holding statements	Wednesday, 12 January 2022
Expected commencement of trading on the ASX on a normal settlement basis	Monday, 17 January 2022

Dates May Change

The dates above are indicative only and may change without notice. The Company and the Joint Lead Managers reserve the right to amend any and all of the above dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws, to defer the opening date of the Offer if the exposure period is extended, close the Offer early, to extend the date the Offer closes, to accept late Applications (either generally or in particular cases) or to cancel the Offer before settlement). If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. Applications made under this Prospectus will not be processed before the Offer opens. No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from the ASX.

Unless otherwise indicated, all times stated throughout the Prospectus are Sydney time.

How to invest

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Letter from the Chair

Dear Investor,

On behalf of the Beforepay Board of Directors, it is my pleasure to offer you the opportunity to become a shareholder of the Company.

Beforepay was founded in 2019 to offer consumers a better way to manage their personal finances, by providing the flexibility to access their pay earlier, without having to rely on credit cards or other forms of revolving debt. In doing so, Beforepay meets the demand of consumers who have been increasingly rejecting these forms of credit, while filling a gap in the market for flexible, transparent and on-demand access to credit. Beforepay and the Pay on Demand industry are a relatively new concept.

Beforepay's product is fast, intuitive and feature-rich, offering customers the ability to access a portion of their pay rapidly as well as a suite of budgeting tools to promote financial awareness. This is delivered via a suite of proprietary technologies, including both iOS and Android smartphone applications and a browser-based application, custom budgeting tools, a pay-cycle detection algorithm and a targeted credit-risk model. These technologies are enabled by machine-learning based analysis of a proprietary database of over 500 million (and growing) separate customer datapoints.

Since its commercial launch in August 2020, Beforepay has experienced compound monthly growth in its Active User base of 25.3% to October 2021. In this time, the Company has achieved significant scale across all measures, including pay advances totalling $170.5m and believes that the opportunity for further growth is substantial. During the FY2021 period, in which it commercially launched its product, Beforepay income was $4.5m with a pro forma historical net loss after tax of $19.6m.

Importantly, the business is led by a strong management team, who collectively bring significant credit, finance, risk and technology expertise to complement the Company's entrepreneurial, high growth culture.

Beforepay's entire operating history since commercial launch has taken place during the COVID-19 pandemic and as such, the Company and its Management are adept at navigating a dynamic operating environment. Despite temporary slowdowns in NSW during lockdown, the Company has continued to grow strongly and is positioned to accelerate even further as restrictions are eased.

The Offer is expected to raise approximately $35.0m through the allotment of 10.3 million Shares at $3.41 per Share. Proceeds from the Offer will allow Beforepay to invest in additional customer acquisition, support growth in Cash Outs, invest in product and credit model refinements, explore the viability of overseas opportunities, and pay costs associated with the Offer.

Beforepay

This Prospectus contains detailed information about Beforepay, the Offer, the industry in which Beforepay operates, its financial and operating performance and key risks associated with an investment in Beforepay. Some of the key risks include, among others, risks associated with the potential that customers do not repay their financial obligations to Beforepay, an inability to access funding either absolutely or on favourable terms, not successfully executing on one or all of its growth strategies and regulatory developments that could impact Beforepay's business model. These risks are further described in Section 5.

I encourage you to read and consider this document carefully and in its entirety before making a decision whether to invest.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of Beforepay.

Yours Sincerely,

Brian Hartzer
Chair

1.
Investment Overview

1. Investment Overview

1.1 Introduction

Topic	Summary	Section
Who is Beforepay?	Beforepay considers itself as a leading provider of Pay on Demand services in Australia. Beforepay delivers its services via both mobile and web-based applications which syncs in with its customers' bank accounts, and enables its customers access to a portion of their next pay on demand, make repayments with a degree of flexibility and get access to a suite of budgeting and financial awareness tools. Beforepay's applications are underpinned by a proprietary technology platform and credit engine.	Section 3.1
What industry and markets does Beforepay operate in?	Beforepay operates in the Pay on Demand industry. Pay on Demand is a relatively new concept, however it appears attractive to potential customers, and has been experiencing rapid growth as customers seek a more flexible and transparent way to manage their personal finances. Companies operating in the Pay on Demand sector provide support to individuals to manage their monthly cashflow by providing immediate access to a proportion of their upcoming pay which can be used for any purpose. At present, Beforepay's product offering and customer base are limited to Australia.	Section 2
What is the Offer?	The Offer is an initial public offering to issue approximately 10.3 million New Shares at a price of $3.41 to raise $35.0 million (before costs). All Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at the Prospectus Date.	Section 7
Why is the Offer being conducted?	The purpose of the Offer is to: • Support Beforepay's growth strategies, including increasing capital to support growth in Cash Outs, additional customer acquisitions, and funding to explore and potentially launch product offerings overseas; • provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities including, but not limited to, marketing, product development, operations and other growth opportunities; • achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; • provide the broader business with the benefits of an increased profile, transparency and credibility of being a listed entity; • pay for transaction costs associated with listing on the ASX; and • assist Beforepay in attracting and retaining staff.	Section 7.1.2

1.2 Key features of Beforepay

Topic	Summary	Section
How does Beforepay generate revenue?	Beforepay generates its revenue through customer fees. In exchange for providing its customers access to a portion of their Pay on Demand, Beforepay charges a fixed fee equivalent to 5%[5] of the Cash Out. Beforepay does not charge its customers interest or late fees.	Section 3.3
Who are Beforepay's customers?	Beforepay currently has an active customer base over 125,500[6] which is highly diversified by age, income and industry of employment, underscoring the broad appeal of its product. Beforepay's platform appeals to a broad cross section of society, although has particular appeal to those who are more likely to seek alternatives to other traditional forms of credit, are digital natives and are leading adopters of the 'on-demand' thematic. Based on analysis by Frost & Sullivan in 2021, an estimated 5.3 million people within the 9.5 million individuals aged 20-54 employed in Australia could benefit from short term, non-revolving access to cash due to their financial situation. While Beforepay's Pay on Demand product could potentially appeal to this audience, there is a subset of individuals who may not meet Beforepay's eligibility criteria, or to whom the product may not appeal.	Sections 2 and 3.5
What is Beforepay's technology and platform?	Beforepay's platform consists of smartphone applications designed for iOS and Android devices and a browser-based application, powered by the same backend systems. These applications facilitate the registration process for new customers, Cash Out functionality and associated tools for repayment, budgeting and spending insights. Beforepay's platform is powered by the following proprietary pieces of technology: • budgeting tools • pay cycle detection algorithm • credit-risk model and credit process which have been designed based on the insights received from Beforepay's proprietary database of more than 500 million[7] separate transaction datapoints. The scale of the database underpinning Beforepay's platform is a key source of competitive advantage and would be difficult to replicate.	Sections 3.4 and 3.6

5 Beforepay does offer discounts or credits for referrals or as part of promotions, each of which may lead to a lower effective fee being charged than the 5% of the Cash Out.
6 As at 31 October 2021.
7 As at 31 August 2021.

Topic	Summary	Section
What is Beforepay's technology and platform? continued	Beforepay's customer platform has been built and is maintained in-house by a team of software engineers. The entire technology stack is hosted in the cloud and has been designed with user experience and useability at its core, which are key pillars of Beforepay's customer value proposition. A number of third-party technology partners support Beforepay's proprietary technology and provide services such as screen-scraping, Know Your Customer process, and payments. Beforepay's customer platform is scalable and encompasses a high degree of automation, requiring little to no human intervention or interaction.	Sections 3.4 and 3.6
Who are Beforepay's competitors?	Beforepay faces competition from a range of sources, including traditional credit providers such as consumer credit card providers and payday lenders, as well as other Pay on Demand market participants. In the Australian market, consumer Pay on Demand providers include MyPayNow, EverydayPay, Fupay and WageTap. There are other market participants providing similar services who are either employer-linked or provided by commercial banks. Barriers to entry in the Pay on Demand sector include the requirement for access to wholesale funding, the investment required in technology platforms and the investment in marketing. This can act as a material barrier to new entrants, although entry barriers are likely to be lower for new entrants already providing other financial services to the target market.	Section 2
What is Beforepay's growth strategy?	Beforepay has a multi-faceted growth strategy: • New customer acquisition: increasing market share in Australia; • Customer retention: engaging and retaining existing customers who continue to re-use the platform and access greater Cash Out limits over time; and • International expansion: expansion into other markets with comparable consumer dynamics and drivers. Accordingly, Beforepay is exploring opportunities to leverage its business model in international markets and is in the early stages of assessing its expansion strategy, with a focus on the United States of America. Beforepay will apply some of the Offer Proceeds to its expansion strategy (following a feasibility assessment of relevant international markets). There is no certainty that Beforepay will be able to implement its current Australian model in international markets and any roll-out may involve different cost implications, which Beforepay will need to consider when assessing the feasibility of providing a Pay on Demand offering in other markets.	Section 3.11

Topic	Summary	Section
What is Beforepay's key financial information?	The table below summarises the key statutory historical and pro forma historical financial information of Beforepay (for further details refer to Section 4).	Section 4

A$	Statutory Historical		Pro forma Historical	
	FY2020	FY2021	FY2020	FY2021
Beforepay income	44,784	4,502,696	44,784	4,502,696
Other income	398,675	79,500	398,675	79,500
Loss before income tax expense	(638,467)	(18,767,172)	(1,476,645)	(19,597,350)
Net loss after tax	(649,987)	(18,767,172)	(1,488,165)	(19,597,350)

A$	Pro forma Historical – as at 30 June 2021
Cash and cash equivalents	50,719,863
Borrowings	7,010,918
Net assets	54,780,095

The pro forma historical financial information does not reflect the actual or prospective financial performance and financial position of Beforepay for the periods indicated. Section 4.3.2 and 4.4.1 of the Prospectus provides reconciliation of the above pro forma historical financial information to the statutory historical financial Information. Section 4.6.1 summarises the main factors that affected Beforepay's operating and financial performance and cash flows from FY2020 to FY2021, on a pro forma basis.

For the year ended 30 June 2021, Beforepay incurred a statutory historical net loss after tax of $18,767,172 and had a statutory historical net operating cash outflow of $21,018,762, with statutory historical net liability of $13,237,993 as at 30 June 2021. It is anticipated that further losses will be incurred by Beforepay during its growth phase as it continues to invest and increase its market share.

Topic	Summary	Section
What is the impact of COVID-19 on Beforepay?	Beforepay has operated in the COVID-19 environment for the majority of its existence. Beforepay has continued to grow during this period, however from July to October 2021, it was noted that there was reduced usage of the Beforepay Product in New South Wales during periods of full or partial lock-down. Management notes that at the time of this Prospectus the Company had not observed a reduction in credit quality as a result of the lock-down in July to October of 2021. While the Company's default data for this entire period is not available at this time (due to the need for pay advances to age to 62 days before they are in default), dishonours (failed attempts to debit accounts for repayment) are a leading indicator of defaults. While dishonour rates have been volatile, in all states the July to October 2021 dishonour rates to date are lower than those at the beginning of June 2021. There is analysis of the impact of COVID-19 in 2021 in Section 4.6.2.	Section 4.6.2

Topic	Summary	Section
What is Beforepay's dividend policy?	The Company does not currently intend to pay dividends. Payment of dividends by the Company is at the discretion of the Board of Directors. Given the Company's stage of development, the Directors have no current intention to declare and pay a dividend and the Directors do not provide any assurance of any future dividends. In determining whether to declare future dividends, the Directors will consider the general business environment, the operating results and the financial position of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions (including under debt facilities) on the payment of dividends by the Company and any other factors the Directors may consider relevant.	Section 4.6.3

1.3 Key strengths

Topic	Summary	Section
A new category in digital lending	Pay on Demand products such as that offered by Beforepay, are an innovative concept in the consumer finance market, providing an alternative to other approaches for individuals to access short-term finance. Credit card ownership per capita has been trending down over time due to, among other things, perceptions about high interest rates, and now is at its lowest levels on record. Management is of the view that there is substantial demand for more flexible, fixed cost and transparent access to credit, delivered via digital mode, which has driven rapid uptake in Beforepay's offering since launch.	Sections 2 and 3.1
Significant market opportunity	Beforepay's Product has a broad use case as the funds are provided to the customer as cash in their bank account and may be used for any purpose. Since launch, Beforepay has experienced a rapid uptake in Active Users to over 125,500 as at 31 October 2021, which represents a small subset of the potential 5.3 million Australians aged 20-54 with no/limited savings to whom the product may appeal, as set out in Section 2. Supporting the broad use case is a strong demand for the product driven by emerging trends, including an increase in the use of smartphones to manage finances, declining credit card usage, and decreasing financial resilience. For example, according to the Frost & Sullivan's survey 24% of millennials were unable to raise $2,000 within a week if faced with an unexpected expense and 16% unable to even raise $500. Further, populations in similar markets to Australia such as the United Kingdom and United States experience many of the same drivers as those underpinning demand in Australia, while being substantially larger in aggregate.	Section 2

Topic	Summary	Section
Platform built with customer experience in mind	Beforepay has designed a highly functional and intuitive user experience for its customers. The first-time customer journey is conducted entirely on the app and may be undertaken end-to-end in as little as five minutes. For existing customers who return to Cash Out further funds, the journey is time-efficient, with the existing customer only needing to confirm the amount to Cash Out and acceptance of terms. In addition to the ability to access a portion of their Pay on Demand, Beforepay customers also have access to supporting features and tools designed to assist their budgeting practices and general financial awareness. These tools include: • Automated transaction categorisation; • Automated bill prediction; and • Automated budgeting tools based on statistically analysing historical spending by category. These tools and features are provided at no cost to Beforepay customers. Beforepay's platform combines proprietary technology and algorithms with third-party software and services to deliver a favourable customer experience. Beforepay's technology platform is a core pillar of its customer value proposition with highlights including: • Highly functional and intuitive user experience: efficient customer journey • Feature rich: access to a suite of automated budgeting and tools to promote financial awareness • Secure: Amazon Web Services-hosted, with focus on cybersecurity • Fast: rapid onboarding, easy navigation and access to funds	Sections 3.4 and 3.6
Proprietary credit process and model	A core pillar of the Beforepay platform and its technology proposition is its proprietary risk scoring model **(credit model).** The credit model is developed on top of a machine-learning model that reviews approximately 400 different attributes across a customer's transaction history and combines these into a single number which represents the probability that a customer will default on Cash Out. This credit model then informs Beforepay's credit process and the Cash Out limits prospective customers are able to access with the objective that customers at lower risk of default are able to access higher Cash Out limits and vice versa. The relative importance of the credit model attributes is determined through the analysis of Beforepay's proprietary database of user transactions. This database continues to grow and refine as more customers register and use Beforepay's platform, delivering more valuable credit insights. The scale of Beforepay's database would be difficult to replicate.	Section 3.12.2

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Topic	Summary	Section
Rapid growth achieved, attractive financial properties	Beforepay has achieved rapid adoption and growth since launch, with its Active User base growing at a compound monthly growth rate of 25.3% from August 2020 to October 2021. Despite its success, the Company has only penetrated a small proportion of what it considers its target market (as described in Section 2). Further, Beforepay's financial profile has a host of attractive properties, including: • Substantial scale achieved, with over 125,500 Active Users and total capital deployed of over $171 million[8] • High customer reuse of c.94%[9] • Average payback period of 15 days[10] • Historically declining loss rates	Section 4
Experienced Board and management	Beforepay has assembled a team with substantial experience across finance, credit, risk management and technology, led by James Twiss and is complemented by an experienced Board of Directors. A number of Board members have deep experience at the helm of significant financial services companies, including other listed companies.	Sections 6.1 and 6.2

8 As at 31 October 2021.

9 The percentage of customers who have Cashed Out a second time after settling the first Cash Out during the period commencing on 9 December 2019, the date of the first Cash Out ever made with Beforepay to 30 June 2021.

10 Calculated based on Pay Advance and repayment data from 1 July 2020 to 30 June 2021, for Cash Outs which have been repaid. Does not include Cash Outs which were never repaid.

1.4 Key risks

There are a number of potential risks associated with Beforepay and the industry in which it operates, which may impact its future financial performance. Some of the risks are summarised below and further risks are described in Section 5.

Topic	Summary	Section
The Company may not successfully execute one or all of its growth strategies	The Company's growth depends on (amongst other matters) new customers using the Cash Out product and existing customers re-using the product. There is also a risk that Beforepay may no longer offer products which are attractive to the market, or that other products may enter the market which customers prefer. Any decrease in the rate of new or existing customers using the product is likely to have a significant material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of the Shares. In addition, Beforepay aspires to achieve high rates of growth by executing its marketing strategies, undertaking a wider distribution of the product, and continuing to develop and improve its technology and product offering, to adapt to a change in customer preferences. Beforepay is also exploring providing Pay on Demand services in overseas jurisdictions, but such expansion may require Beforepay to change its business model, strategy, compliance framework and/or financing arrangements and could have a material adverse impact on its ability to expand in those jurisdictions including as a result of additional costs and the need to meet additional requirements which may apply. There is no guarantee that any growth strategy into overseas jurisdictions will eventuate or, if it does eventuate, be successful. There is no guarantee that all or any of Beforepay's growth strategies will be successfully implemented, deliver the expected growth and returns or be profitable. There is also a risk that the growth strategies may be subjected to unexpected delays and costs. If the level of aggregate Cash Outs falls behind the increasing size of the commitment under the Longreach Credit Facility Agreement (for example because Beforepay does not achieve sufficient growth in its customers and advances), Beforepay will become liable to pay the undrawn fee.	Section 5.2.1
The Company may be unable to access funding or funding may only be available on less favourable terms	As a fast-growing business, Beforepay is likely to require additional debt and equity capital in the future to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances. Beforepay's medium to long-term growth initiatives would typically require a significant investment and funding requirement before the offering became cash flow positive. While some of the proceeds raised from this Offer will be utilised for this, further funding is expected to be required in the medium term to pursue growth opportunities.	Section 5.2.2

Topic	Summary	Section
The Company may be unable to access funding or funding may only be available on less favourable terms continued	If there is a deterioration in liquidity levels available in the debt and equity capital markets, or a deterioration in the terms on which debt or equity capital is available (including higher interest rates), this may prevent Beforepay from being able to raise the capital that it requires, including capital required to refinance its existing debt facility when it expires. This may have a material adverse impact on Beforepay's financial position and/or increase Beforepay's funding costs, which may reduce Beforepay's profitability or its ability to write profitable Cash Outs. In addition, Beforepay's finance facility contains a number of covenants and restrictions which, if breached by Beforepay, could cause an event of default. There is also a risk that Beforepay may not be able to extend or refinance the term of the Longreach Credit Facility Agreement when it matures, or may only be able to do so on less favourable terms. Any such occurrence could impact Beforepay's ability to write new Cash Outs or write new Cash Outs on competitive terms. Refer to Section 4.2.2 regarding the material uncertainty in relation to going concern of the Company, as this relates to the Statutory Historical Financial information.	Section 5.2.2
Beforepay's customers may not repay their financial obligations to Beforepay	If Beforepay's customers do not pay the principal and transaction fee owing under their contract, Beforepay may experience an increase in expenses and/or a decrease in operating cash flows. As Beforepay does not require security on its Cash Outs it may have less ability to enforce its contractual rights and successfully recover against a customer who may have other financiers and creditors with a superior security position. In addition, it may not be economical to undertake debt recovery for Cash Outs through legal claims or other means. In addition, if Beforepay's loss rate in respect of Cash Outs is not less than 7.5%, an event of default is deemed to have occurred under the Longreach Credit Facility Agreement, which could result in an immediate cancellation of the Longreach Credit Facility Agreement and a requirement to have all monies repaid under the Longreach Credit Facility Agreement. Refer to section 3.7.1.1 which sets out how the loss rate is calculated.	Section 5.2.3

Topic	Summary	Section
Beforepay's business may be impacted by existing or new regulations or the threat of regulations	The financial services sector, and in particular the provision of financial services to consumers, is undergoing a significant period of government and regulatory scrutiny and change following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and more recent parliamentary inquiries and industry reviews. While Beforepay keeps abreast of actual and threatened changes to laws and regulations, it cannot predict with certainty the changes that may occur in the future or the impact of those changes on Beforepay's business. There is a risk that actual or proposed changes to laws and regulations (including licensing requirements and compliance standards) or the exercise of regulatory or administrative powers, may require Beforepay to change its business model, strategy, compliance framework and financing arrangements, and could have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of the Shares. Furthermore, if Beforepay expands to other jurisdictions it could be impacted by existing or new regulations or the threat of regulations in those jurisdictions. Beforepay's financiers may also be subject to regulatory changes which may adversely affect their ability to advance funding, or may otherwise increase the cost of funding, or increase the amount of capital Beforepay needs to hold to advance that funding. Beforepay's competitors may also experience favourable regulatory changes to their funding arrangements, which could result in increased competition for consumer lending.	Section 5.2.4
Beforepay is reliant on a continued ability to 'scrape' and directly credit and debit customer bank accounts	Beforepay uses "scraping" of customer bank accounts in order to complete Beforepay's credit-check process, as well as to provide its budgeting tool to customers. Currently, it is generally possible to conduct "scraping" of bank accounts through financial institution internet banking facilities. The Company does not represent that all financial institutions have given express approval to "scraping" of bank accounts. If financial institutions reconfigured their internet banking facilities or prohibited scraping through other technical means this, could prevent Beforepay from scraping bank accounts of customers in the future. Whilst Beforepay is not aware of any such plans or proposals, notwithstanding these intended solutions, such a decision by financial institutions could have a material adverse impact on Beforepay's operating model and in turn, its business and financial performance. Furthermore, a change in financial institutions' account configuration to restrict the ability to use automated credit and debit payments would also adversely impact Beforepay.	Section 5.2.5

Topic	Summary	Section
Beforepay is reliant on third-party vendors, information-technology suppliers and software and infrastructure providers	Beforepay's business is dependent on the services and software provided by, and consequently its relationships with, key third-party vendors, information-technology suppliers, and software and infrastructure providers, and consequently there are a range of potential operational issues which are outside its control. Beforepay could face significant additional costs or business disruption if any such supplier fails to enable Beforepay to provide its customers with reliable, real-time access to its technology platform and/or Beforepay's arrangements with such suppliers are terminated or altered in any way that is detrimental to Beforepay, and Beforepay cannot find alternative sources of technology or systems on commercially reasonable terms or on a timely basis. Many of Beforepay's contracts with key third-party vendors and software and infrastructure providers are on short terms and/or can be terminated without cause on short notice. Beforepay may be adversely affected by an inability to renew its contract with key third-party vendors and software and infrastructure providers, or on terms that are not less favourable. There is also a risk that third-party suppliers do not perform adequately, terminate the contracting relationship with Beforepay, become insolvent, are otherwise acquired by a competitor or that losses may be incurred by the counterparty and others which are the responsibility of Beforepay.	Section 5.2.6
Beforepay's automated credit processes and credit risk framework may fail to assess credit risk accurately	Beforepay relies on its automated credit assessments and its credit-risk models and frameworks to determine whether to advance a Cash Out to a customer and the amount of the Cash Out. There is a risk that a failed operation of the automated credit assessments (for example, a technical failure in data gathering or inadequacies in the decision algorithms) may result in Beforepay unintentionally accepting additional credit risk. There is also a risk that Beforepay's credit risk models and frameworks prove in practice to be less predictive than Beforepay expects for a variety of reasons. Furthermore, if Beforepay expands into new jurisdictions there is a risk that the application of Beforepay's existing automated credit assessments and its application of its credit-risk models and frameworks, fail to appropriately assess or measure the credit risk for these jurisdictions, due to various factors including limited data available to calibrate Beforepay's credit decisions in these circumstances and the potential for idiosyncratic risk factors specific to that geography. Additional credit risk and credit losses that exceed Beforepay's expectation may have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, availability and cost of funding, growth, and/or the value of the Shares. In addition, if Beforepay's loss rate in respect of its Cash Outs to its customers exceeds a certain level, Beforepay will be in breach of financial covenants under the Longreach Credit Facility Agreement, which may trigger an event of default under the Longreach Credit Facility.	Section 5.2.7

Topic	Summary	Section
Beforepay may fail to comply with key regulations such as those focused on money laundering, consumer rights and privacy	Beforepay is currently subject to a range of legal and regulatory obligations in Australia. This includes the consumer protection obligations in the ASIC Act and CCA, AFCA's complaint resolution scheme, the AML/CTF Act and the Privacy Act. Beforepay may become subject to additional legal or regulatory requirements if laws or regulations change or if its business, operations, strategy or geographic reach change or expand in the future.	Section 5.2.8
Beforepay is highly reliant on mobile application stores	Beforepay has relationships with mobile application stores, such as the Apple App Store and Google Play Store, to distribute its app to customers' mobile devices. The success of Beforepay's business and its ability to maintain its existing Cash Out volumes and grow its portfolio profitably heavily relies on its ability to maintain its existing relationships with the mobile application stores. If Beforepay cannot maintain its existing relationships with mobile application stores, this may have a material adverse impact on Beforepay's business, financial condition, operating and financial performance, growth, and/or the value of the Shares.	Section 5.2.9
Litigation, claims and other disputes	Beforepay may be subject to litigation and other claims and disputes in the course of its business. Any litigation and other claims and disputes may cause damage to Beforepay's reputation and could materially adversely impact Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares. Refer to section 5.2.10 which sets out details regarding a concern raised by a financial institution regarding Beforepay's "B" logos and branding. The Company considers that the allegations made by the financial institution are weak and has denied them. Whilst the Company has denied the financial institution's allegations, the Company has engaged with the financial institution to determine whether some or all of the concerns raised can be addressed by changes to Beforepay's branding that the Company considers to be not material and non-extensive. The Company expects it will be able to find a mutually agreeable solution to address most if not all of the financial institution's concerns.	Section 5.2.10
COVID-19 pandemic	There is a risk that Beforepay, as a result of the COVID-19 pandemic, may experience increased levels of customer default and bad debts, a reduction in the demand for Beforepay's product, a decrease in Beforepay's fee income, a reduction in cash flow or a reduction or loss of access to funding, or an increase in the cost of funding. This may also negatively impact customer sentiment towards Beforepay and the financial services sector more broadly. Extended periods of lock-down or stay-at-home orders to all or parts of Australia generally tends to reduce consumer activity in those areas, for example reducing the amount of expenditure on travel and entertainment, which is likely to reduce the demand for products and services, including Pay on Demand products.	Section 5.2.11
Other risks	A number of other key risks relating specifically to an investment in the Company and generally to an investment in the Shares are included in Section 5.	Section 5

1.5 Directors and Management

Topic	Name	Section
Who are the Directors of the Company?	**Brian Hartzer** *(Chair and Independent Non-Executive Director)* Brian was the former CEO of Westpac Banking Corporation from 2015 to 2019. Brian was previously CEO of the Retail & Wealth Management division of the Royal Bank of Scotland Group in the United Kingdom. Prior to that, he held several senior leadership roles at Australian and New Zealand Banking Group Limited, including running the retail arm of the bank. Brian holds a Bachelor of Arts (Hons) from Princeton University. **Natasha Davidson** *(Independent Non-Executive Director)* Natasha Davidson is a SaaS growth and governance expert. She has been a practising attorney specialising in mergers and acquisitions and capital markets for more than 25 years. She has been an investment banking professional with ABN AMRO and RBS for almost a decade and served as President of the Australian Financial Markets Association, Capital Raising Committee for a five year term leading novel reform for our capital markets. She has led and continues to lead global SaaS legal and risk teams in her senior management career to which she remains committed as well as having been a chief commercial officer. She is a Fellow of the Australian Governance Institute in recognition of her career as a risk management professional and a graduate of the Australian Institute of Company Directors. **Daniel Moss** *(Non-Executive Director)* Daniel is a founding partner and the Managing Director of VFS Group, a firm specialising in creating and managing wealth for private clients. He has over 15 years' experience in investment markets, dealing in both listed and unlisted assets. Daniel is a leading member of the Company's Investment Committee. He manages multiple venture investments dealing in high growth, disruptive companies. He served as a Non-Executive Director on the Board of Grow Inc, and is a member of the Australian Institute of Company Directors. Daniel holds a Bachelor of Business from the University of Technology Sydney. **Patrick Tuttle** *(Independent Non-Executive Director)* Patrick is the current Chairman of OpenPay Group (ASX: OPY) and COG Financial Services (ASX: COG) and current Executive Director of Azora Finance Group. Patrick was previously the CEO of Pepper Group for nearly 10 years and is a former Divisional Finance Director at Macquarie Bank Limited. Patrick also has extensive non-executive director experience across other leading financial services providers such as Douugh, GetCapital, and DiviPay. Patrick is also a former Deputy Chairman and a Lifetime Member of Australian Securitisation Forum, Inc. Patrick is a Chartered Accountant and holds a Bachelor of Economics from Macquarie University.	Section 6.1

Topic	Name	Section
Who are the Directors of the Company? continued	**Stefan Urosevic** *(Non-Executive Director)* Stefan is currently a Director and the Chief Financial Officer at VFS Group, a firm specialising in creating and managing wealth for private clients. Stefan served as a Non-Executive Director on the board of Grow Inc. and continues to serve as the Responsible Manager for the company. Stefan has extensive experience in wealth management, financial planning, corporate advisory and venture capital investing. Stefan is a Fellow of the Financial Services Institute of Australasia (FINSIA), is a member of the Certified Practicing Accountants Australia and is a member of the Australian Institute of Company Directors. Stefan holds an MBA from Deakin University. **Luke Bortoli** *(Proposed Director)* Luke is a growth focused executive, director and investor with a specialisation in the Fintech, mobile gaming and NFT sectors. Most recently, Luke was the Chief Financial Officer at Afterpay Limited, one of the world's fastest growing payments platforms and the largest BNPL operator globally, and prior to that, he was the Global Head of Strategy and CFO of Special Projects at Aristocrat. Before joining Aristocrat, Luke was a financial institutions and technology focused investment banker specialising in M&A and capital raising at UBS. Luke is a Non-Executive Director of WithYouWithMe, which is a social impact organisation. Luke has a PhD in Economics from the University of Sydney and is published in a number of internationally refereed journals.	Section 6.1
Who are the senior management of the Company?	**James Twiss** *(Chief Executive Officer)* James has more than 20 years of experience in strategy and financial services. He previously worked at Westpac, where he served as Chief Strategy Officer and also Chief Data & Strategy Officer. Prior to his roles at Westpac, he was the Managing Director, Americas for First State Investments (then owned by Commonwealth Bank) and before that at Commonwealth Bank in Sydney. He began his career at McKinsey & Company, where he worked in the New York and then in the Sydney offices. He holds a Bachelor of Arts degree from Harvard University and an MBA from Stanford University. **David Brady** *(Chief Financial Officer)* David has 9 years professional services' experience (commencing at PwC as a statutory auditor) and 15 years' commercial experience as a finance professional predominantly in private equity owned businesses. More recently senior roles in financial service businesses at ASX-listed Scottish Pacific Group and US private equity firm owned Angle Finance Group. David holds a Bachelor of Economics from Charles Darwin University and is a Member of the Institute of Chartered Accountants of Australia.	Section 6.2

Topic	Name	Section
Who are the senior management of the Company? continued	**Micha Wotton** *(Incoming Chief Technology Officer)* Micha has over 20 years of experience in software and IT, building and managing technology and engineering teams across a diverse range of industries. Prior to joining Beforepay, Micha spent two years at Douugh Labs as Chief Technology Officer, where he oversaw the engineering and technology strategy as the product was launched in the United States and the business listed on the ASX. Prior to Douugh, Micha led the engineering team at Rotor Studios, an award-winning specialist content creation and service provider, and technology teams at LEAP Dev in the legal sector. Previously he built software teams at start-ups and worked in agencies and various enterprises in both IT and software engineering capacities. Micha is scheduled to commenced working at Beforepay on 6 December 2021. **Elena Chan** *(Chief Risk Officer and General Counsel)* Elena has over 15 years' experience in the financial services industry. Prior to joining Beforepay, Elena was the Head of Group Transformation Office at Westpac and spent nine years at Westpac holding various legal, risk and business roles. She was an in-house lawyer in the Westpac Institutional Bank Legal team for three years, and led the Financial Markets legal team for Westpac's Institutional Bank for three years. Prior to joining Westpac, Elena worked at a number of law firms and corporations in Australia and the United Kingdom, including Henry Davis York, Morgan Stanley, Simmons & Simmons and PricewaterhouseCoopers. She has extensive experience in advising financial institutions on a full range of financial products and services offerings. Elena holds a double degree in Commerce (Finance) and Law from University of New South Wales. **Kasey Kaplan** *(Chief Product Officer)* Over the past decade, Kasey has worked extensively across a broad range of industries, including payments and fintech, blockchain, retail, marketing and events, e-commerce and online marketplaces. Prior to joining Beforepay, Kasey was the Global Head of Product at Cover-More Group (a Zurich Insurance company); before that, he was on the founding team of Urban FT, a successful fintech in the United States. Kasey holds a BA from Albion College and a MA from Oakland University. **Chris Richardson** *(Chief Marketing Officer)* Chris has extensive experience in marketing across the UK and Australia. He previously worked as a Director at Edelman and before that at iProspect in Australia. In the UK, he worked as an agency partner for a number of different brands. He holds a BSc Degree in Mathematics from The University of Manchester.	Section 6.2

1.6 Significant interests of key Shareholders and Directors

Topic	Summary	Section
Who are the Existing Shareholders and what will their interest in the Company be at Completion of the Offer?	See table below	Section 7.1.3

	Shares held on Prospectus Date prior to the completion of the Offer		Shares held on completion of the Offer	
Shareholder/Entity	Shares[1]/%	Options to be issued new Shares	Shares/%	Options to be issued new Shares
Tarek Ayoub/ Youbek Pty Ltd[3]	5,500,000/ 15.2%		5,500,000/ 11.8%	
Guo Fang Mao/ Jopean Pty Ltd[3]	4,500,000/ 12.4%		4,500,000/ 9.7%	
Non-executive directors	1,058,999/ 2.9%	1,949,000	1,135,247/ 2.4%	1,949,000
Other Existing Shareholders (Including Employees)[3,4]	25,126,353/ 69.4%	2,545,150 (Employees) 483,100	29,026,334/ 62.5%	2,545,150 (Employees) 483,100
New shareholders[2]	Nil		6,287,701/ 13.5%	
Total	**36,185,352/ 100.0%**	**4,977,250**	**46,449,282/ 100.0%**	**4,977,250**

Notes:

1. Shares held prior to the completion of the Offer include 12,168,952 Shares to be issued upon the conversion of the Convertible Notes, in connection with completion of the Offer and allotment.
2. This row may include additional Shares that Existing Shareholders may acquire under the Offer.
3. Employees include former employees. 479,500 Shares held by Youbek Pty Ltd and 479,500 Shares held by Jopean Pty Ltd are subject to the LTIP Call Option Agreements. Employee options do not include the Call Options over existing Shares, which are subject to the LTIP Call Option Agreements.
4. Existing Shareholders may acquire additional Shares under the Offer (which would form part of the New Shareholder's total).

Topic	Summary	Section
What significant benefits are payable to Directors and other persons connected with the Company or the Offer?	On Completion of the Offer, the Directors' relevant interests in Shares and options are expected to be as follows:	Sections 6.3.6 and 6.4

	Shares and options held on completion of the Offer	
Name	**Number of Shares and options**	**% of total Shares (excl. options)**
Brian Hartzer[2]	67,281 Shares 242,200 options for Shares under the Legacy LTIP (of which 60,600 options will have vested)	0.1%
Natasha Davidson	2,932 Shares 53,500 options for Shares under the Legacy LTIP (of which 17,800 options will have vested)	0.0%
Daniel Moss[3]	517,854 Shares 799,900 options for Shares under the Legacy LTIP (all of which will have vested)	1.1%
Patrick Tuttle	29,326 Shares 53,500 options for Shares under the Legacy LTIP (of which 17,800 options will have vested)	0.1%
Stefan Urosevic	517,854 Shares 799,900 options for Shares under the Legacy LTIP (all of which will have vested)	1.1%
Luke Bortoli (Proposed Director)	Nil	Nil

Notes:

1. Shares held prior to the completion of the Offer include 12,168,952 Shares to be issued upon the conversion of the Convertible Notes, in connection with completion of the Offer.
2. 37,955 held by Springfield 2012 Pty Ltd after conversion of 100,000 Convertible Notes together with 29,326 Shares purchased in the Offer.
3. 57,400 Shares are held by Deejlink Pty Ltd and 453,122 Shares are held by Cheq Invest Pty Ltd for the benefit of Deejlink Pty Ltd (Cheq Invest Pty Ltd holds in aggregate 4,437,500 shares on trust for numerous beneficiaries).
4. 57,400 Shares are held by Trinity Financial Markets Pty Ltd and 453,122 Shares are held by Cheq Invest Pty Ltd for the benefit of Trinity Financial Markets Pty Ltd (Cheq Invest Pty Ltd holds in aggregate 4,437,500 shares on trust for numerous beneficiaries).

All Non-Executive Directors will receive directors' fees.

1. Investment Overview continued

Topic	Summary	Section
What significant benefits are payable to Directors and other persons connected with the Company or the Offer? continued	On Completion of the Offer, the key management personnel's relevant interests in Shares and options are expected to be as follows:	Sections 6.3.6 and 6.4

Shares and options held on completion of the Offer		
Name	**Number of Shares or options**	**% of total Shares**
James Twiss	14,663 Shares 959,000 options for new Shares under the Legacy LTIP 959,000 options to acquire existing Shares from the Grantors pursuant to the LTIP Call Option Agreements (of which 239,700 options will have vested)	0.0%
David Brady	217,600 options for new Shares under the Legacy LTIP (of which 67,600 will have vested)	0.0%

The interests of advisers is set out in section 6.4.

Topic	Summary	Section
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	Yes. Escrowed Shares held at Completion of the Offer will be subject to mandatory or voluntary escrow restrictions, as summarised below:	Section 9.7

	No. of shares:		
Shareholder/Entity	**Held on Completion of the Offer**	**Subject to mandatory escrow/ % of total[1]**	**Subject to voluntary escrow/ % of total[2]**
Founders, Directors and their Related Parties			
Tarek Ayoub/ Youbek Pty Ltd	5,500,000	5,499,984/ 11.8%	5,500,000/ 11.8%
Guo Fang Mao/ Jopean Pty Ltd	4,500,000	4,499,987/ 9.7%	4,500,000/ 9.7%
Daniel Moss/ CHEQ INVEST PTY LTD[3]	453,122	442,492/ 1.0%	453,122/ 1.0%
Daniel Moss/ DEEJLINK PTY LTD	57,400	50,703/ 0.1%	57,400/ 0.1%
Daniel Moss	7,332	Nil	Nil
Daniel Moss/ Parties related to Danny Moss[4]	727,928	597,929/ 1.3%	705,935/ 1.5%
Stefan Urosevic/TRINITY FINANCIAL MARKETS PL	64,732	50,703/ 0.1%	57,400/ 0.1%
Stefan Urosevic/ CHEQ INVEST PTY LTD[3]	453,122	442,492/ 1.0%	453,122/ 1.0%
Natasha Davidson	2,932	Nil	Nil
Patrick Tuttle	29,326	Nil	Nil
Brian Hartzer/ Springfield 2012 Pty Ltd	67,281	8,630/ 0.0%	Nil/ 0.1%
Promoters, Seed Capitalists & Others			
Promoters[5]	41,400	41,400/ 0.1%	
Vendors[6]	37,955	37,955/ 0.1%	
Seed Capitalists[7]	24,341,063	3,103,205/ 6.7%	18,401,578[10]/ 39.5%
Successful applicants under the Offer[8]	10,165,689		
Total	**46,449,282**	**14,774,224/ 31.8%**	**30,128,557/ 64.9%**

Topic	Summary	Section
Will any Shares be subject to restrictions on disposal following Completion of the Offer? continued	Note: the above does not include options held by directors which will be subject to mandatory escrow. 1. % of total issued Shares on Completion of the Offer subject to mandatory escrow (subject to ultimate discretion of ASX). 2. % of total issued Shares on Completion of the Offer subject to voluntary escrow. 3. Shares are held by Cheq Invest Pty Ltd for the benefit of numerous beneficiaries. Cheq Invest Pty Ltd holds in aggregate 4,437,500 Shares. Of these, 453,122 are held by a corporate nominee for the benefit of Daniel Moss and 453,122 are held by a corporate nominee for the benefit of Stefan Urosevic. 4. These entities are related parties (as defined in the Listing Rules) due to them being a relative of Daniel Moss or a nominee controlled by such relative. Some of these Shares are held by Cheq Invest Pty Ltd on behalf of relatives of Daniel Moss. These Shares are not owned or controlled by Daniel Moss. 5. Shares are held by a nominee of Shaw and Partners. 6. Please refer to Section 3.6.3 for detail of the arrangement to which these Shares were issued. 7. Includes 3,171,883 Shares held by Cheq Invest Pty Ltd for the benefit of other beneficiaries not related to Daniel Moss or Stefan Urosevic. 8. Successful applicants under the Offer may include participation by existing holders displayed above. 9. Options displayed in this table are held in the name of the individual. 10. Combine total of both mandatory and voluntary escrow applied to seed capitalists.	Section 9.7

1.7 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	Section
Who is the issuer of this Prospectus?	Beforepay Group Limited (ACN 633 925 505), a company incorporated in New South Wales, Australia.	Section 7.1
What is the Offer?	The Offer contained in this Prospectus is an invitation to apply for 10.3 million New Shares. The Offer is expected to raise approximately $35.0 million. The Shares being offered under the Offer will represent approximately 22.1% of the Shares on issue at Completion of the Offer. The Company's free float at the time of Listing will not be less than 20%. Specifically, the free float will be approximately 35.1% of the Shares on issue on Completion of the Offer.	Section 7.1
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows: (see Use of Funds table below)	Section 7.1.2

Use of Funds	$ million
Funding increase in Cash Outs	5.9
Marketing and customer acquisition	16.9
Overseas expansion focused on the US	7.6
Costs relating to the Offer	4.6
Total uses of funds	**35.0**

Topic	Summary	Section

How is the Offer structured and who is eligible to participate in the Offer?	The Offer comprises:
	• the Retail Offer, consisting of the:
	  – Broker Firm Offer;
	  – Priority Offer; and
	• the Institutional Offer.
	
	No general public offer of Shares will be made under the Offer.
		Section 7.1.1

Topic	Summary	Section
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 9.5.1
Will the Shares be quoted on ASX?	Beforepay applied to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code 'B4P' within 7 days of the date of the Original Prospectus. It is anticipated that quotation will initially be on a normal settlement basis. Completion of the Offer is conditional on ASX approving that application. If approval is not given within three months after such an application is made, the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Broker Firm Offer, and to participants within the Institutional Offer and Brokers within the Broker Firm Offer, was determined by agreement between the Joint Lead Managers and the Company. In respect of the Broker Firm Offer, it is a matter for each Broker to determine how they will allocate Shares among their eligible retail clients. In respect of the other components of the Retail Offer, the Company may, in consultation with the Joint Lead Managers, determine the allocation of Shares to participants within the Priority Offer.	Sections 7.3.5, 7.4.5 and 7.8.2.
Is there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.11. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.11
How can I apply for Shares?	**Broker Firm Offer Applicants** Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer. **Priority Offer Applicants** Applicants under the Priority Offer must apply online in accordance with the instructions provided in their Priority Offer invitation made under this Prospectus. **Institutional Offer Applicants** The Joint Lead Managers have separately advised Institutional Investors of the application procedure under the Institutional Offer.	Sections 7.3.2, 7.4.2 and 7.8.1

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Topic	Summary	Section
What is the minimum Application size?	The minimum Application size under the Broker Firm Offer and Priority Offer is $2,000 of Shares in aggregate.	Section 7.2
When will Successful Applicants receive their holding statements?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around Wednesday, 12 January 2022.	Section 7.2
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 7.11
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Beforepay IPO Offer Information Line on: • within Australia 1300 429 201; or • outside Australia: +61 2 7208 4523, from 9:00am to 5:00pm (Sydney time), Monday to Friday (excluding public holidays). If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether or not to invest.	Section 7.2

2.
Industry Overview

Frost & Sullivan Market Report

The Consumer Finance Market

This report has been commissioned from Frost & Sullivan by Beforepay Group Limited (trading as Beforepay and hereafter known as **Beforepay** or **the Company**) to support its initial public offering (**IPO**) process.

Executive Summary

Pay on Demand products, such as that offered by Beforepay, are an innovative concept in the consumer finance market, providing an alternative to other approaches for individuals to access short-term finance, such as credit cards, bank overdrafts or payday loans. Pay on Demand supports individuals to manage their monthly cashflow by providing immediate access to upcoming pay which can be used for any purpose, assisting individuals who may otherwise face challenges in meeting expenses before their next pay date. Beforepay currently solely operates in Australia. However, in other markets such as the United States (US) and United Kingdom (UK), many individuals are facing similar financial challenges as in Australia and those markets are also described in this report (as an illustration of the global commonality of these challenges).

Although applicable to all individuals in regular employment, fintech services such as Pay on Demand are particularly attractive to the younger age cohorts (millennials and Gen Z), which widely utilise fintech services delivered online and through smartphone apps, with smartphones the most common device for managing their finances. Younger individuals are significantly more likely to use fintechs to provide financial services than older cohorts, with many millennials sceptical about major banks. A 2019 survey attributed this to a number of frustrations with traditional financial services providers, including difficulty resolving problems (55%), standing in long lines (37%), and technology failure (33%). Younger individuals have also widely adopted budgeting apps, with 34% of individuals aged 18-34 having at least one budgeting app on their smartphone.[1]

Globally, millennials are the age cohort with the highest aggregate income, estimated at approximately US$18 trillion globally and overtaking the aggregate income of Gen X around 2020.[2]

Millennials are the largest age cohort in the working population, with almost 6 million in Australia, 11 million in the UK and 72 million in the US. The total spending power of millennials in Australia is estimated at $283 billion, and US$2.5 trillion in the US.[3] However, the younger age cohorts face a number of financial challenges, including high levels of student debt, lower levels of home ownership than the population average, unpredictable and inconsistent income driven by ‘gig

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[1] CB Insights, From Investing To Budgeting, How Millennials Are Disrupting Personal Finance, (accessed from https://www.cbinsights.com/research/millennials-personal-finance/).

[2] Brookings, How to harness the spending power of millennials: Move beyond the US, (accessed from https://www.brookings.edu/blog/future-development/2018/04/30/how-to-harness-the-spending-power-of-millennials-move-beyond-the-us/).

[3] Frost & Sullivan estimate.

economy' work, the impact of COVID-19 on employment security, low levels of savings, and expenses that are often increasing ahead of income.

Financial resilience[4], particularly among younger cohorts, has decreased over recent years, driven by factors such as increased levels of student debt, increasing housing costs, inconsistent and unpredictable income and incomes that are not rising in line with expenses. A global survey of millennials conducted in 2020 identified that more millennials (50%) foresaw their financial situations worsening or stagnating in the next year compared to 42% who foresaw that they will improve. The COVID-19 pandemic particularly impacted millennials, with around 20% globally either losing their jobs or being temporarily stood down in April and early May 2020.[5]

Many individuals have no or limited available savings, primarily because their monthly expenses are too high to allow them to save any money. In Australia, 23% of individuals have no savings at all, and only 44% have savings equivalent to two months' salary or greater. In the US, 30% of individuals have no savings and only 38% have savings equivalent to two months' salary or greater.[6] In the UK, 10% of adults have no savings and a further 23% have less than £2,000, with average savings of only £5,000 for 18-24 year-olds and £11,000 for 25-34 year-olds.[7] This leads to low levels of financial resilience for many individuals, a trend exacerbated by the COVID-19 pandemic. For example, in the UK in October 2020, 27% of adults had low financial resilience, up from 20% in February 2020, including individuals already in financial difficulty because they were falling behind on their domestic bills or credit commitments, as well as those vulnerable to a financial shock, because they have a low or erratic income or low savings.[8]

Many individuals have resorted to pawning or selling something in the past 12 months to raise quick cash (15% in Australia and 22% in the US), sought financial help from friends or family (21% in Australia and 25% in the US) or gone without urgent medical or dental treatment because they could not afford it (18% in Australia and 19% in the US).[9]

Traditionally, credit cards have been widely used as a means of providing short-term finance, through the ability to defer payments for purchases or through cash advances. However, many individuals, particularly in younger age cohorts, are turning away from use of credit cards in favour of other financing approaches, primarily due to concerns about over-spending and high interest rates. In Australia, for example, the number of credit cards on issue has declined by 27% between 2016 and 2021, and the value of credit card cash advances per month has declined by over 50%. The number of credit cards in use per adult in Australia is at its lowest level since data has been published (since 2002).[10]

Alternative services such as buy-now-pay-later (BNPL) have grown significantly in usage, particularly amongst younger age cohorts, with BNPL used by 64% of Australian millennials and 59% in the US. Whilst payment services such as BNPL can assist individuals in managing their finances,

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[4] Financial resilience is the ability to bounce back from a financial shock, through having access to savings and appropriate credit products (Centre for Social Impact).

[5] The Deloitte Global Millennial Survey, 2020.

[6] Frost & Sullivan, consumer survey, June 2021.

[7] Financial Conduct Authority | Financial Lives 2020 survey: the impact of coronavirus.

[8] Ibid.

[9] Frost & Sullivan, consumer survey, June 2021.

[10] RBA, Credit and Charge Cards – Original Series – Personal and Commercial Cards.

with 91% of users in Australia and 68% in the US reporting it as useful or very useful in managing their finances, users also report issues with BNPL, including that it is only available for certain types of expenses and only at participating retailers.[11]

Pay on Demand services such as Beforepay complement BNPL, allowing registered users to immediately access some of their upcoming pay, with funds available for any purpose. Pay on Demand is a relatively new concept; however, it appears attractive to potential users. Based on a consumer survey commissioned by Frost & Sullivan, in Australia 56% of individuals surveyed have either used Beforepay, or expressed interest in using it when the concept was explained. In the US, 73% of individuals surveyed expressed an interest in using Beforepay when the concept was explained.[12] This indicates that there is likely to be significant potential demand in both markets.

Pay on Demand is not generally perceived as a debt product, with a majority of individuals viewing it as an advance on their pay or as deferred payment method. It is seen as particularly useful in assisting individuals to manage short-term unavoidable expenses such as mortgage/rent, utility bills and car payments.[13]

1. Background, Definitions and Methodology

1.1 Background

Beforepay offers a Pay on Demand service which allows registered customers to almost instantly access a portion of their upcoming pay, with the funds almost instantly deposited into their nominated bank account that is linked to Beforepay. Funds can be requested online or through a smartphone app. Hence, Beforepay can be classified as a financial technology service ('fintech').

Funds accessed through Beforepay may be used for any purpose, such as meeting immediate bills or other financial requirements. Repayment of the funds can be customised in line with the user's upcoming pay cycle over a period of up to four weeks. There is a fixed transaction fee of 5% of the amount advanced, with no other fees payable (such as establishment fees, interest, service fees or penalty fees). Beforepay also provides an optional budgeting tool that automatically analyses the user's historical spending to create a tailored budget.

Pay on Demand offers an alternative approach to debt products for consumers to obtain short-term finance, including use of credit cards to make payments or withdraw cash, bank overdrafts/lines of credit, BNPL or small amount credit contracts (SACCs) (typically known as 'payday loans'[14]).

The Pay on Demand product is potentially relevant for anyone who is employed and requires short-term finance. However, the product is particularly attractive to the millennials age cohort, given the propensity of this group to use digital tools such as apps to manage their money. Currently the

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[11] Frost & Sullivan, consumer survey, June 2021.

[12] Ibid.

[13] Ibid.

[14] In Australia, SACCs are loans of up to $2,000 repayable in between 16 days and one year. SACCs are regulated under the National Consumer Credit Protection Act 2009 and subsequent amendments.

Company solely operates in the Australian market, however, in other markets such as the US and UK, many individuals face similar financial challenges and these markets are also described in this report.

1.2 Definitions

A common aspect of sociological and economic research and analysis is segmentation of individuals based on 'generations' which are assumed to share common behavioural and attitudinal characteristics. The generations analysed in this report are;

- Millennials (or Gen Y), defined as individuals born between 1981 and 1996, i.e. between the ages of 25 and 40 as at the date of this report;
- Gen X, defined as individuals born between 1965 and 1980, i.e. between the ages of 41 and 56 as at the date of this report; and
- Gen Z, defined as individuals born in or after 1997 with a minimum age of 18 used in this report (i.e. individuals aged 18-24 as at the date of this report).

1.3 Methodology

Data provided in this report is based on publicly available data sources, including government and industry statistics and reports, company reports and presentations, press articles and reports and analyst reports.

Additionally, Frost & Sullivan commissioned surveys in Australia and the US amongst representative samples of consumers in the Gen X, millennials and Gen Z age cohorts. Respondents were drawn from existing panels of consumers who have opted in to undertaking periodic market research. The surveys were conducted in June 2021 using an online questionnaire. Total sample sizes were 1,527 in Australia and 1,519 in the US. Samples were constructed to be representative of the broader populations in the target age cohorts by gender and region of residence. The total number of respondents by country and age cohort is given below.

Table 1: Research Sample Sizes by Age Cohorts, Australia and US, 2021

	Gen X	Millennials	Gen Z	Total
Australia	267	755	505	1,527
US	255	758	506	1,519

Source: Frost & Sullivan, consumer survey, June 2021.

2. Trends in Consumer Finance in Australia

A number of trends in the way that consumers manage their personal finances are impacting the market opportunity for Pay on Demand services in Australia, as described below.

2.1 Decreasing Financial Resilience

Data from the Australian Bureau of Statistics (ABS) indicates that financial resilience is declining for many Australian households. In September 2020, 7.4% of all households could not raise $500 in a week for something important and 18.7% could not raise $2,000. This compares to 6.2% and 17.7%

respectively in September 2019. Almost one-third of households displayed at least one indicator of financial stress in September 2020.[15]

Lower levels of home ownership add to financial pressures on younger individuals, due to exposure to increasing housing rents. Home ownership rates amongst younger people are significantly lower than amongst the population as a whole. In Australia, between 1971 and 2016 home ownership levels amongst 25–34 year-olds declined from 57% to 45%, whilst in the 35–44 years age range, rates fell from 71% to 62%.[16] Frost & Sullivan's survey indicated that for millennials, home ownership is 61% compared to 76% for Gen X.[17]

Additionally, student debt imposes further financial pressures on many younger people. Between 2011 and 2020, the number of individuals with outstanding student Higher Education Loan Program (HELP) debt increased from 1.57 million to 2.85 million, with average debt per individual increasing from $14,404 to $23,280. Seventy-four percent of individuals with outstanding debt are aged 20-39.[18]

2.2 Decline in Credit Card Usage

Traditionally, credit cards have been a principal means of obtaining short-term finance through deferred payment for purchases and as a means of accessing funds through cash advances. However, over recent years, ownership and usage of credit cards has declined.

In Australia, the number of personal credit cards on issue peaked at 22.3 million in 2016 and has subsequently declined to 16.2 million by April 2021, a decline of 27%. Similarly, the value of credit card cash advances per month has declined from over $800 million in 2015 to below $400 million in 2021.[19] In 2020, the number of personal credit cards on issue per adult (aged 18 and over) was 0.86, the lowest level since data on credit card ownership has been released (from 2002).[20]

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[15] ABS, Household Financial Resources, September 2020.

[16] Parliament of Australia, Declining home ownership rates in Australia, (accessed from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/HomeOwnership).

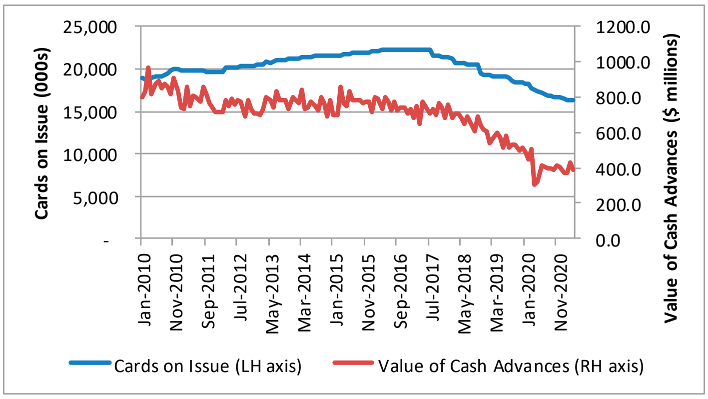
[17] Frost & Sullivan, consumer survey, June 2021.

[18] Australian Taxation Office, HELP statistics, 2005–06 to 2019–20 financial years.

[19] Reserve Bank of Australia (RBA), Credit and Charge Cards – Original Series – Personal and Commercial Cards.

[20] Calculated based on RBA, Credit and Charge Cards – Original Series – Personal and Commercial Cards and ABS 3101.0 National, state and territory population. Data is for June 2020.

Figure 1: Credit Card Ownership and Cash Advances, Australia, 2010 to 2021



Source: RBA, Credit and Charge Cards – Original Series – Personal and Commercial Cards

This has been driven by a range of factors, including greater use of debit cards, which accounted for 44% of consumer payments in Australia in 2019, compared to 30% in 2016, whereas credit cards declined from 22% to 19% over the same period.[21] Additionally, there has been significant take-up by consumers of alternative payment approaches such as BNPL, which provides an alternative approach to funding a range of consumer purchases. The principal reasons for individuals to not own credit cards in Australia are concern about over-spending (24%) and the fact that interest rates are perceived as too high (16%).[22]

2.3 Growth in use of BNPL

BNPL is increasing rapidly in both awareness and usage. In 2020, 59% of Australians were aware of BNPL, a percentage that had increased from 37% in 2018[23] and usage of BNPL services has also grown significantly.[24]

Usage of BNPL is concentrated in the younger age cohorts, with 64% of millennials and 72% of Gen Z frequently or sometimes using BNPL services.[25]

[21] RBA Bulletin, March 2020, Consumer Payment Behaviour in Australia.

[22] Frost & Sullivan consumer survey, June 2021.

[23] Roy Morgan, Awareness of buy-now-pay-later services Afterpay and Zip soars to over 12.3 million Australians, June 2020 (accessed from http://www.roymorgan.com/findings/8438-digital-payment-solutions-june-2020-202006090457).

[24] Roy Morgan, Rapid growth in use of 'Buy-Now-Pay-Later' digital payments – such as Afterpay, zipPay and zipMoney, (accessed from http://www.roymorgan.com/findings/8191-buy-now-pay-later-september-2019-201911040100).

[25] Frost & Sullivan, consumer survey, June 2021.

Table 2: Use of BNPL Services by Age Cohort, Australia, 2021

	Gen X	Millennials	Gen Z	Total
Frequently	12%	25%	28%	**23%**
Sometimes	27%	39%	44%	**39%**
Never	61%	36%	28%	**38%**

Source: Frost & Sullivan, consumer survey, June 2021

2.4 Use of Smartphones to Manage Finances

Use of smartphones is ubiquitous amongst all age cohorts, with 99% of individuals across the Gen X, millennials and Gen Z cohorts owning a smartphone. Particularly for the millennials and Gen Z cohorts, smartphones are the primary devices used by individuals to manage their financial affairs. In Australia, 67% of millennials use the smartphone as the most common device to manage financial affairs.[26] This has created significantly increased usage of fintech services primarily delivered to consumers through smartphone apps.

Table 3: Primary Approach to Managing Financial Affairs by Age Cohort, Australia, 2021

	Gen X	Millennials	Gen Z	Total
Smartphone	42%	67%	79%	**67%**
Computer/tablet	46%	24%	11%	**24%**
Telephone	6%	5%	7%	**6%**
Bank branch	4%	3%	2%	**3%**
ATM	1%	1%	1%	**1%**

Source: Frost & Sullivan, consumer survey, June 2021

3. Addressable Market in Australia

This section describes the size of the addressable market for Pay on Demand in Australia.

Pay on Demand is applicable for any employed individual and particularly those with no/limited savings. In August 2021, the employed workforce was 12.51 million, of which the 20-24 age cohort accounted for 1.15 million (9%), the 25-44 age cohort 5.7 million (46%) and the 45-54 age cohort 2.6 million (21%), i.e. there are 9.45 million employed individuals aged 20-54.[27] Based on Frost & Sullivan's survey, 56% of the employed population aged 18-56 have no savings or savings equivalent to two months' salary or less (see Section 4.2)[28], suggesting that a Pay on Demand product could potentially appeal to approximately 5.3 million people within the 9.45 million employed individuals

[26] Frost & Sullivan, consumer survey, June 2021.

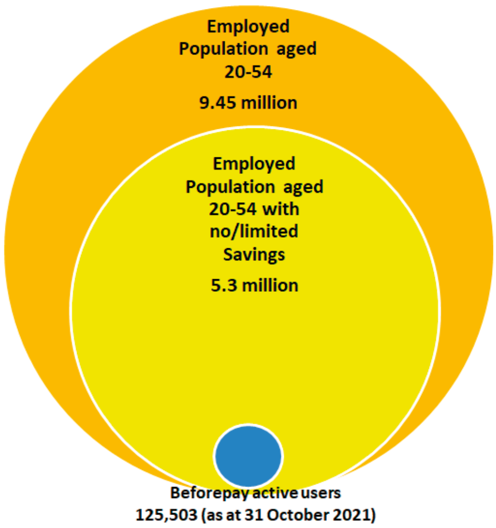
[27] ABS, Characteristics of Employment, August 2020. Includes employed individuals, independent contractors and other business operators.

[28] Frost & Sullivan, consumer survey, June 2021.

aged 20-54, although not all of these would necessarily be eligible for Beforepay's product. Of these, the number of Beforepay active users was 125,503 as at 31 October 2021.[29]

This is illustrated diagrammatically below. (Note, whilst the Frost & Sullivan consumer survey was conducted in respect of individuals aged between 18-56 years (constituting millennials, Gen X and Gen Z) and Beforepay's Pay on Demand product is available to eligible adults over 18 years of age, the information set out in this paragraph, the prior paragraph and illustrated diagrammatically below is based on employed individuals in Australia aged between 20-54 years as a consequence of the age brackets in which ABS employment data is provided).

Figure 2: Addressable Market for Pay on Demand, Australia, 2021



Source: Frost & Sullivan, based on ABS, Characteristics of Employment, August 2020 and Frost & Sullivan, consumer survey, June 2021. Note: Not all employed individuals aged 20-54 with no/limited savings are eligible for the Beforepay pay advance product based on its current eligibility criteria and risk algorithms. Beforepay's pay advance product is also available to individuals aged above 54, however this constitutes less than 5% of Beforepay's customer base as at 31 October 2021.

4. Australian Market Characteristics

This section describes the financial characteristics of individuals in Australia based on Frost & Sullivan's consumer survey.

4.1 Use of Debt

Over one-third of all individuals do not own a credit card, with ownership lowest in the younger age cohorts. Excluding housing and student debt and credit cards, 54% of millennials have

[29] Beforepay (as at 31 October 2021).

outstanding debt, compared to 51% of Gen Z and 34% of Gen X, and 50% across all individuals. The most common types of debt are secured personal loans (e.g. car loans) (19%) and consumer leases/rent-to-buy products (13%). Use of payday loans is highest amongst the millennials cohort, with 16% currently having a payday loan and 25% in total having used payday loans at some point.[30] (For the purposes of the survey, Pay on Demand as a separate product type to consumer debt was not included in this question).

Table 4: Use of Debt Products by Age Cohort, Australia, 2021

	Gen X	Millennials	Gen Z	Total
Credit card	80%	73%	46%	**65%**
Unsecured personal loan	10%	14%	11%	**12%**
Secured personal loan	10%	22%	18%	**19%**
Bank overdraft/line of credit	9%	16%	9%	**12%**
Payday loan	7%	16%	10%	**12%**
Consumer lease/rent to buy	9%	17%	8%	**13%**
Other	8%	12%	13%	**12%**

Source: Frost & Sullivan, consumer survey, June 2021

4.2 Available Savings

Financial resilience is impacted by no or low levels of savings, with 23% of all individuals having no savings, and a further 33% having savings equivalent to less than two months of salary.[31] Trying to save money is the single most important financial challenge for millennials.[32] However, a significant proportion of millennials have either no or limited savings, with 22% having no available savings and 32% having savings equivalent to two or less months' salary. The principal reason for lack of savings amongst millennials is that monthly expenses are too high for them to save any money (51%). The issue is even more acute for Gen Z, where only one-third have savings equivalent to over two months' salary.[33]

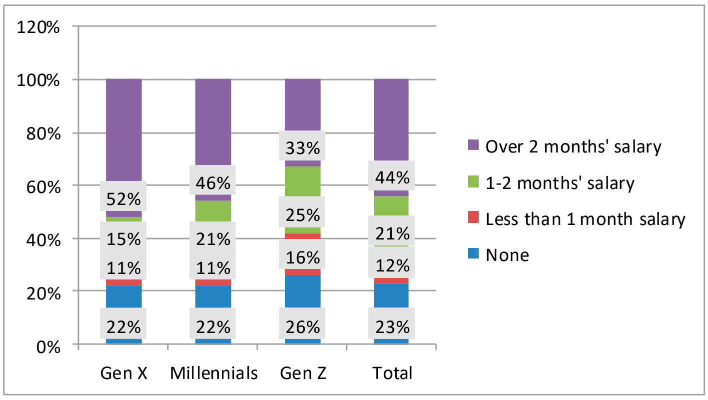
[30] Frost & Sullivan, consumer survey, June 2021.

[31] Ibid.

[32] The Australian Millennials Report, 2021.

[33] Frost & Sullivan, consumer survey, June 2021.

Figure 3: Amount of Available Savings by Age Cohort, Australia, 2021

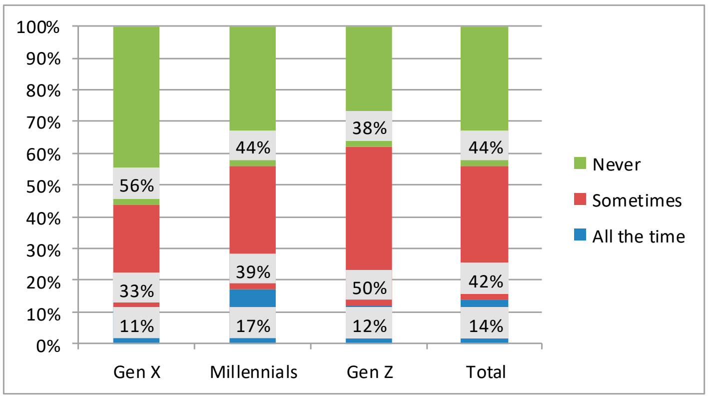


Source: Frost & Sullivan, consumer survey, June 2021. Savings exclude superannuation

4.3 Financial Resilience

Cost of living pressures, limited income growth, the impact of COVID-19 and low levels of savings are decreasing financial resilience for many individuals. Across all age cohorts, 56% of individuals always or sometimes experience difficulty in meeting monthly expenses.[34]

Figure 4: Problems in Paying Monthly Expenses by Age Cohort, Australia, 2021



Source: Frost & Sullivan, consumer survey, June 2021

The majority of individuals follow a regular monthly budget, with millennials at 60%, a higher percentage than Gen X (57%) and Gen Z (52%). However, financial challenges particularly related to inadequate income compared to expenses, are preventing many individuals from achieving greater financial resilience. The Frost & Sullivan survey identified that 35% of individuals believe

[34] Frost & Sullivan, consumer survey, June 2021.

they spend money on unnecessary things, and 25% believe their living costs are too high for their income.[35]

Financial challenges are significantly higher for millennials than for the population as a whole, although across all age cohorts the level of financial stress is increasing. Across Australia as a whole, based on data from the ABS, 13.1% of households reported three or more indicators of financial stress in September 2020 compared to 12.2% in September 2019.[36] Frost & Sullivan's survey indicated that amongst millennials in the past 12 months, 28% report having difficulties paying bills at least twice, and 22% at least five times.[37]

Over the past 12 months, amongst all individuals, 15% have pawned or sold something to raise quick cash, 18% have gone without medical or dental treatment because they could not afford it and 21% have sought financial help from friends or family.[38]

The financial challenges on individuals, particularly amongst millennials, leave many exposed to difficulty if they incur unexpected expenses, with 24% of millennials unable to raise $2,000 within a week if faced with an unexpected expense, and 16% unable to even raise $500.[39] Consequently, use of payday loans is relatively common amongst millennials, with 50% either having used payday loans or would consider them.[40]

4.4 Use of BNPL

As described in Section 2.3, use of BNPL services has increased significantly in recent years, particularly in the millennials and Gen Z cohorts. One-quarter of millennials (25%) frequently use BNPL and 39% use it occasionally.

Amongst individuals that use BNPL, 91% find it useful or very useful in managing their finances, although 80% report issues with BNPL, including the facts that BNPL can only be used at specific participating retailers (31%) and that it cannot be used for certain types of expenditure (31%).[41]

4.5 Attitudes to Pay on Demand

Pay on Demand is a relatively new concept in the Australian market. Although 36% of individuals surveyed by Frost & Sullivan have used or have heard of Beforepay, almost two-thirds (64%) are currently not aware of the Company. When the Pay on Demand concept is described to respondents who have not used Beforepay, 48% of current non-users may use it or are likely to use it. The principal advantages of Pay on Demand are seen as the fact that funds can be received almost instantly, can be used for any purpose, and it allows the user to access funds he/she has already earned.[42]

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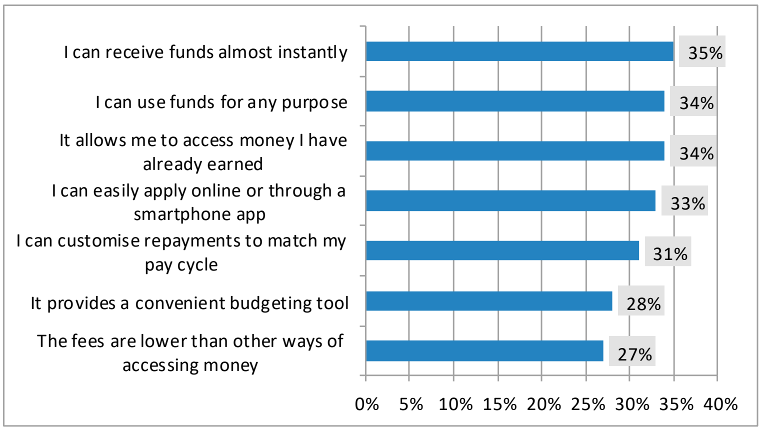
[35] Frost & Sullivan, consumer survey, June 2021.
[36] ABS, Household Financial Resources, September 2020.
[37] Frost & Sullivan, consumer survey, June 2021.
[38] Ibid.
[39] Ibid.
[40] Ibid.
[41] Ibid.
[42] Ibid.

Figure 5: Main Advantages of Pay on Demand, Australia, 2021



Source: Frost & Sullivan, consumer survey, June 2021. Multiple selections allowed

Pay on Demand is not generally perceived as a form of debt, with 48% of individuals viewing it as either a deferred payment method or an advance on their pay, with 33% perceiving it as a form of debt (the remainder being unsure).[43]

5. Australian Industry Structure and Competitive Environment

5.1 Types of Short-term Consumer Finance

Short-term consumer finance is available from a range of sources and product types, including bank overdrafts/lines of credit, credit cards, SACCs, BNPL and Pay on Demand.

Short-term consumer finance products are summarised below.

Table 5: Short-term Consumer Finance Products, Australia, 2021

Product	Examples	Features	Revolves?	Comments
Bank overdraft/line of credit	Provided by most banks, over 40 transaction accounts available that have an overdraft facility	Average annual interest of 13.28% on borrowed amount May involve other fees	Yes	Generally, no minimum repayments Linked to an existing transaction account
Credit card	Wide range of products available from banks and other	Average annual interest rate of 16.63% and average annual fees of $91	Yes	Interest-free period of up to 55 days

[43] Frost & Sullivan, consumer survey, June 2021.

Product	Examples	Features	Revolves?	Comments
	financial institutions			Minimum repayment typically 1-3% of outstanding balance
Small amount credit contracts (SACCs) ('payday loans')	Available from a range of non-bank lenders, e.g. Nimble, Money Plus	Typically charge establishment fee of 20% of amount borrowed and monthly fee of 4% of amount borrowed*	No	Loan of up to $2,000, repayable in 16 days to one year. Commercial products typically have loan terms of three months to one year
BNPL	Available from a range of suppliers e.g. Afterpay, Zip and Klarna	Do not charge interest or fees to users if payments are made on time, however may charge late fees	No	Can only be used for purchases with participating merchants Repayment frequency varies based on supplier
Pay on Demand	Available from suppliers e.g. Beforepay, MyPayNow and Fupay	Charge flat fee with repayment within 62 days	No	Minimum income requirements may apply

Sources: Canstar, (accessed from https://www.canstar.com.au/personal-loans/borrowing-money-what-options-do-i-have/, https://www.canstar.com.au/pay-day-loans-non-rated/), company websites
*interest compounds

5.2 Pay on Demand

Pay on Demand is a relatively new concept in the Australian market, however various types of products exist, including those delivered through consumer apps (such as Beforepay, EverydayPay, MyPay and Fupay), products offered by retail banks to existing customers (CommBank Advance Pay) and products offered through employer payroll platforms (InstaPay, PayActiv and Earnd). Available products differ in terms of characteristics, as summarised below.

Table 6: Pay on Demand Products, Australia, 2021

Product	Advance Limit	Fee Structure	Minimum Weekly Income Requirement	Excludes Government Benefit Income?
Consumer apps				
Beforepay	$1,000*	Fee of 5% of amount advanced	$300	Yes**
EverydayPay	$100 per transaction	Fee of $5 per $100 advanced. Late payment fee of $10, and further $10 after 7 days	$500	No

Product	Advance Limit	Fee Structure	Minimum Weekly Income Requirement	Excludes Government Benefit Income?
MyPayNow	$1,250	Fee of 5% of amount advanced	$450	Yes
Fupay	$200 cash or $500 for direct bill payment	Fee of 5% of amount advanced	N/A	N/A
Bank services				
CommBank Advance Pay	Minimum $300	Upfront fee of $5 for every $500 (or part of). Debit interest of 14.90% charged on amounts not fully repaid on pay day	N/A	N/R
Employer linked				
Instapay (EmploymentHero)	$250	Flat fee from $2 per transaction paid by employer	N/R	N/R
Earnd (Wagestream)	Up to 50% of earned wages	Flat fee per transaction paid by employer	N/R	N/R
PayActiv	Up to 50% of earned wages, maximum $500	Flat fee of $5 per transaction	N/R	N/R

Sources: company websites, Finder.com. Minimum income requirement and exclusion of government benefits are not relevant (N/R) for bank services and employer linked products. The Advance Limit may not be offered to all customers. Information current as at 3 Novenber 2021.
*Advance limits are also subject to Beforepay's internal assessment criteria and credit policy.
**Beforepay's eligibility criteria requires new customers to not receive primary income from government benefits (greater than or equal to 50% of income is from an employer).

Barriers to entry in the Pay on Demand sector include the requirement for access to wholesale funding, the investment required in technology platforms with underpinning artificial intelligence (AI) and the investment in marketing. This can act as a material barrier to new entrants, although entry barriers are likely to be lower for new entrants already providing other financial services to the target market.

6. Regulation of Pay on Demand in Australia

6.1 National Credit Code

Consumer lending in Australia is primarily regulated under the *National Consumer Credit Protection Act 2009* (NCCP Act) which requires businesses to which the National Credit Code (NCC) applies to hold an Australian Credit License (ACL). The sector is regulated by the Australian Securities and Investments Commission (ASIC) which regulates ACLs.[44]

However, there are certain types of credit to which the NCC does not apply, and hence providers are excluded from the requirement to hold an ACL. This exemption applies to a particular model of low-cost, short-term credit defined in section 6(1) of the NCC as credit provided for a period not exceeding 62 days, and where credit fees and charges and interest charges do not exceed the specified maximum amount:

- credit fees and charges do not exceed 5% of the amount of credit; and
- interest charges that may be imposed or provided for do not exceed an amount equal to the amount payable if the annual percentage rate were 24% per annum.[45]

As Beforepay does not provide credit exceeding 62 days, its fees and charges do not exceed 5% of the amount of credit, and it does not charge any interest, Beforepay's product falls within the exemption in section 6(1) of the NCC. This means that Beforepay is not required to hold an ACL under current regulatory settings and is not required to comply with the conduct of business, responsible lending or documentation requirements set out in the NCCP Act.

6.2 Open Banking

The banking sector is the first in Australia to be impacted by the implementation of the Consumer Data Right (CDR) which seeks to give consumers greater access to and control over data about them that is produced by and provided to various service providers. In July 2020, the open banking regime was introduced in Australia which allows bank customers to give permission to accredited third parties to access their savings, credit card data, mortgage, personal loan and joint bank account data (with additional products to be subsequently added to the regime). This regime is designed to make it easier for customers to switch provider and to enhance competition in the sector. Open banking can benefit Pay on Demand service providers by allowing bank customers to give access to service providers to their relevant financial data.

7. International

This section describes the financial characteristics of international markets with similarity to Australia, specifically the UK and US.

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[44] ASIC, What is an AFS license?, accessed from https://asic.gov.au/for-finance-professionals/afs-licensees/do-you-need-an-afs-licence/what-is-an-afs-licence/.

[45] ASIC, regulatory guide 203.

7.1 Trends in Consumer Finance

As in Australia, financial resilience is decreasing for many individuals in the UK and US. In the UK, the proportion of adults showing characteristics of financial vulnerability increased to 51% in October 2020, compared to 46% in February 2020, an increase of almost 4 million adults in six months. The increase in financial vulnerability has been particularly significant for those in the 18-34 age group.[46] Across the UK, 13% of 25-34 year-olds are in financial difficulty, having missed paying domestic bills or credit payments in three or more of the last six months.[47]

In the US, based on data from 2018, 19% of households spend more than their income and 36% breakeven.[48] Although more recent data is not available, the COVID-19 pandemic is likely to have further decreased financial resilience for many households.

In terms of credit card usage, the US has followed a similar trend to Australia, with the total number of new credit card accounts in Q4 2020 falling to its lowest level in six years.[49] In the US, the principal reason for individuals to not own a credit card is a concern about overspending (19%).[50]

Use of BNPL services is also increasing, for example in the US, in March 2021 56% of all consumers reported using a BNPL service, an increase from 38% in July 2020.51 In the UK, around one-third of adults are reported as having used BNPL.[52]

7.2 US Market Characteristics

This section describes characteristics of the US market based on data from Frost & Sullivan's consumer survey.

7.2.1 Use of Debt

Credit card ownership is generally higher in the US than in Australia, although as described in Section 7.1 the number of new card accounts opened has declined over recent years. Apart from credit cards, housing loans and student loans, 61% of individuals have some other form of debt, most commonly secured personal loans (25%).[53]

Table 7: Use of Debt Products by Age Cohort, US, 2021

	Gen X	Millennials	Gen Z	Total
Credit card	85%	85%	79%	**83%**
Unsecured personal loan	13%	16%	13%	**14%**

[46] Financial Conduct Authority | Financial Lives 2020 survey: the impact of coronavirus.

[47] Inside.co.uk, (accessed from https://www.insider.co.uk/news/millennials-debt-payday-kpmg-survey-13320490).

[48] Finra Investor Education Foundation, National Financial Capability Study, (accessed from https://www.usfinancialcapability.org/results.php?region=US).

[49] American Bankers Association (ABA), Credit Card Monitor, May 2021.

[50] Frost & Sullivan, consumer survey, June 2021.

[51] The Ascent, Study: Buy Now, Pay Later Services Continue Explosive Growth, (accessed from https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/).

[52] The Independent, (accessed from https://www.independent.co.uk/money/third-of-uk-adults-have-used-buy-now-pay-later-schemes-which-estimates-b1872474.html).

[53] The Ascent, Study: Buy Now, Pay Later Services Continue Explosive Growth, (accessed from https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/).

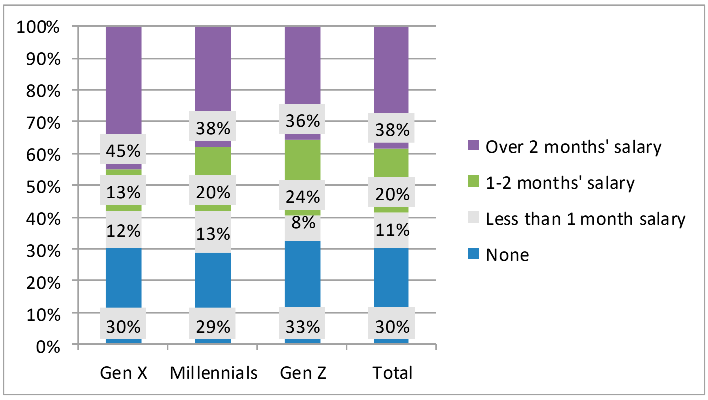
	Gen X	Millennials	Gen Z	Total
Secured personal loan	27%	28%	18%	**25%**
Bank overdraft/line of credit	15%	23%	21%	**21%**
Payday loan	9%	15%	15%	**14%**
Consumer lease/rent to buy	10%	18%	20%	**18%**
Other	20%	19%	13%	**17%**

Source: Frost & Sullivan, consumer survey, June 2021

7.2.2 Available Savings

As with Australia, financial pressures have resulted in a significant proportion of individuals in all age cohorts having no or limited savings. Only 38% of individuals have savings equivalent to two months' salary or more and 30% have no savings at all. The principal reason for lack of savings is that monthly expenses are too high to save any money (49%).[54]

Figure 6: Amount of Available Savings by Age Cohort, US, 2021



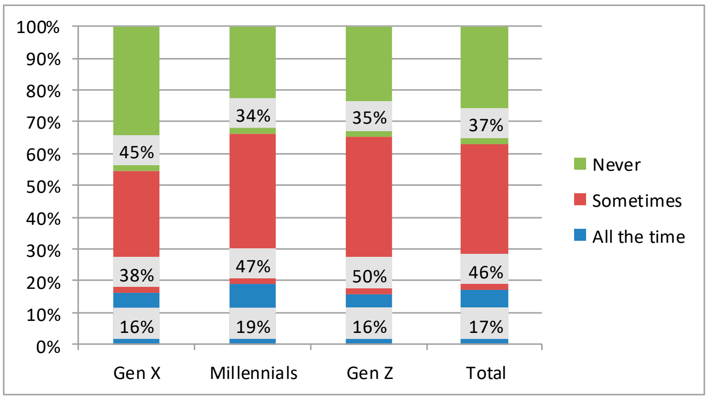
Source: Frost & Sullivan, consumer survey, June 2021. Excludes pension savings

7.2.3 Financial Resilience

As with Australia, a significant portion of individuals face challenges meeting monthly expenses, with 17% having problems all the time and 46% sometimes. Financial challenges for millennials are above the average, with 42% of millennials having had difficulties paying bills on time more than twice in the past 12 months, and 25% more than five times. One-fifth of millennials have sold or pawned something to raise cash in the past 12 months, 20% have gone without medical or dental treatment because they couldn't afford it, and 26% have borrowed money from friends and family.[55]

[54] Frost & Sullivan, consumer survey, June 2021.
[55] Ibid.

Figure 7: Problems in Paying Monthly Expenses by Age Cohort, US, 2021



Source: Frost & Sullivan, consumer survey, June 2021

As with Australia, financial pressures on many individuals mean that many lack access to available funds to meet unexpected short-term expenses. Amongst all individuals, 41% are unable or unsure if they could raise US$2,000 within a week to meet unexpected expenses and 33% are unable or unsure if they could even raise US$500. Consequently, 61% of individuals have either used payday loans or would consider it.[56]

7.2.4 Use of BNPL

55% of US individuals use BNPL frequently or sometimes. Sixty-eight percent of individuals find BNPL useful or very useful in managing their monthly finances, but 76% believe BNPL has certain challenges, including concerns about late fees (33%) and the fact that BNPL can only be used at participating retailers (30%).[57]

7.2.5 Attitudes to Pay on Demand

Pay on Demand is a relatively new concept in the US, however when the concept was explained, 73% of individuals believe they may or are likely to use the service, and only 20% believe they are unlikely to use it (the balance being unsure), with the main advantages perceived as allowing users to access money already earned (38%), being able to use funds for any purpose (38%) and receiving funds almost instantly (38%) (multiple selections were allowed). Pay on Demand is perceived as being most useful to cover mortgage/rent and utility bills. Only 27% of individuals perceive Pay on Demand as a form of debt, with the majority (61%) seeing it as either an advance on their pay or as a deferred payment method.[58]

7.3 Demographic Analysis

The number of employed individuals with no/limited savings, for whom a Pay on Demand product could potentially appeal can be extrapolated for comparable markets, including the UK and US as indicated below (note, not all of these users would necessarily be eligible for a potential Pay on

[56] Frost & Sullivan, consumer survey, June 2021.

[57] Ibid.

[58] Ibid.

Demand product). (Data is drawn from different sources and definitions of no/limited savings are not directly comparable. Data should therefore be regarded as indicative rather than exact).

Table 8: Demographic Analysis, UK and US, 2021

	Employed Individuals (millions)	Percentage with No/limited Savings	Relevant Demographic Group (million individuals)
UK	21.7 (aged 18-49)	60%*	13.0
US	95.9 (aged 18-49)	61%**	58.5

Sources: Office of National Statistics (ONS), Employment, unemployment and economic inactivity by age group, June 2021; US Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, 2020; FCA, Financial Lives 2020 survey: the impact of coronavirus, February 2021; Frost & Sullivan consumer survey, June 2021

*defined as percentage of adults having savings of less than £10,000
**defined as the percentage of adults having savings equivalent to less than two months' salary

7.4 Regulation

A brief summary on consumer lending regulations in the UK and US is given below. It is not comprehensive and it should be noted that there is likely to be other regulatory requirements which need to be satisfied and may be additional barriers to entry in these markets, including potential requirements for licensing. Other markets outside Australia have important differences that may require a different delivery model of Beforepay's offering than is used in Australia, or addressing additional barriers to entry such as regulatory or licensing requirements and which may involve different cost implications to Beforepay.

7.4.1 UK

In the UK, organisations offering consumer credit require authorisation from the Financial Conduct Authority (FCA). Authorisation is divided into two levels, 'full permission' and 'limited permission'. Full permission is generally required for organisations whose principal business is consumer lending. The application process for full permission involves providing the FCA with information in a business plan and information about the business's activities, history, future plans, financial details, systems and controls and approved persons, among other things.[59]

7.4.2 US

In the US, regulation of consumer credit is largely undertaken at state level, with state-based regulatory agencies responsible for licensing of consumer credit providers where a license is required, and for regulating minimum and maximum loan terms, maximum loan amounts and maximum rates of interest and other charges. In some states, licenses are only required where the credit provider charges interest above a defined minimum rate.[60]

[59] FCA, (accessed from https://www.fca.org.uk/firms/authorisation/how-to-apply/consumer-credit/full-permissions).
[60] Conference of State Bank Supervisors, (accessed from https://www.csbs.org/50-state-survey-consumer-finance-laws).

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Beforepay Group Limited and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report, nor which may be assumed to have provided bias or influence. Frost & Sullivan consent to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

3.
Company Overview

3. Company Overview

3.1 Introduction to Beforepay

Beforepay was founded to offer consumers a better way to manage their personal finances, offering them additional flexibility to access their pay earlier, without having to rely on credit cards or other forms of revolving debt.

Beforepay's vision was to provide customers with a product having the following features:

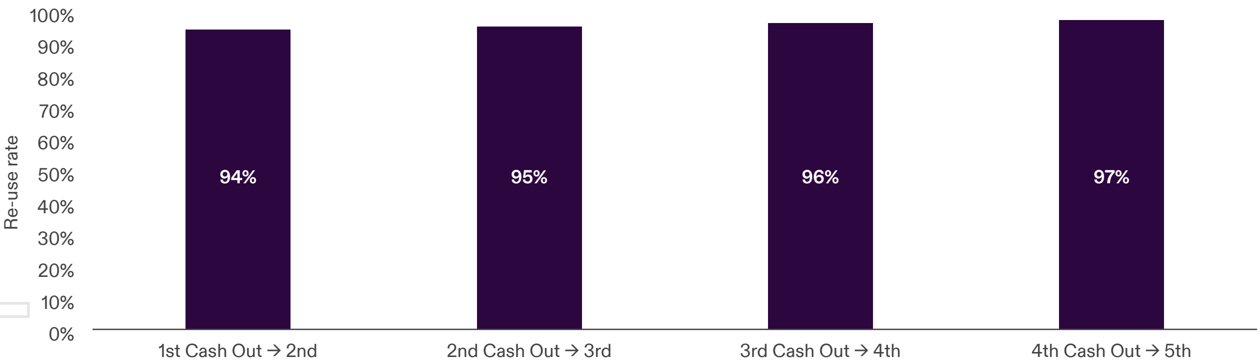
- Short term, designed to get them through a temporary need for flexibility;
- Non-revolving, with no interest charges;
- Fixed, simple, and transparent fee structure;
- On-demand access through a fully digital platform; and
- Budgeting tools to promote financial awareness.

Beforepay's Product is designed to support customers who do not want to live beyond their means or accumulate revolving debt, but may need a bit of breathing room until they receive their next pay. Beforepay was committed to designing a business model that did not require consumers to take long-term, expensive and opaquely priced revolving debt.

The increasing rejection of revolving debt, particularly credit cards, is a long-term trend. The rapid growth of Beforepay indicates that it is providing a better alternative to customers.

Beforepay has seen Active Users grow at a compound monthly growth rate of 25.3% from August 2020 to October 2021.

Figure 3.1.1 Customer re-use rate by Cash Out number



Note: The above figure shows the percentage of customers who have Cashed Out after settling the prior Cash Out on multiple occasions during the period commencing on 9 December 2019, the date of the first Cash Out made with Beforepay to 30 June 2021.

Figure 3.1.2, Figure 3.1.3, Figure 3.1.4, and Figure 3.1.5 illustrate Beforepay's Pay Advance and fee growth since 1 July 2020.

Figure 3.1.2 Value of monthly Pay Advances

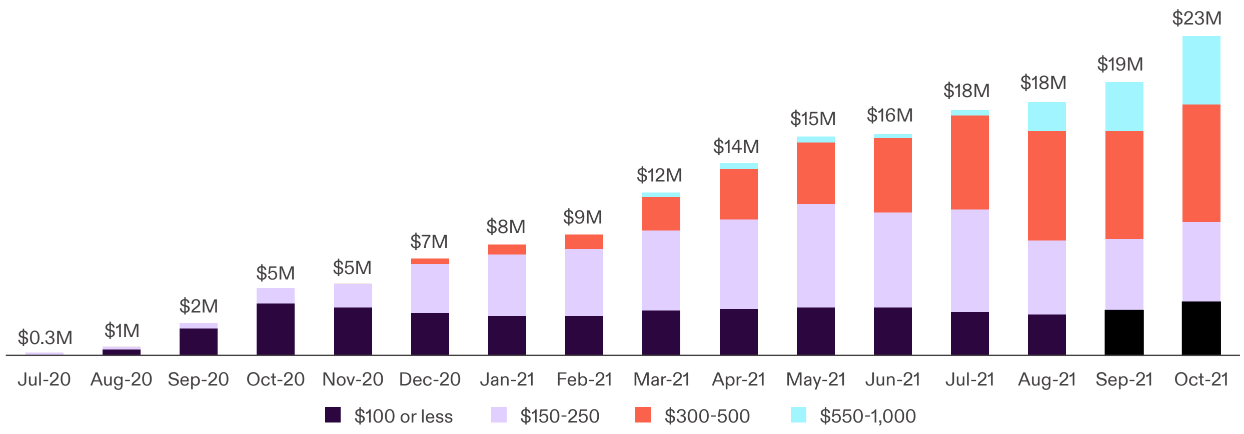
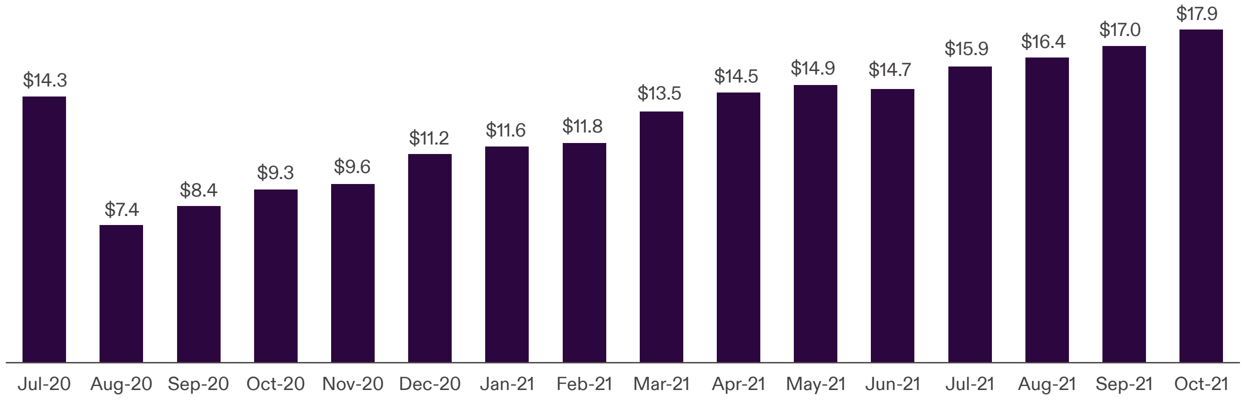


Figure 3.1.3 Average fee per Active User who has made a Cash Out within the month



Note: The above sets out for each month the total fees generated in the month, divided by the number of Active Users who have made a Cash Out in the month. The fees depicted above have not been adjusted for promotional credits and referral fees offered to select customers.

Figure 3.1.4 Number of monthly Cash Outs

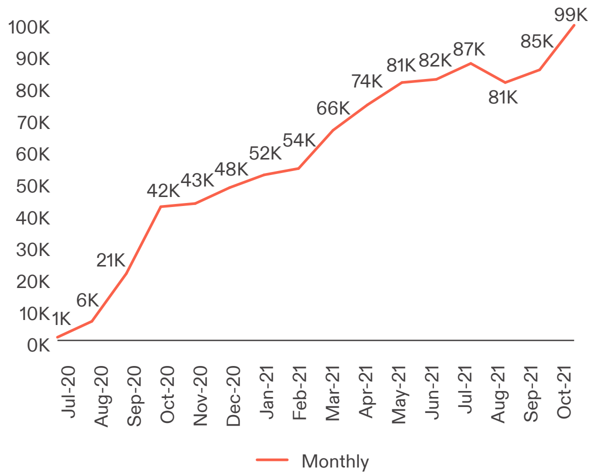
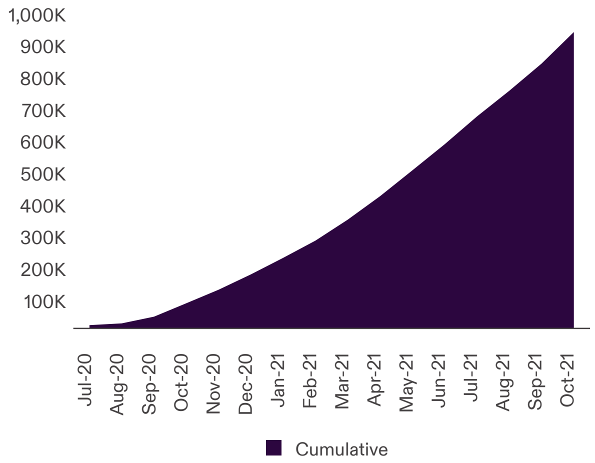


Figure 3.1.5 Number of cumulative Cash Outs



Note: Figure 3.1.4 and Figure 3.1.5 refer to the number of Cash Outs made by customers. Figure 3.1.5 depicts the total number of Cash Outs which Beforepay has facilitated since its inception.

3.2 Company History

Beforepay was founded in 2019 to provide consumers with improved financial flexibility, enabling access to a portion of their next pay on-demand in exchange for a transparent and fixed fee.

After a period of initial product development, Beforepay commenced its beta testing phase in December 2019.

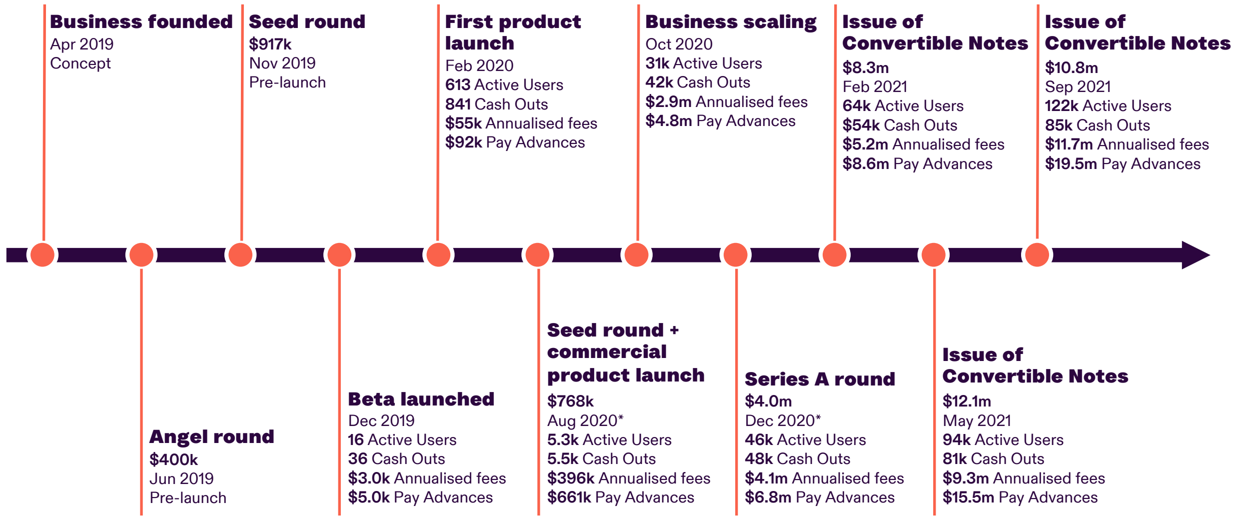
Between commencing beta testing and Beforepay's commercial Product launch in August 2020, the Company acquired its first 5,000 Active Users.

By November 2020, Beforepay had approximately 39,000 Active Users, with $5.1 million in monthly Pay Advances.

Beforepay now has more than 125,500 Active Users[11] who have each undertaken at least one Cash Out and Beforepay has advanced more than $171 million[12] in total Pay Advances since its Product launch. Figure 3.2.1 below details Beforepay's key milestones.

11 As at 31 October 2021.
12 Ibid.

Figure 3.2.1 Company timeline



* Where funding rounds were issued in multiple parts, the later issue date has been used.

3.3 Beforepay Revenue Model

Beforepay generates revenue through charging its customers a fixed fee of 5% of the Cash Out. As noted in Section 3.12, the amount of Cash Out offered to each customer is established in accordance with Beforepay's credit policy and risk considerations, including KYC.

Customers repay the Cash Out and fee via direct debit when they are next paid (either all at once or split over multiple pay cycles). Section 3.4 below provides further detail on repayment flexibility. Beforepay recognises its fee income over each individual pay advance term. No other fees are charged to customers. However, Beforepay does offer discounts or credits for referrals or as part of promotions, each of which may lead to a lower effective fee being charged than the 5% of the Cash Out.

This fixed fee model has not changed since Beforepay's original Product launch.

The average repayment period has been 15 days[13].

Refer to Section 3.13 for further details regarding Beforepay's customer terms and conditions (including a description of the Pay Advance Agreement entered into with customers).

3.4 Beforepay Platform Overview

Beforepay's customer-facing platform consists of two smartphone applications, one designed for iOS devices, and one designed for Android, with a browser-based application launched in August 2021 and all powered by the same back-end systems (apps).

The apps have different functionality including:

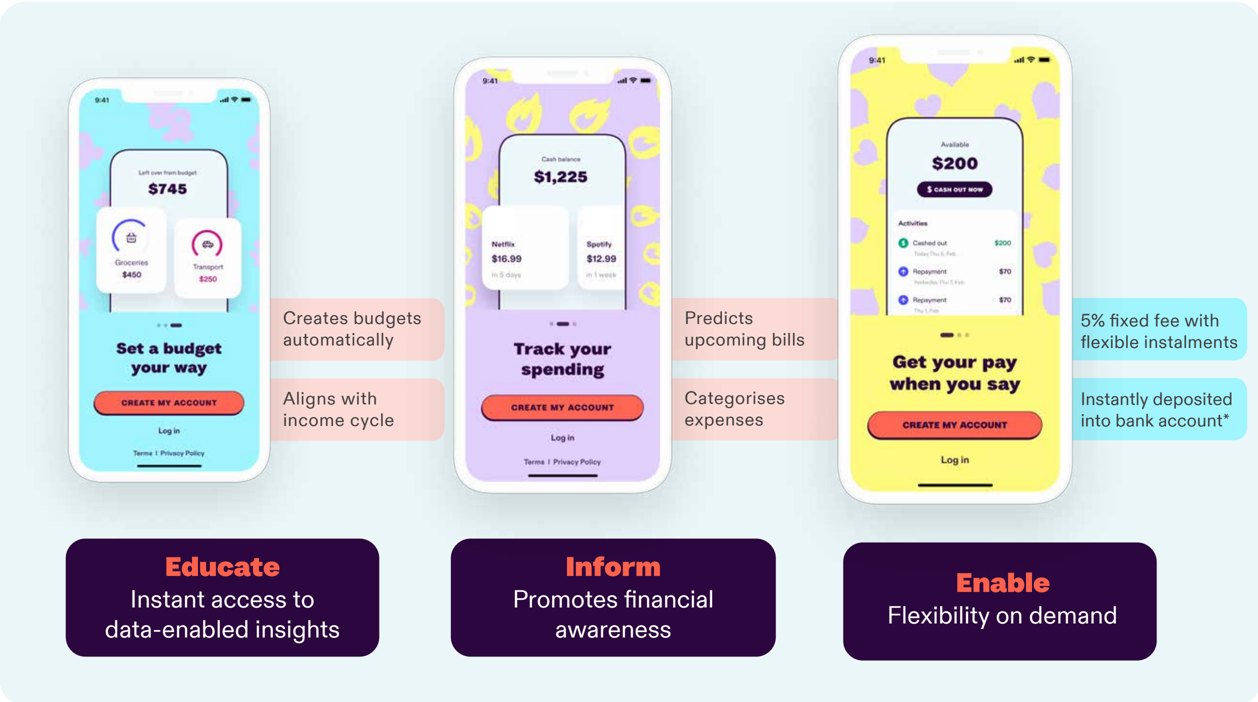
- A customer journey from initial account registration through to first Cash Out
- A journey for returning customers (which requires fewer steps, given information from the first Cash Out is retained)

13 Calculated based on Pay Advance and repayment data from 1 July 2020 to 30 June 2021, for Cash Outs which have been repaid. Does not include Cash Outs which were never repaid.

- Tools for servicing existing Cash Outs prior to repayment (in particular, visibility of upcoming repayment dates and amounts, and a limited ability to reschedule payments if required)
- Financial tools for budgeting and insights. Customers have the option of automatically creating a budget, based on the detected pay cycle and historical spending patterns and tracking spending against certain budget categories. It can also predict upcoming bills and offer spending insights to customers (this feature applies to the mobile apps only available at and around the date of this Prospectus).

The apps also allow customers to contact Beforepay's customer support.

Figure 3.4.1 Beforepay platform snapshot



* Cash Outs will generally by received in the customer's account in well under one minute, except in rare cases where there is a technical issue with the external payment provider, that provider's sending bank, the receiving bank, or the NPP itself.

Most customers are able to select from a small number of repayment options. Different options are available, depending on a customer's pay cycle. Additionally, after the Cash Out has occurred, customers are able to delay repayment by one pay cycle, to accommodate emergencies and other unforeseen events. Customers who require any further rescheduling are required to contact Beforepay's customer support. Beforepay does not allow customers to extend repayments beyond a maximum of 62 days. Beforepay has a hardship policy for customers described in Section 3.12.2.4 below.

Table 3.4.1 Overview of repayment preferences available to Beforepay customers

Pay cycle	Repayment preferences
Weekly	Up to 4 repayments
Fortnightly	Up to 3 repayments
Monthly	Up to 2 repayments

Beforepay's platform is powered by three proprietary pieces of technology. These include:

- Beforepay's designed and developed budgeting tools which are further discussed at Section 3.6.2.
- Beforepay's pay cycle detection algorithm which determines a customer's income based on bank transactions. The algorithm measures the frequency of payments, consistency of transaction descriptions and regularity of transaction amounts. The pay detection cycle is subject to the high variability of employer payment systems and nuances of employee entitlements across different industries.
- Beforepay's credit-risk model, which uses machine learning to estimate the customer's probability of defaulting. This credit risk model incorporates a broad range of spending and saving behaviours from scraped transaction data, as well as previous borrowing and repayment behaviours for existing customers.

In addition, Beforepay has a proprietary database of more than 500 million[14] separate data points, which is based both on the bank transactions of current customers, as well as additional demographic attributes. Beforepay's algorithms are built and tested on a portion of this database. For example, to create the risk models, a sub-set of the database is segmented into three portions – training data, validation data and test data. Machine-learning algorithms determine the optimal set of attributes for predicting those attributes that tend to predict customer defaults in the training dataset (for example, certain types of spending or a history of previous dishonours on prior Cash Outs). The validation dataset is used to fine-tune the model hyperparameters weights, and the test data is used to measure the predictive power of the model. The accuracy of the risk algorithms is attributable to the number of data points available to the machine-learning models.

The technology architecture underpinning these models is described in Section 3.6.1.

3.5 Customers

3.5.1 Eligibility

Beforepay's eligibility criteria for new customers includes:

- Being an Australian resident and over 18 years of age;
- Have income in their bank account of at least $300 per week;
- Having a regular pay schedule;
- Having a bank account into which income payment is deposited;
- Not receiving primary income from government benefits (greater than or equal to 50% of income is from an employer); and
- Satisfying Beforepay's risk-algorithm criteria.

Beforepay continuously monitors its eligibility criteria.

Beforepay amended its credit policy in November 2020. The amendment related to non-acceptance of new customers where the primary source of income (calculated at more than 50%) was sourced from government benefits. This amendment was first introduced as a rolling implementation and fully implemented by April 2021. Existing Beforepay customers who registered prior to the credit policy amendment and have their primary source of income sourced from government benefits have had their Cash Outs grandfathered, meaning that they have continued to be eligible for Cash Outs, notwithstanding their receipt of government benefits. This cohort is an ever-decreasing proportion of total customers as the customer base number continues to grow.

The rationale for this amendment was based on greater default propensity typically observed in these cohorts, when compared to customers who do not derive the majority of their income from government benefits.

14 As at 31 August 2021.

While Beforepay has phased out the acquisition of these customers, there may be existing customers whose income, while not initially calculated to be primarily derived from government benefits, may transition to this status. Beforepay actively monitors this and accounts for these changes in its credit model. For the month of June 2021, the total Cash Outs advanced to customers who received more than 50% from government benefits represented 7.6% of all Cash Outs.

Refer to Section 3.12.2 for further detail on Beforepay's Credit Process and Model.

3.5.2 Customer demographics

As noted in **Section 2 Industry overview**, Frost & Sullivan estimates that approximately 56% of the Australian employed population aged 18-56 have no savings or savings less than, or equivalent to, 2 months' salary. A similar percentage (56%) of the employed population aged 18-56 were found to either always or sometimes experience difficulty paying their monthly expenses or otherwise funding their lifestyle. Frost & Sullivan consider that these trends underscore a need for short-term, non-revolving access to cash amongst approximately 5.3 million people within the 9.5 million employed individuals aged 20-54.[15]

While it is estimated by Frost & Sullivan that a Pay-On-Demand product could potentially appeal to approximately 5.3 million working Australians, some would not meet Beforepay's eligibility criteria and some would not be attracted to a Pay on Demand product. Accordingly, Beforepay's addressable market in Australia is less than 5.3 million working Australians. Historically, approximately 19% of applicants have been declined for eligibility reasons. The credit model is calibrated to decline 5% of eligible applicants on average; in September 2021 the actual rejection rate was 4.7%, due to a lower-risk applicant pool than the one the model was trained on.

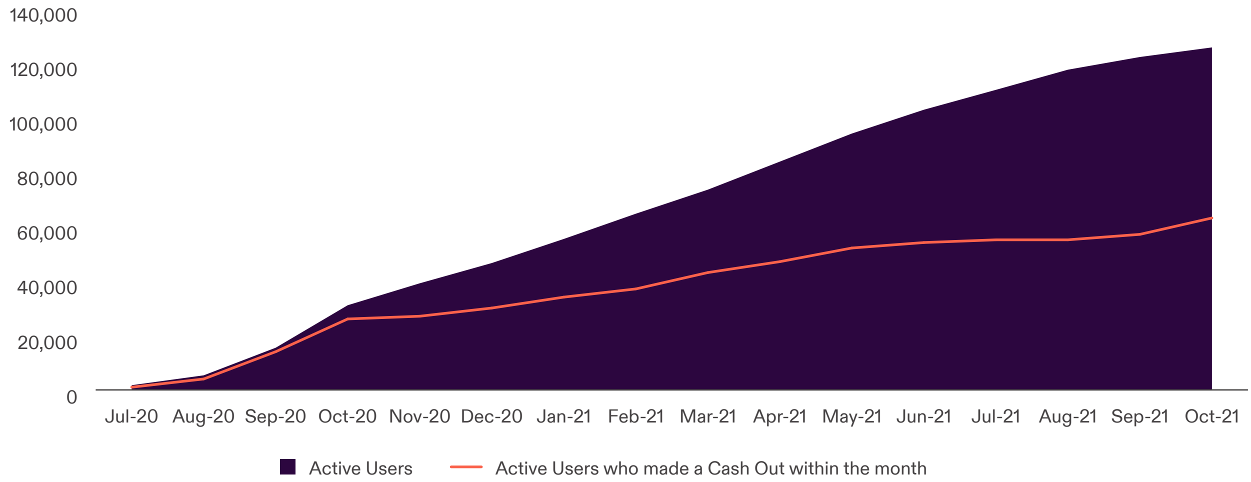
The average age of a Beforepay customer is 33. While Beforepay has a particular focus among millennials, Beforepay's Product may be used by the entire working-age population. Customers work across a broad range of industries (with no single industry making up more than 15% of customers). Most customers (93%) do not use a credit card, although roughly 65% use Buy-Now-Pay-Later services[16].

Figure 3.5.1, Figure 3.5.2, Figure 3.5.3, and Figure 3.5.4 provide further detail on Beforepay's customer base, based on the period from 1 July 2020 until 31 October 2021 (unless otherwise noted).

15 As noted in the Industry section, the Frost & Sullivan consumer survey was conducted in respect of individuals aged between 18-56 years (constituting Millennials, Gen X and Gen Z) and Beforepay's Pay on Demand product is available to eligible adults over 18 years of age. However, the analysis on the potential addressable market for Pay on Demand products (yielding the figure of approximately 5.3 million people) as determined by Frost & Sullivan is based on employed individuals in Australia aged between 20-54 years, as a consequence of the age brackets in which ABS employment data is provided. Therefore, the figure of 5.3 million people does not reflect all of the age brackets of the Frost and Sullivan survey or to whom Beforepay's Pay on Demand product is available.

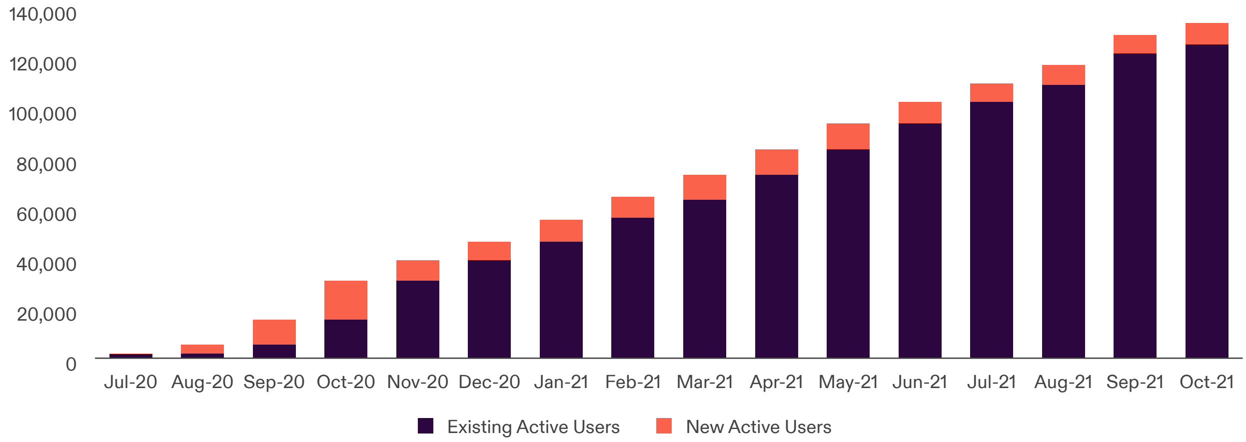
16 Only 7% of customers have credit-card repayments coming from the bank that they have linked to Beforepay's platform. BNPL statistic based on transactions coming from the customer bank linked to Beforepay's platform. Percentages calculated based on the period 1 July 2020 to 30 June 2021.

Figure 3.5.1 Number of Active Users



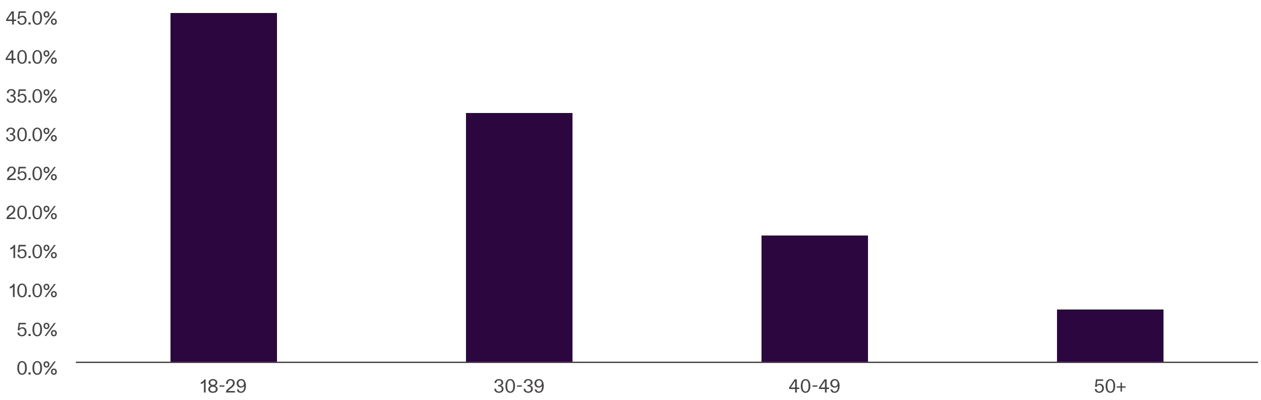
Note: "Active Users who made a Cash Out within the month" sets out the total number of Active Users (including New and Existing Active Users) who made a Cash Out within the calendar month, while "Active Users" sets out the total number of Active Users.

Figure 3.5.2 Breakdown of New and Existing Active Users



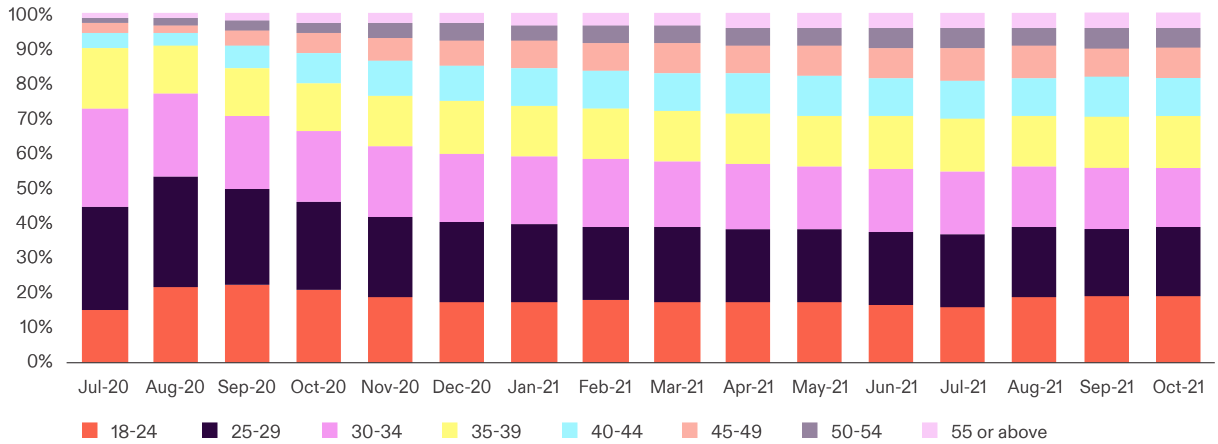
Note: Chart includes new Active Users who joined within the month, and existing Active Users, who were active prior to the start of the month. It does not mean that each Existing Active User took a Cash out in that month.

Figure 3.5.3 Breakdown of Beforepay customers by age groups



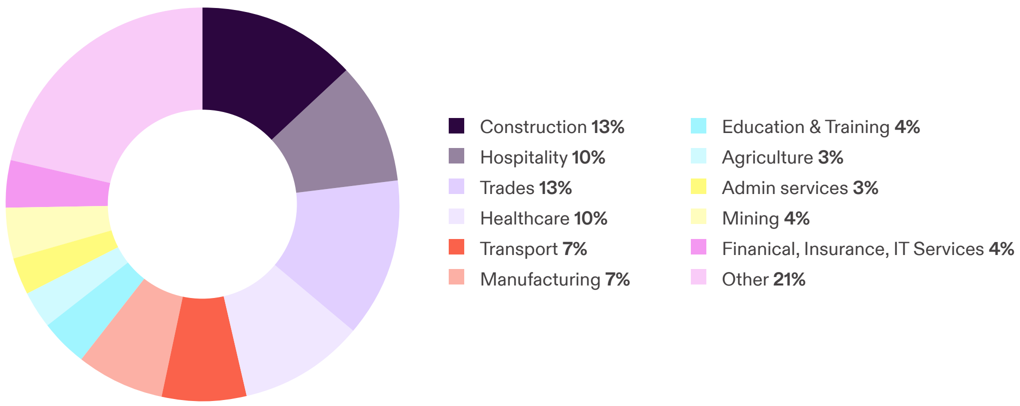
Note: Data based on all customers up to and including 30 June 2021.

Figure 3.5.4 Breakdown of Pay Advances by age groups



Note: Chart expresses the proportion of Pay Advances made in each month split by the age of the underlying Active Users. Analysis excludes Pay Advances from a small number of uncategorised Active Users.

Figure 3.5.5 Breakdown of Active Users by industry of employment



Note: Based on customer input upon registration, collated between 1 July 2020 and 30 June 2021 from Active Users.

3.5.3 Use Case

Funds are provided to the customer's bank account in the form of cash and may be used for any purpose. This is different from Buy Now Pay Later, which generally requires a participating merchant to subsidise the transaction.

Figure 3.5.6 Potential Beforepay use cases

Beforepay use case

Goods	Services	Expenses	Interactions	Emergencies
Petrol	Uber Eats	Rent	Night out	Pay for surgery
Groceries	Netflix	Unexpected fines	Transfer friends	Buy medication
Concert tickets	Pay tradie	Gym membership	Buy flowers	Pay the plumber
Discretionary Retail	Go to dentist	Avoid late payment fees	Birthday present	Repair car

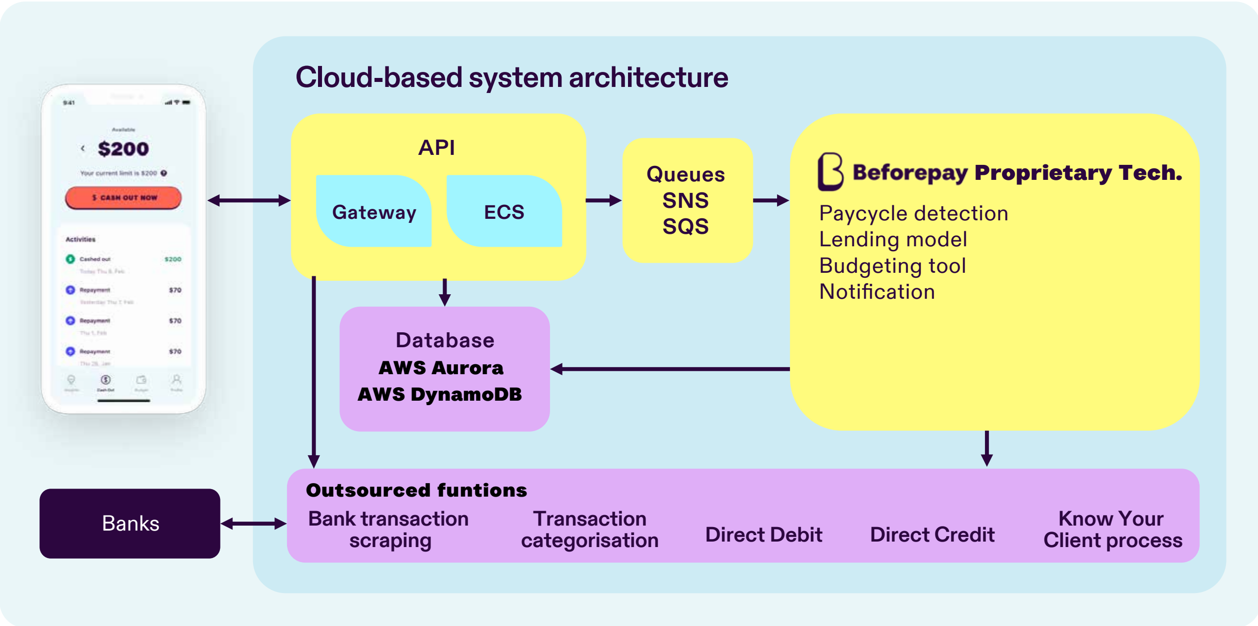
Note: the above is illustrative only and there are other use cases.

3.6 Information Technology and Intellectual Property

3.6.1 Technology overview

Beforepay believes its technology stack is both modern and scalable. Beforepay's proprietary technology consists of the key technologies which creates competitive differentiation, such as the look-and-feel of the app, the budgeting tools, the pay-cycle detection model and the credit model. Beforepay selectively outsources certain functions where it is more cost-effective to do so, such as data scraping, payments and identity verification. A high-level schematic of the technology stack is shown below:

Figure 3.6.1 Cloud-based system architecture



Note: Beforepay uses Basiq for scraping services and transaction categorisation. **Direct Debit** is conducted by Zepto and refers to an automatic transaction that transfers funds from a customer's bank account to Beforepay. **Direct Credit** is conducted by Zai Australia and refers to the transaction Beforepay leverages to advance cash to its customers. **Bank transaction scraping** is conducted by Basiq and refers to the practice of extracting customer bank data from customer bank accounts. **Transaction categorisation** is conducted by Basiq and refers to the process of analysing and grouping customers' bank transactions into categories for the purpose of further analysis and delivery of insights to customers.

Beforepay engineers and data scientists have built and continue to maintain and enhance its core technology.

The entire technology stack is hosted in the cloud using Amazon Web Services. Cloud hosting provides economic and security benefits, as well as offering Beforepay scalability.

Cybersecurity is a key focus at Beforepay. Beforepay has its key data and software located behind the Amazon Web Services firewall as one part of its cybersecurity risk mitigation strategy. Beforepay engages external consultants for regular surface penetration and security testing and also engages internal resources for managing its cyber security. Refer to Section 5.2.13 for further detail on the potential impact of cybersecurity risk on Beforepay.

3.6.2 Beforepay User Experience

3.6.2.1 First-time customer sign-up

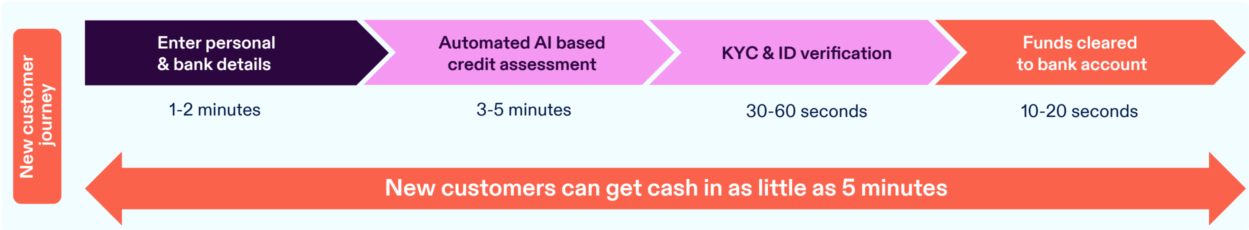
Beforepay has designed a highly functional and intuitive user experience. The first-time customer journey is conducted entirely on the app and may be undertaken end-to-end in as little as five minutes. The new customer journey is as follows:

- Create an account and verify an email or mobile number;
- Sync to a bank account to scrape up to six months of transactions for the purposes of pay cycle detection and credit risk assessment;
- Conduct identity verification and KYC checks; and
- Confirm the amount the customer would like to Cash Out.

First time Cash Out limits generally range from $50 to $300, although they can be higher depending on Beforepay's risk assessment[17].

17 Prior to 24 June 2021 the first Cash Out was fixed at $100. This was adjusted following a revision of the Company's credit process, described in Section 3.12.

Figure 3.6.2 First-time customer user experience



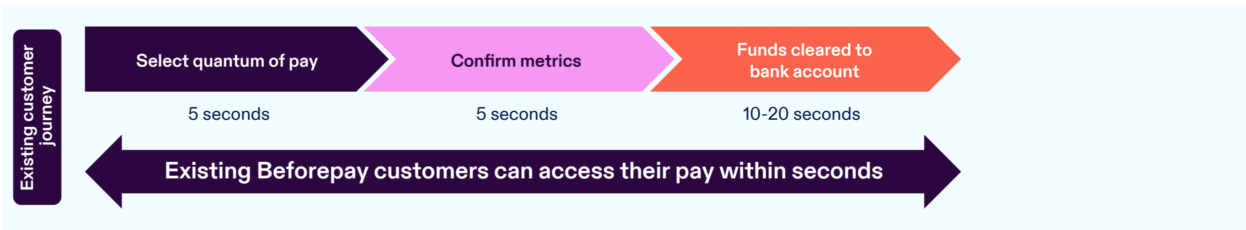
Note: Times displayed in graphic illustrate a typical new Beforepay customer journey.

3.6.2.2 Existing customer journey

The journey for existing customers who return to Cash Out further funds is time efficient. Their identity has been verified and KYC checks have been completed previously. Beforepay continues to scrape bank accounts of existing customers and has calculated the relevant risk score in advance of the customer Cashing Out again. The existing customer needs to confirm only the amount to Cash Out. If a returning customer has not Cashed Out for some time, Beforepay may need to re-sync their bank account.

The journey for an existing customer who returns to Cash Out further funds is illustrated below:

Figure 3.6.3 Existing customer user experience



Note: Times displayed in graphic illustrate a typical existing Beforepay customer journey.

3.6.2.3 Additional platform features

In addition to the ability to access a portion of their Pay on Demand, Beforepay customers also have access to supporting features and tools designed to assist their budgeting practices and general financial awareness. These tools include:

- Automated transaction categorisation;
- Automated bill prediction; and
- Automated budgeting tools based on statistically analysing historical spending by category.

These tools and features are provided at no cost to Beforepay customers.

Figure 3.6.4, Figure 3.6.5, and Figure 3.6.6 below illustrate the additional Beforepay platform features:

Figure 3.6.4 Beforepay customer dashboard

1. **Predicting upcoming bills** Beforepay's algorithms predict upcoming bills
2. **Categorising expenses** With the aim to provide customers with a better view of how their money is being spent
3. **Income and expenses** Customers can get a quick view of income and expenses over the month based on scraped transaction data

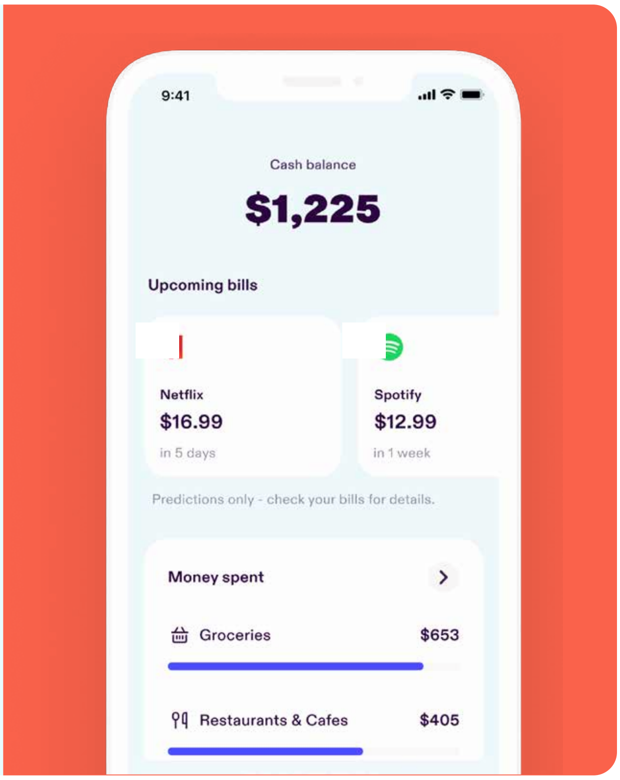
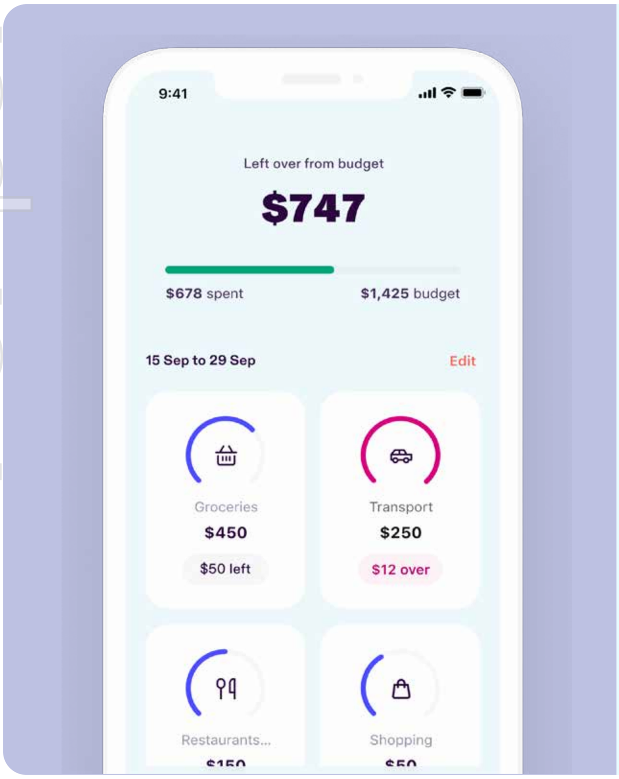


Figure 3.6.5 Beforepay budgeting functionality

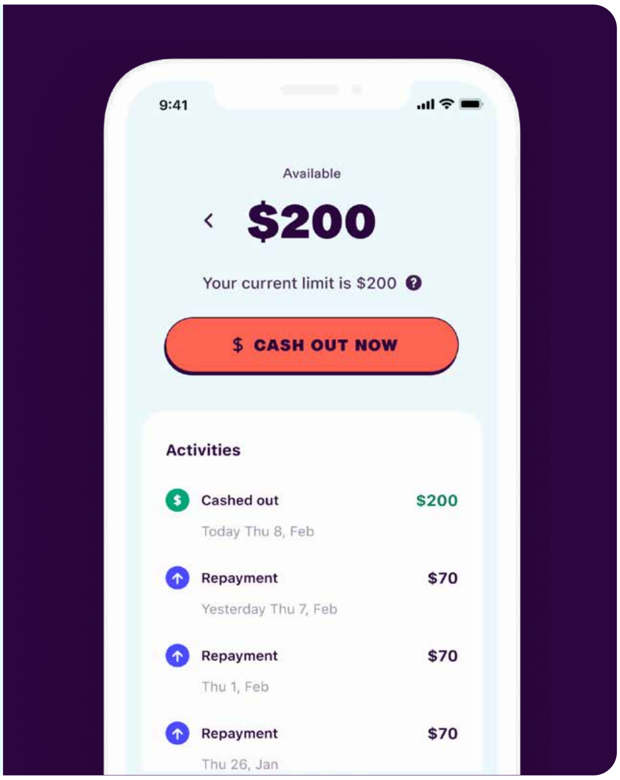


1. **Intelligent algorithms** Beforepay can create a budget in less than 30 seconds, based on statistical analysis of historic spending patterns
2. **Easy setup** Customers enter an amount they want to budget, and the app determines the split by category based on historic spend

Figure 3.6.6 Beforepay Cash Out functionality

1. **Easy Cash Out** with the click of a button (with the Cash Out limit set by Beforepay)
2. **Rapid payment** Using the NPP system, Beforepay is able to deposit cash requests rapidly into user's bank accounts*
3. **Flexible repayment** Most users can select from a variety of instalment options to suit their spend
4. **Proprietary credit assessment** Based on criteria with set thresholds that are adjusted dynamically based on spending and lending data Beforepay continues to gather

* Only applies for banks able to accept NPP payments, which is the vast majority of banks in Australia



Refer to Table 3.4.1 and preceding commentary for further information on flexible repayment options available to Beforepay customers.

3.6.3 Intellectual property

Beforepay's key intellectual property includes business names, copyright, trademarks, domain names, technical know-how, confidential information, trade secrets, collected data for optimisation, proprietary credit model and algorithms. Beforepay seeks to protect its intellectual property through registration of intellectual property and contracting practices.

Beforepay, through its IP holding company Beforepay IP Pty Ltd (ACN 633 930 015), seeks to protect its intellectual property through a number of Australian trademarks, in respect of its key brand "BEFOREPAY" and "B4PAY" each of which are registered/protected in Australia.

Beforepay through Beforepay IP has also filed applications in Australia for a series of "B" logos in a variety of colour combinations and "B" logo and wordmark combinations. These applications have received early acceptance and are awaiting advertisement. The applications will be subject to a two-month opposition period following advertisement.

Beforepay, through Beforepay IP has filed an international trademark application for registration of the mark "BEFOREPAY" designation in the United States of America, Canada, and the United Kingdom, each of which are awaiting examination, as well as, designation in the European Union, which has been accepted.

Beforepay through Beforepay IP has also filled trademark applications for "BEFOREPAY" and "B4PAY" in New Zealand, which are currently awaiting examination.

Beforepay, through Beforepay IP, is also the owner of an Australian "CHEQ" logo trademark (which pertains to the Company's former brand) and has filed an application for registration of the mark "PAY ON DEMAND" in Australia. The Australian application for PAY ON DEMAND (application number 2068945) is pending.

Beforepay owns various domain names including *www.beforepay.com*, *www.beforepay.co*, *www.beforepay.com.au*, *www.b4pay.com.au* and *www.b4pay.com*, among others. Beforepay also has a number of domain names under different top-level domains, with the prefix "beforepay" or "b4pay" including *www.beforepay.co.uk*, *www.beforepay.us*, *www.beforepay.org*, *www.b4pay.global*, *www.beforepay.co.nz*, among others.

Beforepay's general practice is that each third-party software developer developing proprietary technology and employee employed or engaged by Beforepay enters into an agreement pursuant to which their rights in all intellectual property created during the course of their employment or engagement with Beforepay are assigned to Beforepay and they agree to waive any breaches by Beforepay of their moral rights in such works.

In addition, Beforepay has entered into deeds of assignment with each of Guo Fang Mao and Tarek Ayoub, pursuant to which each Founder has assigned to Beforepay all right, title and interest in all intellectual property, software and source code created by them for or on behalf of Beforepay or in connection with Beforepay's business. While Beforepay considers that these arrangements are sufficient to protect its interests, there can be no guarantee that a third party or an employee will not use the intellectual property rights without Beforepay's authority or that the arrangements will be enforceable in any court proceedings.

The Company entered into a domain name transfer agreement dated 7 July 2021 (**Domain Name Transfer Agreement**) with Grouse Limited (NZCN 5822533), Satisfy Holdings Australia Pty Ltd (ACN 632 974 880), Chrisco Hampers Australia Limited (NZCN 884045) and Geoffrey Michael Spong, each of whom are related parties with each other (together, the **Sellers**). The Sellers are not related parties, associates or promoters of the Company or any related parties or promoters of the Company. Under the Domain Name Transfer Agreement, the Sellers agreed to transfer to the Company the domain names "www.beforepay.com", "www.beforepay.co.nz", "www.b4p.com", "www.b4p.co.nz", "www.beforepay.com.au" and "www.b4p.com.au" (together, the **Domain Names**) for cash consideration of A$187,500 (inclusive of GST). Under the Domain Name Transfer Agreement, the Sellers warrant that they are the legal and beneficial holders of the Domain Names. Simultaneously with the transfer of the Domain Names, Mr Spong subscribed for Convertible Notes for a total subscription price of A$100,000. Under the terms of the Domain Transfer Agreement, A$100,000 of the consideration for the transfer of the Domain Names was directed by the Sellers to be paid to Mr Spong and set-off against the subscription amount payable by Mr Spong in relation to his subscription for the Convertible Notes.

3.7 Funding Arrangements

Beforepay's business requires capital to fund Cash Outs. To date, Beforepay has relied on:

- equity capital;
- shareholder loans;
- Convertible Notes; and
- a Longreach Credit Facility Agreement (described in Section 3.7.1.1),

to fund its capital requirements.

Convertible Notes were issued in February 2021, May 2021 and September 2021 on equivalent commercial terms. The conversion price is based on a percentage discount or valuation cap. All Convertible Notes will convert to ordinary shares in Beforepay on or about the Allotment Date (inclusive of accumulated interest and principal). Prior to the Longreach Credit Facility Agreement, which was established in June 2021, Beforepay had shareholder loans in the aggregate amount of $1.35 million, which were repaid on or around drawdown of the Longreach Credit Facility Agreement.

Beforepay also has a Financing Framework with Victory Park Capital Advisors, LLC (described in Section 3.7.1.2).

3.7.1 Current debt funding arrangements

3.7.1.1 Longreach Credit Facility Agreement

Beforepay Finance entered into a facility agreement with AMAL Trustees Pty Ltd as trustee for the Longreach Direct Lending Fund (Longreach) dated 9 June 2021 (Longreach Credit Facility Agreement or Financing Facility).

Feature	Description	
Term	Expires on the maturity date of 15 June 2023.	
Facility Limit	Lower of (1) the maximum commitment at the relevant time, and (2) the Borrowing Base (defined below). The maximum commitment on 15 November 2021 will be $13,630,645, increasing in non-linear increments as set out in the table below to a maximum commitment of $45 million on and from 15 December 2022.	
Commitment	**Commitment period**	**Commitment**
	On and from 15 November 2021 – 14 December 2021	$13,630,645 in aggregate
	On and from 15 December 2021 – 14 January 2022	$15,527,757 in aggregate
	On and from 15 January 2022 – 14 February 2022	$17,346,245 in aggregate
	On and from 15 February 2022 – 14 March 2022	$17,346,245 in aggregate
	On and from 15 March 2022 – 14 April 2022	$20,320,984 in aggregate
	On and from 15 April 2022 – 14 May 2022	$21,432,651 in aggregate
	On and from 15 May 2022 – 14 June 2022	$23,556,044 in aggregate
	On and from 15 June 2022 – 14 July 2022	$24,632,106 in aggregate
	On and from 15 July 2022 – 14 August 2022	$30,274,794 in aggregate
	On and from 15 August 2022 – 14 September 2022	$33,370,313 in aggregate
	On and from 15 September 2022 – 14 October 2022	$35,465,871 in aggregate
	On and from 15 October 2022 – 14 November 2022	$40,122,320 in aggregate
	On and from 15 November 2022 – 14 December 2022	$42,582,816 in aggregate
	On and from 15 December 2022 to 15 June 2023	$45,000,000 in aggregate

Feature	Description
Borrowing base	The Borrowing Base is relevant to the Facility Limit. The borrowing base under the Financing Facility (Borrowing Base) means, on any given date, the aggregate of: (a) either: • if Longreach has notified Beforepay Finance that it is satisfied that Beforepay Finance has complied with its credit policies in relation to loans to its customers and that Longreach will accordingly no longer review Beforepay Finance's compliance with those credit policies (which Longreach is otherwise entitled to do on a 3-monthly basis), 85% of the value of the Eligible Receivables at that date; or • in all other cases, 80% of the value of the Eligible Receivables at that date, and (b) 100% of the cash balance standing to the credit of the Locked Bank Account (defined below) as at that date. "**Eligible Receivables**" means the aggregate amount owing (including any principal, fees and interest) in respect of all amounts advanced by Beforepay Finance to its customers in compliance with its credit policies, which are less than 30 days overdue. The "**Locked Bank Account**" is a controlled bank account held as at the date of the Prospectus, with Macquarie Bank Limited, into which all proceeds of Eligible Receivables must be paid. Representatives of Beforepay Finance and Longreach are signatories to the account. There are restrictions on Beforepay Finance making withdrawals from the Locked Bank Account in certain circumstances (e.g. if an event of default under the Financing Facility is subsisting). A Bank Account Control Deed is in place between Beforepay Finance, Longreach and Macquarie Bank.
Use	The Financing Facility may only be used by Beforepay Finance towards funding the growth of its loan book of Eligible Receivables (defined above), or fees and expenses payable to Longreach in connection with the Financing Facility.
Guarantors	Beforepay Finance's obligations under the Financing Facility are guaranteed by Beforepay Ops Pty Ltd and Beforepay IP Pty Ltd, two wholly-owned subsidiaries of the Company (**Guarantors**). Beforepay Finance's obligations under the Financing Facility are also guaranteed, on a limited recourse basis, by the Company under the specific security deed between the Company and Longreach (see below description of Security).
Security	Each of Beforepay Finance and the Guarantors have granted first ranking security to Longreach over all of their present and after acquired assets, to secure their obligations under the Financing Facility. The Company has granted security under a specific security deed over its shares (and associated rights) in each of Beforepay Finance and the Guarantors (**Secured Shares**), to secure their obligations as borrower and guarantors under the Financing Facility. Longreach's recourse to the Company under the specific security deed is limited to the Secured Shares and proceeds thereof (except to the extent of any fraud by the Company).

Feature	Description
Interest rates and fees	The Financing Facility has an annual interest rate of 9.5% per annum. Fees payable in connection with the Financing Facility include the following: (a) an establishment fee payable on a drawing under the Financing Facility, of either 2.25% of the relevant drawing (where the total amounts owing to Longreach under the Financing Facility are $10 million or less) or 2.00% of the relevant drawing (where the total amounts owing to Longreach under the Financing Facility are more than $10 million); (b) an undrawn fee of 7.00% per annum on any undrawn commitment under the Financing Facility in excess of A$2 million; and (c) a 2.00% prepayment fee, where amounts are prepaid under the Financing Facility within 16 months of financial close.
Voluntary cancellation	Beforepay can voluntarily cancel the whole or any part of the available commitment at any time (subject to any part cancellation being a minimum or multiple of A$100,000). In addition, in certain circumstances, Beforepay may, prior to the first day of a commitment period, cancel the whole or any part of the unutilised commitment for that commitment period and retain the option to subsequently require Longreach to increase its commitment by the amount of that cancellation, up to a total aggregate amount of A$6,750,000 in commitments.
Voluntary prepayment	Beforepay Finance may prepay voluntarily amounts owing under the Financing Facility, either in whole or in part (provided that any part prepayment is a minimum amount and a multiple of A$100,000). Any amount so prepaid cannot be re-borrowed. If Beforepay Finance makes a voluntary prepayment within 16 months after financial close under the Financing Facility, it must pay a prepayment fee of 2.00% of the loan amount being prepaid.
Mandatory prepayment	If the amounts drawn under the Financing Facility exceed the amount of the Borrowing Base at any time (the difference between the two amounts being the **Borrowing Base Deficit**), Beforepay must either (1) transfer into the Locked Bank Account an amount equal to the Borrowing Base Deficit; or (2) repay the amounts owing under the Financing Facility so that there is no longer a Borrowing Base Deficit. Any amount so repaid cannot be re-borrowed.

Feature	Description
Covenants	The Financing Facility contains financial covenants and other undertakings which are customary for facilities of this nature. **Financial covenants** The following financial covenants apply: • the total amounts drawn under the Financing Facility must not exceed the Borrowing Base at any time; • in any period, the aggregate amount of all loans provided to existing customers who receive 51% or more of their total income from Centrelink during that period must be less than 10% of the aggregate amount of all loans advanced by Beforepay Finance to all of its existing customers for that period; • the 'loss rate' in respect of the immediately preceding calendar month for which actual loss rates are available and the 'loss rate' which has been provisioned for by the Company in respect of each of the two subsequent months after that month, in each case, must be less than 7.5%. The 'loss rate' is the rate calculated in accordance with an agreed calculation methodology approved by Longreach, as set out in the Company's "Monthly Vintage Loss Report" which is provided to Longreach in accordance with the Financing Facility;[18] • Beforepay Finance and the Guarantors' total cash holdings (except for the Locked Bank Account, other than any surplus amount over the Borrowing Base amount), must be in aggregate greater than the sum of the Obligors' (1) 3 month forecast of net loss before tax; and (2) 3 month forecast of cash outflows from investing activities. **Restrictive covenants** Restrictive covenants also apply in respect of the following matters (subject to permitted exceptions): • granting security to third parties; • incurring further financial indebtedness or making loans to third parties (except for customers in accordance with the Company's credit policies); and • acquisitions and disposals outside the ordinary course of business. **Restrictions on dividends and distributions** There are restrictions under the Financing Facility on Beforepay Finance and the Guarantors (together, **Obligors**) declaring or paying a dividend or other distribution to the Company. Such a distribution can only be made if: (a) the amount of the distribution, if made, will not exceed 60% of the aggregate net profit after tax of the Obligors for a financial year, when aggregated with all other distributions made by the Obligors (and each of them) in that financial year; and (b) there is no event of default or breach of a financial covenant under the Financing Facility.

18 The methodology currently used by the Company in determining appropriate provisioning for loans in a current month is summarised as follows: (1) loans in the current month are allocated into separate 'loan buckets', according to each separate customer/borrower; (2) the provisioned amount for each separate customer/borrower is determined by multiplying the total actual current loan amount for that customer/borrower, by the actual loss rate for that individual customer/borrower by reference to the most recent Vintage Report where available (e.g. if the current month is June, actual loss rates for April for that customer will be used); (3) the provisioned amounts for each individual customer/borrower are aggregated and then divided by the total amount of all current month loans, to produce a blended loss rate for that current month; (4) loans in the current month are then divided into two categories, determined on the basis of whether or not the customer/borrower receives part of their income from Centrelink, with the loss rates for those two loan categories then determined separately; and (5) all loans and provisioned amounts are then aggregated again, to produce the total blended rate.

Feature	Description
Covenants continued	**Restrictions on amending or terminating material contracts** There are restrictions under the Financing Facility on amending or terminating a "Material Contract" or varying the Company's credit policies with its customers,[19] without Longreach's consent. "Material Contracts" are the Cheq/Zepto Payments Commercial Agreement dated on or about 19 December 2019 between Beforepay Ops and Zepto Payments Pty Ltd (as amended) and the Platform Services Agreement dated on or about November 2020 and as novated in May 2021 between Zai Australia and Beforepay Ops. An event of default will be triggered if material obligations of a counterparty under a Material Contract cease to be valid and binding, or are repudiated by the counterparty, except in connection with a termination of the Material Contract which is permitted under the Financing Facility. **Restrictions on the use of proceeds** There are also restrictions on what the Group can do with the proceeds of the Offer. The Financing Facility requires that at least 75% of the net proceeds raised from the Offer are used to purchase equity capital in an Obligor or used to inject equity or shareholder loans which are subordinated to the Longreach Facility. If the net proceeds of the Offer are less than forecast in the model provided to Longreach on 31 May 2021, then Beforepay Finance must provide an updated financial forecast to Longreach that demonstrates that the financial covenants under the Financing Facility can continue to be satisfied.
Event of default	An event of default will occur under the Financing Facility if (among other things) Beforepay Finance breaches the above undertakings (subject to applicable grace periods), or if a change of control occurs (except where the change of control occurs as a result of the Offer). A "change of control" will occur where there is a change in: (a) a holding of more than 50.1% of the issued share capital of the Obligor; (b) the power to control or cast more than 50.1% of the votes that may be cast at a general meeting of an Obligor; (c) the power to change the majority of Directors; or (d) the power to give directions in relation to operating or financial policies which Directors or officers are obliged to comply with. There are other events of default which are customary for a facility of this nature, including a circumstance or event which would have a "Material Adverse Effect". In the event of a default there may be a requirement to make repayment of amounts owing under the Financing Facility before the maturity date, or the security provided by the Company or its subsidiaries to Longreach may become enforceable.

3.7.1.2 Financing Framework Deed

The Company entered into a Financing Framework Deed (**FFD**) with Victory Park Capital Advisors, LLC (**Victory**) in April 2021. Two associated entities of Victory have invested in the Company through their purchase of Convertible Notes around the same time as entry into the FFD and will become shareholders at the time of Listing.

The FFD gives Victory a "right of first offer" and "right of last refusal" in respect of debt financing arrangements which the Company proposes to enter into in the US or Canada, for a 3-year period expiring in April 2024 (**Term**).

19. The Company's current credit policies provide (among other things) that loans can only be made to Australian residents.

Where the Company determines to raise debt financing in either the US or Canada during the Term, it must give notice to Victory of the amount, purpose and term of the proposed debt funding. Victory has 10 days to determine whether to offer terms to the Company in respect of that proposed debt funding. The Company's board may accept or reject that offer.

If the Company rejects the offer and proposes to raise debt funding with a third party in the US or Canada during the Term, it must give notice to Victory of the proposed terms. Victory then has a period of 10 days to determine whether to offer debt financing on terms which are no less favourable than the terms offered by the third party. If Victory determines not to make such an offer, the Company has 6 months to enter into the debt funding arrangement with the third party, or Victory's "right of last refusal" will apply again to the extent that the Term continues to apply.

3.7.2 Future funding

Beforepay believes that the Longreach Credit Facility Agreement will likely be sufficient to support the growth of the Company loan book in the medium term. Given the terms of the Longreach Credit Facility Agreement and the undrawn fee, maintaining a strong rate of growth through to June 2023 is a high priority. Beforepay may opportunistically seek to refinance this facility, including in circumstances where it is able to secure financing on more advantageous terms. In the event that the available commitment of the Longreach Credit Facility Agreement exceeds Beforepay's required funding for Cash Outs, Beforepay may utilise its ability to cancel the whole or any part of the unutilised commitment for a commitment period. Beforepay may subsequently require Longreach to increase its commitment by the amount of that cancellation, up to a total aggregate amount of A$6,750,000 in commitments. This would be done in order to reduce Beforepay's exposure to incurring the undrawn fee.

Beforepay's future funding strategies include:

(i) negotiating additional funding from Longreach;

(ii) seek new sources of external debt funding; and/or

(iii) use equity funding.

Pursuant to the terms of the Longreach Credit Facility Agreement, Beforepay is currently only permitted to use the facility to fund 80% of its Eligible Receivables (described in Section 3.7.1.1). A portion of the Offer Proceeds are being allocated to fund future Cash Outs alongside the Longreach facility.

3.8 People and culture

3.8.1 Employees

Beforepay's office is located in Sydney, Australia. All Beforepay employees are based in Australia except for its customer support function which is primarily provided by a Philippines-based outsourcer.

As at 31 October 2021, Beforepay had 31 FTE across management, finance, product, legal and risk, IT and marketing.

Beforepay strives to have an open, collaborative culture, with a primary focus on the customer journey and experience. Beforepay seeks to embed a culture encouraging entrepreneurism in its approach to product innovation and disruption, as well as driving organisational growth. Beforepay has been highly focused in its talent acquisition to align to its cultural values and growth ambitions.

Beforepay encourages a strong 'Speak Up' culture. Beforepay believes that mistakes will occur and are viewed as opportunities for learning and communicating them quickly is key to effective problem solving.

Table 3.8.1 Breakdown of employees as at 31 October 2021

Function	FTE
Key Management Personnel	2
Finance	3
Product	8
Legal and Risk	2
IT	11
Marketing	5
Total	31

3.9 COVID-19

Beforepay has operated in the COVID-19 environment for the majority of its existence. Beforepay has continued to grow during this period, however between July 2021 to October 2021 there was reduced usage of the Beforepay Product in those Australian states placed into full or partial lock-down.

All Sydney-based Beforepay employees have been working remotely in compliance with the lock-down restrictions imposed whilst the government restrictions have been in place. Given Beforepay's infrastructure is cloud-hosted, this has not required any significant operational changes.

Further commentary on the impact of COVID-19 is set out in Section 4.6.2.

3.10 Customer acquisition and marketing

Beforepay grew its Active Users to over 125,500 in October 2021. The Company estimates that 70% of these customers were acquired through digital marketing, with the others coming primarily through word of mouth.

In July 2021, Beforepay launched its inaugural 'above the line' marketing campaign with advertisements on Free-to-air Television, Radio and Out-of-Home assets to enhance brand awareness.

Beforepay intends to allocate some of the Offer Proceeds to above-the-line marketing for the purpose of advancing brand awareness and recognition.

3.10.1 Digital marketing

Beforepay has acquired the majority of its customers through digital marketing. Its two largest channels have been Google and Facebook, with smaller contributions from TikTok, Snapchat and other aggregators. Acquisitions are achieved through specific search term advertising or by advertising placements in those channels which potential customers visit.

Beforepay has a referral partnership with Finder. Finder hosts a website comparing Pay on Demand providers and collects a fee from Beforepay when a visitor to their website clicks on a link to Beforepay.

Recent privacy setting changes with some device providers, as well as certain distribution channels, have made attribution analysis more challenging. In particular, the adoption of iOS 14.5 in May and June 2021 has made it more difficult to determine how iOS customers were acquired. Beforepay believes that these changes may have made some of these channels less productive, although it is uncertain given the challenges to attribution analysis.

3.10.2 Inaugural 'above the line' marketing campaign

As referred to above, Beforepay commenced its inaugural 'above the line' marketing campaign in July 2021, with the objective of driving brand recognition and awareness for both Beforepay and its Pay on Demand product to a nationwide audience. 'Above the line' marketing is a form of marketing that has a very broad reach and is largely untargeted.

Beforepay expects that this campaign will drive brand awareness and recognition as well as customer acquisition, leading to revenue growth. Beforepay intends to continue its marketing investment for its growth and a portion of the Offer Proceeds is allocated to this.

An overview of the campaign is detailed in Table 3.10.1 below, with examples of advertising collateral shown in Figure 3.10.1, Figure 3.10.2, and Figure 3.10.3.

Table 3.10.1 Inaugural 'above the line' marketing campaign overview

Channel	Examples
Broadcast	Olympics TV Kayo ESPN Sports Fox Sports BVOD
Out of home	Large format and street furniture Programmatic out of home
Audio	Hamish and Andy sponsorship Southern Cross Australia Radio Podcasts
Digital	Facebook Google Ads TikTok

Figure 3.10.1 Example broadcast advertising collateral

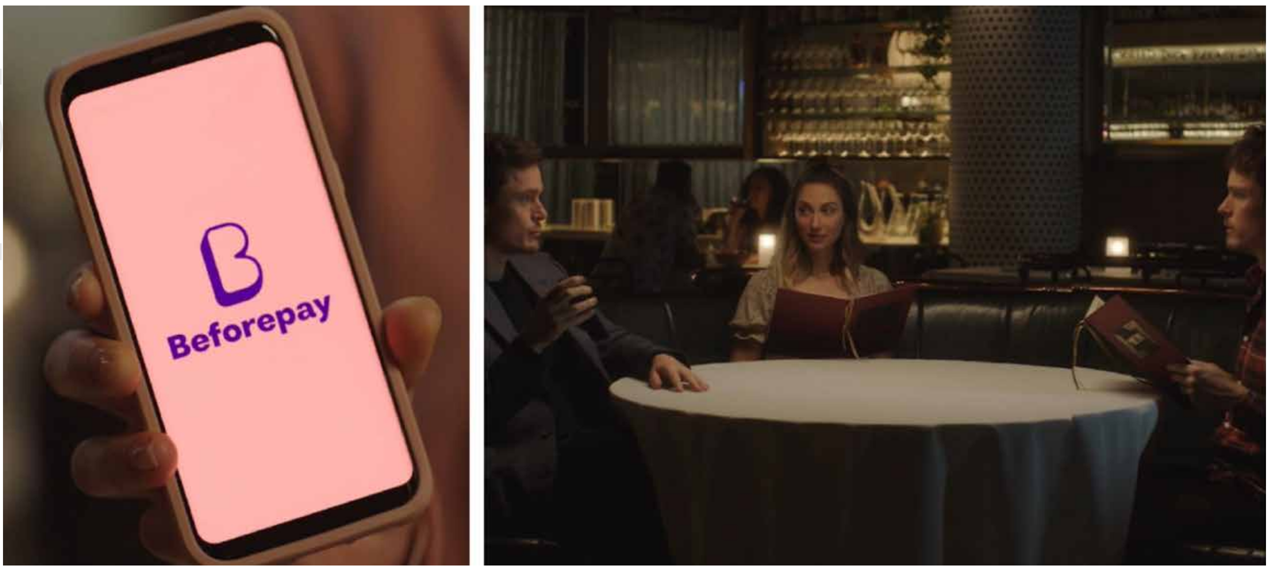


Figure 3.10.2 Example out of home and print advertising collateral

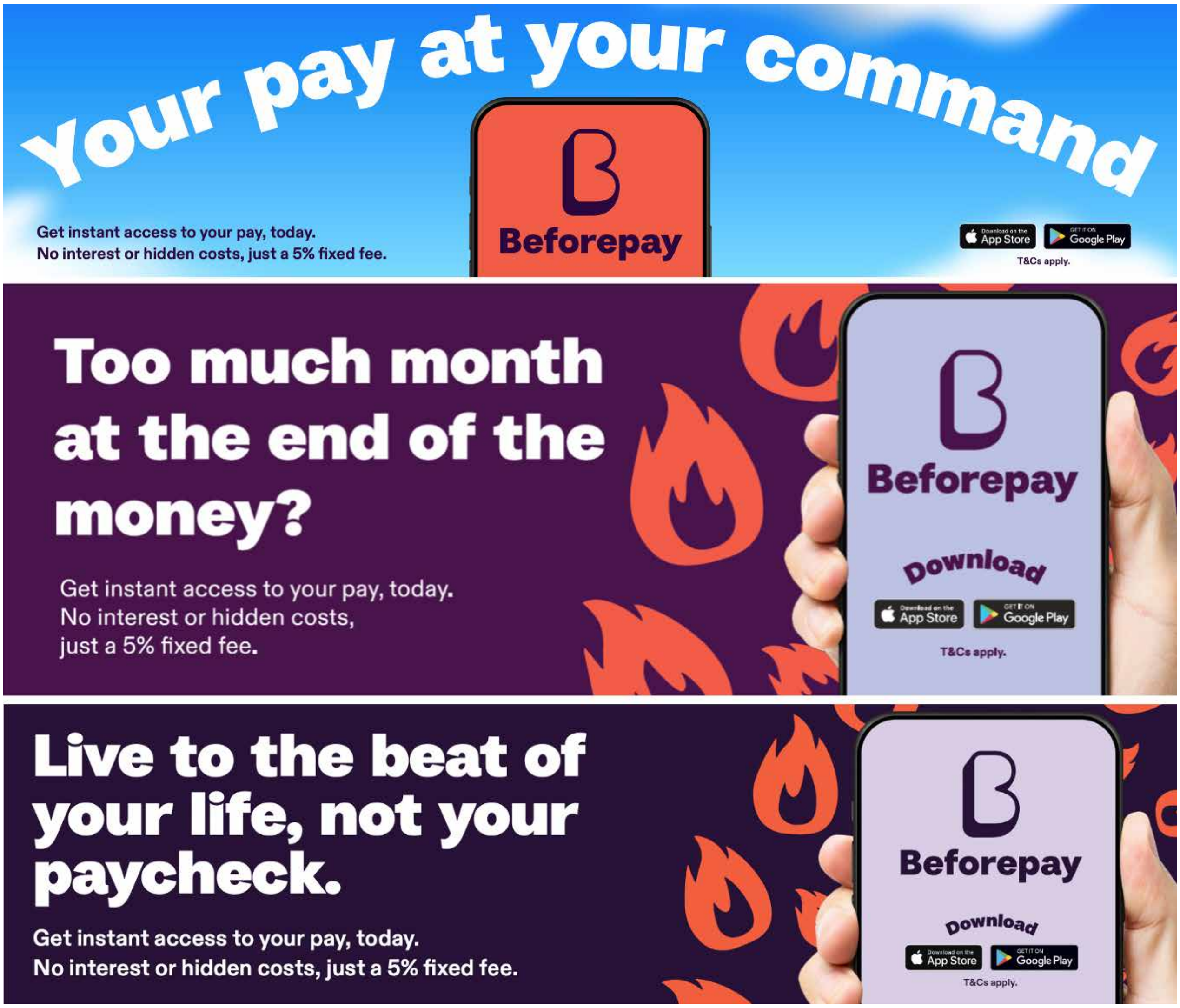
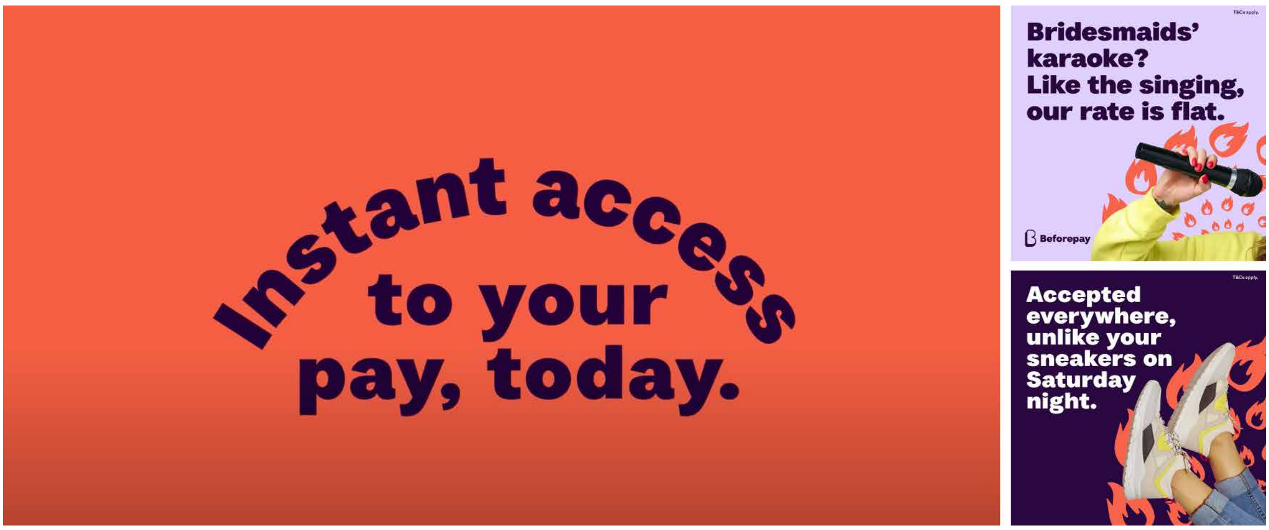


Figure 3.10.3 Example digital advertising collateral



3.11 Growth strategy

3.11.1.1 New customer acquisition

Beforepay has grown rapidly to date to over 125,500 Active Users[20]. However, Beforepay believes that there is a material number of potential new customers in Australia who may be interested in its Pay on Demand product.

Beforepay intends to conduct various marketing campaigns to increase its customer acquisition (refer to Section 3.10 for an overview of Beforepay's new customer acquisition strategies). It may also consider partnerships and referrals and intends to continue its education for new customers about the Pay on Demand category.

Beforepay considers partnerships as potential customer acquisition channels and intends to explore partnerships with employers and payroll providers.

3.11.1.2 Customer retention

Existing customers have historically been very consistent in taking further Cash Outs (refer to Figure 3.1.1 which shows re-use rates between Cash Outs). Beforepay will continue its focus on engaging these customers and retaining them.

A core element of customer retention is continuing to increase available Cash Out limits. Most customers will receive higher limits over time, which helps them with their own financial flexibility, while also driving retention.

Furthermore, Beforepay believes that the existing customers who leverage Beforepay's user dashboard and budgeting functionality, are likely to remain engaged with the Beforepay Platform, thereby encouraging further re-use. Refer to Figure 3.6.4 and Figure 3.6.5 for additional detail on these features.

3.11.1.3 Pursuing customer acquisition in international markets

Beforepay currently operates solely in Australia. However, Beforepay considers that Pay on Demand products will be attractive across certain international markets, including the United States of America, Canada, the United Kingdom and New Zealand. While there are competitive offerings already available in these markets, Beforepay does not consider that any dominant player has emerged. Accordingly, Beforepay is exploring opportunities to leverage its business model in international markets and is in the early stages of assessing its expansion strategy with a focus on the United States of America. Beforepay will apply some of the Offer Proceeds to its expansion strategy (following a feasibility assessment of relevant international markets).

Beforepay understands that other markets may have distinctions that may require a different delivery model of its offering than that used in Australia or where there may be additional barriers to entry, such as regulatory and licensing requirements. For example, the United States has state-based regulation and different (non-real-time) payments rails. Any entry into the United States would need to account for these factors, whether by partnering with local license holders or in some other way.

Any entry into any international markets may require an adjustment to Beforepay's existing revenue model to ensure compliance with local regulations and that an appropriate go-to-market strategy is pursued. There is no certainty that Beforepay will be able to implement its current Australian model in international markets and any roll-out may involve different cost implications, which Beforepay will need to consider when assessing the feasibility of providing a Pay on Demand offering in other markets.

3.11.1.4 Potential funding requirements

Beforepay may, from time to time, require additional equity or debt capital to pursue its growth strategy. Refer to Section 3.7.2 for additional commentary.

20 As at 31 October 2021.

3.11.1.5 Other strategies

Beforepay may also consider business acquisition opportunities in Australia or offshore, where it considers those opportunities to accelerate market penetration and growth or otherwise enhance value for its Shareholders.

To date, Beforepay's focus has been applied to its Cash Out product. As Beforepay grows its customer base, it may explore additional products or services to its customers. Beforepay's current intention is to promote adoption of its Cash Out Product.

3.12 Risk management and debt recovery

3.12.1 Risk management governance

3.12.1.1 The role of the Board

The Board has primary responsibility for the oversight of Beforepay's risk management framework, as set out in the Group's Risk Management Policy and Risk Appetite Nomenclature Framework. The Board's role and responsibilities with respect to risk management are described in the Board Charter and include the following:

(a) ensuring that Beforepay has in place an appropriate risk management framework (including financial and non-financial risks);

(b) setting the risk appetite within which the Board expects management to operate; and

(c) reviewing on an ongoing basis how the Company's strategic environment is changing, what key risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.

The Board is advised by the Audit and Risk Management Committee (**ARC**), which works closely with management, which is in turn supported by the Management Executive Risk Committee and Executive Credit Risk Committee, to ensure that the ARC and the Board receive adequate reporting on the Company's risks. The flow of information with respect to Beforepay's risks is depicted in Figure 3.12.1 below.

Figure 3.12.1 Overview of audit and risk management information flow

3.12.1.2 The role of the Audit and Risk Management Committee (ARC) of the Board

The Board has established the ARC in accordance with Beforepay's Constitution and Board Charter to assist and advise the Board in fulfilling its oversight responsibilities in relation to risk management. The ARC's responsibilities with respect to risk management including the following:

(a) overseeing that management designs and implements an appropriate and effective risk management framework which aims to identify, protect against, detect, respond to and recover from risks and to review and improve the framework; and is developed and reviewed with input from external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance; and

(b) reviewing at least annually the risk management framework to determine that it continues to be sound, and to identify any changes to material risks and whether they remain within the risk appetite set by the Board with input from management, external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance. The ARC will report and make recommendations, if any, to the Board accordingly.

The ARC currently comprises three Non-Executive Directors (a majority of whom are independent, including the Chair): Patrick Tuttle (Chair), Natasha Davidson and Stefan Urosevic. The ARC will meet regularly as required to undertake its role effectively.

3.12.1.3 The role of management committees

The ARC works closely with management, supported and advised by the Management Executive Risk Committee and Executive Credit Risk Committee, to ensure the ARC and the Board are fully informed of Beforepay's risks. The role and responsibilities of Beforepay's management committees are as follows:

(a) Executive Risk Committee:

The Executive Risk Committee has been established, in accordance with the Board-approved risk appetite:

- to oversee the effectiveness of the risk management strategy and framework designed to manage Beforepay Group's risk;
- to lead the management and oversight of material risks across the company and monitor and review the risk profile of Beforepay Group and its subsidiaries; and
- to shape and promote a strong risk culture.

The Executive Risk Committee will meet at least 6 times a year, or more often if necessary, and comprises the Chief Executive Officer, Chief Financial Officer, General Counsel/Chief Risk Officer, Chief Marketing Officer, Chief Technology Officer and Chief Product Officer.

(b) Executive Credit Risk Committee:

The Executive Credit Risk Committee leads the optimization of credit risk-reward guidelines, limits, and decisions in accordance with the risk appetite determined by the Board. It:

- reviews and monitors the Credit Risk policies;
- monitors the credit risk profile of Beforepay Group and its subsidiaries;
- identifies emerging credit risks, allocating responsibility for assessing impact and responding as appropriate; and
- facilitates continuous improvement in credit risk management by providing a forum for testing risk tolerances and debating alternate approaches.

This Executive Committee's purpose and objectives exclude matters relating to funding or other non-customer lending activities.

The Executive Credit Committee will meet at least 6 times a year, or more often if necessary and comprises the Chief Executive Officer, Chief Financial Officer, General Counsel/Chief Risk Officer, and other employees of Beforepay as required, including the Chief Product Officer and Chief Marketing Officer.

3.12.2 Credit Process and Model

Beforepay assesses all pay advances according to a single, consistent framework and process, in accordance with its credit policy.

3.12.2.1 Application

As noted above, new customers apply for the Beforepay Pay on Demand product by downloading the app, creating an account, and submitting required banking credentials. Beforepay then 'scrapes' six months of transaction data from the linked bank account(s). This data is then assessed to determine:

- The customer's pay cycle (identify incoming credits to the account and determine which are recurring income from employment). This is done by Beforepay's proprietary pay-cycle detection model, which among other things determines the frequency and regularity of credits, the labelling on those credits, the source of credits, and the amount.
- Eligibility, as per the criteria above in Section 3.5.1. The detected pay cycle is the primary input to this process. One eligibility criterion, age, is assessed later, during the identity-verification step.
- Calculation of a risk score: This is done through a proprietary model which reviews approximately 400 different attributes across all accounts and combines them into a single number which represents the probability that a customer will default on a Cash Out.

A new customer must satisfy the eligibility criteria and have a risk score above a nominated threshold to be approved. The risk score is calibrated so that approximately 5% of (otherwise eligible) users are declined at this step, although the precise percentage may fluctuate. In October 2021, the model declined 3.9% of applicants. This is to reduce the likely default rate from lending to potential customers who, while eligible, have low risk scores.

For existing customers, the process is very similar, however there are three differences of note including: Beforepay conducts the scraping and risk-scoring in the background on a regular basis, so that the limit is already set before the customer opens the app. Further, Beforepay retains the original six months of data plus new data while the customer is still active, so that there is more data available for the model. Finally, they are assessed by a different risk algorithm, which looks at the same attributes as before, as well as the repayment behaviour on previous Cash Outs.

Beforepay then calculates the pay-advance limit for each customer who is eligible and has an appropriate risk score. This limit is set in line with the credit policy; customers are offered the lesser of the limit, determined by their risk score and the limit set by the credit policy. The credit policy states that no customer will ever be able to borrow at a level that would require them to repay more than 33% of net income per pay cycle. The limit determined by the risk score is based on a table, where different risk scores receive different limits. Presently, for new users, the lowest qualifying risk score will receive a limit of $50; the highest possible risk score will generally receive a maximum limit of $300[21] (subject to the 33% rule), although it can be higher. For existing users, the range is from $50 to $1,000 based on their risk scores[22].

3.12.2.2 Limit selection, repayment schedule selection, and settlement

When a potential customer satisfies the eligibility test and risk scoring, and successfully completes identity verification (KYC), they will be offered a Cash Out. The customer will be shown a maximum limit and given the opportunity to select either that figure or a lower figure (in multiples of $50). Most customers will be given the opportunity to select from a few different repayment options, as noted above, aligned with their pay cycle.

Once the customer has chosen the Cash Out amount and (if applicable) repayment schedule, should they wish to proceed, they will push the final button on the app, and Beforepay will send the funds directly to the customer's bank account (via one of our partners) using the New Payments Platform (NPP). The funds will generally be received in the customer's account in under one minute unless there is a technical issue with the external payment provider, that provider's sending bank, the receiving bank, or the NPP itself.

21. As of 30 September 2021. Beforepay may revise these limits in the future.
22. Ibid.

The customer accepts the Terms of Service and Pay Advance Agreement (each described in Section 3.13) as part of the in-app transaction experience. Beforepay provides these documents to the customer by email at the same time the pay advance is settled.

3.12.2.3 Servicing and repayment

While the pay advance is active, the customer can use the app to keep track of upcoming repayments. Beforepay also sends notifications in advance of repayment.

If the customer expects not to be able to repay on the scheduled date, they have the ability to defer repayments by one pay cycle automatically within the app (e.g., delay all payments one week for people who are paid weekly; for a fortnight for people who are paid fortnightly and so on) unless a deferral would cause any payment to be scheduled more than 62 days from the original Cash Out date. All repayment schedules offered to the customer are set so that a single deferment will still require that the Cash Out is fully repaid within 62 days.

On the repayment date(s), Beforepay will direct-debit the customer's account for the scheduled amount (which may be the entire Cash Out plus the fee, or a portion of it if the customer selected a multiple-repayment schedule). If the debit is dishonoured, Beforepay may try again to debit the account.

Once the Cash Out plus fee has been successfully debited from the customer's account (whether in one or in multiple transactions, as per the repayment schedule) and all payments have been received by Beforepay, then the pay advance is settled.

Customers may not take out additional Cash Outs while they still have an active Cash Out. Presently, even if a customer borrows less than the maximum Cash Out limit offered, they may not draw down any more until the outstanding Cash Out is fully repaid. Beforepay may revise this approach in the future.

3.12.2.4 Hardship and default

If a customer has already rescheduled repayment once in the app (as explained above) but still does not expect to be able to repay the pay advance on the new repayment date because they are experiencing vulnerability or financial hardship, they can contact customer support. Customer support will assign an assessing officer to conduct a vulnerability/hardship assessment and determine if the vulnerability or financial hardship can be overcome with support/assistance from Beforepay.

If hardship is approved, this means that Beforepay and the customer have agreed to vary the pay advance agreement on grounds of hardship, provided that the pay advance term does not exceed 62 days.

If a customer has not fully repaid the pay advance (including Beforepay's fee) by the time 62 days have passed, then the pay advance is in default and all amounts owed will be recovered in accordance with Beforepay's collections and write-off policy and subject to any determination made under Beforepay's hardship policy. The amount owed is generally the same as the original pay advance repayment (that is, there is no late fee or any other kind of fee or penalty or interest as a result of defaulting), other than where a determination has been made in relation to hardship (in which case the amount owed could be agreed to be less than the original pay advance repayment).

3.12.2.5 Collections

When a customer defaults, Beforepay sends an email to the customer advising that the pay advance is in default and requesting repayment. Defaulted pay advances are not collected through direct debit unless the user requests that this occurs; instead, Beforepay provides a PayID (essentially a routing address for an NPP payment) to the customer to repay the amount owed.

If the amount is not repaid within 7 days, the customer will receive a further email from Beforepay.

Beforepay has engaged a third-party digital collections partner which Beforepay has selected on the basis of their customer-friendly approach and highly reported customer satisfaction. Beforepay has reviewed the collection partner's processes and communications, and is satisfied that their approach is responsible, customer-friendly and aligns with Beforepay's values. The collections partner's process is to continue to send reminder emails and texts over a period of time to seek repayment.

Beforepay's customer terms note the possibility of defaulted pay advances being sent to a third party for collection, and customers are able to complain directly to Beforepay if the experience is unsatisfactory.

3.12.2.6 Portfolio monitoring

Beforepay closely tracks pay advance dishonours and defaults through both informal and formal mechanisms. Formally, the performance of the loan book and the demographics of borrowers is reviewed at Executive Credit Committee meetings and at each Board meeting. The main document underpinning this review is the 'Loan Stratification Report', which analyses pay advance performance in detail. Informally, dishonour and default data are a frequent subject of management discussions and review.

Metrics that receive particular focus include:

- Default rate, both monthly and weekly
- Default rate broken down by:
  - Government-benefits status;
  - Income band;
  - Geography;
  - Age;
  - Risk score; and
  - Pay-advance size
- Dishonour data

3.13 Customer terms

3.13.1 Overview of customer terms

Beforepay contracts exclusively and directly with retail customers, who are individuals. Customers who wish to use Beforepay's products and services are required to sign-up to customer terms as follows:

- To create an account on Beforepay's app, a customer must agree to be bound by Beforepay's Privacy Policy and Terms of Service. The Terms of Service govern the use of Beforepay's products and services, including its app, budgeting and financial tools, and credit product. The Terms of Service are discussed in Section 3.13.2 below.
- Once a customer has created an account on Beforepay's app, a customer may start an application for a Cash Out which enables them to access some of their pay in advance. A customer may only take out a single Cash Out at any time.

  The process for applying for a Cash Out differs depending on whether the customer is new or existing:

  - New Customers must satisfy Beforepay's KYC requirements and provide their personal and employment details, as well as link their nominated Australia bank account to Beforepay's app. A customer then becomes subject to an automated AI-based credit assessment (as discussed in Section 3.12.2 above), as well as KYC and fraud assessments in accordance with Beforepay's credit policy.
  - Existing Customers will have usually satisfied Beforepay's KYC requirements as part of their identification requirements. They are generally not required to provide any personal or financial information. During their customer lifecycle, in most cases Beforepay continues to scrape the customer's bank account for transaction data and automatically recalculates their credit risk at the end of the previous pay advance cycle. An existing customer who wishes to apply for a new Cash Out may do so only if they have successfully repaid all prior Cash Outs.

If a customer is approved for a Cash Out they must agree to be bound by the Pay Advance Agreement, irrespective of whether they are a new customer or an existing customer. A customer must agree to be bound by a new Pay Advance Agreement in respect of each new pay advance. The Pay Advance Agreement governs the provision of the Cash Out. The Pay Advance Agreement is discussed in Section 3.13.3 below.

3.13.2 Terms of Service

A customer is deemed to have read and accepted Beforepay's Terms of Service when they create an account on Beforepay's app.

Under the Terms of Service, the customer agrees to the following key terms:

- The customer authorises Beforepay to collect and use the customer's information maintained by third parties (such as the customer's bank or other services to which the customer has signed up) in accordance with Beforepay's Privacy Policy;
- Beforepay is entitled to aggregate a customer's financial, location and related information from one or more linked third-party services, using authentication information provided by the customer to retrieve the customer's account information. Beforepay uses third-party service providers to scrape a customer's bank account information for the purposes of providing its products and services. Beforepay will continue to scrape a customer's bank account information whilst the customer maintains an account with Beforepay;
- Beforepay's products and services are not intended as legal, tax or financial advice, nor as an offer or recommendation for financial services or other products and the customer is prohibited from relying on them for these or any other purposes;
- Beforepay provides its products on an 'as-is' basis and does not guarantee the accuracy, availability, continuity and completeness of its products and services, nor that those products and services will be error free;
- Beforepay may (i) make material changes to the terms of the Terms of Service (including to introduce new fees or make changes to existing fees) with the consent of the customer; and (ii) make non-material changes to the terms of the Terms of Service on 30 days' notice to the customer prior to the implementation of the changes. Notwithstanding this, Beforepay may make changes to its Terms of Service to comply with any laws or regulations immediately without seeking the customer's consent and without giving the customer any prior notice. Beforepay may also make certain changes to its products and services which do not require any corresponding changes to the Terms of Service;
- Beforepay grants the customer a non-exclusive, personal, non-transferable, recoverable license to use its products and services, so long as the customer is registered to use Beforepay's products and services. Beforepay does not assign the customer or any other person any ownership rights, intellectual property right or any other implied rights (including resale rights) in relation to its products and services;
- Beforepay may immediately suspend a customer's use of its products and services, or cancel their Beforepay account if Beforepay determine that the customer has breached the Terms of Service; contravened any laws or regulations in using Beforepay's products or services; used Beforepay's products and services in an inappropriate manner and not for their reasonably intended purpose; the customer's conduct adversely impacts (or is reasonably likely to adversely impact) Beforepay's good name and reputation; the customer's conduct causes harm to Beforepay or any third party, directly or indirectly;
- To the fullest extent permitted by law, Beforepay excludes all liability owing to the customer and all third parties for any special, indirect, consequential or incidental costs, losses, expenses and damages of any kind, including lost profits, loss or corruption of data, loss of goodwill, loss of bargain or opportunity, loss of anticipated savings or any other analogous losses of any kind incurred in any way (including negligence);
- To the extent permitted by law, the customer agrees to indemnify and hold harmless Beforepay from and against all claims, damages, losses, liabilities, costs and expenses (including reasonable legal fees) suffered or incurred in connection with the customer's use of and any reliance on its products and services, except where such claim, damage, loss, liability, cost, or expense suffered or incurred is caused by the negligence, fraud or wilful misconduct of Beforepay, its employees, contractors or agents, or any inaccuracies or errors in information provided to a customer by Beforepay, its employees, contractors or agents;

- Beforepay does not make any representations or warranties of any kind in relation to (i) the availability, accuracy or completeness of its products and services; (ii) access to telecommunications services for a customer at any time; or (iii) the suitability of Beforepay's products and services for the customer's particular purposes; and
- The customer may delete their Beforepay account or the app at any time and may unsubscribe from any non-essential service email notifications at any time.

3.13.3 Pay Advance Agreement

If a customer is approved for a pay advance, a customer must agree to be bound by Beforepay's Pay Advance Agreement, which comprises (i) the Pay Advance Agreement Terms and Conditions; (ii) the terms and conditions of Zepto Payments Pty Ltd (**Zepto**) direct debit authority (**Direct Debit Terms**); and (iii) the Terms of Service. To agree to these terms, the customer is required to either scroll to the bottom of the Pay Advance Agreement and swipe or select a check box. These terms are entered into each time the customer takes a Cash Out and govern the Cash Out taken by the customer.

Under the Pay Advance Agreement Terms and Conditions, the customer agrees to the following key terms:

- the customer agrees to be bound by the Pay Advance Agreement, comprising the Pay Advance Agreement Terms and Conditions, the Direct Debit Terms and the Terms of Service;
- the customer must repay their pay advance (i.e., loan) in accordance with the pay advance repayment schedule in the Pay Advance Agreement Terms and Conditions. The term of the pay advance must be no more than 62 days;
- Beforepay is entitled to charge a transaction fee of up to 5 percent of the Cash Out amount the customer has selected. Beforepay will charge the transaction fee on the customer's selected date(s) of repayment. Beforepay does not currently charge any interest;
- Beforepay is exempt from the requirement to hold an Australian Credit Licence because it provides a form of short-term credit which falls within the Short-Term Credit Exemption in section 6(1) of the NCC in Schedule 1 of the NCCP Act. As a result, the customer will not have the benefit of the protections for consumer credit under the NCCP Act and NCC. As a consumer, the customer may have certain rights and remedies under the ASIC Act and the CCA;
- The customer agrees that Beforepay must undertake customer identification, verification and monitoring in accordance with the AML/CTF Act, and any related rules and regulations, and may take any action (or inaction) that Beforepay considers necessary to comply with the AML/CTF Act, including suspending or terminating the customer's Beforepay profile;
- The customer may cash-out their pay advance within one working day of the approval of the pay advance. If the customer does not do so, Beforepay may need to assess the customer's application to protect its legitimate interests. If a customer cashes out only a portion of their pay advance, Beforepay is entitled to immediately cancel any balance of the pay advance that has not been cashed out;
- The customer agrees to enter into a standing direct debit authority with Zepto Payments (**Zepto**) (a third party contracted by Beforepay) which authorises Zepto to deduct the repayments due under the customer's pay advance repayment schedule by direct debit;
- If a customer has insufficient funds in their account on the date that Zepto first attempts to direct debit the customer's account, Zepto may continue to attempt to direct debit the customer's account (i) until the repayment amount has been direct debited in full within 62 days from the date the customer first cashed out; or (ii) after Beforepay have advised the customer that they are in default; in each case, until the direct debit has been debited in full;
- A customer is in default if (i) the customer fails to make any repayment in accordance with the terms of the Pay Advance Agreement; and/or (ii) the customers breaches a warranty or material term of the Pay Advance Agreement;
- If a customer is in default, Beforepay may (i) attempt to direct debit the repayment again (up to day 62 of the pay advance); (ii) suspend the customer's Beforepay account; (iii) require the customer to immediately repay all amounts owing to Beforepay; and/or (iv) take any other action that is reasonable in the circumstances, including but not limited to referring the customer's account to a third-party debt collection agency;

- The customer may submit feedback or complaints to Beforepay, which will be managed in accordance with Beforepay's Complaints Policy. If a customer is not satisfied with the outcome of the complaint, the customer may contact the Australian Financial Complaints Authority;
- The customer may terminate the Pay Advance Agreement at any time for convenience and without cost by paying in full all amounts owing to Beforepay, including all transaction fees; and
- Beforepay may terminate the Pay Advance Agreement immediately without notice if required for regulatory reasons and/or the customer has engaged in (or Beforepay reasonably suspects they have engaged in) fraudulent or other unlawful behaviour in connection with their pay advance.

Under the Direct Debit Terms with Zepto, the customer agrees to the following key terms:

- Zepto will debit the customer's nominated account for the amounts and at the frequency of payments agreed between the customer and Beforepay;
- A customer who wishes to defer a payment to another date must contact Beforepay. Any deferments are entirely at the discretion of Beforepay. A customer may request to stop an individual payment through Zepto however the customer will still be liable to pay the payment to Beforepay;
- A customer who wishes to alter the payment frequency must contact Beforepay. Altering the payment schedule is entirely at the discretion of Beforepay; and
- The customer may cancel the direct debit authority with Zepto at any time through the Zepto platform. However, cancellation of the authority to debit the customer's account will not terminate the customer's Pay Advance Agreement or remove their liability to make payments to Beforepay.

3.14 Regulatory environment

Beforepay currently operates exclusively within Australia and is required to comply with applicable Australian laws and regulations. The information and commentary contained within Section 3.14 relates solely to the Australian regulatory environment. If Beforepay enters international markets, its expansion strategy will consider any additional legal and regulatory requirements with which it will need to comply.

3.14.1 Australian Regulatory Framework

3.14.1.1 Australian Financial Services Licence

Under the Australian Financial Services Licence (**AFSL**) regime, participants are required to hold an AFSL if they carry on a financial services business in Australia within the meaning of the Corporations Act. Holders of an AFSL must comply with a range of obligations, including governance, risk management, dispute resolution, disclosure, and the provision of advice. The Australian Securities and Investments Commission (**ASIC**) is responsible for overseeing compliance with the Corporations Act including the AFSL regime.

Beforepay does not currently conduct a financial services business within the meaning of the Corporations Act and is therefore not currently required to hold an AFSL.

If Beforepay's business activities change, or laws or regulations change, Beforepay may be required to re-assess its obligations, including the requirement to hold an AFSL.

3.14.1.2 Australian Credit Licence

Credit providers conducting business in Australia are typically required to comply with Australian laws and regulations governing the provision of financial services, including the Australian Credit Licence (**ACL**) regime. Participants are required to hold an ACL if they provide certain types of consumer credit regulated by the NCCP Act and NCC. Holders of an ACL must comply with a range of obligations, including governance, conduct, responsible lending, disclosure, and collections. ASIC is responsible for overseeing compliance with the NCCP Act and NCC. The NCC does not apply to low-cost short-term credit meeting the definition in section 6(1) of the NCC which is where, under the contract:

(a) the provision of credit is limited to a total period that does not exceed 62 days;

(b) the maximum amount of credit fees and charges that may be imposed or provided for does not exceed 5% of the amount of credit; and

(c) the maximum amount of interest charges that may be imposed or provided for does not exceed an amount equal to the amount payable, if the annual percentage rate were 24% per annum (**Short-Term Credit Exemption**).

Beforepay's credit product meets the criteria of the Short-Term Credit Exemption because it provides credit for a total period that does not exceed 62 days; Beforepay's credit fees and charges do not exceed 5% of the amount of credit; and Beforepay does not charge any interest.

If Beforepay's business activities change, or laws or regulations change, Beforepay may be required to re-assess its obligations, including the requirement to hold an ACL.

If Beforepay was required to obtain an ACL to continue its business activities it would have to submit an application to ASIC together with supporting documentation which demonstrates the size, nature and operations of Beforepay's business; that Beforepay is competent to engage in the credit activities that will be covered by the ACL; and that the individuals involved in managing and controlling Beforepay's business are fit and proper persons to perform that role. Applying to ASIC to obtain an ACL can be a lengthy process. Once an application has been submitted, Beforepay will be prohibited from engaging in credit activities until the ACL has been granted.

If Beforepay became a holder of an ACL it would be required to comply with all applicable obligations of ACL holders under the NCCP Act and NCC as summarised above and any conditions imposed by ASIC on the ACL. Beforepay would also be required to provide ASIC with an annual certificate certifying its compliance with the obligations of ACL holders and conditions of the ACL.

3.14.1.3 Consumer protection

Whilst Beforepay is not currently required to hold an AFSL or an ACL, Beforepay provides a type of credit which is captured under the broader definition of financial product in Div 2 of Part 2 of the ASIC Act.

As a result, Beforepay is required to comply with the following:

(a) any product intervention order (**PI Order**) issued by ASIC pursuant to its powers in Part 7.9A of the Corporations Act. ASIC may make a PI Order where it is satisfied that a financial product or class of financial products has resulted, will result or is likely to result, in significant consumer detriment. ASIC's power to make a PI Order was introduced in April 2019 and came into force immediately. ASIC has since made PI Orders in relation to a particular model of short-term credit and the sale and distribution of contracts for difference to retail clients. Beforepay is not currently aware of any planned or proposed PI Order which would affect pay-on-demand (**POD**) or buy-now-pay-later (**BNPL**) providers;

(b) the design and distribution obligations (**DDOs**) in Part 7.8A of the Corporations Act, which require product issuers to design financial products that are likely to be consistent with the likely objectives, financial situation and needs of the customers for whom they are intended and to distribute products in a more targeted manner. The DDOs were introduced in April 2019. Beforepay must comply with the DDOs from 5 October 2021; and

(c) the consumer protection obligations in the ASIC Act, including the prohibition on unfair contract terms, unconscionable conduct, misleading and deceptive conduct and false or misleading representations. Beforepay are also subject to substantially similar consumer protection obligations under the Australian Consumer Law contained at Schedule 2 to the CCA.

ASIC oversees compliance with the ASIC Act, PI Orders and the DDOs, whilst the Australian Competition and Consumer Commission oversees compliance with the ACL and CCA.

3.14.1.4 Consumer complaints

In addition to the consumer protection mechanisms described in Section 3.14.1.3 above, Beforepay is also subject to the complaint resolution scheme of AFCA, which is overseen by ASIC. Beforepay has been a member of AFCA since March 2021.

AFCA was established in November 2018 as the sole ombudsman in the financial services sector and has broad authority to investigate complaints made by customers about financial firms that are members of AFCA and to make determinations with respect to those complaints.

When making a determination with respect to a complaint, AFCA will have regard to legal principles and good industry practice but will ultimately decide a dispute based on what it considers fair in all the circumstances. This means that AFCA may make an adverse finding against a member even if the member has complied with all legal requirements, but AFCA determines that principles of fairness require a finding against the member.

If AFCA determines that a complaint raises matters that may affect other customers, AFCA can investigate whether there is a “systemic” issue with the processes or procedures of that member. AFCA has the power to conduct investigations into potential systemic issues and may direct a member to undertake remedial action. Once a systemic issue has been identified, AFCA are obliged to report the issue to ASIC and/or other relevant regulators. This is in contrast to the prior external dispute resolution schemes which did not have this wide power. ASIC may separately investigate or take action in response to an AFCA finding of systemic issues.

If AFCA determines that a complaint raises serious contraventions of any law and/or serious breaches of the AFCA Complaint Resolution Scheme Rules, AFCA are obliged to refer the issue to ASIC and/or other relevant regulators.

3.14.1.5 Anti-money Laundering and Counter Terrorism Financing Act

Entities that provide ‘designated services’ (which includes the provision of credit) with a geographical connection to Australia are classified as ‘reporting entities’ under the AML/CTF Act and must register with AUSTRAC and comply with the legal and regulatory obligations under the AML/CTF Act and associated rules and regulations.

As a provider of credit, Beforepay is a reporting entity and has obligations under the AML/CTF Act, including:

(a) to adopt, maintain and comply with an AML/CTF program that meets the requirements of the AML/CTF Act;

(b) to apply applicable customer identification procedures, including Know Your Customer conventions to ensure that the identities of customers are adequately verified prior to providing them with a designated service;

(c) to undertake ongoing customer due diligence by monitoring customers and their transactions while they remain a customer;

(d) to report certain matters to AUSTRAC, including suspicious matters and Beforepay’s compliance with the AML/CTF Act; and

(e) to maintain certain records, including about transactions, customer identification procedures and Beforepay’s AML/CTF program.

3.14.1.6 Privacy Act

Australian companies are classified as ‘APP entities’ under the Privacy Act and must comply with the legal and regulatory obligations under the Privacy Act and Australian Privacy Principles (**APPs**).

Beforepay is regulated by the Office of the Australian Information Commissioner as an APP entity and has obligations under the Privacy Act and APPs, including regarding the collection, use and storage of personal information, the publication of a privacy policy and the notification of eligible data breaches.

Beforepay does not currently collect or share any consumer credit reporting information. As such, Beforepay does not currently have any obligations under the Privacy Act, the *Privacy (Credit Reporting) Code 2014* (Cth) (**Privacy Code**) or the *Privacy Regulation 2013* (Cth) (**Privacy Regulations**) with respect to consumer credit reporting. However, Beforepay may collect or share consumer credit reporting information in the future, which would require it to comply with a number of additional legal and regulatory obligations, including under the Privacy Act, Privacy Code and Privacy Regulations.

3.14.1.7 Consumer Data Right (Open Banking Regime)

In November 2017, the Australian Government introduced the Consumer Data Right (**CDR**), a regime which seeks to give consumers greater access to and control over their data and to improve consumers' ability to compare and switch between products and services in a range of different sectors.

The CDR was introduced for the banking sector in July 2020 in the form of the Opening Banking Regime, which allows bank customers to give permission to accredited third parties, such as POD and BNPL providers, to access their savings, credit card, mortgage, personal loan and joint bank account data. The Open Banking Regime is intended to encourage competition between service providers in the sector, leading not only to better prices for customers but also more innovative products and services. The Open Banking Regime offers POD and BNPL providers the opportunity to obtain a more in-depth overview of a customer's financial situation.

Beforepay is not currently an accredited data recipient under the Open Banking Regime but may wish to apply for accreditation in the future. Data recipients under the Open Banking Regime have a number of obligations including in relation to consent, privacy and record keeping and to maintain a Consumer Data Right Policy.

Beforepay currently obtains the customer account data used in its credit product and budgeting tools through Basiq Pty Ltd, a third-party digital data capture service provider. Digital data capture services, such as screen-scraping, are generally a secure and effective method for obtaining information about a customer's overall financial situation.

3.14.1.8 Comprehensive credit reporting

In July 2018, the Australian Government introduced the Comprehensive Credit Reporting (**CCR**) regime requiring large, authorised deposit-taking institutions to provide comprehensive credit information on open and active consumer credit accounts to licensed credit reporting bodies, such as Equifax (among others). Since October 2018, the major Australian banks have experienced increasing participation in the credit reporting system and other credit providers have progressively implemented the CCR regime in their systems.

Beforepay is not currently subject to the CCR regime, which mandates the provision of certain credit information, including credit limit and repayment information on loans and credit facilities. There is a possibility that Beforepay may be subject to the CCR regime in the future, which would require it to comply with a number of additional legal and regulatory obligations, including under the NCCP Act and Privacy Act.

3.14.2 Recent Australian regulatory developments

3.14.2.1 Financial Services Royal Commission

In December 2017, the Australian Government established the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Financial Services Royal Commission**). The central task of the Financial Services Royal Commission was to inquire into and report on, whether any conduct of financial services entities might have amounted to misconduct and whether any conduct, practices, behaviour, or business activities by those entities fell below community standards and expectations.

The final report of the Financial Services Royal Commission was delivered on 1 February 2019. The final report included 76 recommendations across the Australian financial services sector, including changes to the roles and powers of the sector's regulators.

In August 2019, the Australian Government responded by announcing a timeline, detailing its action plan in response to the recommendations of the report, intending which recommendations were to be implemented or be subjected to legislation by the end of 2020. In December 2020 and June 2021, the Australian Government passed legislation which implemented a number of recommendations of the Financial Services Royal Commission reflecting a move towards more consumer-centric financial services regulation.

Relevant reforms which have been introduced that were either supported or recommended by the Financial Services Royal Commission include the power to make a PI Order and the DDOs (discussed in Section 3.14.1.3 above), a power to allow ASIC to designate provisions of financial services industry codes as enforceable and the establishment of the Financial Regulator Assessment Authority.

3.14.2.2 Parliamentary inquiries

Since 2018, two inquiries established by the Australian Federal Parliament have considered the regulatory framework of BNPL providers. Whilst Beforepay is a POD provider and not a BNPL provider, given the reliance on the Short-Term Credit Exemption by POD providers and BNPL providers alike, attempts to regulate the BNPL sector may capture the POD sector incidentally. The relevant parliamentary inquiries which considered BNPL providers are described below.

Financial Hardship Inquiry

In October 2018, the Federal Parliament referred an inquiry into credit and financial services targeted at Australians at risk of financial hardship (**Financial Hardship Inquiry**) to the Senate Economics References Committee (**Committee**). The Financial Hardship Inquiry considered, among other things, unlicensed financial services providers, including BNPL providers and short-term credit providers, and their impact on Australian consumers.

The Committee delivered their final report in the Financial Hardship Inquiry in February 2019. The final report included 20 recommendations, including:

(a) the Government consider, in consultation with ASIC, consumers and the industry, what regulatory framework would be appropriate for the BNPL sector; and

(b) the BNPL sector develops an industry code of practice. An industry code of practice for the BNPL sector has since been developed in conjunction with the Australian Finance Industry Association and came into force on 1 March 2021 (**AFIA BNPL Code of Practice**). Beforepay is not currently a member of the AFIA BNPL Code of Practice. Beforepay is not aware of any plan or proposal to make any provisions of the AFIA BNPL Code of Practice enforceable code provisions.

Fintech Inquiry

The Committee further considered the regulation of the BNPL sector in its inquiry into financial technology and regulatory technology (**Fintech Inquiry**) which was established by the Federal Parliament in September 2019. The Committee delivered their first and second interim reports in the Fintech Inquiry in September 2020 and April 2021, respectively.

In the first interim report of the Fintech Inquiry, the Committee stated that in many instances, industry self-regulation can be an efficient way for innovative products in the financial services sector to emerge, while ensuring adequate protections for consumers. The Committee noted the AFIA BNPL Code of Practice as an example of where industry is working constructively to respond to stakeholders' concerns and seek to achieve appropriate regulation that benefits consumers. In line with this view, the Committee recommended that the Australian Government establish a culture of innovation and competition in financial services, by supporting self-regulation where innovative products emerge, whilst ensuring strong consumer protection. The Australian Government is yet to provide a response to the Fintech Inquiry's first and second interim reports.

3.14.2.3 ASIC's review of the BNPL sector

Since 2018, ASIC has on two occasions conducted a review of BNPL providers and the applicable regulatory framework. As noted in Section 3.14.2.2 above, whilst Beforepay is a POD provider and not a BNPL provider, given the reliance on the Short-Term Credit Exemption by POD providers and BNPL providers alike, attempts to regulate the BNPL sector may capture the POD sector incidentally. ASIC's reviews of the BNPL sector are described below.

In November 2020, ASIC released Report 672: *Buy Now Pay Later: An Industry Update* (**Update**), which sets out ASIC's key observations on the BNPL sector, the experiences of customers and recent regulatory developments. The Update follows a 2018 report in which ASIC stated that it had not yet formed a view on whether it would be necessary to require BNPL providers to comply with the NCCP Act, and that it would continue to monitor the industry to assess whether this was required.

In the Update, ASIC did not confirm its view as to whether the BNPL should be regulated under the NCCP Act but noted that "policy and regulation of the buy now pay later industry remains a matter for Government and, ultimately, the Parliament".

3.14.2.4 ASIC's Corporate Plan for 2021-25

In August 2021, ASIC released its Corporate Plan in which it set out its strategic priorities for 2021-25. ASIC has stated that the greatest areas of harm it will focus on include poor product design and governance, failure to adequately manage cyber risks that harm consumers, and failure to implement new standards set by law reform initiatives (including the design and distribution obligations).

ASIC has also stated that the following areas are amongst its highest strategic priorities for 2021-25:

(a) review continuing credit models and other models purporting to be exempt from the National Credit Act;

(b) review existing guidance for short-term and small amount credit providers, prepare to use new product intervention powers and engage with industry to set expectations;

(c) provide guidance to industry on debt collection practices, set expectations and where appropriate, undertake surveillance and enforcement action;

(d) take enforcement action against lender conduct that exacerbates financial stress (particularly in the context of COVID-19); and

(e) take a strategic approach to the supervision and enforcement of the design and distribution obligations, including undertaking risk-based surveillance on a range of products such as BNPL products and where appropriate, take enforcement action.

4.
Financial Information

4. Financial Information

4.1 Introduction

The Company was incorporated as a proprietary limited company and commenced trading operations in Australia in June 2019. The Company was converted to an unlisted public company on 27 November 2020. A summary of the Group structure can be found in Section 9.3.

The financial information for Beforepay and its subsidiaries contained in this section includes the following statutory historical and pro forma historical financial information for the financial years ended 30 June 2020 (**FY2020**) and 30 June 2021 (**FY2021**).

The statutory historical financial information comprises:

- statutory historical consolidated statements of profit and loss for FY2020 and FY2021 (**Statutory Historical Profit and Loss**)
- statutory historical consolidated statement of financial position as at 30 June 2021 (**Statutory Historical Statement of Financial Position**)
- statutory historical consolidated cash flows for FY2020 and FY2021 (**Statutory Historical Cash Flows**)

(together, the **Statutory Historical Financial Information**)

The pro forma historical financial information comprises:

- pro forma historical consolidated statements of profit and loss for FY2020 and FY2021 (**Pro Forma Historical Profit and Loss**)
- pro forma historical consolidated statement of financial position as at 30 June 2021 (**Pro Forma Historical Statement of Financial Position**)
- pro forma historical consolidated cash flows for FY2020 and FY2021 (**Pro Forma Historical Cash Flows**)

(together, the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and Pro Forma Historical Financial Information are together referred to as the **Financial Information**.

Beforepay reports on a 30 June financial year end basis, and the Financial Information in this Section has been presented on this basis.

The Financial Information, as defined above, has been reviewed by Ernst & Young Strategy and Transactions Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report.

The Financial Information presented in Section 4 should be read in conjunction with the company overview set out in Section 3, key risks set out in Section 5, the significant accounting policies set out in Section 10 and other information contained in this Prospectus. Investors should note that past performance is not a guarantee of future performance.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (Section 4.2);
- an explanation of the general provision approach under AASB 9 Financial Instruments to account for expected credit losses on customer receivables (Sections 4.2.3 and 4.4.3);
- an explanation of certain financial and other measures, that are not recognised by the Australian Accounting Standards nor the International Financial Reporting Standards (**IFRS**), that are used by Beforepay and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 4.2.4) (non-IFRS financial and other measures);

- a description of the pro forma adjustments to the Pro Forma Historical Financial Information and reconciliations between the Statutory Historical Financial Information and the Pro Forma Historical Financial Information (Sections 4.3.2, 4.4.1 and 4.5.2);
- Beforepay's key operating and financial metrics (Section 4.3.3);
- a summary of Beforepay's indebtedness (Section 4.4.2);
- management's discussion and analysis of the Pro Forma Historical Financial Information (Section 4.6); and
- Beforepay's proposed dividend policy (Section 4.6.3).

All amounts disclosed in this Section 4 are presented in Australian Dollars and, unless otherwise noted, are rounded to the nearest $1. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

4.2 Basis of preparation and presentation of the financial information

4.2.1 Overview and Preparation of the Historical Financial Information

The Directors of the Company are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Beforepay.

The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS and (ii) the impact of certain transactions as if they occurred as at 30 June 2021.

Due to its nature, the Pro Forma Historical Financial Information does not represent Beforepay's actual or prospective financial position, financial performance or cash flows.

Beforepay operates in a single operating segment in Australia.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information required by the AAS and other mandatory professional reporting requirements applicable to annual financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4.2.4 describes certain non-IFRS financial and other measures that Beforepay uses to manage and report on the business that are not defined or recognised by AAS or IFRS.

The Statutory Historical Financial Information for Beforepay has been derived from its respective consolidated general purpose financial statements for FY2020 and FY2021. These consolidated financial statements were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young has issued unqualified audit opinions on these consolidated financial statements, with emphasis of matters in relation to a material uncertainty regarding continuation as a going concern.

The consolidated financial statements of Beforepay for the period 5 June 2019 (the date of incorporation) to 30 June 2019, FY2020 and FY2021 have been lodged with ASIC and are available at https://beforepay.com.au/investor-hub/corporate-governance.

Historical financial information for the period from 5 June 2019 to 30 June 2019 (FY2019) has not been included in this Prospectus on the basis the Company was not trading during this period, being pre-revenue and having incurred only nominal expense transactions. Given this, FY2019 historical financial information is not regarded as representative of the Company's operations or ongoing financial position.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and adjusted for the effects of the pro forma adjustments described in Sections 4.3.2, 4.4.1 and 4.5.2. In particular, pro forma adjustments have been made to:

- reflect the impact of additional public company costs which represents Beforepay's estimate of the incremental expenses associated with operating as a listed entity including Board costs, compliance costs, company secretary costs, ASX costs and Directors and Officers insurance;
- reflect the impact of the Convertible Notes, including those issued subsequent to 30 June 2021 which will convert to Shares at the time of the Offer; and
- reflect the impact of the Offer, including costs directly attributable to the Offer.

Additionally, the Pro Forma Historical Statement of Financial Position includes pro forma adjustments relating to changes in issued capital attributable to the issuance of shares under pre-existing employee share plans and share-based payments expense associated with the accelerated vesting of employee options which vest on Listing.

4.2.2 Going concern

The Financial Information has been prepared on the assumption that Beforepay will continue as a going concern.

For the year ended 30 June 2021, Beforepay incurred a statutory historical loss after tax of $18,767,172, statutory historical net operating cash outflow of $21,018,762 and had a statutory historical net liability of $13,237,993. It is anticipated that further losses will be incurred by Beforepay during its growth phase as it continues to invest and increase its market share.

Beforepay's business model is to make payments to customers in advance of those customers receiving regular income in the form of wages. As a result of the ongoing growth, Beforepay continues to seek additional capital, accessed in the form of both external debt and equity funding. Such capital will support growth in customer loans, development of Beforepay's platform and its continued expansion. The use of funds raised in the Offer are shown in section 7.1.2.

In June 2021, the Company entered into a $45,000,000 loan facility with Longreach Credit Investors, which expires in June 2023. Terms of the Longreach Credit Facility Agreement can be referred to in Sections 3.7.1.1 and 4.4.2. Continued compliance with the financial covenants is contingent upon a successful Listing or alternatively, Beforepay obtaining additional funding in the form of equity to support the business.

The Directors have considered the above factors and believe Beforepay will be able to continue as a going concern by raising additional capital as required, as it has demonstrated its ability to raise external debt and equity during FY2021, and subsequent to 30 June 2021 raised further capital through the issue of Convertible Notes. Post the Listing and conversion of all Convertible Notes to issued capital, Beforepay will have pro forma historical cash and cash equivalents of $50,719,863 and net assets of $54,780,095 as at 30 June 2021.

The Directors believe that the funds available from existing cash reserves and debt facilities, combined with those from the Offer, will provide Beforepay with sufficient working capital to carry out its stated business objectives for at least the next 12 months from the date of the Prospectus.

In the event that Beforepay is unable to raise further equity through its successful Listing or existing debt facilities are not maintained in accordance with financial covenant requirements; or if Beforepay's results materially underperform current expectations, additional funding, in either the form of debt (in excess of current facility limits) or equity will be required to support the business.

In the absence of a successful Listing, there is a material uncertainty on Beforepay's ability to continue as a going concern. In a scenario where Beforepay does not successfully IPO, Beforepay may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Statutory Historical Financial Information.

The Statutory Historical Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should Beforepay not continue as a going concern.

4.2.3 AASB 9 Financial Instruments

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

Due to the short-term nature of the customer receivables, the ECLs approximates the lifetime ECL. The Company uses ageing of customer advances receivable as the basis for ECL measurement, given the short duration of consumer payment terms (maximum 62 days).

At each reporting date, the Company assesses impairment risk on initial recognition of the customer advances receivable and movements in the ageing of outstanding customer receivables to estimate the ECL.

4.2.4 Explanation of certain non-IFRS financial and other measures

To assist in the evaluation of the performance of Beforepay, certain measures are used to report on by Beforepay that are not recognised under AAS, nor under IFRS. These measures are collectively referred to in this Section 4.2.4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures and operating measures that are referred to in this Prospectus are as follows:

- **Cash Out** means an advance made or offered by Beforepay to a user;
- **Average Cash Out amount** is calculated as the aggregate dollar value of Cash Outs divided by the aggregate number of Cash Outs in a specified time period;
- **Pay Advances** is the aggregate dollar value of Cash Outs in a specified period;
- **Active User** is a user who has taken at least one Cash Out at any time in the previous 12 months. This includes users who have not repaid their most recent Cash Out and are not eligible to obtain an additional Cash Out until they have done so;
- **Benefit User** is a user who derives more than 50% of their income from government benefits, which may include Centrelink, pension payments and other forms of government benefit payments;
- **Non-Benefit User** is a user who is not a Benefit User;
- **Cash Out funding costs** comprises the costs associated with funding Cash Outs via the corporate Longreach Credit Facility Agreement;
- **Net transaction margin** is measured as Beforepay income less Cash Out funding cost, less receivables written off and provided for and less payment platform expenses incurred in providing the Cash Outs;
- **Transaction margin before funding costs** is measured as Beforepay income, less receivables written off and provided for and less payment platform expenses incurred in providing the Cash Outs;
- **Operating expenses** are the expenses that Beforepay incurs through its normal business operations excluding receivables written off and provided for, payment platform expenses, finance costs, depreciation and amortisation expense, Convertible Note issuance expenses and Fair Value loss on Convertible Notes;
- **Default rate** calculated as the percentage of the dollar value of Cash Outs inclusive of fees not collected within 62 days on the Pay Advances, inclusive of fees in the period the Cash Outs were made.

Although the Directors believe that these measures provide useful information about the operational and financial performance of Beforepay, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with AAS or IFRS and not as a replacement for them. As these non-IFRS financial measures and operating measures are not based on AAS or IFRS, they do not have standard definitions, and the way Beforepay calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures and operating measures.

4.2.5 Subsequent Events

On 31 October 2021, Beforepay Ops Pty Limited entered into a deed of settlement with a supplier in respect of a dispute that arose during late September and October 2021. In consideration of the settlement and the grant of a licence to Beforepay Ops Pty Limited and its related bodies corporate, Beforepay Ops Pty Limited will, amongst other things, make monthly payments to the supplier from October 2021 to May 2024, totalling $1,440,000 (GST exclusive).

The settlement results in an expense and corresponding liability of $1,440,000, to be recognised at the date of signing of the settlement deed. This liability will reduce over the term of the settlement period, as the Company meets the payment schedule in place under the settlement deed.

4.3 Statements of profit and loss

4.3.1 Statutory and pro forma historical statements of profit and loss

Table 4.3.1 sets out the statutory and pro forma historical statements of profit and loss of Beforepay for FY2020 and FY2021.

Section 4.3.2 sets out details and explanations of the pro forma adjustments made to the statutory historical statements of profit and loss.

Table 4.3.1 Statutory and pro forma historical statements of profit and loss

	Statutory Historical		Pro Forma Historical	
A$	FY2020	FY2021	FY2020	FY2021
Beforepay income	**44,784**	**4,502,696**	**44,784**	**4,502,696**
Other income	398,675	79,500	398,675	79,500
Payment platform expense	(21,050)	(1,416,639)	(21,050)	(1,416,639)
Employee benefits expense	(262,196)	(2,985,749)	(717,157)	(3,440,710)
Depreciation and amortisation expense	(78,826)	(182,343)	(78,826)	(182,343)
Receivables written off and provided for	(48,348)	(5,065,186)	(48,348)	(5,065,186)
Occupancy expenses	(45,496)	(188,205)	(45,496)	(188,205)
Advertising and marketing expenses	(68,841)	(2,965,490)	(68,841)	(2,965,490)
Professional and consultancy expenses	(226,106)	(1,360,960)	(474,106)	(1,600,960)
Software licences	(56,772)	(7,308)	(56,772)	(7,308)
Technical suppliers	(139,892)	(156,406)	(139,892)	(156,406)
Convertible Note issuance expenses	–	(1,200,415)	–	(1,200,415)
Fair value loss on Convertible Notes	–	(6,854,510)	–	(6,854,510)
Other expenses	(80,618)	(785,014)	(215,835)	(920,231)
Finance costs	(53,781)	(181,143)	(53,781)	(181,143)
Loss before tax	**(638,467)**	**(18,767,172)**	**(1,476,645)**	**(19,597,350)**
Income tax (expense)/benefit	(11,520)	–	(11,520)	–
Net loss after tax	**(649,987)**	**(18,767,172)**	**(1,488,165)**	**(19,597,350)**

4.3.2 Pro forma adjustments to the statutory historical statements of profit and loss

Table 4.3.2 sets out the pro forma adjustments made to the statutory historical net loss after tax.

Table 4.3.2 Pro forma adjustments to the statutory historical statement of profit and loss

A$	Notes	FY2020	FY2021
Statutory historical net loss after tax		(649,987)	(18,767,172)
Incremental listed company costs	1	(838,178)	(830,178)
Tax effect of above adjustments	2	–	–
Total pro forma adjustments		**(838,178)**	**(830,178)**
Pro forma historical net loss after tax		**(1,488,165)**	**(19,597,350)**

Notes:
1. Costs relate to incremental expenses associated with operating as a listed entity including Board costs, compliance costs, company secretary costs, ASX costs and Directors and Officers insurance.
2. While a portion of the pro forma adjustments are tax deductible, it is not deemed probable at this stage that the temporary differences and tax losses resulting from these deductions will be utilised by Beforepay and as such no income tax benefit, or associated deferred tax asset, has been recorded as part of the pro forma adjustments.

4.3.3 Key financial and operating metrics

Table 4.3.3 sets out Beforepay's key operating and financial metrics for the historical periods.

Table 4.3.3 Key pro forma historical financial and operating metrics

	Notes	FY2020	FY2021
Financial metrics			
Beforepay income (A$)	1	44,784	4,502,696
Payment platform expenses (A$)	2	(21,050)	(1,416,639)
Receivables written off and provided for (A$)	3	(48,052)	(5,065,186)
Transaction margin before funding costs (A$)	4	(3,268)	(1,979,129)
Cash Out funding cost (A$)	5	0	(80,561)
Net transaction margin (A$)	6	(3,268)	(2,059,690)
Operating metrics			
Pay Advances (A$)	7	1,132,700	92,974,250
Number of Cash Outs in period (#)	8	8,826	569,670
Average Cash Out amount (A$)	9	128	163
Active Users (#)	10	1,724	102,671
Default rate (%)	11	4.1%	5.2%

Notes:
1. The fee earned from Cash Outs charged at 5% of total Cash Outs. There is a timing difference on the fee earned from Cash Outs given revenue recognition requirements under AASB9, which requires revenue to be recognised over the expected life of the Cash Out.
2. Payment platform expense relates to the direct servicing costs of Cash Outs of third-party providers in (i) the transfer of cash to and from users, and (ii) additional services (such as bank syncs) provided to users.
3. Represents (i) impact to the statement of profit and loss of actual defaulted Cash Outs, and (ii) the movement in the provision for expected credit losses recognised in the statement of financial position.

4. Transaction margin before funding costs is measured as Beforepay income less receivables written off and provided for and less payment platform expenses incurred in providing the Cash Outs.
5. Cash Out funding cost comprises the costs associated with funding Cash Outs via the corporate Longreach Credit Facility Agreement. This facility was established in June 2021. The above Cash Out funding cost represents less than one months' worth of interest expense on the corporate debt facility. At 30 June 2021, $7,003,565 has been drawn down from the facility.
6. Net transaction margin is measured as Beforepay income less Cash Out funding cost, less receivables written off and provided for and less payment platform expenses incurred in providing the Cash Outs.
7. Calculated as the aggregate dollar value of Cash Outs in a specified period.
8. Calculated as the aggregate number of Cash Outs in a specified period.
9. Calculated as the aggregate dollar value of Cash Outs divided by the aggregate number of Cash Outs in a specified time period
10. A user who has taken at least one Cash Out at any time in the previous 12 months. This includes users who have not repaid their most recent Cash Out and are not eligible to obtain an additional Cash Out until they have done so.
11. Calculated as the percentage of the dollar value of Cash Outs inclusive of fees not collected within 62 days on the Pay Advances, inclusive of fees in the period the Cash Outs were made.

4.4 Statements of financial position

4.4.1 Statutory and pro forma historical statements of financial position

Table 4.4.1 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position of Beforepay as at 30 June 2021. The pro forma adjustments include the impact of the Convertible Note conversion and Offer as set out below. These adjustments reflect the impact of the change in capital structure that will take place as part of the Offer, as if it were in place as at 30 June 2021.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as necessarily indicative of Beforepay's view of its financial position upon Completion or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2.

Table 4.4.1 Statutory historical and pro forma historical statements of financial position as at 30 June 2021

	Statutory Historical	Pro forma adjustments			Pro forma Historical
A$		Post 1 July 2021 Convertible Notes issue[1]	Impact of the conversion of Convertible Notes[2]	Impact of the Offer[3]	
Cash and cash equivalents	10,011,785	10,340,563	–	30,367,516	50,719,863
Trade and other receivables	9,730,772	–	–	–	9,730,772
Government grant receivable	11,101	–	–	–	11,101
Other assets	2,091,829	–	–	–	2,091,829
Total current assets	21,845,487	10,340,563	–	30,367,516	62,553,565
Plant, property and equipment	173,849	–	–	–	173,849
Intangibles	217,400	–	–	–	217,400
Deferred tax asset[4]	–	–	–	–	–
Other	241,027	–	–	–	241,027
Total non-current assets	632,276	–	–	–	632,276
Total assets	22,477,763	10,340,563	–	30,367,516	63,185,841
Trade and other payables	1,253,632	–	–	–	1,253,632
Borrowings	246,991	–	–	–	246,991
Employee benefits	141,196	–	–	–	141,196
Total current liabilities	1,641,819	–	–	–	1,641,819
Borrowings	34,073,937	10,757,500	(38,067,510)	–	6,763,927
Total non-current liabilities	34,073,937	10,757,500	(38,067,510)	–	6,763,927
Total liabilities	35,715,756	10,757,500	(38,067,510)	–	8,405,746
Net assets/(liabilities)	(13,237,993)	(416,938)	38,067,510	30,367,516	54,780,095
Issued capital	6,023,575	0	38,067,510	33,313,064	77,404,149
Reserves	172,753	0	0	(97,185)	75,568
Accumulated losses	(19,434,321)	(416,938)	0	(2,848,363)	(22,699,622)
Total equity	(13,237,993)	(416,938)	38,067,510	30,367,516	54,780,095

Notes:

1. In September 2021, Beforepay issued Convertible Notes with a face value of $10,757,500. Net proceeds received from the issuance were $10,340,563, which represented face value less associated costs of $416,938, which comprised professional and consultancy expenses and convertible note expenses. These Convertible Notes are convertible to Shares in the event of a Listing of Beforepay. Refer to Section 3.7 and Section 4.4.2 for further information on these Convertible Notes.
2. On Listing, all outstanding Convertible Notes, including those issued subsequent to 30 June 2021, will convert to Shares in Beforepay, in the manner described in Section 3.7. The value of the Convertible Notes will continue to fluctuate up to conversion date. However, any future revaluation between 1 July 2021 and the date of conversion has not been taken into account for the purpose of the Pro Forma Historical Statement of Financial Position. Refer to Section 3.7 and Section 4.4.2 for further information on these Convertible Notes.

3. The pro forma adjustment to account for the impact of the Offer reflects the gross proceeds of the Offer of $35,000,001, less the associated Offer costs of $4,632,485, resulting in a $30,367,516 increase in cash and cash equivalents. Issued capital is expected to increase by $33,313,064, being the proceeds from the Offer of $35,000,001 and $521,843 in issued capital attributable to the issuance of shares under pre-existing employee share plans, offset by associated Offer costs of $2,208,780. Share-based payment reserves are reduced by $97,185 representing the issuance of capital relating to previously recognised share-based payments. Accumulated losses movement comprises $424,658 being the result of share-based payments expense associated with the accelerated vesting of employee options which vest on Listing, in addition to Offer costs of $2,423,705 which will be expensed in the statement of profit and loss.
4. At 30 June 2021, the Group had not recognised deferred tax assets with a tax effect of $4,667,145. This incorporated unrecognised deferred tax assets relating to net tax losses of $1,339,640 (gross: $5,358,560) and net deferred tax assets on temporary differences of $3,327,505 (gross: $13,310,030). In relation to the tax impact arising from the Offer, there are further tax losses and temporary differences, however it is not deemed probable, at this time, that sufficient profits will be generated by Beforepay in the foreseeable future such that these losses and temporary differences will be utilised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. As such, no deferred tax asset has been recorded as part of the pro forma adjustments.

4.4.2 Indebtedness

4.4.2.1 Longreach Credit Facility Agreement

Beforepay Finance entered into a facility agreement with Longreach on 9 June 2021. The maximum commitment under the Longreach Financing Facility is $45 million. It increases in non-linear increments to a maximum commitment of $45 million on and from 15 December 2022. The Financing Facility has an annual interest rate of 9.5% per annum and expires on the maturity date of 15 June 2023. As at 30 June 2021, $7,003,565 has been drawn from this facility.

Beforepay Finance's obligations under the Financing Facility are guaranteed by BeforePay Ops Pty Ltd and BeforePay IP Pty Ltd, two wholly-owned subsidiaries of the Company (**Guarantors**). Beforepay Finance's obligations under the Financing Facility are also guaranteed, on a limited recourse basis, by the Company under the specific security deed between the Company and Longreach.

Each of Beforepay Finance and the Guarantors have granted first ranking security to Longreach over all of their present and after acquired assets, to secure their obligations under the Financing Facility. The Company has granted security under a specific security deed over its shares (and associated rights) in each of Beforepay Finance and the Guarantors (**Secured Shares**), to secure their obligations as borrower and guarantors under the Financing Facility. Longreach's recourse to the Company under the specific security deed is limited to the Secured Shares and proceeds thereof (except to the extent of any fraud by the Company).

See Section 3.7.1.1 for further details regarding the terms of the Longreach Financing Facility.

4.4.2.2 Convertible Notes

In October 2020, Beforepay approved a convertible note facility with capital raised to fund growth. As at 30 June 2021, 20,455,500 Convertible Notes had been issued with a face value of $20,455,500 and a fair value for year-end 30 June 2021 reporting purposes of $27,310,010. Costs of $1,200,415 associated with the Convertible Notes raised were expensed to the profit & loss in the year ended 30 June 2021.

An interest rate of 10% is carried on the outstanding principal. Interest payments are capitalised on a daily basis, with the interest payments added to the outstanding principal amount.

For accounting purposes, Convertible Notes are initially recognised at the fair value of the consideration received. They are subsequently measured as a liability at fair value through profit or loss. Costs associated with the issuance of Convertible Notes are expensed to the profit or loss as incurred.

Subsequent to year end, a further 10,757,500 Convertible Notes have been issued with a face value of $10,757,500 resulting in net proceeds of $10,340,563 after costs incurred of $416,938.

The aggregate 31,213,000 Convertible Notes on issue will convert to 12,168,952 Shares on the basis that all principal and accrued interest will convert to Shares in connection with Completion of the Offer. For further information about the Convertible Notes, including their conversion in connection with the Listing, refer to Section 4.4.1.

4.4.3 Receivables

As Beforepay takes all credit risk in providing Cash Outs, it does experience impairments of its receivables and bad debts. In line with AASB 9, Beforepay evaluates the collectability of customer receivables based on ageing of outstanding customer receivables and historical collectability.

As at 30 June 2021, Beforepay had gross customer receivables of $10,321,554, of which $4,752,794 were overdue by at least 1 day, but were not older than 61 days, in total, from the date of Cash Out and $1,365,743 that were 62 days or older from the date of Cash Out. Any customer receivables aged greater than 122 days are written off. Based on the receivables profile, Beforepay recorded a provision for impairment of $2,535,406 at 30 June 2021. The total charge associated with customer receivables written off and provided for during the year ended 30 June 2021 was $5,065,186.

Other receivables of $1,944,624 at 30 June 2021 comprises $1,044,624 which relate to cash that has been repaid by users, but not yet cleared into Beforepay's bank account and $900,000 in relation to receivables due from issue of Convertible Notes.

Table 4.4.2 sets out Beforepay's trade and other receivables as at 30 June 2021.

Table 4.4.2 Trade and other receivables as at 30 June 2021

A$	Not overdue	Overdue to 61 days	Greater than 61 days	Total
Receivables – customer advances	4,203,017	4,752,794	1,365,743	10,321,554
Allowance for expected credit losses	(157,613)	(1,012,050)	(1,365,743)	(2,535,406)
Net customer receivables	**4,045,404**	**3,740,744**	**0**	**7,786,148**
Other receivables				1,944,624
Trade and other receivables				**9,730,772**

Provisions have been recognised in line with the expected credit loss model which uses historical loss rates to determine estimated future losses. Receivables aged greater than 61 days from the date of the Cash Out are fully provided for and Receivables outstanding greater than 122 days, are written off.

4.5 Statements of cash flows

4.5.1 Statutory and pro forma historical cash flows

Table 4.5.1 sets out Beforepay's statutory and pro forma historical consolidated cash flows for FY2020 and FY2021. Section 4.5.2 sets out details and explanations of the pro forma adjustments made to the statutory historical net cash flows.

Table 4.5.1 Statutory and pro forma historical cash flows

	Statutory Historical		Pro Forma Historical	
A$	FY2020	FY2021	FY2020	FY2021
Operating activities				
Receipts from repayment of customers advances (inclusive of GST)	1,009,478	80,688,717	1,009,478	80,688,717
Receipt of Beforepay income	7,601	4,034,732	7,601	4,034,732
Payments to suppliers and employees (inclusive of GST)	(730,131)	(12,988,381)	(1,568,309)	(13,818,559)
Advances to customers (inclusive of GST)	(1,132,706)	(92,971,250)	(1,132,706)	(92,971,250)
Interest and other finance costs paid	(53,781)	(138,654)	(53,781)	(138,654)
Government grant received	62,000	55,000	62,000	55,000
Research and development rebate received	–	301,074	–	301,074
Net cash flows used in operating activities	**(837,539)**	**(21,018,762)**	**(1,675,717)**	**(21,848,940)**
Investing activities				
Purchase of plant, property and equipment	(25,604)	(208,104)	(25,604)	(208,104)
Purchase of intangibles	(402,234)	(20,436)	(402,234)	(20,436)
Net cash flows used in investing activities	**(427,838)**	**(228,540)**	**(427,838)**	**(228,540)**
Financing activities				
Proceeds from issue of shares	1,782,960	4,591,176	1,782,960	4,591,176
Proceeds from borrowings	350,000	7,250,556	350,000	7,250,556
Proceeds from issue of Convertible Notes	–	19,555,500	–	19,555,500
Share issue transaction costs	(41,890)	(331,811)	(41,890)	(331,811)
Borrowings transaction costs	–	(282,127)	–	(282,127)
Repayment of borrowings	–	(350,000)	–	(350,000)
Net cash flow from financing activities	**2,091,070**	**30,433,294**	**2,091,070**	**30,433,294**
Net increase/(decrease) in cash and cash equivalents	**825,693**	**9,185,992**	**(12,485)**	**8,355,814**

4.5.2 Pro forma adjustments to the statutory historical cash flows

Table 4.5.2 Pro forma adjustments to the statutory historical net cash flows

A$	Notes	FY2020	FY2021
Statutory historical net cash flows		825,693	9,185,992
Incremental listed company costs	1	(838,178)	(830,178)
Pro form historical net cash flows		**(12,485)**	**8,355,814**

Notes:

1. Costs relate to incremental expenses associated with operating as a listed entity including Board costs, compliance costs, company secretary costs, ASX costs and Directors and Officers insurance.

4.6 Management Discussion and Analysis

4.6.1 General factors affecting Beforepay's operating results

The discussion below summarises the main factors that affected Beforepay's operating and financial performance and cash flows from FY2020 to FY2021, on a pro forma basis.

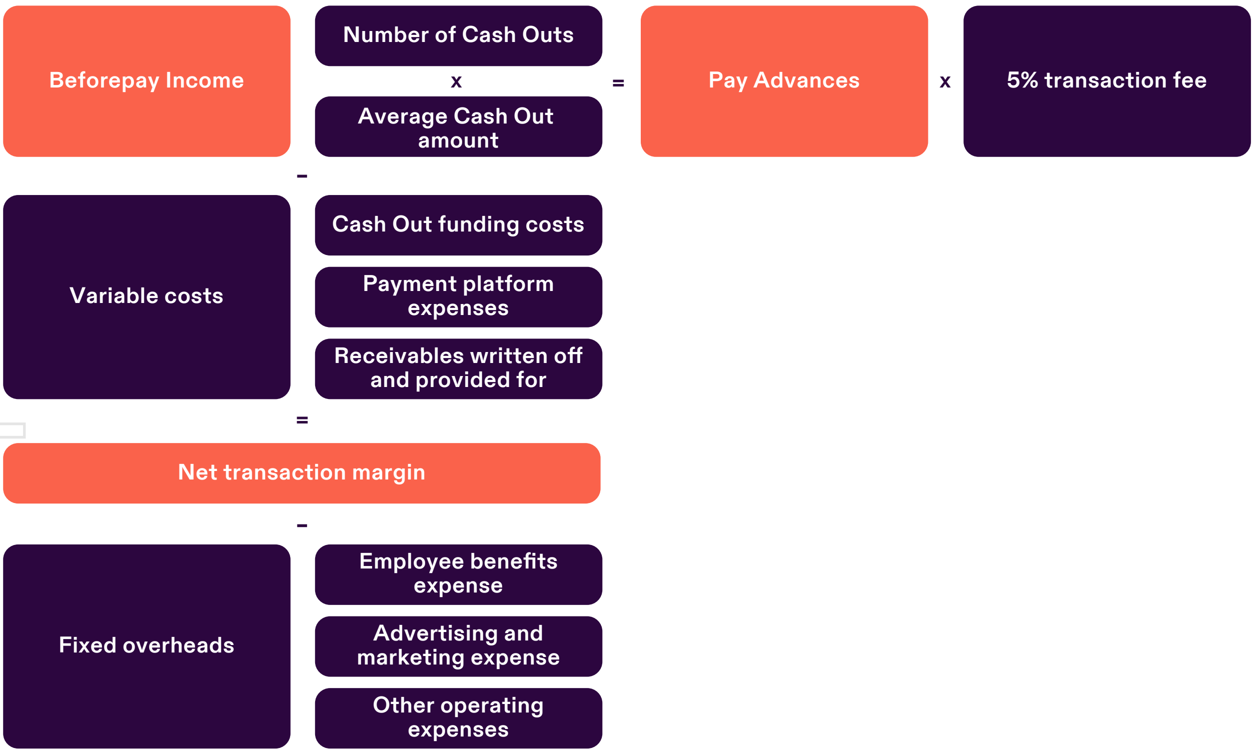
The purpose of this section is to provide a brief summary, rather than an exhaustive list of all the factors that have affected or may affect Beforepay's operating and financial performance and cash flows. Given Beforepay commercially launched its product offering at scale in August 2020, this section is focused on the monthly performance for FY2021 from August 2020 onwards, along with income metrics for the first four months of FY2022 (July 2021 to October 2021). The financial information for July to October 2021 has been derived from the unaudited management accounts of Beforepay for the respective periods and has not been audited or reviewed.

The information in this section should be read in conjunction with the risk factors discussed in Section 5 and other information contained in this Prospectus.

4.6.1.1 Beforepay business model

The diagram below sets out a simple high-level overview of Beforepay's business model and the key factors management takes into consideration when assessing the operating and financial performance of the Company.

Figure 4.6.1 Beforepay unit economics



4.6.1.2 Beforepay Income

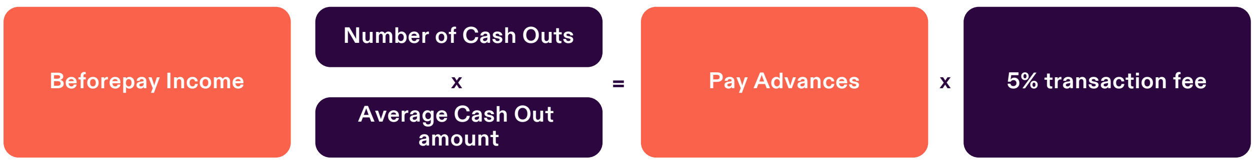
Beforepay generates its revenue through charging its users a fixed fee of 5% per Cash Out[23]. Once a user passes the eligibility test and risk scoring as described in Section 3, the quantum of Cash Out offered to each user is set by Beforepay's credit policy and risk engine (historically, Cash Out limit decisioning was executed without individual risk scoring and based on users' ability to repay their first Cash Outs).

Users repay the Cash Out plus the 5% fee via direct debit in their next pay cycle (primarily all at once, although Beforepay offers some flexibility in the repayment schedule as outlined in Section 3.4). Beforepay income is recognised over the period of which individual customer pay advances are scheduled to be repaid. Beforepay income is calculated and charged based on a fixed percentage of the amount advanced.

There are no other fees charged by Beforepay.

The key driver of Beforepay income is Pay Advances, which is based on the number of monthly Cash Outs and the average Cash Out amount.

Figure 4.6.2 Key Beforepay Income drivers

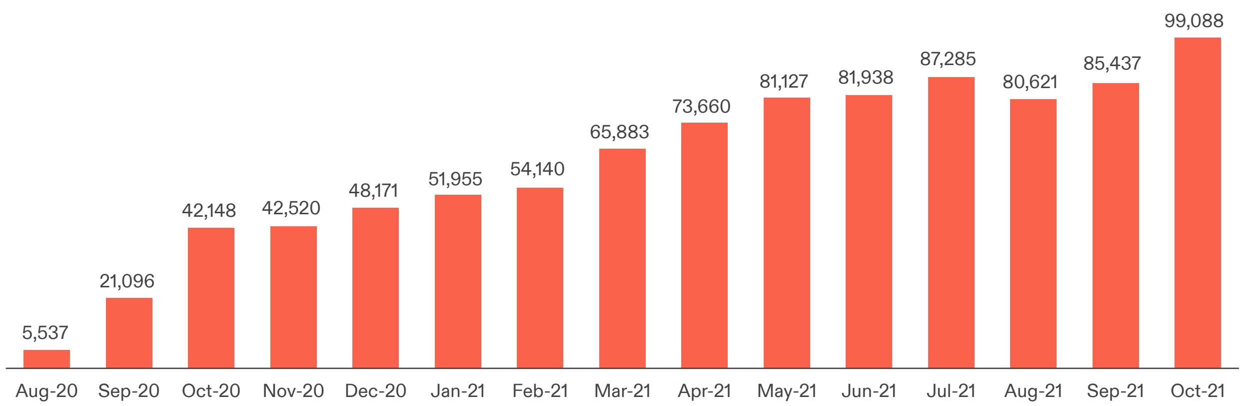


Beforepay income increased from $44,784 in FY2020 to $4,502,696 in FY2021, and Pay Advances increased from $1,132,700 to FY2020 to $92,974,250 in FY2021.

Number of Cash Outs

The number of Cash Outs increased from 8,826 in FY2020 to 569,670 in FY2021. In FY2021, the monthly number of Cash Outs has increased from 5,537 in August 2020 to 99,088 in October 2021, representing a compound monthly growth rate of 22.9%. This increase has been driven largely by growth in Active Users.

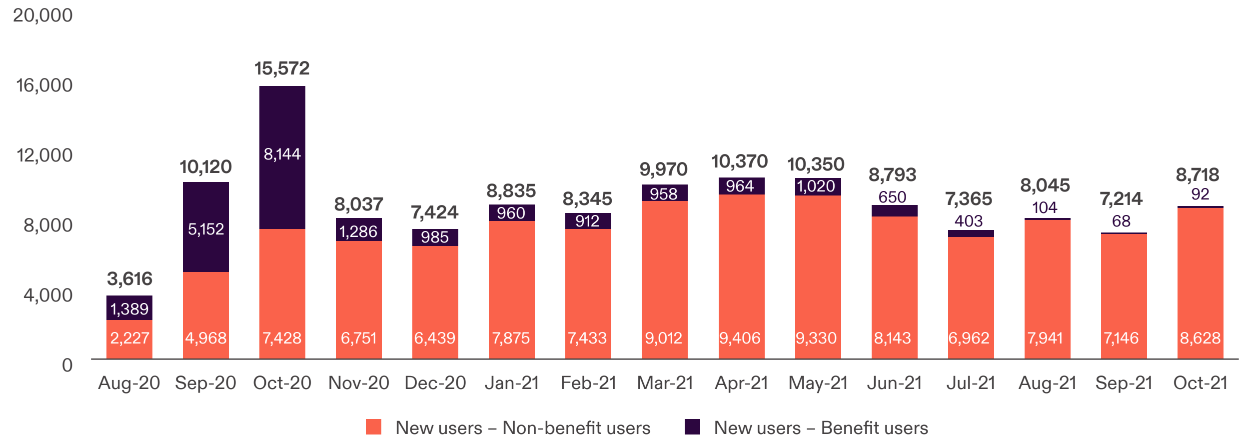
Figure 4.6.3 Number of monthly Cash Outs



23 Beforepay does, from time to time, offer discounts for referrals and as part of promotions, that may lead to a lower effective fee being charged than 5% of the Cash Out.

Figure 4.6.4 illustrates Beforepay's monthly new users from August 2020 to June 2021 as well as the first four months of FY2022.

Figure 4.6.4 Monthly new users[24]



Beforepay's user growth over the above period has been driven by an investment in digital and social media marketing, an above the line advertising campaign which will run from July 2021 to early October 2021 and increased brand awareness through word of mouth. Beforepay adjusted its credit process in November 2020 to cease accepting new users where it had calculated that the majority of their income was from government benefits[25].

This amendment was first introduced in November 2020, in the form of a rolling implementation and fully implemented by April 2021. Accordingly, the mix of new users receiving government benefits has decreased to 1.1% in October 2021 with some new users whose income was not initially calculated to be primarily comprised of government benefits, calculated by Beforepay to be categorised as such at month end.

Under the terms of the Longreach Credit Facility Agreement covered in Section 3.7.1, total Cash Outs provided to recurring users who receive the majority of their total income from Centrelink during the period, must be less than 10% of the aggregate amount of total Cash Outs. It should be noted that the covenant in the Longreach Financing Facility relating to Centrelink applies to a smaller subset of users than the definition of 'Benefit Users' (which covers government benefits from Centrelink and other government sources).

24 Beforepay's current credit policy does not accept new customers who are deemed to be Benefit Users. During any given period, there will be a small cohort of new customers who are classified as eligible at the time of application but post the issue of their loan, are categorized as Benefit Users due to potential changes in employment status or a reduction in working hours. The loss of employment, a decrease in working hours, or a change in income mix during the period, may result in a customer's classification changing from a Non-Benefit User to a Benefit User. Beforepay extracts user data at the end of each month, which presents static user income status at this time. This will have the effect of presenting a small number of new customers as Benefit Users, despite them being Non-Benefit Users and eligible for a Cash Out at the time of the application.

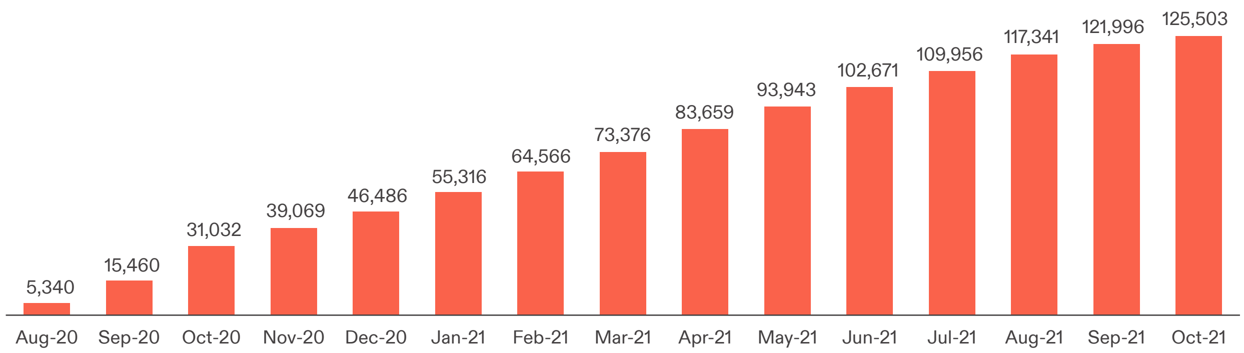
25 Beforepay defines Benefit Users as any user who derives more than 50% of their income from government benefits.

Active User growth over the period (seen below in Figure 4.6.5) can be divided into three distinct periods:

- The period from August 2020 to November 2020, characterised by less stringent eligibility criteria and risk score requirements, which allowed Beforepay to grow quickly and gather lending and user default data at scale to obtain key learnings for future risk decisioning;
- The period from December 2020 to May 2021, which represented a period of strong growth as a result of increased investment in digital and social media marketing; and
- The period from June 2021 to September 2021, which management believe has been impacted by various partial or full state lock-downs as a result of COVID-19, particularly in New South Wales and Victoria, notwithstanding investment in above the line marketing campaign.

Active Users have increased from 5,340 in August 2020 to 125,503 in October 2021, representing a compound monthly growth rate of 25.3%. The graph below illustrates the strong growth in Beforepay's Active Users since it commercially launched the product at scale in August 2020.

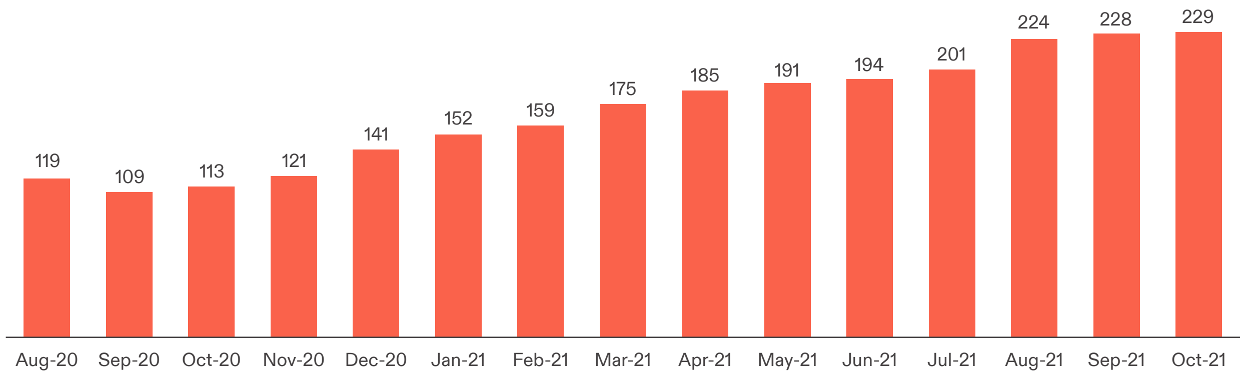
Figure 4.6.5 Active Users



Average Cash Out Amount

The average Cash Out amount increased by 92.1% from $119 in August 2020 to $229 in October 2021 as a result of an increasing proportion of recurring users and change in Cash Out limits offered to recurring users, increasing over the period.

Figure 4.6.6 Average Cash Out amount (A$)



Prior to June 2021, the first time Cash Out limit for all eligible users was fixed at $100. In June 2021 Beforepay implemented a new credit process and model, which resulted in the first time Cash Out limit generally ranging from $50 to $300, although it could be higher, based on a single, consistent framework and process as described in Section 3.12.2.

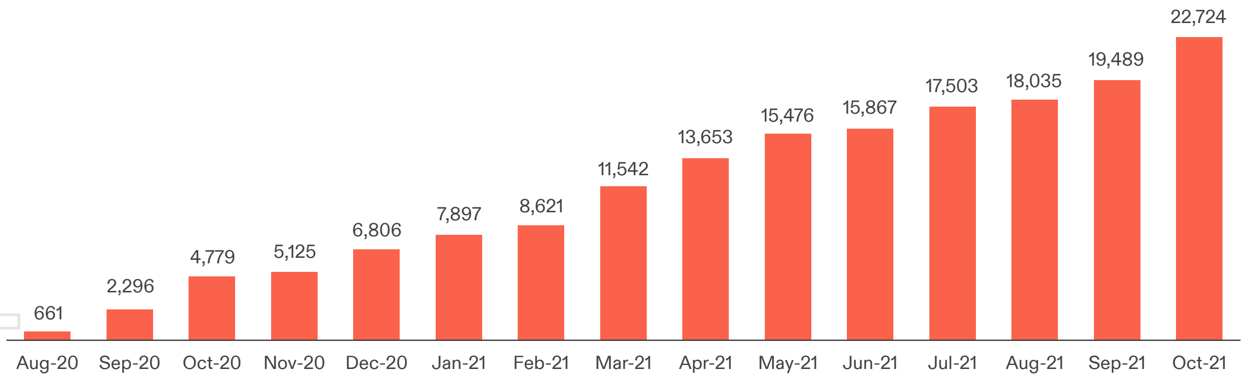
For recurring users who had successfully repaid prior Cash Outs, up until the end of March 2021, Beforepay took a generic approach in providing users an increased Cash Out limit for subsequent Cash Outs. Users were offered an increased credit limit between $100 to $300 based on income serviceability ratios for limits above $100. In late March 2021, the maximum Cash Out amount increased to $1,000, with users being offered an increased limit on their fourth and seventh Cash Out, subject predominantly to serviceability rules for recurring users and repayment of prior Cash Outs.

In July 2021, Beforepay revised its credit process and model in respect to recurring users, with Cash Out limits tailored for each user based on their eligibility criteria, risk score, historical repayment behaviour and current daily income band. Although the current maximum Cash Out amount for recurring users remains at $1,000[26], the new credit model will allow Beforepay to more appropriately tailor Cash Out amounts to offer higher (or lower) limits to users based on credit risk.

Monthly Pay Advances

Beforepay closely monitors Pay Advances, as this is a direct driver of Beforepay income. Monthly Pay Advances increased from $661,000 in August 2020 to $22,724,300 in October 2021, representing a compound monthly growth rate of 28.7%. The chart below illustrates the growth in Monthly Pay Advances since Beforepay commercially launched the product at scale in August 2020.

Figure 4.6.7 Monthly Pay Advances (A$'000s)



4.6.1.3 Other income

Other income amounted to $398,675 in FY2020 and $79,500 in FY2021. Other income in FY2020 included the recognition of an R&D tax incentive of $312,175, where no incentive was recognised in FY2021.

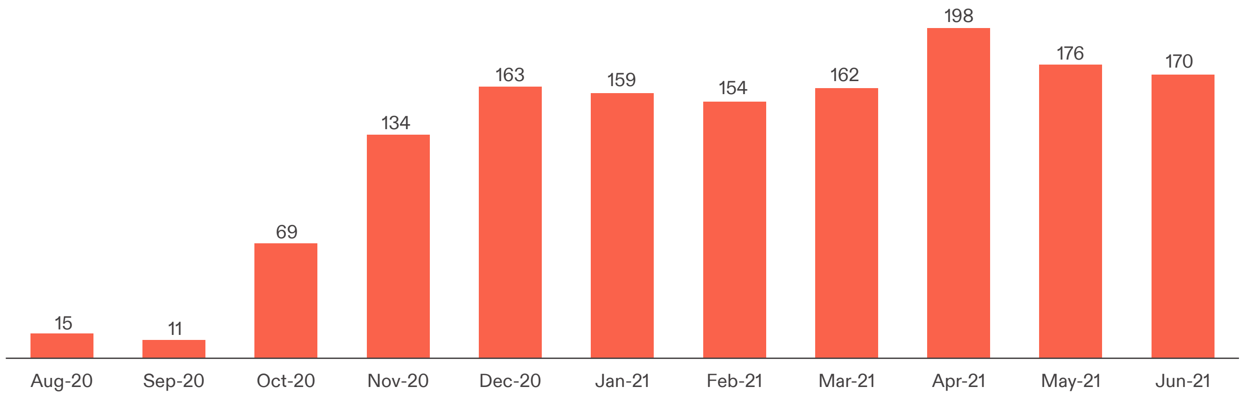
26. As at 31 October 2021.

4.6.1.4 Payment platform expenses

Payment platform expenses primarily comprise expenses paid to third-party providers in respect to user verification and onboarding, payment processing and the delivery of Cash Outs. Payment platform expenses are variable in nature and increase predominantly in line with increases in the number of Cash Outs, with a small component of the expense contingent on total users on the platform.

Payment platform expenses in FY2021 amounted to $1,416,639, reflecting Beforepay's commercial launch at scale in August 2020 and the subsequent increase in both Active Users and the number of Cash Outs in a month. Figure 4.6.8 outlines Beforepay's monthly payment platform expenses in FY2021.

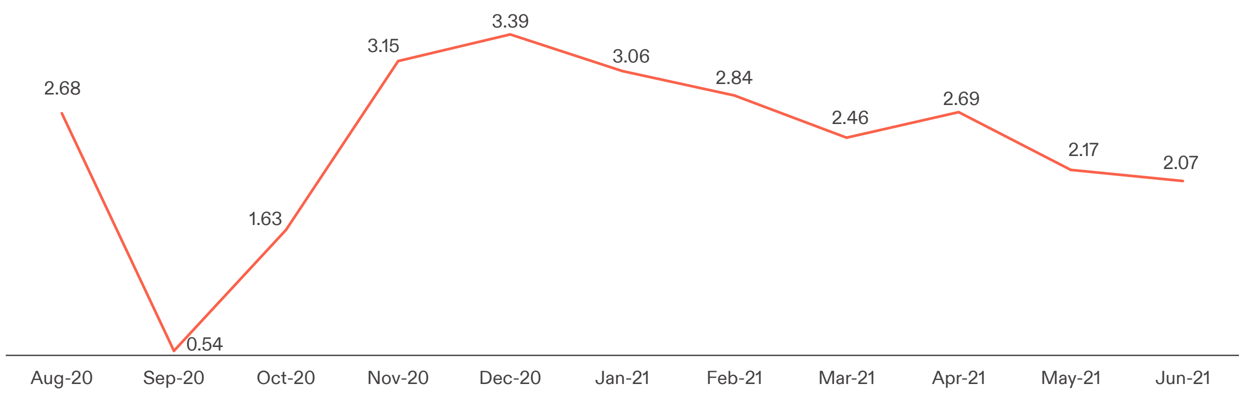
Figure 4.6.8 Monthly payment platform expenses (A$'000s)[27]



As the number of Cash Outs processed by Beforepay and Active Users increased in FY2021, Beforepay received volume discounts from its third-party providers. Beforepay has also benefited from the increase in average Cash Out amounts, with direct costs not linked to the dollar value of Cash Outs.

Monthly payment platform expenses per Cash Out have decreased from $2.68 in August 2020 to $2.07 in June 2021, representing a decrease of 22.7%. Figure 4.6.9 outlines Beforepay's monthly payment platform expenses per Cash Out in FY2021.

Figure 4.6.9 Monthly payment platform expenses per Cash Out (A$)[28]



27 A portion of payment platform expenses in July 2020 to September 2020 ($17,568) was recognised within finance costs.
28 A portion of payment platform expenses in July 2020 to September 2020 ($17,568) was recognised within finance costs.

4.6.1.5 Cash Out funding costs

Cash Out funding costs relate to direct funding costs incurred by Beforepay to debt fund a portion of Cash Outs under the Longreach Credit Facility Agreement. Cash Out funding costs were $80,561 in FY2021 compared to nil in FY2020. Cash Out funding costs in FY2021 reflect less than a months' worth of Cash Out funding costs, with Beforepay entering into the Longreach Credit Facility Agreement on 9 June 2021.

Prior to the Longreach Financing Facility, Beforepay funded Cash Outs using a combination of small private loans, equity and Convertible Notes.

4.6.1.6 Default rate

Beforepay experienced strong user and Pay Advance growth in the period between August 2020 and October 2020. In late October 2020 management identified a large portion of new users who were categorised as Benefit Users. Management also observed that Benefit Users defaulted at significantly higher default rates than the general user population, as illustrated in Figure 4.6.10.

Beforepay adjusted its credit process in November 2020 to cease accepting new users who were Benefit Users as calculated by Beforepay, which resulted in a reduction in defaults. This implementation was staggered, with existing Benefit Users who had previously received a Cash Out and repaid their initial Cash Out, remaining eligible to obtain an additional Cash Out in the first instance. This adjustment to the credit policy was fully implemented by April 2021.

Users who had already been accepted onto the platform and continued to repay their Cash Outs were not penalised and continued to be eligible. These users are now grandfathered and are a diminishing component of the Active User base, which continues to provide incremental decreases to the blended default rate.

In December 2020 and January 2021, Beforepay experienced an increase in defaults attributable to Benefit Users defaulting at higher rates.

Figure 4.6.10 Monthly default rate – Benefit and Non-Benefit Users (%)

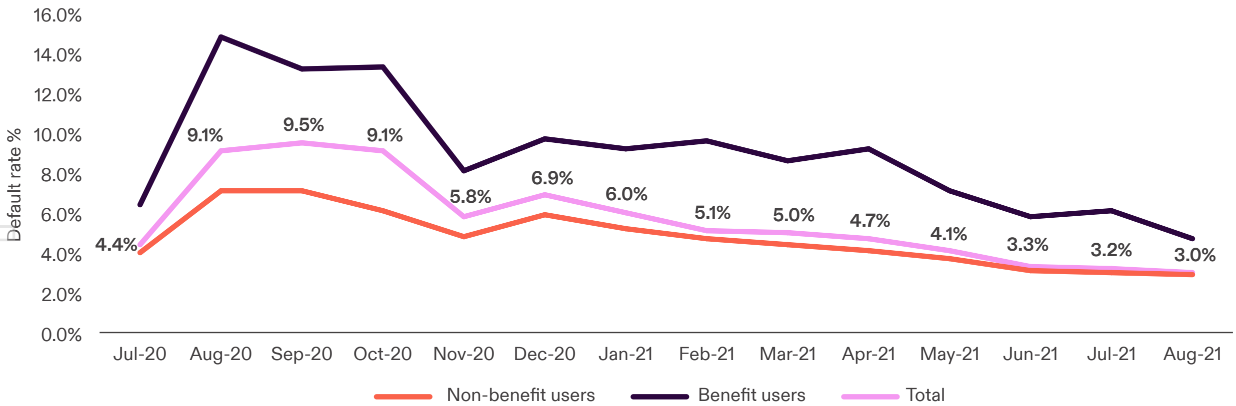


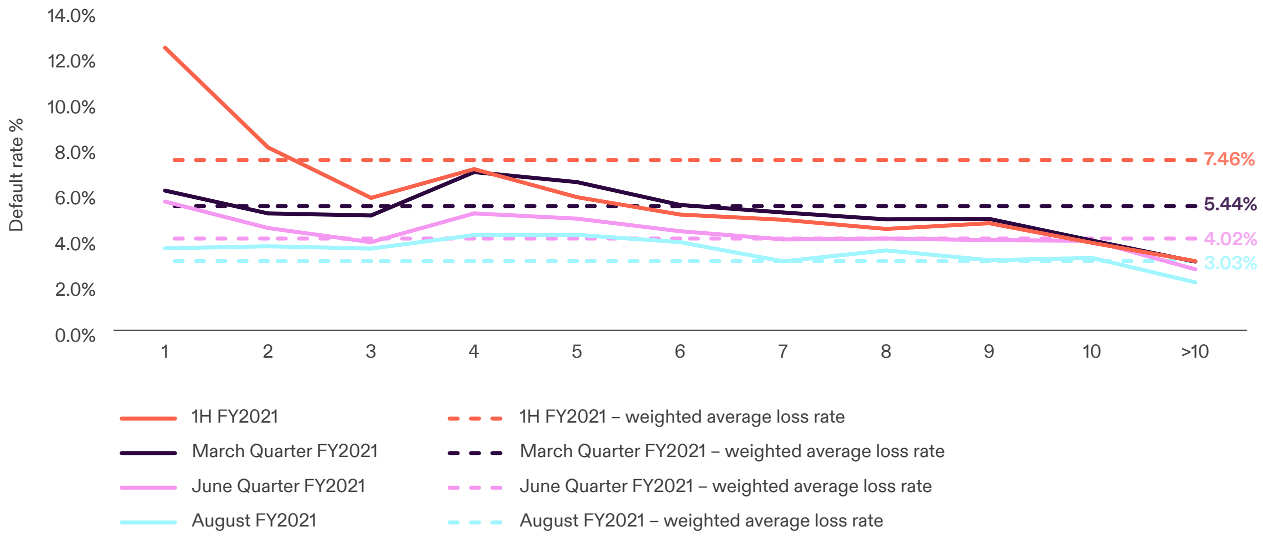
Figure 4.6.11 illustrates the improvement in individual default rates during FY2021 per cohort. The key drivers of this improvement are outlined below:

- The reduction in Cash Out 1 (being users' first Cash Out on the platform) default rates from 12% in 1H FY2021 to under 3.60% in August 2021, impacted by the tightening of eligibility criteria on Benefit Users;
- Amortisation of existing Benefit Users grandfathered into the user base reducing default rates across all Cash Out cohorts; and
- An increased proportion of recurring users with lower default risk being offered higher Cash Out limits, increasing the dollar weighting of Cash Outs to these cohorts and resulting in further reduction of the blended default rates.

An increase in defaults at Cash Out 4 (being users' fourth Cash Out on the platform) is observed across the different cohorts as a result of the historical increase in Cash Out limits offered to users at Cash Out 4, prior to the implementation of the new credit assessment model.

Increasing remedies of Cash Out defaults (where a user repays the Cash Out after it has defaulted) in Q4 FY2021 are expected to further reduce default rates following the implementation of collections initiatives from May 2021. Loan cures are not reflected in Figure 4.6.11.

Figure 4.6.11 Monthly default rate vintages by cohort



Notes:

1. The horizontal axis in Figure 4.6.11 in the chart addresses each 'cohort', where a cohort includes all users who have taken out a prescribed number of Cash Outs. For example, Cohort 1 includes all users who are taking their first Cash Out.
2. Weighted average loss rates for a period equals the total Cash Outs ($) for the relevant period which have defaulted divided by the total volume of Cash Outs ($) issued in the relevant period.

4.6.1.7 Transaction margin before funding costs

Given the early-stage nature of Beforepay's business throughout FY2021 (particularly in Q1 FY2021) and the fact that Beforepay only entered into the Longreach Financing Facility in June 2021, management have focused on transaction margins before funding costs as a measure of operating and financial performance throughout FY2021. Transaction margin before funding costs is measured as Beforepay income, less receivables written off and provided for and less payment platform expenses incurred in providing the Cash Outs.

As can be seen from the table below, transaction margin before funding costs has been steadily improving over the FY2021 period, from a low of (6.4%) in Q2 FY2021 to (0.7%) in Q4 FY2021. The improvement in transaction margin before funding costs reflects the various factors described above, including both increased Cash Outs and average Cash Out amount, lower payment platform expenses per Cash Out.

Receivables written off and provided for has increased from $1,523,707 in Q2 FY2021 to $1,949,017 in Q4 FY2021, driven by an increase in the provision due to the growth in the gross loan book over the term of FY2021, which was partially offset by decreasing default rates. Receivables are written off after 122 days.

Table 4.6.1 Transaction margin before funding costs[29]

A$	Q2 FY2021[30]	Q3 FY2021	Q4 FY2021
Pay Advances	**16,709,700**	**28,060,400**	**44,995,950**
A. Beforepay income	822,281	1,350,774	2,178,117
B. Payment platform expenses	(365,802)	(474,540)	(543,545)
C. Receivables written off and provided for	(1,523,707)	(1,565,377)	(1,949,017)
Transaction margin before funding costs (A – B – C)	**(1,067,228)**	**(689,143)**	**(314,446)**
Transaction margin before funding costs as a % of Pay Advances	(6.4%)	(2.5%)	(0.7%)

4.6.1.8 Operating expenses

A summary of Beforepay's operating expenses is set out below.

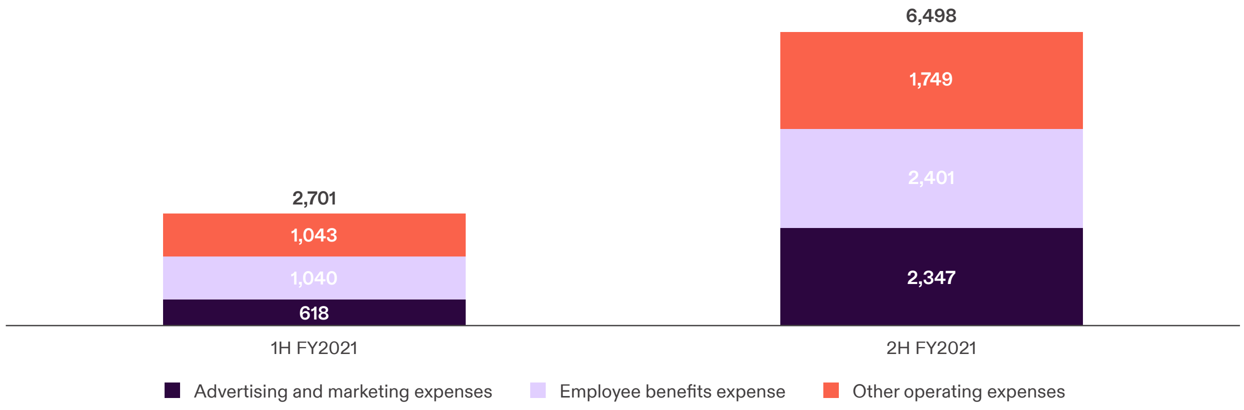
Advertising and marketing expenses	Includes costs in relation to digital marketing initiatives and other expenses related to marketing software, content production, branding costs and public relations.
Employee benefits expenses	Includes employee wages and salaries, superannuation, employee benefits expense, employee entitlements, payroll tax and workers' compensation insurance relating to employees working in product, engineering, marketing, finance and other group functions, as well as Director fees.
Other operating expenses	Includes professional and consultancy expenses including audit and tax fees; general legal costs; outsourced services including customer support; insurance costs; occupancy expenses; software licenses; and other operating expenses, including KYC compliance costs.

Operating expenses increased from $1,718,105 in FY2020 to $9,198,751 in FY2021, reflecting the growth of Beforepay and continued investment in advertising and marketing, as well as an increase in headcount.

Figure 4.6.12 illustrates total operating expenses by category in FY2021 split across 1H FY2021 and 2H FY2021.

29 Q1 FY2021 has been excluded, given Beforepay's commercial product launch did not occur at scale until August 2020.
30 Receivables written off and provided for expense in Q2 FY2021 includes the cumulative Q1 and Q2 FY2021 expense in relation to the increase in provision, as there was no change to the provision throughout Q1 FY2021.

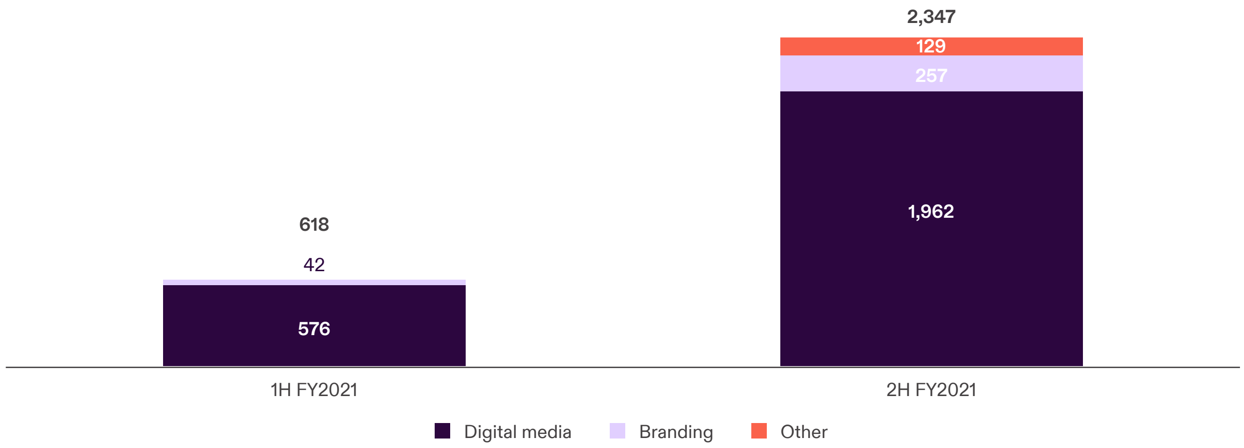
Figure 4.6.12 Pro forma operating expenses (A$'000s)[31]



4.6.1.9 Advertising and marketing expenses

Advertising and marketing expenses includes digital media (which includes all media on digital channels), and other (which includes branded merchandise, content production and public relations).

Figure 4.6.13 Pro forma advertising and marketing expenses (A$'000s)



Advertising and marketing expenses increased from $68,841 in FY2020 to $2,965,490 in FY2021. The increase in advertising and marketing expense has been primarily driven by digital marketing initiatives including an increased social media presence to improve brand awareness.

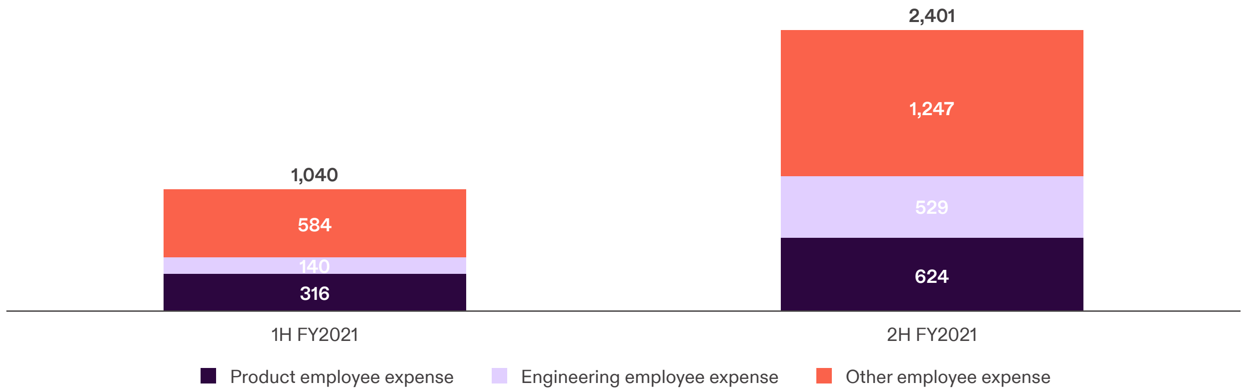
In July 2021, Beforepay launched its inaugural above the line marketing campaign with advertisements on Free-to-air television, radio and out of home to enhance brand awareness. This above the line campaign will run from July 2021 to October 2021 at a total cost of $2,734,207.

Management intends to continue its marketing investment with a focus on digital marketing. A portion of the Offer proceeds is allocated to above the line marketing.

31 Cash Out funding costs included within other expenses in Beforepay's financial statements for the year ended 30 June 2021.

4.6.1.10 Employee benefits expense

Figure 4.6.14 Pro forma employee benefits expense (A$'000s)

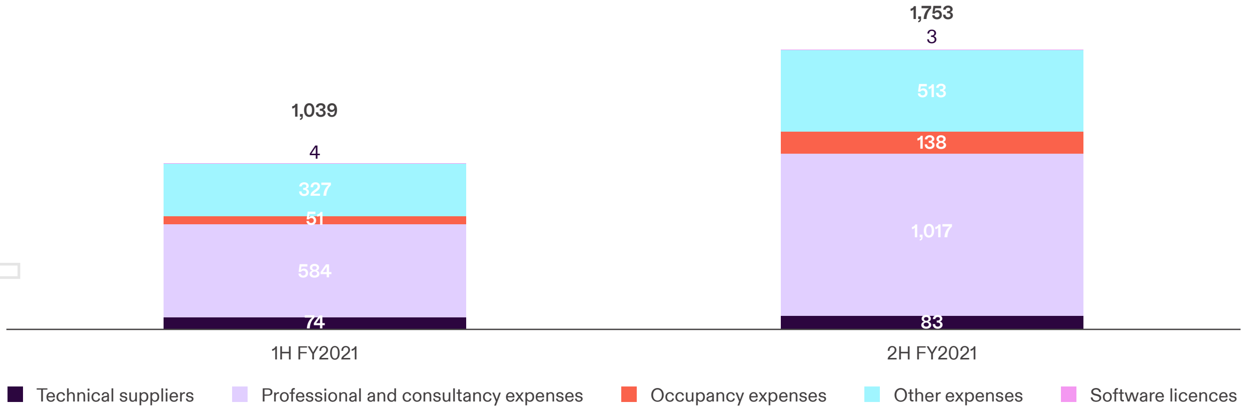


Employee benefits expense increased from $717,157 in FY2020 to $3,440,710 in FY2021. Beforepay has invested in its people throughout FY2021 in order to strengthen the capability of its engineering and product development teams as well as the marketing function. In preparation for the Offer, Beforepay also appointed a new CEO and new Board members.

Management believes the current level of employee benefits expense is sufficient to support scalability for future growth.

4.6.1.11 Other operating expenses

Figure 4.6.15 Pro forma other operating expenses (A$'000s)[32]



Note: 'Other expenses' in the above figure includes costs associated with KYC compliance, outsourced call centre, insurance, bank fee, equipment, filing fees, fringe benefits tax, office expenses, printing & stationery, realised currency gains, staff amenities, staff training, utilities and travel.

Other operating expenses increased from $932,107 in FY2020 to $2,792,551 in FY2021, reflecting the growth of Beforepay. The increase in other operating expenses between 1H FY2021 and 2H FY2021 was driven by increased professional services and employee recruitment fees in relation to the hiring of new staff and senior executives, and increased KYC costs in line with increasing new users over the period.

32 Cash Out funding costs included within other expenses in Beforepay's financial statements for the year ended 30 June 2021 Annual Report.

4.6.1.12 Beforepay cashflows

Cash flows used in operating activities

In line with operating performance, advances to users increased from $1,132,706 in FY2020 to $92,971,250 in FY2021. Increased number of Cash Outs coupled with increased average Cash Out amount also led to an increase in receipts of repayment of Cash Outs from $1,009,478 in FY2020 to $80,688,717 in FY2021.

Cash outflows for payments to suppliers and employees increased to $13,818,559 in FY2021 from $1,568,309 in FY2020 in line with the growth of the business.

For the years ended 30 June 2020 and 30 June 2021, Beforepay incurred net operating cash outflow of $1,675,717 and $21,848,940 respectively.

Cash flows used in investing activities

Cash flows used in investing activities in FY2020 included $393,929 for capitalised wages and salaries in relation to the creation of the platform and database. No employee expenses were capitalised in FY2021.

Cash flows used in financing activities

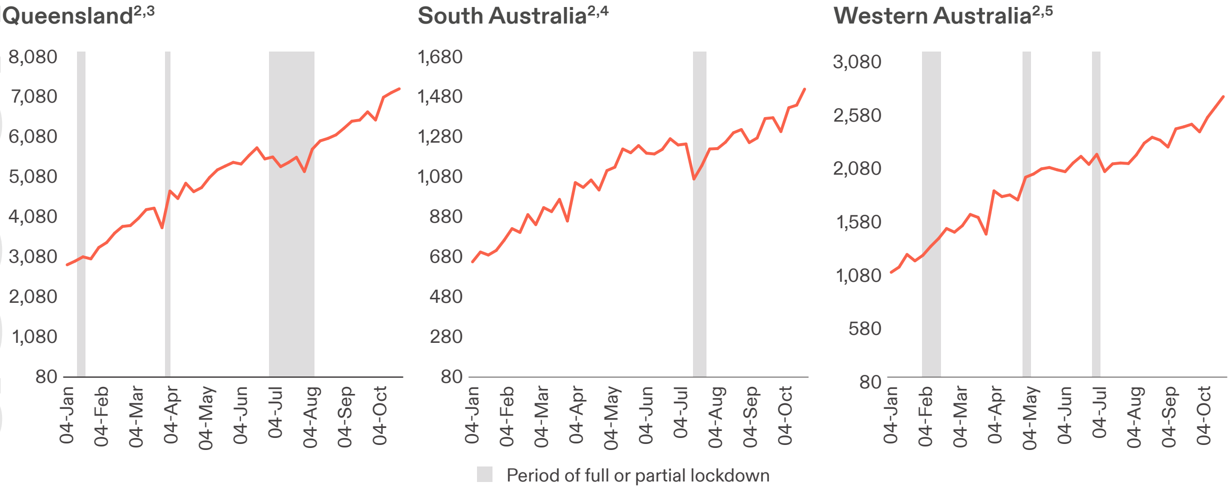
Beforepay has issued a total of 20,455,500 Convertible Notes with a face value of $20,455,500 through FY2021. Beforepay has also entered into a Longreach Credit Facility Agreement with Longreach to provide a facility, which increases in non-linear increments to a maximum commitment of $45,000,000 on and from 15 December 2022, of which $7,003,565 was drawn down in FY2021. For further details on Beforepay's indebtedness and the terms of the Longreach Financing Facility see Sections 4.4.2 and 3.7.1.1.

4.6.2 Impact of COVID-19 on Beforepay's Financial Information

Beforepay has operated in the COVID-19 environment for the majority of its existence. Beforepay has continued to grow in the COVID-19 environment, notwithstanding reduced usage of the Beforepay Product experienced in New South Wales between July and October 2021, during periods of full or partial lock-down.

Figure 4.6.16 shows the impact of COVID-19 related lock-downs on Cash Outs in Queensland, South Australia and Western Australia from January to October 2021. During periods of restricted movement during FY2020 and FY2021 there was reduced growth in Cash Outs, however management have observed a return to growth following the easing of restrictions.

Figure 4.6.16 Weekly number of Cash Outs by State – Queensland, South Australia and Western Australia in 2021[1]

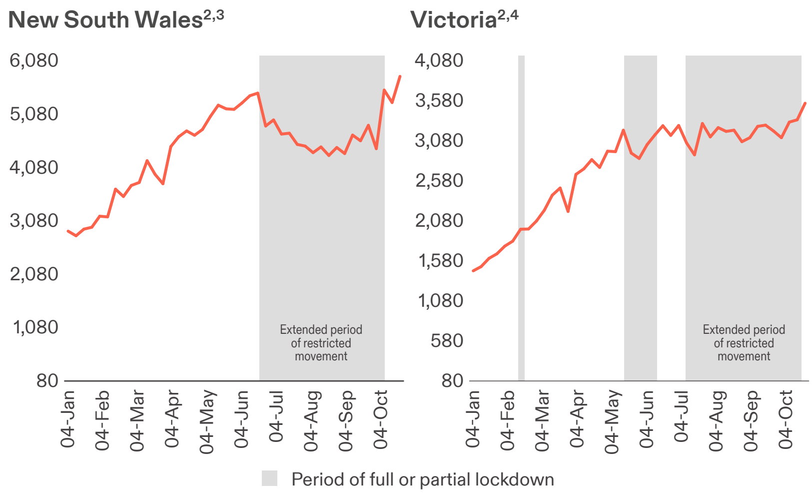


Notes:

1. Cash Out breakdown by state includes a portion of users who were onboarded prior to October 2020, for which location data is not available. As at 31 October 2021, this group represented 5% of total Cash Outs.
2. Data presented on a weekly basis from 4 January 2021 to 31 October 2021.
3. Periods of restricted movement include 8 January 2021 to 11 January 2021 (greater Brisbane); 29 March 2021 to 1 April 2021 (greater Brisbane); and 29 June 2021 to 8 August 2021 (ongoing period of restriction and intermittent lock-down for a number of LGAs, including Brisbane City Council, Logan City Council, Moreton Bay Regional Council, Ipswich City Council, Redland City Council, Sunshine Coast Regional Council, Gold Coast City Council, Noosa Shirt Council, Lockyer Valley Regional Council, Scenic Rim Regional Council, Townsville City Council (including Magnetic Island) and Palm Island Aboriginal Shire Council).
4. Periods of restricted movement from 20 July 2021 to 27 July 2021 impacting Adelaide and regional South Australia.
5. Periods of restricted movement include 31 January 2021 to 14 February 2021; 24 April 2021 to 1 May 2021; and 29 June 2021 to 6 July 2021 impacting the Perth and Peel regions.

Figure 4.6.17 shows the impact on Cash Outs in New South Wales and Victoria up to October 2021.

Figure 4.6.17 Weekly number of Cash Outs by state – New South Wales and Victoria[1]



Notes:

1. Cash Out breakdown by state includes a portion of users who were onboarded prior to October 2020 for which location data is not available. As at 31 October 2021, this group represented 5% of total Cash Outs.
2. Data presented on a weekly basis from 4 January 2021 to 31 October 2021.
3. Extended lock-down period from 25 June 2021 to 10 October 2021 (Greater Sydney).
4. Periods of restricted movement from 12 February 2021 to 17 February 2021, 27 May 2021 to 10 June 2021; extended lock-down period from 15 July 2021 to 22 October 2021.

In New South Wales, Cash Outs declined by 20.7% from the week commencing 21 June 2021 to the week commencing 6 September 2021 following the implementation of strict restrictions on movement from 25 June 2021. In Victoria, Cash Outs declined by 4.7% from the week commencing 5 July 2021 to the week commencing 6 September 2021 following the implementation of strict restrictions on movement from 15 July 2021.

Management notes that at the time of this Prospectus the Company had not observed a reduction in credit quality as a result of the lock-down in the period from July to October of 2021. While the Company's default data for this period is not yet available (due to the need for loans to age to 62 days before they default), dishonours (failed attempts to debit accounts for repayment) are a leading indicator of defaults. While dishonour rates have been volatile, in all states, the July to October 2021 dishonour rates to date, are lower than those at the beginning of June 2021.

4.6.3 Dividend policy

It is not the present intention of the Company to pay dividends. Payment of dividends by the Company is at the discretion of the Board of Directors and the Directors do not provide any assurance of the future amount of dividends. In determining whether to declare future dividends, the Directors will consider the general business environment, the operating results and the financial position of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

4.6.4 Forecasts

The Company is currently in a growth phase, which makes forecasting future financial performance with reliability difficult. The Directors believe that given this and the uncertainties related to the COVID-19 pandemic, it is not possible to include forecast financial information in this Prospectus.

5.
Risks

5. Risks

5.1 Introduction

This Section 5 describes some potential risks associated with an investment in the Company. Any investment is subject to risk factors specific to the Company and its business activities, as well as more general risks that are associated with investing in Shares. Any or a combination of these risk factors may have a material adverse impact on your investment, as they may affect Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares. Many of the factors giving rise to these risks and their consequences are partially or completely outside the control of the Company, its Directors and Management.

Section 5 does not cover every risk that may be associated with an investment in the Company now or in the future. There may be additional risks of which the Company is currently unaware or considers to be immaterial that may also have the potential to have a material adverse impact on your investments as it affects Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

The selection of risks identified in this section have been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date. However, there is no guarantee or assurance that the importance of risks will not change or that other risks will not emerge.

Before deciding whether to invest in the Company by applying for Shares, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these matters and potential risks and consider carefully whether Shares are a suitable investment for you, having regard to your own risk appetite, investment objectives, financial circumstances and particular needs (including financial and taxation issues). If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding to invest.

5.2 Business risk factors

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

(a) Beforepay's repeat customers or new customers may be lower than expected

The Company's growth depends on (amongst other matters (refer to Section 3.11)) new customers using the Cash Out product and existing customers re-using the product. There is a risk that the number of new customers may decrease, or that existing customers may re-use the product at lower levels. This could happen due to Beforepay's customers and potential customers choosing products offered by competitors, or Beforepay's customers no longer choosing to use the product at all. There is also a risk that Beforepay may no longer offer products which are attractive to the market, or that other products may enter the market which customers prefer.

Any decrease in the rate of new or existing customers using the product is likely to have a significant material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares. Any decrease in the rate of new or existing customers using the product is likely to have a significant material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

(b) Beforepay may fail to execute its distribution and/or technology development strategies

Beforepay aspires to achieve high rates of growth by executing its strategies (refer to Section 3.11). These strategies, in addition to achieving a high level of re-use from existing customers, include execution of Beforepay's marketing strategies, wider distribution of the product, and continued development of its technology. There is no guarantee that all or any of Beforepay's growth strategies will be successfully implemented, deliver the expected growth and returns or be profitable. There is also a risk that the growth strategies may be subjected to unexpected delays and costs.

Beforepay may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product offering and adapt to any change in customer preferences. Failure to do so could result in customers choosing Beforepay's competitors, which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, and/or growth.

As a fast-growing business, any change to Beforepay's ability to achieve any or all of its growth strategies, or the market's perception of Beforepay's ability to deliver growth to Shareholders, is likely to have a significant adverse impact on the price of the Shares.

(c) Entry into overseas jurisdictions

Another growth strategy of Beforepay is to explore providing Pay on Demand services in overseas jurisdictions (*see Section 3.11.1.3*). Beforepay is in a very preliminary stage of exploring its ability to provide Pay on Demand in overseas jurisdictions and it has not completed its due diligence and feasibility assessment. The regulations in each of these potential jurisdictions (both nationally and, where relevant, on a state-by-state basis) need to be considered, including whether licensing is required or whether more onerous requirements apply than in Australia. Beforepay's delivery model in Australia may not be able to be applied in its current form in foreign jurisdictions. Beforepay's ability to expand into overseas jurisdictions may require Beforepay to change its business model, strategy, compliance framework and/or financing arrangements and could have a material adverse impact on its ability to expand in those jurisdictions, including as a result of additional costs and the need to meet additional requirements, which may apply.

There is no guarantee that any growth strategy into overseas jurisdictions will eventuate or, if it does eventuate, be successful.

There is also a risk that the application of Beforepay's credit-risk processes and models fails to appropriately assess or measure the credit risk for these jurisdictions, due to the limited data available to calibrate Beforepay's credit decisions and the potential for idiosyncratic risk factors specific to that geography.

Beforepay has filed an international trademark application for registration of the mark "BEFOREPAY" designation in the United States of America, Canada, and the United Kingdom each of which is currently awaiting examination, as well as designation in the European Union, which has been accepted. There is no guarantee that the application will be successful and that Beforepay will be able to trade under its existing name in those jurisdictions.

(d) Undrawn fee (Longreach Credit Facility Agreement)

As described in Section 3.7.1.1, the Longreach Credit Facility Agreement has an undrawn fee of 7.00% per annum on any undrawn commitment under the facility in excess of $2 million. If the level of aggregate Cash Outs falls behind the increasing size of the commitment (for example because Beforepay does not achieve sufficient growth in its customers and advances), Beforepay will become liable to pay the undrawn fee. Beforepay may voluntarily cancel unutilised commitment for a particular commitment period in whole or in part. Beforepay may require Longreach to subsequently increase its commitment by the amount of that cancellation up to $6,750,000 in aggregate (noting that this amount is in addition to the $2 million "buffer" amount which applies in determining the amount of any undrawn fee).

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

(a) Unable to access funding

As a fast-growing business, Beforepay is likely to require additional debt and equity capital in the future to pursue its growth opportunities and respond to business opportunities, challenges or unforeseen circumstances. Beforepay's medium to long-term growth initiatives (including Pay Advance growth, technology investment, any new product offerings and funding for Beforepay's potential expansion into other jurisdictions) would typically require a significant investment and funding requirement before the offering became cash flow positive. While some of the proceeds raised from this Offer will be utilised for this, further funding is expected to be required in the medium term to pursue growth opportunities.

If there is a deterioration in liquidity levels available in the debt and equity capital markets, or a deterioration in the terms on which debt or equity capital is available (including higher interest rates), this may prevent Beforepay from being able to raise the capital that it requires, including capital required to refinance its existing debt facility when it expires. This may have a material adverse impact on Beforepay's financial position and/or increase Beforepay's funding costs, which may impact Beforepay's profitability or its ability to write profitable Cash Outs.

Please refer to Section 4.2.2 regarding the material uncertainty in relation to going concern of the Company as it relates to the Statutory Historical Financial information.

(b) Interest rates

The interest rate under the Longreach Credit Facility Agreement is currently fixed. It is not clear what the interest rate may be for future facilities entered into by Beforepay and whether it is calculated on a fixed or floating basis.

(c) Longreach Credit Facility Agreement

There is a risk that Beforepay may trigger events of default under the Longreach Credit Facility Agreement, which may impact the financial position and performance of Beforepay, and give rise to acceleration and enforcement rights on the part of Longreach. An event of default may be triggered if, among other things, Beforepay breaches its credit policies and procedures in respect of Cash Outs made to its customers, or Beforepay is in breach of financial covenants which include maximum 'loss rates' and minimum cash holdings. Section 3.7.1 summarises some of these covenants.

The Longreach Credit Facility Agreement contains change of control provisions and other consent requirements (including in relation to the incurrence of additional financial indebtedness) which may be triggered by future transactions following the Listing. If these consents are not obtained, there is a risk that future funding under the existing finance facility is not available, or (to the extent an event of default is triggered as a result) repayment of outstanding amounts is accelerated by Longreach. This could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

The occurrence of an event of default could have significant impacts on Beforepay and could result in Longreach enforcing its security from the Company and its subsidiaries and requiring repayment of amounts owing to Longreach before the maturity date of the facility (which would include payment or reimbursement of any costs, expenses, loss or liabilities incurred by Longreach in connection with the event of default or enforcement of Longreach's rights in respect of the Longreach Credit Facility Agreement under the indemnity provisions of the Longreach Credit Facility Agreement). It would also act as a draw stop to further funding by Longreach. In addition, if an event of default is triggered, or if the borrowing base of eligible receivables against which loans under the Longreach Credit Facility Agreement are made is less than amounts outstanding under that facility, restrictions may apply in relation to Beforepay accessing funds held in the bank account into which the proceeds of those eligible receivables are required to be deposited.

There is a risk that Beforepay may not be able to extend or refinance the term of the Longreach Credit Facility Agreement when it matures, or may only be able to do so on less favourable terms. This could impact Beforepay's ability to write new Cash Outs or write new Cash Outs on competitive terms.

5.2.3 Beforepay's customers may not repay their financial obligations to Beforepay

If Beforepay's customers do not pay the principal and transaction fee owing under their contract, Beforepay may experience an increase in expenses (including an increase in impairment expenses and/or an increase in funding costs), and/or a decrease in operating cash flows. One, or a combination of these consequences, may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, and availability and cost of funding.

Under the Longreach Credit Facility Agreement, at all times the 'loss rate' in respect of the immediately preceding calendar month for which actual loss rates are available and the 'loss rate' which has been provisioned for by the Company in respect of each of the two subsequent months after that month, in each case, must be less than 7.5%. The loss rate is calculated in accordance with an agreed calculation methodology approved by Longreach, as set out in Beforepay's "monthly Vintage Loss Report" which is provided to Longreach. If the loss rate is not less than 7.5%, an event of default is deemed to have occurred. The Longreach Credit Facility Agreement provides that an event of default could result in an immediate cancellation of the Longreach Credit Facility Agreement and a requirement to have all monies repaid under the Longreach Credit Facility Agreement.

Three main reasons why a customer may not repay their financial obligations to Beforepay are:

- The customer has had a change in employment and as a result, either does not receive an income payment on the expected day or does not receive as much income as Beforepay expected and consequently, Beforepay is unable to debit the customer's bank account for the amount due;

- The customer receives an income payment at the time and in the amount expected, but withdraws it and/or other direct debits occur, which means there are no longer sufficient funds in the customer's bank account when Beforepay attempts to debit the bank account; and
- Beforepay has incorrectly predicted the upcoming pay cycle(s) of the customer and so attempts to debit the customer's bank account when no income payment has arrived.

In addition to one of these three factors, for a customer to default, he or she must then either be unable or unwilling to repay the amount owed before 62 days after the customer receives a Cash Out, which can occur for a variety of reasons.

As Beforepay does not require security on its Cash Outs it may have less ability to enforce its contractual rights and successfully recover against a customer who may have other financiers and creditors with a superior security position. In addition, it may not be economical to undertake debt recovery for Cash Outs through legal claims or other means.

5.2.4 Beforepay's business may be impacted by existing or new regulations or the threat of regulations

The financial services sector, and in particular the provision of financial services to consumers, is undergoing a significant period of government and regulatory scrutiny and change following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and more recent parliamentary inquiries and industry reviews, including those referred to in Section 3.14.

While Beforepay keeps abreast of actual and threatened changes to laws and regulations, it cannot predict with certainty the changes that may occur in the future or the impact of those changes on Beforepay's business. There is a risk that actual or proposed changes to laws and regulations (including licensing requirements and compliance standards) or the exercise of regulatory or administrative powers may require Beforepay to change its business model, strategy, compliance framework and financing arrangements, and could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

Furthermore, if Beforepay expands to other jurisdictions it could be impacted by existing or new regulations or the threat of regulations in those jurisdictions.

(a) Regulatory developments and risks that could impact Beforepay's business model

There are a number of regulatory developments and risks which could impact adversely Beforepay's business model and operations, though the consequences of these matters may not yet have crystallised, be fully known, or realised.

These matters include (without limitation):

- **Short-Term Credit Exemption:** As set out in Section 3.14.1.2, Beforepay is not currently required to hold an ACL because its credit product meets the criteria of the Short-Term Credit Exemption in the NCCP Act. Beforepay is therefore not subject to obligations under the NCCP Act and the NCC. As noted in 3.14.2.4, ASIC has stated in its Corporate Plan for 2021-25 that its highest strategic priorities include reviewing credit models that purport to be exempt from the National Credit Act. In August and September 2021, Beforepay undertook an uplift of its customer terms and policies and procedures to ensure consistency with Beforepay's reliance on the Short-Term Credit Exemption. This included updating the hardship policy to ensure that hardship arrangements with customers would not inadvertently result in credit being extended by Beforepay for greater than 62 days, being one of the criteria for the application of the Short-Term Credit Exemption. Beforepay also undertook a review of the application of the previous hardship policy to identify whether there were any hardship arrangements with customers which were inconsistent with the Short-Term Credit Exemption. Beforepay does not consider there were any such hardship arrangements, but did write off the balance owing on one approved hardship arrangement to mitigate the risk of such interpretation. There is a risk that, particularly given its review of models that purport to be exempt from the National Credit Act, ASIC may take a different view to Beforepay in relation to the application of the Short-Term Credit Exemption. There is also a risk that there are legislative changes to the criteria or application of the Short-Term Credit Exemption and/or that other changes to the NCCP Act or NCC are introduced which impact Beforepay 's reliance on the Short-Term Credit Exemption. If events of this kind occurred, Beforepay may not be able to rely upon the Short-Term Credit Exemption which could result in Beforepay being required to comply with additional regulatory obligations, including obtaining an ACL and complying with obligations under the NCCP Act and NCC, and/or making material changes to its business model.

- **Design and Distribution Obligations:** As set out in Section 3.14.1.3, Beforepay is required to comply with the DDOs in the Corporations Act from 5 October 2021, which includes the implementation of a product governance framework and preparation of a target market determination. As noted in Section 3.14.2.4, ASIC has stated in its Corporate Plan for 2021-25 that its highest strategic priorities for 2021-25 include undertaking risk-based surveillance on a range of products (including BNPL products) for compliance with the DDOs. ASIC has also stated that its enforcement action will focus on the areas ASIC consider cause the greatest harm, including poor product design and governance and failure to implement the DDOs. There is a risk that Beforepay will be required to engage with ASIC and demonstrate that it has effectively implemented and is compliant with the DDOs. In order to effectively implement and comply with the DDOs, there is a risk that Beforepay may be required to make changes to its product, internal governance framework and/or marketing and distribution strategies.
- **Product Intervention Power:** As set out in Section 3.14.1.3, ASIC recently acquired a new power to issue a Product Intervention (**PI**) Order where it is satisfied that a financial product or class of financial products has resulted, will result, or is likely to result, in significant consumer detriment. ASIC may issue a PI Order requiring the suspension of sale of a product or modification of the terms on which it is sold. Whilst Beforepay is not currently aware of any planned or proposed PI Order which could impact its business, ASIC has stated in its Corporate Plan for 2021-25 that it is preparing to use its new PI powers in relation to short-term and small amount credit providers. ASIC has also stated that is plans to undertake surveillance and enforcement action in relation to debt collection practices of credit providers and lender conduct that exacerbates financial stress, which could result in ASIC exercising its PI powers. As a result, there is a risk that ASIC may issue a PI Order in the future which is adverse to Beforepay. This may include PI Orders which are primarily directed at other providers, such as BNPL providers, but which also apply directly or indirectly to the business of Beforepay. It is possible that a PI Order could result in Beforepay being required to comply with additional regulatory obligations, including obtaining an ACL and complying with obligations under the NCCP Act and NCC, and/or making material changes to its business model.
- **Open Banking:** As set out in Section 3.14.1.7, Beforepay is not currently an accredited data recipient under the Opening Banking Regime, a form of the Consumer Data Right. However, it is considering applying for accreditation in the future to obtain a more in-depth overview of customers' financial positions. The process for becoming accredited is costly, onerous and requires a substantive investment in time. Beforepay would be required to meet the accreditation criteria, including demonstrating that it is fit and proper to manage Consumer Right Data and that it meets the requirements of the Consumer Data Right Rules. If approved for accreditation, Beforepay would be required to comply with rigorous requirements regarding consent, record-keeping, reporting and IT (including the Consumer Data Standards), as well as the maintenance of a Consumer Data Right Policy. This may require Beforepay to make changes to its customer communications, internal frameworks and IT systems and governance.
- **Credit Reporting:** As set out in Section 3.14.1.8, Beforepay is not currently subject to the Comprehensive Credit Reporting (CCR) regime, which mandates the provision of certain consumer credit information, including credit limit and repayment information on advances and credit facilities. There is a possibility that Beforepay may be subject to the CCR regime in the future, which would require it to comply with a number of additional legal and regulatory obligations, including under the NCCP Act and Privacy Act.
- **Unfair Contract Terms:** As set out in Section 3.14.1.3, Beforepay is subject to a prohibition on unfair contract terms under the ASIC Act and ACL, which broadly provide that a contractual term is void on the basis that it is unfair if (i) it would cause a significant imbalance in the parties' rights and obligations; (ii) it is not reasonably necessary to protect Beforepay's legitimate interests; and (iii) it would cause detriment to a customer. Beforepay updated the terms of its Pay Advance Agreement and Terms of Service in September 2021 to minimise the risk of its terms being interpreted as unfair. All new Loans entered into between Beforepay and customers from 30 September 2021, were on the basis of the updated terms and Beforepay also implemented a process to transition existing customers with current Loans onto the updated terms for any further Loans. There is a risk that ASIC or the ACCC may argue that historical or current terms of the Pay Advance Agreement and Terms of Service are unfair, or that customers may argue that certain terms are unfair and void, including in court. The question of whether any particular term of the historical or current terms of the Pay Advance Agreement and Terms of Service is unfair can ultimately only be determined by a court.

(b) Regulatory changes impacting funding

Beforepay's financiers may be subject to regulatory changes which may adversely affect their ability to advance funding, or may otherwise increase the cost of funding, or increase the amount of capital Beforepay needs to hold to advance that funding.

Beforepay's competitors may also experience favourable regulatory changes to their funding arrangements which could result in increased competition for consumer lending.

5.2.5 Beforepay is reliant on a continued ability to 'scrape' and directly credit and debit customer bank accounts

Beforepay uses "scraping" of customer bank accounts in order to complete Beforepay's credit-check process, as well as to provide its budgeting tool to customers. Currently, it is generally possible to conduct "scraping" of bank accounts through financial institution internet banking facilities. The Company does not represent that all financial institutions have given express approval to "scraping" of bank accounts. If financial institutions reconfigured their internet banking facilities (such as requiring a one-time pin for accessing the facilities) or prohibited scraping through other technical means, this could prevent Beforepay from scraping bank accounts of customers in the future. If this were to occur, Beforepay would accelerate its plans to become an accredited data recipient under the Consumer Data Right regime and implement tactical solutions to enable the product offering to continue (with potential additional business costs). However, whilst Beforepay is not aware of any such plans or proposals, notwithstanding these intended solutions, such a decision by financial institutions could have a material adverse impact on Beforepay's operating model and in turn its business and financial performance. Furthermore, a change in financial institutions' account configuration to restrict the ability to use automated credit and debit payments would also adversely impact Beforepay.

5.2.6 Beforepay is reliant on third-party vendors, information-technology suppliers, and software and infrastructure providers

(a) Reliance on third-party vendors, information-technology suppliers, and software and infrastructure providers

Beforepay's business is dependent on the services and software provided by, and consequently its relationships with, key third-party vendors, information-technology suppliers, and software and infrastructure providers. For example, Beforepay:

- uses third parties to categorise customers' historical payments, undertake identification checks for the purpose of anti-money laundering regulations, transfer money to customers and debit from customers the fee and the repayments;
- relies on Amazon Web Services for data storage and cloud-hosting services;
- relies on contracts with third-party information-technology suppliers to maintain and support its technology platform and customer interface, including mobile application stores and cloud data hosting providers; and
- relies on online payment gateways to process payments,

and consequently, there are a range of potential operational issues which are outside its control. Beforepay could face significant additional costs or business disruption if:

- any such supplier fails to enable Beforepay to provide its customers with reliable, real-time access to its technology platform; and/or
- Beforepay's arrangements with such suppliers are terminated or altered in any way (including an increase in the cost of supply) that is detrimental to Beforepay and Beforepay cannot find alternative sources of technology or systems on commercially reasonable terms or on a timely basis,

which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

(b) Operational or business delays

Any reduction in the accuracy or availability of the services provided to Beforepay by its key third-party vendors and software and infrastructure providers, may disrupt Beforepay's business operations, require Beforepay to update its general business processes, require Beforepay to replace its offering with a competitor to the vendor/provider, or require Beforepay to undertake investment to build its own service offering. For example, inaccurate transaction data or transaction categorisation could adversely impact eligibility assessments, pay-cycle detection or credit risk models. In addition, Beforepay's relationship with its key third-party vendors and software and infrastructure providers may terminate or change, either at the election of Beforepay (such as due to Beforepay moving the service provided by such third parties in-house) or due to actions undertaken by the third party, or may otherwise be interrupted. Such termination, change or disruption may disrupt Beforepay's business operations or require Beforepay to undertake further investment in its own service offering. Beforepay may elect to in-house some of its third-party provided services and there is a risk that it is unable to provide those services at the same standard or cost. Operational or business delays, damage to reputation and loss of customers may result from any disruption of Beforepay's systems and infrastructure, which may arise due to matters outside of Beforepay's reasonable influence or control. These consequences could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

In addition, increases in Beforepay's transaction volumes may cause interruptions to Beforepay's software, systems and technology infrastructure and the software, systems and technology infrastructure of its key third-party vendors. Such interruptions may reduce the number of Beforepay's completed transactions, increase Beforepay's expenses, including where Beforepay is required to expand or change its network infrastructure to avoid interruptions to Beforepay's software, systems and technology infrastructure, or reduce the level of consumer service. These factors may potentially adversely impact Beforepay's financial performance.

(c) Inability to renew its contracts or less favourable terms

Beforepay may be adversely affected by an inability to renew its contract with key third-party vendors and software and infrastructure providers, including Zai Australia, Basiq, Frankie, and Zepto. As a consequence, Beforepay may face an increased cost of doing business and a disruption in its ability to provide a simple and fast interface to its customers, including as a result of potentially having to source an alternate provider of such services, adversely impacting its business, financial performance and operations.

The majority of Beforepay's existing IT supplier contracts in relation to Beforepay's technology platform are based on the suppliers' standard terms and conditions. A number of suppliers maintain the right to amend their standard terms and conditions from time to time. Many of the technology supplier contracts are short-term contracts, typically on rolling 12 month terms, month-by-month terms or open length terms. There is no guarantee that Beforepay will be able to renew any contract on similar or not less favourable terms. While these services could generally be replaced, they are fundamental to the provision of Beforepay's services and are highly integrated in, or form a core part of, Beforepay's platform. As a result, any change to the relationships with these third-party vendors or software or infrastructure providers and the services they provide, could cause disruption to Beforepay's business, which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

(d) Ability of counterparties to terminate without cause on short notice, and the limitation on counterparties' warranties and/or liabilities

A number of Beforepay's supplier contracts contain termination for convenience provisions whereby the supplier is able to terminate the contract without cause on short notice, or are near expiry and should be renewed. A loss of a material contract may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

There is also a risk that third-party suppliers do not perform adequately, terminate the contracting relationship with Beforepay, become insolvent, are otherwise acquired by a competitor or that losses may be incurred by the counterparty and others, which are the responsibility of Beforepay. Where a counterparty fails to satisfy the terms of their agreement, Beforepay may be required to seek remedy from the relevant counterparty. There is a risk that a sufficient remedy may not be granted or be available from the relevant counterparty due to the exclusion of warranties by the counterparty, or the limitation of the counterparty's liability as specified in the contract with the counterparty. If a counterparty breaches a contract with Beforepay, there is a risk that Beforepay may be unable to adequately recover any loss suffered by it from a breach by the counterparty, which may have a materially adverse impact on Beforepay's financial performance.

Additionally, Beforepay is subject to indemnity provisions in a number of its material supplier contracts. There is a risk that Beforepay will be unable to meet its existing payment obligations, or be unable to adequately fund its exposure to damages or compensation owed to an indemnified party if it breaches the terms of a supplier contract, which may also have a material adverse impact on Beforepay's financial performance.

5.2.7 Beforepay's automated credit processes and credit risk framework may fail to assess credit risk accurately

Beforepay relies on its automated credit assessments and its credit-risk models and frameworks to determine whether to advance a Cash Out to a customer and the amount of the Cash Out. While Beforepay expects to generate some losses in relation to its Cash Outs, the automated credit-risk processes and the credit-risk models and frameworks seek to minimise these losses, such that Beforepay generates an appropriate return from its lending activities.

There is a risk that a failed operation of the automated credit assessments (for example, a technical failure in data gathering, inadequacies in the decision algorithms, or inaccurate transaction data or transaction categorisation affecting Beforepay's credit risk models) may result in Beforepay unintentionally accepting additional credit risk. This includes a risk that Beforepay's automated credit assessments fail to adequately assess and monitor credit risk under periods of changing or worsening economic conditions across the economy or within certain regions or industries which Beforepay services, or Beforepay's automated credit assessments fail to accurately gather data on a customer's pay-cycle, due to a change in bank or vendor processes or frameworks (such as a change in data formats).

There is also a risk that Beforepay's credit risk models and frameworks prove in practice to be less predictive than Beforepay expects for a variety of reasons. Some inaccuracies in assumptions, such as those resulting from matters that are inherently difficult to predict, are beyond Beforepay's control (for example, macroeconomic conditions and their impact on customer behaviours, or changes in consumer behaviour or employer pay practices). In addition, system or control errors could result in material errors or inaccuracies in Beforepay's models and could cause Beforepay to make wrong or sub-optimal decisions in managing its business. An aggregation of wrong or sub-optimal decisions could have a significant adverse impact on Beforepay's financial performance.

Furthermore, if Beforepay expands into new jurisdictions there is a risk that the application of Beforepay's existing automated credit assessments and its application of its credit-risk models and frameworks fail to appropriately assess or measure the credit risk for these jurisdictions, due to various factors including limited data available to calibrate Beforepay's credit decisions in these circumstances and the potential for idiosyncratic risk factors specific to that geography.

Additional credit risk and credit losses that exceed Beforepay's expectation may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, availability and cost of funding, growth, and/or the value of the Shares. If Beforepay's loss rate in respect of its Cash Outs to its customers exceeds a certain level, Beforepay will be in breach of financial covenants under the Longreach Credit Facility Agreement, which may trigger an event of default under the Longreach Credit Facility (as to which, see Sections 3.7.1.1 and 5.2.3 above).

5.2.8 Beforepay may fail to comply with key regulations such as those focused on money laundering, consumer rights and privacy

As set out in Section 3.14, Beforepay is currently subject to a range of legal and regulatory obligations in Australia. This includes the consumer protection obligations in the ASIC Act and CCA (including the prohibition on unfair contract terms, unconscionable conduct, misleading and deceptive conduct and false or misleading representations), AFCA's complaint resolution scheme, the AML/CTF Act and the Privacy Act. Beforepay may become subject to additional legal or regulatory requirements if laws or regulations change or if its business, operations, strategy or geographic reach change or expand in the future. This may potentially include the ACL regime, AFSL regime, and other legal and regulatory requirements in Australia, as well as overseas legal and regulatory requirements.

In addition, global regulation is becoming increasingly extensive and complex, particularly given the free flow of information and movement of people between countries. In certain circumstances, although less likely, jurisdictions where Beforepay does not currently operate (such as the United States of America, the European Union, and the United Kingdom) could have regulations that apply extraterritorially to Beforepay.

Beforepay may also fail to comply with relevant regulations in connection with any international expansion which it implements.

If Beforepay fails to comply with any applicable domestic or international legal or regulatory obligations it could be the subject of regulatory notices, investigations and enforcement actions, which may result in legal costs, fines, penalties, the payment of compensation, remediation orders, injunctions, or other administrative penalties. Beforepay may also be subject to class actions from customers and/or shareholders.

In addition to the potential legal consequences and associated legal costs of non-compliance with applicable legal and regulatory obligations, there is also a risk that Beforepay could face significant reputational damage and a loss of stakeholder (including customer and investor) trust and confidence.

One or a combination of the consequences of non-compliance could cause a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

5.2.9 Beforepay is highly reliant on mobile application stores

Beforepay has relationships with mobile application stores, such as the Apple App Store and Google Play Store, to distribute its app to customers' mobile devices.

The success of Beforepay's business and its ability to maintain its existing Cash Out volumes and grow its portfolio profitably heavily relies on its ability to maintain its existing relationships with the mobile application stores.

If Beforepay cannot maintain its existing relationships with mobile application stores, this may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares. The basis on which this may occur includes:

- Beforepay ceasing to comply with the terms and conditions of the mobile application store, including because of changes to those terms and conditions or changes to Beforepay's business;
- Beforepay not offering the type of products that the mobile application store wishes to distribute to their partners; or
- The mobile application store increasing the fees it charges Beforepay, including by charging Beforepay an amount equal to a percentage of the fee that Beforepay receives and/or a percentage of the amount of each Cash Out, which may become uneconomic for Beforepay and may reduce Beforepay's ability to write new Cash Outs profitably.

5.2.10 Beforepay may face potential litigation, claims and disputes

Beforepay may be subject to litigation and other claims and disputes in the course of its business, including employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, or criminal or civil proceedings. Set out below is an overview of a current dispute with one of Beforepay's suppliers.

Any litigation, claims and disputes, including the cost of settling claims or paying any fines, impacts from such litigation, claims and disputes on Beforepay's operations, and damage to Beforepay's reputation as a result of such litigation, claims and disputes, could materially adversely impact Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

IP related complaint by financial institution

On 18 October 2021, a financial institution raised concerns with the Company that: (i) one of Beforepay's "B" logos is too similar to the financial institution's logos and that the similarity constitutes a trade mark infringement, copyright infringement and misleading or deceptive conduct (relatedly, the financial institution states that it intends to oppose Beforepay's trade mark application for the relevant 'B' logo); and (ii) Beforepay branding including colour palette, use of particular colour combinations and certain graphic devices in combination are too similar to the brand assets of the financial institution's digital banking platform, and that such similarity constitutes a copyright infringement and misleading or deceptive conduct. The Company considers that the allegations made by the financial institution are weak and has denied them.

Whilst the Company has denied the financial institution's allegations, the Company has engaged with the financial institution to determine whether some or all of the concerns raised can be addressed by changes to Beforepay's branding that the Company considers to be not material and non-extensive. The Company expects it will be able to find a mutually agreeable solution to address most if not all of the financial institution's concerns.

If the current negotiations do not resolve all of the financial institution's concerns, there is a risk that the financial institution may take further action including commencing Court proceedings and/or opposing Beforepay's trade mark application for the relevant "B" logo.

5.2.11 COVID-19 pandemic and other pandemics

The ongoing COVID-19 pandemic has had a significant impact on the Australian economy, including the ability of individuals, businesses, and the State and Federal Governments in Australia to operate. There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including government, regulatory or health authority actions, work stoppages, lock-downs, quarantines, supply restrictions and unemployment rates in Australia. The negative impact of some or all of these factors on the Australian economy could cause an adverse impact to Beforepay's financial performance.

It is uncertain if the economic support and stimulus packages issued by the State and Federal Governments in Australia will mitigate and/or defer the economic impact of COVID-19, including any credit losses Beforepay may incur. There is a risk that Beforepay, as a result of the COVID-19 pandemic, may experience increased levels of borrower default and bad debts, a reduction in the demand for Beforepay's product, a decrease in Beforepay's fee income, a reduction in cash flow or a reduction or loss of access to funding, or an increase in the cost of funding. This may also negatively impact customer sentiment towards Beforepay and the financial services sector more broadly.

Extended periods of lock-down or stay-at-home orders to all or parts of Australia may reduce consumer activity in those areas, for example potentially reducing the amount of expenditure on travel and entertainment, which could reduce the demand for products and services, including Pay on Demand products.

There is also a risk that any economic support will create longer-term risks to the economy. COVID-19, and the responses by State and Federal Governments in Australia to COVID-19, may result in changes in interest rates, reduced liquidity or a continued slowdown in economic conditions in Australia. Such consequences may adversely affect Beforepay's business, financial position, results of operations, liquidity, or prospects. Further, extreme market volatility may materially impact Beforepay and the price of its Shares.

There is a risk that other pandemics could occur, which have effects on global economies and populations that are similar to or worse than COVID-19.

If Beforepay expands its offering to overseas jurisdictions, it would be exposed to similar risks in those jurisdictions.

5.2.12 Beforepay may experience a disruption or failure in its technology, or its technology or product offering may become obsolete

Beforepay's ability to deliver fast and easy access to finance for its customers and to successfully price credit risk depends on the efficient and uninterrupted operation of its application and cloud-based technology platform, as well as its automated credit-assessment process and technology provided by third-party partners.

There is a risk that Beforepay's technology platform, its automated credit assessment process and/or the technology of its third-party technology partners may experience downtime or interruption from system failures, service outages, corruption of information technology network or information systems including as a result of computer viruses, bugs, worms or cyberattacks, as well as natural disasters, fire, power outages or other events outside the control of Beforepay, and that measures implemented by Beforepay and relevant third parties to protect against such events are ineffective. Any systemic failure could cause significant damage to Beforepay's reputation, its ability to make informed credit decisions and assess the credit performance of its Cash Out book, its ability to service customers in a timely manner, and its ability to retain existing customers and generate new customers, any of which could have a materially adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

Beforepay's technology platform, automated credit assessment, third-party technology and/or product offering may also become obsolete or outdated through the investment of its peers in superior technology and/or product offerings, its peers' increased access to data through the introduction of positive credit reporting reforms or general market developments. This could require Beforepay to undertake substantial investment in updating or improving its current technology platform and product offering, which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

5.2.13 Beforepay may experience a security or data breach including from cyberattacks

Beforepay uses cloud-based technology platforms to host a number of its key systems and processes including customer data. Beforepay has had regard to maintaining the confidentiality and security of the wide range of confidential customer information that Beforepay collects, through the ordinary course of business, when designing its technology platform. Despite seeking to protect customer and Beforepay data, there is a risk that Beforepay is exposed to a security breach or is the victim of a successful cyberattack.

Any data security breaches or Beforepay's failure to protect confidential customer information (including through cyberattacks) could result in a significant disruption to Beforepay's systems, reputational damage, loss of system integrity, breaches of Beforepay's obligations under applicable laws, and/or an obligation under privacy laws to notify individuals and the Australian Information Commission or equivalent foreign authorities of the breach, and could reduce its ability to retain existing customers and generate new customers. Any of these factors could have a materially adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

5.2.14 Beforepay may be unable to pass on increased costs to customers

Beforepay currently charges a 5% fixed transaction fee per advance, which is the maximum amount of credit fees and charges that may be charged in order for the Short-Term Credit Exemption (described in Section 3.14.1.2) to apply.

Beforepay markets its product on the basis that there is "no interest or hidden costs". Beforepay would therefore need to change its product and marketing if it was to introduce interest charges and those interest charges would not be able to exceed an amount equal to the amount payable if the annual percentage rate were 24% per annum, if it wished to continue to rely upon the Short-Term Credit Exemption in Australia. The introduction of interest charges could result in a loss of demand for Beforepay's product and may be subject to increased regulatory attention.

Under this model, Beforepay would not be able to pass on additional costs it incurs or increase its fee charged in reaction to higher default rates.

5.2.15 Beforepay operates in a competitive market, with a range of alternative products available and increasing levels of competition

The broader consumer lending market which includes the Pay on Demand segment, is a competitive market. In addition to its direct competitors in the Pay on Demand segment, Beforepay's Pay Advance products also compete against other finance products in markets which may be available to consumers, including traditional lending, credit cards, Buy-Now-Pay-Later and layby (or layby equivalents).

Traditional bank and non-bank lenders, which may have access to lower funding costs, scale, and resource benefits, already offer or may decide to offer, a product focused on pay-advance lending and either offer a product which more closely reflects customer preferences, which has more attractive pricing, and/or has more or better marketing and distribution. For example, one of the big four banks in Australia now offers an online pay advance product.

In addition, in the fintech or online lender segment, Beforepay's direct competitors in the Pay on Demand segment and indirect competitors in other segments, such as the Buy-Now-Pay-Layer segment, may seek to imitate Beforepay's strategies and/or may attempt to aggressively take market share from Beforepay. The level of current and future competition in the market and changes in competitive behaviour may result in one or more of the following for Beforepay:

- lower levels of Pay Advances, leading to lower revenue;
- lowering of fixed transaction fees in order to remain competitive, leading to lower revenue; and
- an increase in the acquisition costs of customers in the direct channel (for example, through increased marketing spend).

Any or all of these factors may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

5.2.16 Beforepay's cost of marketing may increase and/or its effectiveness may be lower than expected

The growth of new direct customers depends in part on the effectiveness of the marketing efforts of Beforepay. There is a risk that Beforepay's advertising and marketing channels may become less effective or more expensive as a result of:

- increased competition or costs associated with bidding for search engine key words;
- increased competition or cost for online and social media advertisements;
- changes to the algorithms or terms of services for search engines, such as Google, which may cause Beforepay to be ranked lower or excluded from search results; and
- reduced effectiveness of marketing.

If the costs of advertising materially increase, or the effectiveness of Beforepay's marketing strategies decrease, Beforepay may grow more slowly, which would have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares.

5.2.17 A change of control of the Company may have adverse implications under its contractual arrangements

Certain of Beforepay's existing contracts include change-of-control provisions which could be triggered by a change of control of the Company as part of a takeover bid, a scheme of arrangement or otherwise. Beforepay is subject to change of control restrictions in the Longreach Credit Facility Agreement (refer to Section 3.7.1.1) and certain insurance policies of the Company (refer to Section 9.6.1.3). In addition, future arrangements entered into by Beforepay may also include change-of-control restrictions.

The trigger of any change-of-control restrictions may have various consequences for Beforepay, including but not limited to, giving rise to a termination right, triggering an event of default, or insurance policies going into run-off, all of which may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.18 Beforepay's intellectual property may be compromised or lost

Beforepay has developed a proprietary technology platform which is key for the successful operation and growth of Beforepay's business. The commercial value of Beforepay's intellectual property in the technology platform is dependent in part on operational procedures to maintain confidentiality and legal protections provided by a combination of copyright, trade secrecy laws, confidentiality obligations on employees and third parties and other intellectual property rights.

There is a risk that Beforepay's intellectual property may be compromised in a number of ways, including:

- Beforepay's employees may breach operational procedures, or employees or third parties may breach confidentiality obligations, or infringe or misappropriate Beforepay's intellectual property, compromising Beforepay's competitive advantage;
- Beforepay's third-party vendors may gain insights into Beforepay's intellectual property, including Beforepay's proprietary systems and use these findings to develop alternative technologies which compete with Beforepay;
- third parties or employees claiming ownership of Beforepay's intellectual property; and/or
- third parties may develop non-infringing competitive technology.

Any such breaches or competing technologies could erode Beforepay's competitive position, which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.19 Beforepay may suffer a loss of, or be unable to attract key personnel

The successful operation of Beforepay relies on its ability to attract and retain experienced and high performing employees with specialist skills (including in relation to technology and credit-risk assessment, among other areas). Failure to attract and retain certain key employees may adversely affect Beforepay's ability to execute its growth strategy, may result in a material increase in the costs of obtaining experienced and high-performing employees, and could have a materially adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.20 Beforepay is exposed to adverse economic conditions across the Australian economy and specific segments of them

Australian consumers, who are Beforepay's current customers, are exposed to the general economic cycle. When the economic cycle turns negative, Beforepay's customers may experience a deterioration in their financial performance and may be unable to repay their Cash Outs, resulting in lower revenue collections and higher loss expense to Beforepay, as well as lowering Beforepay's Cash Out approval rates and Pay Advances, impacting Beforepay's ongoing income, cash flows and/or financial position.

The indicators of a deterioration in the economic cycle might include:

- Lower GDP growth (or negative GDP growth);
- Lower consumer confidence;
- Contractionary government fiscal and monetary policy; and/or
- Unfavourable exchange rate movements.

Other factors which may impact a consumer include:

- Unemployment rates;
- Inflation;
- Interest rates;
- Wages;
- Government policy changes; and/or
- The ongoing impact of the COVID-19 pandemic, as discussed further at 5.2.11.

Within the broader context of the Australian economy, there are industry sectors which are impacted by macroeconomic and microeconomic factors to varying degrees. Even in benign general economic conditions, there could be industry sectors which are deteriorating, which may present a risk if Beforepay is exposed to those industry sectors.

The Australian economy can also be split along geographical lines. To the extent that one region is experiencing adverse economic conditions, this can materially affect Beforepay's financial performance and portfolio health to the extent Beforepay is exposed to this region.

In addition to lower revenue and higher bad debts, adverse economic conditions can constrict funding markets, which may reduce Beforepay's access to capital and reduce its ability to grow at a fast pace, and/or it may increase the cost of those funds and such increase may not be capable of being passed on to customers, which could reduce Beforepay's ongoing income.

If Beforepay expands its offering to overseas jurisdictions, it would be exposed to similar risks in those jurisdictions.

5.2.21 Beforepay's brand and/or reputation may be damaged

Beforepay relies heavily on its reputation in its day-to-day business activities. Beforepay's brand and reputation are very important in attracting and retaining customers. Beforepay's brand and reputation are also important to Beforepay's ability to maintain its existing funding arrangements and obtaining new funding. Beforepay is exposed to brand and reputational risks posed by unrelated parties registering business names, companies or trademarks that may contain or include the Beforepay name, domestically and internationally. While Beforepay has secured a number of domestic business names including "Beforepay Co" and "Beforepay Group", and have registered domestic trademarks, there is a risk of unrelated parties registering a closely related business name, or applying for a similar trademark in offshore jurisdictions and using the Beforepay name in a manner that damages the Beforepay image, brand or reputation.

Beforepay manages risks relating to a number of issues and events, including risks relating to legal and regulatory requirements and sales practices, potential conflicts of interest, privacy laws and ethical issues, among other considerations, which may cause harm to Beforepay's brand, image or reputation through negative publicity, heightened regulatory focus, or negative customer experience. Actions or failures by other market participants could also negatively impact the reputation of the industry and Beforepay.

Any factors that diminish Beforepay's brand and reputation may limit Beforepay's ability to execute its growth strategies (including its ability to attract and retain new customers and maintain and increase its funding) and any adverse perception on the part of investors, customers, counterparties or regulators, could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.22 Beforepay is exposed to operational risks including conduct risk and business continuity risk

Beforepay is exposed to operational risk and conduct risk arising from a number of factors, including human error, processing and communication errors and employees not carrying out their duties responsibly.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. For example, Beforepay could incur losses from inadequate controls to manage its technology, regulatory or outsourcing risk. Beforepay is highly dependent on the conduct of its employees, contractors and external service providers and could incur losses due to, for example, incorrect or fraudulent payments resulting from the negligent conduct of its employees, contractors or external service providers. Failure of Beforepay's controls and procedures to manage operational risk could result in reputational damage and potential litigation for Beforepay, and may have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

Beforepay may also suffer reputational and other damage as a result of misleading communications or other misconduct of third parties, such as where a third-party provider with access to customer information suffers a privacy breach, even if not authorised by Beforepay.

Beforepay's business is highly dependent on its ability to process a large number of Cash Outs on a daily basis. Beforepay's financial, accounting, data processing, credit risk process and other operating systems and facilities may fail to operate or become partially disabled, as a result of events that are wholly or partly outside Beforepay's control.

In addition, Beforepay is exposed to the risk of loss resulting from pricing risk, credit risk, customer servicing risk, incorrect evaluation, record or accounting for Cash Outs, human error, breaches of Beforepay's internal policies and regulations, breaches of security, theft, fraud and improper business practices. Beforepay's inability to maintain business continuity in such a situation could material adversely impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.23 Beforepay may be exposed to fraud

Beforepay is exposed to the risk that its customers, employees or partners may seek to commit fraud against Beforepay or its customers. Fraudulent behaviours could include customers syncing up multiple bank accounts, undertaking identity theft, providing fraudulent information or misrepresenting their ability or intention to service the pay advances in order to obtain finance.

There can be no assurance that Beforepay's internal controls will prevent the incidence of fraud. Failure of Beforepay's internal controls to detect fraud may result in damage to Beforepay's reputation or standing with funding providers, significant losses due to non-repayment of pay advances, or impact Beforepay's ability to attract customers, each of which could have a material adverse impact on Beforepay's business, financial position, operating and financial performance, growth and/or the value of the Shares.

5.2.24 Profitability

Beforepay is a relatively new business having incorporated in June 2019 and commercially launched its product in August 2020, and has operated at a loss since its incorporation. Beforepay had a statutory historical net loss after tax of $18,767,172 in FY2021. Please refer to Section 4.3.

Beforepay's ability to become profitable depends on its ability to collectively increase revenue through increasing Pay Advances by attracting new users and increasing the average Cash Out amount, reducing the level of defaults on Cash Outs, and managing operating costs, including employee expenses and advertising and marketing expenses. Beforepay may not be able to achieve the growth or achieve a low enough level of defaults in order to turn an operating profit and become cash flow positive.

5.3 Investment risk factors

5.3.1 Macroeconomic conditions

In addition to the risks identified at Section 5.2.18, general economic conditions, changes in government policy, amendments to legislation, movements in interest rates, inflation and currency exchange rates may have an adverse impact on Beforepay's operations, as well as its ability to finance its business model and pay dividends. Other general economic conditions which may adversely impact the price of Shares include an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. As a result of the abovementioned factors, Beforepay is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below their Offer Price.

5.3.2 Share prices may fall

The price of the Shares quoted on ASX may rise or fall. The Shares may trade below or above the Offer Price, due to a number of factors. There is no assurance that the price of Shares will increase following quotation on the ASX. The factors which may affect the price of Shares include but are not limited to:

- general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- the number of potential buyers or sellers of Shares on ASX at any given time;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- recommendations by brokers or analysts;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which Beforepay operates; and
- general and operational business risks.

Other factors that may negatively affect the investor sentiment and influence Beforepay specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, flood, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of pandemic disease or other man made or natural events. These factors are beyond the control of Beforepay.

Any of the factors described above could have a material adverse impact on your investments in the Company as it affects Beforepay's business, financial position, operating and financial performance, growth, and/or the value of the Shares. Given the market for the Shares will be new, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Shares will develop or continue after the Offer.

5.3.3 Trading in Shares may not be liquid

There is currently no public market through which existing Shares may be sold. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

64.9% of Shares following Completion of the Offer are expected to be subject to mandatory or voluntary escrow or a holding lock, which may impact liquidity (refer to Section 9.7 for further details, including that mandatory escrow is ultimately in ASX discretion). The mandatory escrow is described in Section 9.7.1, the voluntary escrow is described in Section 9.7.2. Furthermore, there are restrictions on dealing with Shares issued or transferred upon the exercise of the Legacy LTIP Options under the Legacy LTIP (referred to as the Three Year Dealing Restrictions and described in Table 6.3.5). In addition, certain Legacy LTIP Options are also subject to mandatory escrow (refer to Section 9.7.1). The absence of any sale of Shares subject to mandatory or voluntary escrow may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Further, there is no guarantee that the Shares will remain continuously quoted in the ASX, which could impact the ability of Shareholders to sell their Shares.

5.3.4 Taxation changes may negatively affect Beforepay

Beforepay may be exposed to changes in taxation legislation or interpretation across any jurisdiction in which it may conduct business in the future. Changes to the current tax rates imposed on Beforepay in any jurisdictions in which it operates, are likely to affect Beforepay's profit after tax and therefore Shareholder returns.

In addition, taxation legislation is open to different interpretations by different parties. Beforepay's interpretation of a taxation law may differ to those of a relevant country's Taxation Authorities and this may increase the amount of tax to be paid by Beforepay, or result in changes to the carrying value of tax assets in Beforepay's financial statements. Any actual or alleged failure to comply with taxation laws could increase Beforepay's tax liabilities or expose it to legal, regulatory or other actions. This could adversely impact Beforepay's level of dividend franking and Shareholder returns.

The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date.

An investment in the Shares involves tax considerations which differ for each Shareholder. It is recommended that each prospective Shareholder seek professional tax advice in connection with any investment in the Company.

5.3.5 Shareholders may be diluted

Beforepay may elect to issue Shares or engage in capital raisings to fund its business, expansions, investments or acquisitions, to repay debt, or for any other reason. While any capital raising activity or any other issuance of Shares will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of capital raisings undertaken or Shares issued.

5.3.6 Accounting standards may change

AAS are set by the AASB and are outside the control of Beforepay, its Directors and management. The AASB may introduce new or refined AAS in the coming years, which may materially affect future measurement and recognition of key statement of profit and loss and statement of financial position items. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statement of profit and loss and statement of financial position items, may materially differ. Changes to AAS issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely impact the financial performance and position reported in Beforepay's consolidated financial statements.

5.3.7 Dividend risk

To date, Beforepay has not paid any dividend on its ordinary shares. The Directors have no current intention to declare and pay a dividend and there is no certainty that Beforepay will pay dividends in the future.

5.3.8 Force majeure events may occur

Events may occur within or outside the jurisdictions in which Beforepay operates or has activities that could impact upon the economies of those jurisdictions or the global economy, the operations of Beforepay and the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have a material adverse effect on the demand for Beforepay's products and services and its ability to conduct business. Beforepay has only a limited ability to insure against these risks.

5.3.9 Speculative investment

The above list of risk factors is not to be taken as an exhaustive list of all risks relevant to an investment in the Company. The above risks, and others not specifically referred to above, may materially adversely impact any investment in the Company including its business, financial position, operations and financial performance, and/or growth of Beforepay and the value of the Shares under the Offer. No investment in the Company is a guarantee of profitability, dividends, return of capital or the price at which Shares may trade on the ASX. In addition, past financial performance provides no indication or guarantee of Beforepay's financial performance in the future. Potential investors should consider that the investment in Beforepay is speculative and should consult their professional advisers before deciding whether to apply for Shares under this Prospectus.

6.
Key People, Interests and Benefits

6. Key People, Interests and Benefits

6.1 Board of Directors

6.1.1 Director Expertise, Experience and Qualifications

The Directors of the Company bring to the Board relevant experience and skills, including sector and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board are set out below.

Table 6.1: Director Expertise, Experience and Qualifications

Director	Expertise, Experience and Qualifications
	**Brian Hartzer,** Chair and Independent Non-Executive Director *BA (Hons), Princeton University* Brian was the former CEO of Westpac Banking Corporation from 2015 to 2019. Brian was previously CEO of the Retail & Wealth Management division of the Royal Bank of Scotland Group in the United Kingdom. Prior to that he held several senior leadership roles at Australian and New Zealand Banking Group Limited, including running the retail arm of the bank.
	**Natasha Davidson,** Independent Non-Executive Director *LLM, Sydney University; LLB (Hons), Macquarie University, GAICD* Natasha Davidson is a SaaS growth and governance expert. She has been a practising attorney specialising in mergers and acquisitions and capital markets for more than 25 years. She has been an investment banking professional with ABN AMRO and RBS for almost a decade and served as President of the Australian Financial Markets Association, Capital Raising Committee for a five year term leading novel reform for our capital markets. She has led and continues to lead global SaaS legal and risk teams in her senior management career to which she remains committed as well as having been a chief commercial officer. She is a Fellow of the Australian Governance Institute in recognition of her career as a risk management professional and a graduate of the Australian Institute of Company Directors.
	**Daniel Moss,** Non-Executive Director *BBus, University of Technology Sydney* Daniel is a founding partner and the Managing Director of VFS Group, a firm specialising in creating and managing wealth for private clients. He has over 15 years' experience in investment markets, dealing in both listed and unlisted assets. Daniel is a leading member of the Company's Investment Committee. He manages multiple venture investments dealing in high growth, disruptive companies. He served as a Non-Executive Director on the Board of Grow Inc and is a member of the Australian Institute of Company Directors.
	**Patrick Tuttle,** Independent Non-Executive Director *CA; BEcon, Macquarie University* Patrick is the current Chairman of OpenPay Group (ASX: OPY) and COG Financial Services (ASX: COG) and is the current Executive Director of Azora Finance Group. Patrick was previously the CEO of Pepper Group for nearly 10 years and is a former Divisional Finance Director at Macquarie Bank Limited. Patrick also has extensive non-executive director experience across other leading financial services providers such as Douugh, GetCapital, and DiviPay. Patrick is also a former Deputy Chairman and a Lifetime Member of Australian Securitisation Forum, Inc.

Director	Expertise, Experience and Qualifications
	**Stefan Urosevic,** Non-Executive Director *MBA, Deakin University* Stefan is currently a Director and the Chief Financial Officer at VFS Group, a firm specialising in creating and managing wealth for private clients. Stefan served as a Non-Executive Director on the board of Grow Inc. and continues to serve as the Responsible Manager for Grow Inc. Stefan has extensive experience in wealth management, financial planning, corporate advisory and venture capital investing. Stefan is a Fellow of the Financial Services Institute of Australasia (FINSIA), is a member of the Certified Practicing Accountants Australia and is a member of the Australian Institute of Company Directors.
	**Luke Bortoli,** Proposed Director *PhD, Economics, University of Sydney* Luke is a growth focused executive, director and investor with a specialisation in the Fintech, mobile gaming and NFT sectors. Most recently, Luke was the Chief Financial Officer at Afterpay Limited, one of the world's fastest growing payments platforms and the largest BNPL operator globally, and prior to that, he was the Global Head of Strategy and CFO of Special Projects at Aristocrat. Before joining Aristocrat, Luke was a financial institutions and technology focused investment banker specialising in M&A and capital raising at UBS. Luke is a Non-Executive Director of WithYouWithMe, which is a social impact organisation. It is intended that Luke Bortoli will become a director on the later of the date of the Listing and 1 February 2022[33]. The Board considers Luke Bortoli will be an independent director on appointment. After Luke is appointed as a director, the Board will consider what sub-committees (if any) Luke will be a member of.

6.1.2 Directors good fame and character disclosure

Except as set out below, no Director nor the Proposed Director has been:

- an officer of any company that has been put into liquidation, receivership, administration or had a controller appointed during the time the Director or Proposed Director was an officer or within the 12-month period afterwards; or
- involved in any criminal proceedings, regulatory violations or significant litigation or charged with or convicted of any offence.

Brian Hartzer was employed by Westpac Banking Corporation (**Westpac**) from June 2012 and was CEO from 2 February 2015 to 2 December 2019. Mr Hartzer was also a director of Westpac (and subsidiaries) from 2 February 2015 to 2 December 2019. During the period Mr Hartzer was a director of Westpac, Westpac was the subject of regulatory enforcement actions including by ASIC and, in November 2019 shortly before he departed Westpac, by AUSTRAC. In connection with the November 2019 AUSTRAC proceedings, two securities class actions against Westpac were filed in Australia and one was filed in the United States. The securities class action against Westpac in the United States and one of the securities class actions in Australia also named Mr Hartzer as a defendant; those class actions were settled and discontinued respectively without any admissions or payments by Mr Hartzer. As at the date of this Prospectus, there are no continuing securities class actions involving Mr Hartzer and there have been no adverse findings against Mr Hartzer by regulators or in litigation in connection with the AML/CTF matters at Westpac.

The other Directors of the Company do not believe that the above matter is material to the future performance of Mr Hartzer's duties as a Director of the Company or the future performance of Beforepay.

33. Subject to ASX confirmation regarding the appointment.

6.2 Senior management

6.2.1 Senior Management Expertise, Experience and Qualifications

The following table provides information regarding the senior management team of Beforepay, including their positions and expertise.

Table 6.2: Senior Management Expertise, Experience and Qualifications

Senior Management	Expertise, Experience and Qualifications
	**James Twiss,** Chief Executive Officer *BA, Harvard University; MBA, Stanford University* James has more than 20 years of experience in strategy and financial services. He previously worked at Westpac, where he served as Chief Strategy Officer and also Chief Data & Strategy Officer. Prior to his roles at Westpac, James was the Managing Director, Americas for First State Investments (then owned by Commonwealth Bank), and before that at Commonwealth Bank in Sydney. He began his career at McKinsey & Company, where he worked in the New York and then in the Sydney offices.
	**David Brady,** Chief Financial Officer *BEcon, Charles Darwin University* David has 9 years professional services' experience (commencing at PwC as a statutory auditor) and 15 years' commercial experience as a finance professional predominantly in private equity owned businesses. More recently senior roles in financial service businesses at ASX-listed Scottish Pacific Group and US private equity firm owned Angle Finance Group. David holds a Bachelor of Economics from Charles Darwin University and is a Member of the Institute of Chartered Accountants of Australia.
	**Guo Fang Mao,** Co-Founder and Current Chief Technology Officer *BSc degree from La Trobe University; MS from the University of Western Australia* Guo Fang Mao (Dean) co-founded Beforepay in 2019 and has been the CTO since inception. He has more than ten years of experience working in technology, working across a range of industries including transport, gaming, and mining. His professional focus has been on developing the architecture and building out high-traffic, scalable systems. Most recently, he joined Jayride in 2017 as the technical lead and helped take the company through its public listing; after that, he led the engineering team developing the property-management system at Rockend. Dean will be stepping down from his role as Chief Technology Officer when the incoming Chief Technology Officer begins at Beforepay on 6 December 2021. It is intended that Dean will continue to guide and enable execution of the business strategy in an advisory capacity for a period of time, to ensure the smooth transition of the role to Micha.
	**Micha Wotton,** Incoming Chief Technology Officer Micha will be the incoming Chief Technology Officer, joining Beforepay on 6 December 2021. Micha has over 20 years of experience in software and IT, building and managing technology and engineering teams across a diverse range of industries. Prior to joining Beforepay, Micha spent two years at Douugh Labs as Chief Technology Officer, where he oversaw the engineering and technology strategy as the product was launched in the United States and the business listed on the ASX. Prior to Douugh, Micha led the engineering team at Rotor Studios, an award-winning specialist content creation and service provider and technology teams at LEAP Dev in the legal sector. Previously, he built software teams at start-ups and worked in agencies and various enterprises in both IT and software engineering capacities.

Senior Management	Expertise, Experience and Qualifications
	**Elena Chan,** Chief Risk Officer and General Counsel *BCom (Finance), University of New South Wales; LLB, University of New South Wales* Elena has over 15 years' experience in the financial services industry. Prior to joining Beforepay, Elena was the Head of Group Transformation Office at Westpac and spent nine years at Westpac holding various legal, risk and business roles. She was an in-house lawyer in the Westpac Institutional Bank Legal team for three years and led the Financial Markets legal team for Westpac's Institutional Bank for three years. Prior to joining Westpac, Elena worked at a number of law firms and corporations in Australia and the United Kingdom, including Henry Davis York, Morgan Stanley, Simmons & Simmons and PricewaterhouseCoopers. She has extensive experience in advising financial institutions on a full range of financial products and services offerings.
	**Kasey Kaplan,** Chief Product Officer *BA, Albion College; MA, Oakland University* Over the past decade, Kasey has worked extensively across a broad range of industries, including payments and fintech, blockchain, retail, marketing and events, e-commerce and online marketplaces. Prior to joining Beforepay, Kasey was the Global Head of Product at Cover-More Group (a Zurich Insurance company); before that, he was on the founding team of Urban FT, a successful fintech in the United States.
	**Chris Richardson,** Chief Marketing Officer *BSc Mathematics, The University of Manchester* Chris has extensive experience in marketing across the UK and Australia. He previously worked as a director at Edelman Australia and before that at iProspect in Australia. In the United Kingdom, Chris worked as an agency partner for a number of different brands.

6.2.2 CEO and CFO good fame and character disclosure

The CEO has not been an officer of any company that has been put into liquidation, receivership, administration or had a controller appointed during the time the Director was an officer or within the 12-month period afterwards.

David Brady was a director of The Doctors Company Pty Limited for a two and a half-month period from 16 April 2010 to 9 July 2010. Mr Brady was appointed a director on behalf of incoming investors as part of a planned recapitalisation of the business. However, financial due diligence undertaken by the incoming investors uncovered information which resulted in the planned investment being cancelled and Mr Brady's resignation as a director. The Doctors Company Pty Limited went into administration on 9 August 2010, a month after Mr Brady's resignation as a director.

Neither the CEO nor the CFO have been involved in any criminal proceedings, regulatory violations or significant litigation or charged with or convicted of any offence.

The Directors of the Company do not believe that David Brady's involvement with The Doctors Company Pty Limited is material to the future performance of David's duties as CFO of Beforepay or the future performance of Beforepay.

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- manager to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer, or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Executive remuneration

6.3.1.1 Overview

Beforepay's philosophy on remuneration is that executive and key employee remuneration should be aligned with Shareholder interests by providing levels of fixed remuneration and "at risk" pay sufficient to attract, motivate and retain individuals with the skills and experience required to build on and execute the Company's business strategy.

Executive remuneration comprises of fixed remuneration, short-term incentives and long-term incentives through equity-based compensation.

Beforepay intends to issue short-term incentives to its employees, and is in the process of developing its policy relating to short-term incentives.

The Legacy LTIP was established in 2019 and securities issued under that plan will remain on issue after completion of the Offer. The Company has established a new Long-Term Incentive Plan (**LTIP**) to assist in the motivation, reward and retention of senior management and other employees from time to time. The LTIP is designed to align the interests of senior management and other employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company, subject to the satisfaction of certain performance conditions.

6.3.1.2 Chief Executive Officer

Details regarding the terms of employment of the Chief Executive Officer, James Twiss, are set out below in Table 6.3.

Table 6.3.1: Summary terms of employment of the Chief Executive Officer, James Twiss

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Employer</td><td>James is employed on a full-time basis by the Company.[34]</td></tr>
<tr><td>Fixed remuneration</td><td>James is entitled to receive a total annual fixed remuneration of $350,000 (inclusive of superannuation). Superannuation contributions are paid at the statutory rate.</td></tr>
<tr><td>Short-term incentives</td><td>James is entitled to participate in any annual incentive or bonus scheme. James will not participate in the one-off short-term incentive bonus scheme of an aggregate amount of $350,000 which is subject to the Listing occurring.</td></tr>
<tr><td>Long-term incentives</td><td>
James is entitled to participate in the LTIP described in Section 6.3.2.
The Company issued 1,918,000 options to acquire Shares to James under the Legacy LTIP. The options have an expiry date of 10 years from the date of issue and an exercise price of $0.8793 per option. The options were issued on 9 July 2021.
Of these options to acquire Shares, 959,000 are for newly issued Shares and are subject to ‘service-based’ performance conditions. The remaining 959,000 options are for existing Shares to be transferred from the affiliated corporate shareholder of each of Guo Fang Mao and Tarek Ayoub (Grantors) pursuant to the terms of the LTIP Call Option Agreements (described in Section 9.6.1.1) and are subject to ‘performance-based’ conditions based on the Listing and the market capitalisation of the Company (tested by reference to a 20 trading day volume weighted average price). The table below summarises the vesting conditions of the options:
<table>
<tr><th>Vesting condition</th><th colspan="4">Option tranches</th></tr>
<tr><td>Service-based (to be satisfied through newly issued Shares)

Length of service from commencement date of employment (20 May 2021)</td><td>20 May 2022 (being 12 months after the date that James Twiss commenced employment with Beforepay Ops) – 239,700 options</td><td>20 May 2023 (being 24 months after the date that James Twiss commenced employment with Beforepay Ops) – 239,700 options</td><td>20 May 2024 (being 36 months after the date that James Twiss commenced employment with Beforepay Ops) – 239,800 options</td><td>20 May 2025 (being 48 months after the date that James Twiss commenced employment with Beforepay Ops – 239,800 options</td></tr>
<tr><td>Performance-based (subject to the Call Option Agreements)</td><td>On the earlier of Listing or 9 July 2022 (the date that is 12 months after the issue date) – 239,700 options</td><td>Market capitalisation of the Company reaches $250 million – 239,700 options</td><td>Market capitalisation of the Company reaches $500 million – 239,800 options</td><td>Market capitalisation of the Company reaches $1,000 million – 239,800 options</td></tr>
</table>
</td></tr>
</table>

34. James Twiss’ employing entity may change to a subsidiary of the Company.

Term	Description
Other interests and benefits	James may be reimbursed for all reasonable out of pocket expenses which are incurred by him in the course of his employment and are authorised by the Company.
Termination	Either James or Beforepay Ops can terminate James' employment by giving the other party six months' written notice (or by Beforepay Ops making payment in lieu of notice of part or all of the notice period). Beforepay Ops may summarily terminate James' employment contract in certain circumstances, including where he: • commits any act which materially detrimentally affects the Company or its reputation; • commits an act of dishonesty or fraud at work; • engages in wilful disobedience, serious misconduct or wilful negligence, in the performance of this duties; • is abusive or violent, physically or otherwise, towards another person or causes a risk to the health and safety of another person; • engages in any kind of discriminatory or bullying conduct of a serious nature; or • is convicted of any criminal offence.
Restraints	James' employment contract contains post-employment restraints, including: • restrictions against soliciting certain customers, clients, suppliers, referrers or licensees of Beforepay; • non-competition restraints; and • restrictions against soliciting certain employees of Beforepay. The restrictions above purport to operate for up to 12 months after termination and apply to New Zealand, Australia and any country in which Beforepay conducts business (including the United States of America).

6.3.1.3 Chief Financial Officer

Details regarding the terms of employment of the Chief Financial Officer, David Brady, are set out below in Table 6.3.2.

Table 6.3.2: Summary terms of employment of the Chief Financial Officer, David Brady

Term	Description
Employer	David is employed on a full-time basis by Beforepay Ops.
Fixed remuneration	David is currently entitled to receive a total annual fixed remuneration of $283,568 (inclusive of superannuation). Superannuation contributions will be paid at the statutory rate, and currently equates to $23,568 per annum.
Short-term incentives	The Board has approved a one-off short-term incentive bonus scheme of an aggregate amount of $350,000 which is subject to the Listing occurring. David has been offered a $30,000 bonus under that scheme.
Long-term incentives	David is entitled to participate in the LTIP described in Section 6.3.2. The Company issued 217,600 options to acquire Shares to David Brady under the Legacy LTIP in two tranches: • 17,600 options to acquire Shares at an exercise price of $0.20 per option which have an expiry date of 16 November 2025. The options vest at the Listing; and • 200,000 options to acquire Shares at an exercise price of $0.20 per option, which have an expiry date of 1 January 2025. The options vest in accordance with the vesting periods set out in the rules relating to the Legacy LTIP (described in Section 6.3.2.2) and are conditional on David Brady being an employee of the Company on the date that the options vest.
Other benefits	David may be reimbursed for all reasonable and necessary expenses which are incurred by him in the course of his employment and authorised by the Company.
Termination	Either David or Beforepay Ops can terminate David's employment by giving the other party 12 months' written notice (or by Beforepay Ops making payment in lieu of notice of part or all of the notice period). Beforepay Ops may summarily terminate David's employment contract in certain circumstances, including where he commits an act of serious misconduct.
Restraints	David's employment contract contains post-employment restraints, including: • restrictions against soliciting certain clients, customers, suppliers, contractors or investors of Beforepay; • non-competition restraints; and • restrictions against soliciting employees, contractors or consultants of Beforepay. The restrictions above purport to operate for up to 12 months after termination and apply to Australia.

6.3.2 Long-Term Incentive Plan

6.3.2.1 The Company's Long-Term Incentive Plan

The LTIP offer documents provide the framework under which the LTIP and individual grants will operate, the key terms of which are outlined in Table 6.3.3. To date, all issuances have been made under the Legacy LTIP (described in Section 6.3.2.2), however new issuances after the Listing are intended to be under the LTIP.

Table 6.3.3: Summary of Long-Term Incentive Plan

Term	Description
Eligibility	Offers to participate in the LTIP may be made at the Company's discretion to Directors (including Non-Executive Directors), employees and contractors of the Group, or any other person designated by the Board.
Awards	The LTIP permits the grant of performance rights to acquire Shares (**Rights**), options to acquire Shares (**Options**) and Shares subject to dealing restrictions (**Restricted Shares**) in the Board's discretion (Rights, Options and Restricted Shares, together **Awards**). Rights and Options, to the extent vested and exercised, may be settled in Shares or a cash amount equivalent to the value of the number of Shares to which the participant is entitled as determined in accordance with the grant letter, on and subject to the LTIP rules and the terms of the grant letter. The Restricted Shares, and any Shares issued on exercise of Rights and Options, may be subject to dealing restrictions for a period of time in accordance with the LTIP rules and/or the terms of the relevant grant letter. Each Award entitles the holder to acquire (by way of issue or transfer) one fully paid ordinary share in the Company for each Right or Option upon their vesting and exercise, subject to any applicable vesting conditions and payment of any exercise price.
Issue price	Unless the Board determines otherwise, Awards will be issued for nil consideration.
Vesting conditions and vesting	The Board will have the discretion to set the terms and conditions on which it will offer Awards under the LTIP and will specify such terms and conditions in the relevant invitation to an eligible participant. The Board may determine that Awards will be subject to performance or service-related conditions which must be satisfied or waived before the Awards vest (**Vesting Conditions**). The Board has the discretion to set both the Vesting Conditions and the performance period for satisfaction of Vesting Conditions.
Lapse	Unless otherwise determined by the Board, an unvested Award will lapse on the earlier of: • the date specified in the grant letter (or if no date is specified, 15 years from the date of grant); • where the Board determines that any applicable Vesting Conditions have not been satisfied; • where the Board determines that the Award lapses due to the participant transferring Awards in contravention of the restrictions on transfer or entry into prohibited hedging arrangements; • in certain circumstances if the participant's employment ends (see 'Leaver provisions' below); and • if the Board determines that the Award will lapse in the event of a change of control in respect of the Company (see 'Change of control' below).

Term	Description
Dividend and voting entitlements	Rights and Options are not entitled to dividend or voting rights. However, the Board may determine prior to making an offer that any Right and/or Option the subject of the offer will carry rights entitling the holder to receive dividend equivalents i.e. a payment in cash or securities equivalent to the value of dividends that would have been payable to the holder had they been the holder of the underlying Shares over which the Right or Option is exercisable. Restricted Shares are entitled to dividend and voting rights and any other rights of an ordinary shareholder in respect of the Restricted Shares.
Participation rights	Rights and Options will not confer the right to participate in new issues of Shares or other securities in the Company unless the Rights or Options are vested and exercised prior to the relevant record date. However, subject to the ASX Listing Rules, the LTIP will provide for adjustments to be made to the number of Shares to which a participant would be entitled on the exercise of Rights and Options, in the event of a bonus issue or pro-rata issue to existing holders of Shares or a reorganisation of capital.
Restrictions	Unless the Board determines otherwise, Awards can only be transferred with the Board's written consent or by force of law upon the death or bankruptcy of a participant. Participants will not be permitted to enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any Awards.
Leaver provisions	Where a participant ceases their employment with the Company before the Awards vest, the Awards will be treated in the following manner (unless the Board determines otherwise): • if the participant resigns or is terminated for cause, all Awards will lapse; or • if the participant otherwise ceases their employment, a pro-rata number of the Awards will vest (based on the period of time elapsed in which the participant has to satisfy the Vesting Conditions). A participant who ceases to be an employee must exercise any vested Awards by the earlier of 90 days after ceasing to be an employee, or the date the Awards lapse. The Board may determine a different treatment of vested and unvested Awards upon a participant ceasing to be eligible.
Clawback	If the Board is of the opinion that a participant has obtained, or may obtain, an unfair benefit as a result of an act which: • constitutes fraud, or dishonest, gross misconduct, or gross incompetence in relation to the affairs of the Group; • brings the Group into disrepute; • is in breach of his or her obligations to the Group, including compliance with any applicable Company policy; • constitutes a failure to perform any other act reasonably and lawfully requested of the Participant; or • has the effect of delivering strong Group performance in a manner which is unsustainable or involves unacceptably high risk and results, or is likely to result, in a detrimental impact on Group performance following the end of the period during which Vesting Conditions are tested, the Board may clawback or adjust any Award at its discretion to ensure no unfair benefit is derived by the participant.

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Term	Description
Change of control	If a change of control event occurs with respect to the Company, the Board may determine, in its discretion, the manner in which all Awards will be dealt with, having regard to any matter the Board considers relevant, including, without limitation, the circumstances of the transaction or event, the extent to which any applicable Vesting Conditions have been satisfied and/or the proportion of any applicable performance period that has passed at that time. This may include determining (at the Board's discretion) that some or all of the Awards will: • vest; • lapse; • remain on foot subject to the applicable Vesting Conditions and performance periods; • remain on foot subject to substituted or varied Vesting Conditions and performance periods which, in the Board's view, are no more difficult to achieve than the original Vesting Conditions and/or no longer than the original performance period(s); • in respect of Options or Rights, convert to Shares on a particulate date; or • may only be settled in cash, or with securities other than Shares.
Maximum allocation	For the purposes of ASX Listing Rule 7.2, Exception 13(a), the maximum number of equity securities proposed to be issued under the LTIP in the period of three years from the Prospectus Date is 3,715,943 (representing approximately 8% of the issued Shares on Completion of the Offer) (**ASX Limit**), meaning that the Company may issue up to the ASX Limit under the LTIP without seeking Shareholder approval (unless otherwise required under the ASX Listing Rules or the Corporations Act) and without reducing its placement capacity under ASX Listing Rule 7.1[35]. The ASX Limit is not intended to be a prediction of the actual number of securities to be issued under the LTIP, simply a ceiling for the purposes of ASX Listing Rule 7.2, Exception 13(a).
Share Trust	The Company may appoint a trustee for the purpose of acquiring, holding and allocating Shares on behalf of participants in the LTIP.
Quotation	Options and Rights will not be quoted on the ASX. The Company has applied for official quotation of any Shares issued under the LTIP in accordance with the ASX Listing Rules.
Amendments	To the extent permitted by the ASX Listing Rules, the Board may amend, supplement or revoke the LTIP or all or any of the rights or obligations attaching to an Award. The Board may not, without the consent of a participant, amend the LTIP or an Award in a way that materially reduces the rights of that participant with respect to an Award or Share that is subject to the LTIP, except for an amendment that is made primarily for complying with present or future laws applicable to the LTIP or the Group, or to correct any manifest error or mistake. For the avoidance of doubt, the preceding provision does not limit the Board's discretion to clawback or adjust any Award to ensure a participant does not obtain an unfair benefit.

35. Subject to ASX confirmation / waiver, refer to Section 9.8.

Issues to Directors following the Listing

Following the Listing, the Company intends to issue to each Director (including Luke Bortoli once appointed) options under the LTIP on the following terms:

- each option exercises into one fully paid ordinary Share;
- each Director will be granted options equivalent to a value of up to $25,000 per annum in each period:
  - between the admission date and the date immediately prior to the first anniversary date;
  - between the first anniversary date and the date immediately prior to the second anniversary date; and
  - between the second anniversary date and the date immediately prior to the third anniversary date,

  up to an aggregate of $75,000 in value over the three-year period from the admission date;
- the number of options to be granted under each tranche will be equal to $25,000 divided by the VWAP of a Share over a 20-day trading period on the ASX, ending on the date before the issue of the options;
- the exercise price of each option will be equal to 130% of the VWAP of a Share trading on ASX as at the date before the issue of the options;
- the options have an expiry date of five years from issue date; and
- there are no vesting conditions attached to the options. However, if the Director leaves the Company, any options held by the Director will lapse (unless the rules of the LTIP otherwise determine that the options can be retained).

6.3.2.2 Legacy LTIP

The Legacy LTIP was established by the Company in 2019. Twenty-eight current and former employees of Beforepay and all of the existing Directors of the Company have been issued options to acquire Shares under the terms of the Legacy LTIP. As at the date of this Prospectus, there are 5,811,350 options to acquire Shares issued under the Legacy LTIP (959,000 are over existing Shares pursuant to the LTIP Call Option Agreements described in Section 9.6.1.1 and the remaining 4,852,350 are for newly issued Shares). Of these 2,666,450 options will have vested at the date of the Listing (including 239,700 over existing Shares pursuant to the LTIP Call Option Agreements described in Section 9.6.1.1). None of the options will be quoted on the ASX.

The Directors of the Company have the discretion to specify vesting conditions for any options issued under the Legacy LTIP. Set out below is an overview of the different vesting conditions relating to the existing issued options to acquire Shares:

- 26 option holders hold options to acquire Shares that vest in 13 tranches. The first 25% of the options held by the option holder vests on the date that is 12 months after the issue date of the options (or such other date as is specified in the offer letter relating to the options). The remaining 12 tranches are triggered every three months after the first vesting date for a period of three years and result in the vesting of one-twelfth of the options that remain after the first vesting.
- seven option holders hold options to acquire Shares that all vest upon the occurrence of the Listing (two of the seven option holders also hold options that vest in 13 tranches (referred to above)).
- three option holders hold options to acquire Shares that vest in equal tranches over a specified period of years, commencing on the date that is 12 months after the issue date of the options. Two of the three option holders hold options that vest in three equal tranches over a period of three years and one option holder (James Twiss) holds options that vest in four equal tranches over a period of four years.
- one option holder (Brian Hartzer) holds options to acquire Shares that vest in four tranches, 60,600 options vest on the earlier of a specified date or the Listing, 60,600 options vest upon the market capitalisation of the Company reaching $250 million, 60,500 options vest upon the market capitalisation of the Company reaching $500 million and 60,500 options vest upon the market capitalisation of the Company reaching $1 billion.

- one option holder (James Twiss) holds options to acquire existing Shares from the Grantors pursuant to the terms of the LTIP Call Option Agreements (described in Section 9.6.1.1). These options vest in four tranches, 239,700 options vest on the earlier of a specified date or the Listing, 239,700 options vest upon the market capitalisation of the Company reaching $250 million, 239,800 options vest upon the market capitalisation of the Company reaching $500 million and 239,800 options vest upon the market capitalisation of the Company reaching $1 billion.

Of the options issued under the Legacy LTIP, 2,384,500 options to acquire Shares expire during the year 2024, 511,950 options to acquire Shares expire during the year 2025, 754,700 options to acquire Shares expire during the year 2026 and 2,160,200 options to acquire Shares expire during the year 2031.

Each of the option holders have undertaken not to exercise any vested options between the time period commencing on the date that any pathfinder prospectus is finalised by the Company and ending on the earlier of the date that the Company is admitted to the recognised securities exchange (including the ASX) or the date the Company abandons pursuing the Listing.

No more options will be issued under the Legacy LTIP.

Options issued to Directors and Key Management Personnel under the Legacy LTIP

Set out below is an overview of the options under the Legacy LTIP held by the Directors and Key Management Personnel:

Table 6.3.4: Current options issued under the terms of the Legacy LTIP to Directors and Key Management Personnel

Name	Nature of Options	No. of options	Consid-eration	Exercise price	Issue date	Vesting dates	Expiry date	No. of vested options at Listing
Directors								
Brian Hartzer	To be issued new Shares	242,200	Nil	$0.8793	5 July 2021	The earlier of the Listing and 5 July 2022: 60,600 Market capitalisation of the Company of $250 million: 60,600 Market capitalisation of the Company of $500 million: 60,500 Market capitalisation of the Company of $1 billion: 60,500	5 July 2031	60,600
Natasha Davidson	To be issued new Shares	53,500	Nil	$1.30	16 Nov 2020	16 Nov 2021: 17,800 16 Nov 2022: 17,800 16 Nov 2023: 17,900	30 June 2024	17,800
Daniel Moss	To be issued new Shares	799,900	Nil	$1.30	20 Sept 2020	The Listing occurs by 31 December 2022.	30 June 2024	799,900
Patrick Tuttle	To be issued new Shares	53,500	Nil	$1.30	16 Nov 2020	16 Nov 2021: 17,800 16 Nov 2022: 17,800 16 Nov 2023: 17,900	30 June 2024	17,800
Stefan Urosevic	To be issued new Shares	799,900	Nil	$1.30	20 Sept 2020	The Listing occurs by 31 December 2022.	30 June 2024	799,900

Name	Nature of Options	No. of options	Consid-eration	Exercise price	Issue date	Vesting dates	Expiry date	No. of vested options at Listing
Key Management Personnel								
James Twiss	To be issued new Shares	959,000	Nil	$0.8793	9 July 2021	20 May 2022: 239,700 20 May 2023: 239,700 20 May 2024: 239,800 20 May 2025: 239,800	9 July 2031	Nil
	Acquire existing Shares from the Grantors pursuant to the LTIP Call Option Agreements	959,000	Nil	$0.8793	9 July 2021	The earlier of the Listing and 9 July 2022: 239,700 Market capitalisation of the Company of $250 million: 239,700 Market capitalisation of the Company of $500 million: 239,800 Market capitalisation of the Company of $1 billion: 239,800	9 July 2031	239,700
David Brady	To be issued new Shares	17,600	Nil	$0.20	17 Nov 2020	On the Listing	16 Nov 2025	17,600
	To be issued new Shares	200,000	Nil	$0.20	17 Nov 2020	17 Nov 2021: 50,000 Every three months thereafter for three years: 12,500	1 Jan 2025	50,000

In connection with James Twiss' options under the Legacy LTIP to acquire existing Shares from the Grantors pursuant to the LTIP Call Option Agreements, the Company has indemnified the Grantors for any Australian income tax (excluding any interest and penalties) paid by them for any gain in connection with the exercise by Mr Twiss of the LTIP Call Option Agreements. The tax indemnity is subject to an aggregate cap of A$97,955 for each Grantor. The tax indemnity expires on the earlier of 9 July 2032 and the date that Mr Twiss' call options are fully exercised.

No options to acquire Shares issued under the terms of the Legacy LTIP are held by Luke Bortoli (a Proposed Director).

The plan rules relating to the Legacy LTIP provides the framework under which the Legacy LTIP operates, the key terms of which are outlined in Table 6.3.5.

Table 6.3.5: Terms of the Legacy LTIP

Term	Description
Eligibility	Offers to participate in the LTIP may be made at the Company's discretion to Directors (including Non-Executive Directors), employees and contractors (or prospective employee, contractor or director) of Beforepay.
Options	The LTIP permits the grant of options to acquire Shares (**Options**) in the Board's sole and absolute discretion. Options, to the extent vested, may be exercised for Shares in accordance with the grant letter and subject to the plan rules which relate to the Options. Each Option entitles the holder to acquire one newly issued fully paid ordinary share in the Company for each Option upon their vesting and exercise, subject to any applicable vesting conditions and payment of any exercise price. Shares issued on the exercise of Options are ranked equally with existing fully paid ordinary shares in the capital of the Company in all respects from the date of allocation.
Exercise price	The Board has the power to, in its sole and absolute discretion, determine the exercise price of the Options. The exercise price of the particular Options is set out in the offer letter that relates to the Options.
Vesting conditions and vesting	The Board has the discretion to set the terms and conditions on which it will offer Options under the Legacy LTIP as set out in the relevant invitation to an eligible participant. The Board has the sole and absolute discretion to determine the vesting conditions and vesting event in respect of any Options. If the invitation letter does not contain any vesting conditions, the Options are subject to the following vesting conditions: • 25% of the Options vest on the date which is 12 months after the issue date of the options; and • the remaining 75% of the Options vest proportionally every three months over the three-year period commencing on the date that the first tranche of options vest. Typically, the vesting conditions must be satisfied by reference to a predetermined performance period. Both the vesting conditions and the performance period are set by the Board in its absolute discretion.
Lapse	The Options lapse on the date determined by the Board in its absolute discretion and as set out in the invitation letter relating to the Options. Where the Option holder is a Leaver (defined below) the Board has the sole and absolute discretion to determine that all or some of the unvested Options have lapsed on a date specified.
Dividend and voting entitlements	The Options do not give the participant or option holder: • any voting rights in respect of Shares or in respect of any other equity securities of the Company; • the right to attend or vote at any general meeting or other meeting of Shareholders or the holders of other equity securities of the Company; or • the right to receive any dividends or other distributions or to receive or otherwise participate in any returns of capital from the Company.

Term	Description
Participation rights	The Options do not give the participant or the option holder: • the right to participate in new issues of Shares or other equity securities of the Company unless the optionholder has become entitled to exercise their Options under the Legacy LTIP and do so prior to the record date for the determination of entitlements to the new issue and participate as a result of being a shareholder; or • the right to participate in a liquidation or winding up of the Company.
Rights issue	If the Company makes a pro-rata issue of the Shares to the holders of Shares (other than a bonus issue), the exercise price of an Option will be reduced in accordance with the formula contained in the Listing Rules.
Restrictions	The legal and beneficial interest in Options, and the Shares issued or transferred as a result of the exercise of the Options by the optionholders, cannot be directly or indirectly Disposed of until the earlier of: • three years after the issue of the Option or such earlier time as the Commissioner of Taxation allows in accordance with section 83A-45(5) of the Tax Act; and • the date that the optionholder becomes a Leaver (as defined in the following row), (the **Three Year Dealing Restriction**), unless the disposal arrangement meets the requirements in section 83A-45(5) of the Tax Act. "Disposed" means: • sold, assigned, bought-back, redeemed, transferred, conveyed, granted to a third party an option over, grant or allow a security interest over; • entered into any swap arrangement, any derivative arrangements or other similar arrangement; or • otherwise directly or indirectly disposed of a legal, beneficial or economic interest. In addition, there are a number of other restrictions on dealings of options. The options[36] cannot be assigned, transferred, sold, subject to a security interest or dealt with except: • on the death of a participant, in which case the Options can be transferred to the participant's legal personal representative; or • in the event that an order is made for the participant's estate to be administered under the laws relating to mental health, in which case the Options can be transferred to the person who is appointed to administer such estate.

36. This restriction does not apply to 17,600 Options issued to a participant. These Options vest upon the occurrence of the IPO and have an exercise price of $0.20. The Options expire on 16 November 2025.

Term	Description
Restrictions continued	Notwithstanding any other restrictions and subject to the Three Year Dealing Restrictions, the legal and beneficial interests in an Option may be Disposed by an optionholder pursuant to: • a transfer by an optionholder to a trustee (and, for a minority of optionholders, a nominee) for that optionholder; • a transfer by an optionholder who is a natural person to the trustee of a family trust set up for the benefit of that person's family; • in the event of the death of an optionholder, a transfer or transmission to the deceased's estate; • a transfer by an optionholder with the Board's written consent; or • a sale or transfer by an optionholder as otherwise permitted by the plan rules. Notwithstanding the above, the Company has the power to, in its absolute discretion, prohibit a person from selling or transferring Shares that person has acquired under the Plan, even if that person is no longer an employee[37].
Leaver provisions	Where an option holder ceases to be employed or contracted by a Group Entity or ceases to act as a director of a Group Entity (as applicable) for any reason, tenders a notice of resignation or termination to a Group Entity or receives a notice of termination or redundancy from a Group Entity (together a **Leaver**), the Board may, at its absolute discretion: • serve a notice in writing on that Option holder, advising the Option holder that all or some of its unvested Options have lapsed on the date specified in that notice; • serve a notice in writing on the option holder, requiring the option holder to sell some or all of its vested Options to any person nominated by the Board. The price for the options required to be transferred will be their "fair market value" (as defined in the plan rules that relate to the Options) as at the date of the event (as determined by the Board at its absolute discretion). Completion of the sale must occur on the date determined by the Board at its absolute discretion and notified to the Option holder; • allow the Option holder to retain some or all of his or her Options; or • any combination of the above, as the Board determines at its absolute discretion.

37. This restriction does not apply to 17,600 Options issued to a participant. These Options vest upon the occurrence of the IPO and have an exercise price of $0.20. The Options expire on 16 November 2025.

Term	Description
Reorganisation Event	The plan rules that relate to the Options continue to apply in full force and effect despite any "Reorganisation Event", being: • a distribution of cash or securities by way of a return of capital; • a bonus issue of Shares by the Company; • a share split, consolidation or other similar action in respect of the share capital of the Company; or • any other internal reorganisation, recapitalisation, reclassification or similar event with respect to the share capital of the Company. If any Reorganisation Event occurs, the rights attaching to Options are proportionality adjusted for any increase or decrease in the number of issued Shares. If any Reorganisation Event occurs before all of an Option holder's Options have vested, the Company will procure that the terms of the Option Plan are varied in such a way as determined by the Board in its absolute discretion, which neither disadvantages nor advantages that Option holder, nor adversely effects the rights of the other Shareholders, to account for the effect of the Reorganisation Event.
Share Trust	The Board may at any time establish a trust and appoint a trustee on any terms and conditions which it considers appropriate to do all such things and perform all such functions as it considers appropriate to operate and administer the Legacy LTIP, including to acquire and hold Options, Option Shares or other securities of the Company, on behalf of Participants, for transfer to future Participants or otherwise for the purposes of the Legacy LTIP.
Amendments	The Option Plan and the Rules may be amended from time to time by resolution of the Board, subject to the requirements from time to time of the Corporations Act. Any such amendment must not adversely affect the rights of participants or option holders in respect of Options granted prior to such amendment, without the consent of those participants and option holders (as applicable), unless such amendment is required by, or necessitated by, law.
Event	Where: • a takeover bid is made to the holders of Shares; • pursuant to an application made to the Court, the Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company; • the Company passes a resolution for voluntary winding up; or • an order is made for the compulsory winding up of the Company, the Board may at its discretion waive some or all of the vesting conditions relating to unvested Options and determine the number of Options that may vest. Upon the exercise of such discretion, the optionholders effected may exercise some or all of their vested options within 10 Business Days of receipt of written notice from the Board (or such longer period determined by the Board).

In relation to the Three Year Dealing Restriction, the Company intends to arrange for an ASX holding lock to be applied to the LTIP Legacy Options and the Shares issued or transferred as a result of the exercise by an optionholder of an LTIP Legacy Option, for a three year period commencing on the date that the LTIP Legacy Option is issued. The holding lock will be released if the optionholder becomes a "leaver" (as defined above and in the plan rules relating to the Legacy LTIP).

6.3.2.3 Additional options issued

In addition, the Company issued 124,900 options for Shares to advisers and service providers or their nominees in consideration of past services provided to Beforepay (**Adviser Options**). Such services were not related to the Listing. Of the 124,900 Adviser Options, the Company issued 41,400 options to a nominee of Shaw and Partners for services provided by Shaw and Partners in relation to a convertible note raising that occurred prior to, and not in connection with, the Offer or Listing (please see Section 6.4 for further details).

The Adviser Options are governed by the Adviser Option Agreements. Further details of the terms of the Adviser Option Agreements and the options issued thereunder are set out at Section 9.6.1.2. In accordance with the terms of the Adviser Option Agreements, all of the options vest at the date of the Listing. However, the options are not exercisable unless the Listing occurs. The options will not be listed.

6.3.3 Non-Executive Director Remuneration and Benefits

6.3.3.1 Director appointment letters

Prior to the Prospectus Date, each of the Non-Executive Directors has entered into appointment letters with the Company, confirming the terms of their appointments, their roles and responsibilities and the Company's expectations of them as Directors.

6.3.3.2 Remuneration

Under the Constitution, the Board may decide the total amount paid by the Company to each Director as remuneration for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors in any financial year must not exceed the aggregate amount of Non-Executive Directors fees approved by Shareholders at the Company's general meeting. This cash amount has been fixed by the Company, and approved by the Shareholders, at $700,000 per annum including statutory superannuation contributions.

The aggregate annual sum does not include any share-based remuneration and does not include any exertion fees which are payable at a rate of $1,200 per day or parts thereof. Some Directors are directors on subsidiary boards of the Company but are not paid additional fees for such services.

As at the Prospectus Date, the annual base fee for each of the Non-Executive Directors is $75,000 (excluding superannuation), and the annual base fee for the Chair of the Board is $200,000 (including superannuation).

Non-Executive Directors (excluding Brian Hartzer) will also be paid committee fees of $12,500 p.a. for each Board Committee of which they are a Chair or $7,500 p.a. for each Board Committee of which they are a member.

The Company may issue options of a value not exceeding $75,000 over a three-year period after admission to each Non-Executive Director (including Luke Bortoli once appointed) (see Section 6.3.2.1 for further details).

Once Luke Bortoli is appointed to the Board, he will receive the Non-Executive Director remuneration described above (annual base fee of $75,000 (excluding superannuation) and committee fees of $12,500 p.a. for each Board Committee of which he is a Chair or $7,500 p.a. for each Board Committee of which he is a member).

6.3.3.3 Other interests in the Offer or promotion of the Company

All of the Non-Executive Directors hold options to acquire Shares under the terms of the Legacy LTIP (see Table 6.3.4 of Section 6.3.2 for details). All of Daniel Moss' and Stefan Urosevic's options to acquire Shares under the terms of the Legacy LTIP and one quarter of Brian Hartzer's options to acquire Shares under the terms of the Legacy LTIP, vest immediately prior (and subject) to completion of the Listing. The options to acquire Shares under the terms of the Legacy LTIP held by Natasha Davidson and Patrick Tuttle do not vest in conjunction with the Listing. Luke Bortoli does not hold any options to acquire Shares under the terms of the Legacy LTIP.

The Company engaged Vertical Capital Markets Pty. Ltd (ACN 147 186 114) (**VFS**) on 6 March 2020 to provide capital raising and advisory services to Beforepay. Daniel Moss founded and remains the Chief Executive Officer and Managing Director of VFS, and has a 30% interest in VFS. Stefan Urosevic is the Chief Financial Officer and an Executive Director of VFS, and has a 30% interest in VFS. In accordance with the terms of the Company's engagement with VFS, the Company paid VFS $607,372.41 in connection with capital raising and advisory services provided to Beforepay. The services provided by VFS have completed. The services were not in connection with the Listing.

6.3.4 Deeds of access, indemnity and insurance for Directors

The Company has entered into standard deeds of access, indemnity and insurance with each Director and each Company Secretary. Luke Bortoli has entered into a deed of access, indemnity and insurance to take effect upon his appointment as a Director.

Under the deeds of access, indemnity and insurance, the Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director for seven years after the Director ceases to be a Director.

The Company has further undertaken to maintain a complete set of the Company's Board papers and to make the Board papers available to each Director for seven years after the Director ceases to be a Director.

6.3.5 Expense Reimbursement and other Remuneration Arrangements

Brian Hartzer is entitled to payment or reimbursement of reasonable expenses of Mr Hartzer associated with travelling on business, and all other expenses properly incurred when convening the Company's affairs which have been approved by the Board prior to being incurred. All other Directors (including Luke Bortoli once appointed) may be reimbursed for all out of pocket expenses incurred as a result of directorship or any special duties. These amounts are in addition to the fees set out in Section 6.3.3.2.

6.3.6 Directors' and Key Management Interests in Shares and Other Securities

6.3.6.1 Directors

Table 6.3.6 Directors' interests in Securities

	Shares and options held on Prospectus Date prior to the completion of the Offer		Shares and options held on completion of the Offer	
Name	Number of Shares and options	% of total Shares[1] (excluding options)	Number of Shares and options	% of total Shares (excluding options)
Brian Hartzer[2]	37,955 Shares 242,200 options for Shares under the Legacy LTIP	0.1%	67,281 Shares 242,200 options for Shares under the Legacy LTIP (of which 60,600 options will have vested)	0.1%
Natasha Davidson	53,500 options for Shares under the Legacy LTIP	Nil	2,932 Shares 53,500 options for Shares under the Legacy LTIP (of which 17,800 options will have vested)	0.0%
Daniel Moss[3]	510,522 Shares 799,900 options for Shares under the Legacy LTIP	1.4%	517,854 Shares 799,900 options for Shares under the Legacy LTIP (all of which will have vested)	1.1%
Patrick Tuttle	53,500 options for Shares under the Legacy LTIP	Nil	29,326 Shares 53,500 options for Shares under the Legacy LTIP (of which 17,800 options will have vested)	0.1%
Stefan Urosevic[4]	510,522 Shares 799,900 options for Shares under the Legacy LTIP	1.4%	517,854 Shares 799,900 options for Shares under the Legacy LTIP (all of which will have vested)	1.1%
Luke Bortoli (Proposed Director)	Nil	Nil	Nil	Nil

Note: This table does not include any Shares, Convertible Notes or options held by a relative of a Director or a corporate nominee of a relative of a Director. Shares and options held on completion of the Offer include Shares to be acquired under the Offer.

1. Shares held prior to the completion of the Offer include 12,168,952 Shares to be issued upon the conversion of the Convertible Notes, in connection with completion of the Offer.
2. 37,955 held by Springfield 2012 Pty Ltd after conversion of 100,000 Convertible Notes together with 29,326 Shares purchased in the Offer.
3. 57,400 Shares are held by Deejlink Pty Ltd and 453,122 Shares are held by Cheq Invest Pty Ltd for the benefit of Deejlink Pty Ltd (Cheq Invest Pty Ltd holds in aggregate 4,437,500 shares on trust for numerous beneficiaries).
4. 57,400 Shares are held by Trinity Financial Markets Pty Ltd and 453,122 Shares are held by Cheq Invest Pty Ltd for the benefit of Trinity Financial Markets Pty Ltd (Cheq Invest Pty Ltd holds in aggregate 4,437,500 shares on trust for numerous beneficiaries).

6.3.6.2 Key Management Personnel

Table 6.3.7 Key Management Personnel's Security Interests

Name	Shares and options held on Prospectus Date prior to the completion of the Offer		Shares and options held on completion of the Offer	
	Number of Shares or options	% of total Shares	Number of Shares or options	% of total Shares
James Twiss	959,000 options for Shares under the Legacy LTIP 959,000 options to acquire existing Shares from the Grantors pursuant to the LTIP Call Option Agreements	0.0%	14,663 Shares 959,000 options for new Shares under the Legacy LTIP 959,000 options to acquire existing Shares from the Grantors pursuant to the LTIP Call Option Agreements (of which 239,700 options will have vested)	0.0%
David Brady	217,600 options for Shares under the Legacy LTIP	0.0%	217,600 options for Shares under the Legacy LTIP (of which 67,600 will have vested)	0.0%

6.4 Interest of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Shaw and Partners and E&P acted as Joint Lead Managers and Underwriters for the Offer. Shaw and Partners and E&P will receive fees in aggregate of $1,750,000 in relation to the Offer pursuant to the Underwriting Agreement (see Section 9.5.1).[38] A nominee of Shaw and Partners has been issued 41,400 options to acquire Shares with an exercise price of two times the price at which Shares are issued under the Listing pursuant to an Adviser Options Agreement with the Company (see Section 9.6.1.2 for further details of the Adviser Option Agreement) and was also issued 41,400 Shares. The Shaw and Partners' nominee entity was issued the options and Shares in connection with an engagement with the Company dated August 2020, which related to assistance provided by Shaw and Partners for the Company's first round of Convertible Notes raising. These services are not in connection with the Listing.
- Ernst & Young Strategy and Transactions Limited acted as Investigating Accountant to the Company and has prepared the Independent Limited Assurance Report included in Section 8. It will receive fees of an aggregate of approximately $50,000 (excluding disbursements and GST) for these services up to the Prospectus date. Further amounts may be paid to the Investigating Accountant for these services in accordance with its normal time-based charges.
- Ernst & Young has provided financial due diligence services to the Company in relation to the Offer. It will receive fees of an aggregate of approximately $450,000 (excluding disbursements and GST) for these services up to the Prospectus date. Further amounts may be paid to Ernst & Young for these services in accordance with its normal time-based charges.
- PricewaterhouseCoopers acted as tax adviser to the Company for the Offer. It will receive fees of an aggregate of approximately $142,800 (excluding disbursements and GST) for these services up to the Prospectus date. Further amounts may be paid to the tax adviser for other work in accordance with its normal time-based charges.

38. As at the date of this Prospectus, each of Shaw and Partners and E&P are aware that several of their respective employees are the holders of Convertible Notes and/or Shares that, upon completion of the Offer, will equate in aggregate to less than 1% of the Shares (0.32% in respect of Shares held by employees of Shaw and Partners and 0.67% in respect of Shares held by employees of E&P). These Convertible Notes and/or Shares were acquired on the same terms as other professional and sophisticated investors in connection with fundraising rounds conducted by the Company. The Board considers its arrangements with each of Shaw and Partners and E&P to be on arms-length terms.

- Frost & Sullivan prepared the market research report included in the Prospectus. It will receive fees of an aggregate of $37,000 for preparation of the report.
- Jones Day acted as Australian legal adviser to Company for the Offer (other than in relation to tax and stamp duty). They will receive fees of an aggregate of approximately $940,000 (excluding disbursements and GST) in relation to the Prospectus up until the Prospectus date. Further amounts may be paid to Jones Day for further work in accordance with their normal time-based charges. Jones Day are legal advisers to the Company and receive fees for other corporate legal work.

These amounts, and other expenses of the Offer, will be paid by the Company out of a combination of funds raised under the Offer and available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.5 Corporate governance

This Section 6.5 summarises the key corporate governance policies and practices adopted by the Company and outlines how the Board will oversee the management of the Company's business.

In conducting the Company's business, the Board's role is to:

- ensure the creation and protection of shareholder value;
- provide leadership and setting the strategic direction of the Company;
- set, review and monitor compliance with the Company's values and governance framework; and
- ensure that Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Company's business and that are designed to promote the responsible management and conduct of the Company.

6.5.1 ASX Corporate Governance Council's Principles and Recommendations

The ASX Corporate Governance Council has developed the Corporate Governance Principles and Recommendations 4th Edition (**Recommendations**), which set out recommended corporate governance practices for ASX listed entities to achieve good corporate governance outcomes and to foster shareholder confidence. The Council's approach to the Recommendations is underpinned by the 'if not why not' principle. This means that while the Recommendations are not mandatory, all ASX listed entities must prepare and publish an annual corporate governance statement (ASX Listing Rule 4.10.3) disclosing whether the entity has followed the Recommendations for the reporting period. To the extent that the entity was not compliant, it must provide reasons why. The entity will also need to explain (if any) alternative governance procedures that were adopted in lieu of the Recommendations.

The Company's adopted charters, policies and other corporate governance measures reflect the Board's endorsement of the Recommendations. The Board and its Committees will be responsible for periodically reviewing the effectiveness of these documents and for amending them when prudent.

While the Company is not required to report its governance practices against the Recommendations until the financial year ending 30 June 2022, the Company has signalled its commitment to adhere to best practice by adopting the Recommendations early. The Company's adopted policies, charters and other governance measures as against the Recommendations are summarised in Table 6.5.

Table 6.5: Summary of ASX Corporate Governance Council's Principles and Recommendations

Recommendation	
Principle 1 / Lay solid foundations for management and oversight	
1.1: A Board Charter is available on the Company's website, which sets out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	✓
1.2: Appropriate checks have been undertaken before appointing all Directors and Senior Executives, including before putting someone forward for election as a Director. The Company will provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future General Meetings.	✓
1.3: The Company has written agreement with each Director and Senior Executive setting out the terms of their appointment.	✓
1.4: The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the board.	✓
1.5: The Company has adopted a Diversity Policy, a copy of which is available on the Company's website, which sets out that the Board, in consultation with the Remuneration and Nomination Committee has responsibility to set measurable objectives for achieving gender diversity in the composition of the Board, Senior Executives and the workforce generally. The Company will disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the board, in Senior Executive positions and across the whole workforce (including how the entity has defined "Senior Executive" for these purposes); or (B) if the Company is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	✓
1.6: The Remuneration and Nomination Committee is responsible for establishing processes for periodically evaluating the performance of the Board, its Committees and individual Directors. The RNC's obligations and processes in this regard is further detailed in the RNC Charter, a copy of which is available on the Company's website. The Company will disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	✓
1.7: The Remuneration and Nomination Committee is responsible for establishing processes for periodically evaluating (at least every reporting period) the performance of the Company's Senior Executives. The RNC's obligations and processes in this regard is further detailed in the RNC Charter, a copy of which is available on the Company's website. The Company will disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	✓

Recommendation	
Principle 2 / Structure the board to be effective and add value	
2.1: The Company has formed a Remuneration and Nomination Committee (**RNC**). A copy of the RNC Charter is available on the Company's website. The RNC is comprised of Natasha Davidson (Chair of RNC), Daniel Moss and Brian Hartzer, all of whom are Non-Executive Directors. Two (Natasha Davidson and Brian Hartzer) are independent Directors. The RNC is chaired by Natasha Davidson, who is an independent Director. In relation to each reporting period, the Company will disclose the membership of the RNC, the number of times the Committee met throughout the period and the individual attendances by the members at those meetings.	✓
2.2: The Board has had regard to the appropriate mix of skills and expertise required from senior management and the Directors to achieve the goals of the Company. To do this, the Board has considered the Company's business and listing in Australia. The Company has a Board Skills Matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership. A copy of this is available on the Company's website.	✓
2.3: The Board Charter sets out the Board's adopted criteria and policy for determining whether a Director is independent. The RNC is responsible for assessing the independence of each Non-Executive Director. The Board is comprised of five Directors: • Brian Hartzer, appointed 5 July 2021 • Daniel Moss, appointed 5 June 2019 • Natasha Davidson, appointed 16 November 2020 • Patrick Tuttle, appointed 16 November 2020 • Stefan Urosevic, appointed 5 June 2019 The Board considers an independent Director to be a Non-Executive Director who is not a member of the Company's Management and who is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement. Details of Director options have been set out earlier in this section. The Board has determined that three Directors are independent, Brian Hartzer, Natasha Davidson and Patrick Tuttle. Accordingly, a majority of the Board is comprised of independent Directors. The board will disclose the length of service of each Director in its corporate governance statement.	✓
2.4: As noted above in 2.3 majority of the Board is comprised of independent Directors.	✓
2.5: The Board has appointed Brian Hartzer, as Chair of the Board, who is an independent Director. Mr Hartzer does not hold the position of CEO, as is compliant with corporate governance best practice.	✓
2.6: All new Directors undertake an induction program to ensure they have the skills and knowledge necessary to perform their role as Directors effectively. The Company will periodically review the Directors' mix of skills and provide continuing education and professional development opportunities for Directors to maintain the skills and knowledge needed to perform their roles effectively.	✓

Recommendation	
Principle 3 / Instil a culture of acting lawfully, ethically and responsibly	
3.1: The Company has articulated and disclosed its values in its Code of Conduct, a copy of which is available on the Company's website.	✓
3.2: The Company has adopted a Code of Conduct which applies to its Directors, Senior Executives and employees. A copy of the Code is available on the Company's website. Under the Code, material breaches of the Code are reported to the Board in accordance with Beforepay Group policies and procedures.	✓
3.3: The Company has adopted a Whistleblower Policy, a copy of which is available on the Company's website. Under the Policy, the Board is to be informed of any incidents reported under the Policy.	✓
3.4: The Company has adopted an Anti-Bribery and Corruption Policy, a copy of which is available on the Company's website. Under the Policy, material breaches of the Code are reported to the Board.	✓
Principle 4 / Safeguard the integrity of corporate reports	
4.1: The Company has formed an Audit and Risk Committee (**ARC**). A copy of the ARC Charter is available on the Company's website. The ARC is comprised of Patrick Tuttle (Chair of ARC), Natasha Davidson and Stefan Urosevic, all of whom are Non-Executive Directors and two (Patrick Tuttle and Natasha Davidson) are independent Directors. The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The qualifications and experience of the members are set out in the Prospectus in Section 6.1.1.	✓
4.2: The Board, before it approves the Company's financial statements for a financial period, will ensure that it receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	✓
4.3: The Company will disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. The ARC is responsible for making such disclosures and this obligation is further detailed in the ARC Charter.	✓
Principle 5 / Make timely and balanced disclosure	
5.1: The Company has adopted a formal continuous disclosure policy for complying with its continuous disclosure obligations under listing rule 3.1. A copy of the Disclosure and Communication Policy is available on the Company's website.	✓
5.2: The Company will ensure that the Board receives copies of all material market announcements promptly after they have been made. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.	✓
5.3: Where the Company gives a new and substantive investor or analyst presentation, it will release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.	✓

Recommendation	
Principle 6 / Respect the rights of security holders	
6.1: The Company maintains a website at https://beforepay.com.au/investor-hub/corporate-governance which provides information about the Company and its governance to investors.	✓
6.2: The Company has an investor relations program that facilitates effective two-way communication with investors.	✓
6.3: The Company has adopted a Disclosure and Communication Policy and will provide Shareholders with the opportunity to have their questions answered at general meetings or submit questions in advance of the general meeting where a Shareholder is unable to attend. A copy of the Policy is available on the Company's website.	✓
6.4: The Company will ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. This process is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.	✓
6.5: All security holders will have the option to receive communications from, and send communications to, the Company and its security registry electronically. The Company's approach to communicating with security holders is detailed in the Disclosure and Communication Policy adopted by the Company, a copy of which is available on the Company's website.	✓
Principle 7 / Recognise and manage risk	
7.1: The Company has formed an Audit and Risk Committee (**ARC**). A copy of the ARC Charter is available on the Company's website. The ARC is comprised of Patrick Tuttle (Chair of ARC), Natasha Davidson and Stefan Urosevic, all of whom are Non-Executive Directors and two (Patrick Tuttle and Natasha Davidson) are independent Directors. The ARC is chaired by Patrick Tuttle, who is an independent Director and is not the Chair of the Board. The qualifications and experience of the members are set out in the Prospectus in Section 6.1.1. In relation to each reporting period, the Company will disclose the membership of the ARC, the relevant qualifications and experience of the members, the number of times the Committee met throughout the period and the individual attendance by the members at those meetings.	✓
7.2: The ARC will: (a) review the Company's risk management framework at least annually, to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	✓
7.3: The Company has various quality assurance strategies throughout the business, but has not established a discreet internal audit function. The ARC is responsible for evaluating and continually improving the effectiveness of the Company's governance, risk management and internal control processes. The Board and ARC will periodically review whether there is a need for an internal audit function and its scope, if needed.	✓
7.4: The Company does not have material exposure to environmental or social risks. The Company intends that the ARC will be responsible for monitoring and receiving reports on environmental and social risks, and if they do arise, to manage them according to the ARC Charter, a copy of which is available on the Company's website.	✓

Recommendation	
Principle 8 / Remunerate fairly and responsibly	
8.1: The Company has formed a Remuneration and Nomination Committee (**RNC**). A copy of the RNC Charter is available on the Company's website. The RNC is comprised of Natasha Davidson (Chair of RNC), Daniel Moss and Brian Hartzer, all of whom are Non-Executive Directors. Two (Natasha Davidson and Brian Hartzer) are independent Directors. The RNC is chaired by Natasha Davidson who is an independent Director. In relation to each reporting period, the Company will disclose the membership of the RNC, the number of times the Committee met throughout the period and the individual attendances by the members at those meetings. The qualifications and experience of the members are set out in the Prospectus in Section 6.1.1.	✓
8.2: The Company has disclosed its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other Senior Executives in the Prospectus in Section 6.3.1. This information will be disclosed annually in the Company's remuneration report.	✓
8.3: The Company's remuneration policies (rather than its securities trading policy) prohibit participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.	✓

6.6 Related party interests

Other than as disclosed in this Prospectus, Beforepay is not party to any material related party arrangements.

7. Details of the Offer

7. Details of the Offer

7.1 The Offer

The Offer contained in this Prospectus is an invitation to apply for 10.3 million New Shares issued by the Company at an Offer Price of $3.41 per Share. The Offer is expected to raise approximately $35.0 million. All Shares will rank equally with each other.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.1.4.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Retail Offer, consisting of the:
  - Broker Firm Offer – which is open to Australian resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States (see Section 7.3);
  - Priority Offer – which is open to selected investors nominated by Beforepay in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus (see Section 7.4);
- the Institutional Offer – which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus (see Section 7.8).

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer will be determined by agreement between the Joint Lead Managers and the Company. The allocation of Shares within the Priority Offer will be determined by the Company in consultation with the Joint Lead Managers. For further information regarding the allocation of Shares within each of the Broker Firm Offer, Priority Offer and the Institutional Offer, see Sections 7.3.5, 7.4.5 and 7.8.2.

No general public offer of Shares will be made under the Offer.

The Offer has been fully underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange and act as joint lead managers, joint bookrunners and joint underwriters of the Offer. Further details in relation to the Underwriting Agreement are set out in Section 9.5.1.

7.1.2 Purpose of the Offer and Use of Proceeds

The purpose of the Offer is to:

- Support Beforepay's growth strategies, including increasing capital to support growth in Cash Outs, additional customer acquisitions, and funding to explore and potentially launch product offerings overseas;
- provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities including, but not limited to, marketing, product development, operations and other growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;
- provide the broader business with the benefits of an increased profile, transparency and credibility of being a listed entity;
- pay for transaction costs associated with listing on the ASX; and
- assist Beforepay in attracting and retaining staff.

The proposed sources and uses of funds associated with the Offer are as follows:

Table 7.1.1: Sources and uses of proceeds

Sources of funds	$m	Uses of funds	$m
Offer Proceeds	35.0	Funding increase in Cash Outs[1]	5.9
		Marketing and customer acquisition[2]	16.9
		Overseas expansion focused on the US[3]	7.6
		Costs relating to the Offer[4]	4.6
Total sources of funds	**35.0**	**Total uses of funds**	**35.0**

Notes:

1. Funding an increase in Cash Outs to Beforepay users and growth in the equity funded portion of the loan book.
2. Marketing and new customer acquisitions include the addition of marketing personnel, marketing software and outsourced services costs, and various marketing campaigns which will include ongoing digital marketing and select above-the-line marketing to further increase brand awareness and recognition.
3. Beforepay is exploring opportunities to leverage its business model in international markets and is in the early stages of assessing its expansion strategy in the US. Proceeds from the raise assigned to overseas expansion will be used to fund the following:
   - Market feasibility studies including legal and regulatory advice, US staffing investment including the increase in headcount across all functions, and secure US delivery partners.
   - US marketing and customer acquisition including costs incurred to build up the brand presence in the US with digital and non-digital advertising and other associated marketing costs.
   - Development and engineering costs including the addition of developers and engineers to customise, enhance and develop the Beforepay platform for the US market.
   - Equity funding of initial US pay advances to users and growth.
   - The above may also be applied to other international jurisdictions. If overseas expansion is not pursued in the medium term, these funds will be applied to the other categories set out in the use of funds.
4. This includes the costs of advisers, fees under the Underwriting Agreement, ASX listing costs and prospectus insurance.

The proposed use of proceeds described above represents Beforepay's current intentions based on the current plans and business conditions. The amount and timing of the actual expenditures may vary significantly and will depend on numerous factors, including the timing and success of Beforepay's development efforts.

The Board reserves the right to vary these use of funds.

7.1.2.1 Potential effect of the fundraising on the future of Beforepay

The Board believes that on Completion of the Offer, Beforepay will have sufficient working capital through funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and carry out its stated business objectives (see Section 4.2.2).

Beforepay's Pro Forma Historical Statement of Financial Position as at 30 June 2021, including details of the pro forma adjustments made to show the impact of the Offer, is set out in Section 4.4.

7.1.3 Shareholder structure

The details of the ownership of Shares as at the Prospectus Date and Completion of the Offer are set out in Table 7.1.2 and 7.1.3 below.

Table 7.1.2: Details of the Ownership of Shares (on the basis of conversion of all Convertible Notes)

		Shares held on Prospectus Date prior to the completion of the Offer			Shares held on completion of the Offer		
Shareholder	Shareholding Entity	Shares[1]	Shares (%)	Options to be issued new Shares	Shares	Shares (%)	Options to be issued new Shares
Tarek Ayoub[3]	Youbek Pty Ltd	5,500,000	15.2%	Nil	5,500,000	11.8%	Nil
Guo Fang Mao[3]	Jopean Pty Ltd	4,500,000	12.4%	Nil	4,500,000	9.7%	Nil
Non-executive directors		1,058,999	2.9%	1,949,000	1,135,247	2.4%	1,949,000
Other Existing Shareholders (Including Employees)[3,4]		25,126,353	69.4%	2,545,150 (Employees) 483,100 (other Existing Shareholders)	29,026,334	62.5%	2,545,150 (Employees) 483,100 (other Existing Shareholders)
New Shareholders[2]		Nil	Nil	Nil	6,287,701	13.5%	Nil
Total		**36,185,352**	**100.0%**	**4,977,250**	**46,449,282**	**100.0%**	**4,977,250**

Notes:

1. Shares held prior to the completion of the Offer include 12,168,952 Shares to be issued upon the conversion of the Convertible Notes, in connection with completion of the Offer.
2. This row may include additional Shares that Existing Shareholders may acquire under the Offer.
3. Employees include former employees. 479,500 Shares held by Youbek Pty Ltd and 479,500 Shares held by Jopean Pty Ltd are subject to the LTIP Call Option Agreements. Employee options do not include the Call Options over existing Shares, which are subject to the LTIP Call Option Agreements.
4. Existing Shareholders may acquire additional Shares under the Offer (which would form part of the New Shareholder's total).

Table 7.1.3: Details of the existing and proposed capital structure

	Capital structure on Prospectus Date prior to completion of the Offer	Capital structure on completion of the Offer
Existing Shareholders (excluding Shares issued on conversion of Convertible Notes)[1]	24,016,400 Shares	27,992,629 Shares
Existing Convertible Note holders	31,213,000 Convertible Notes	12,168,952 Shares
Existing optionholders	4,977,250 Options	4,977,250 Options
New shareholders[2]		6,287,701 Shares

Note: The Company confirms that in relation to all options on issue (and any proposed to be issued) the exercise price for each underlying security is at least 20 cents in cash. The above table does not set out the Call Options over existing Shares, which are subject to the LTIP Call Option Agreements (refer to section 9.6.1.1).

1. Existing Shareholders may acquire additional Shares under the Offer (which would form part of the New Shareholder's total).
2. This row may include additional Shares that Existing Shareholders may acquire under the Offer.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.
What is the consideration payable for each Share being offered?	The Offer Price is $3.41 per Share.
What is the Offer period?	The key dates, including details of the Offer Period, are set out in the Offer Statistics and Key Dates Section of this Prospectus. These key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company and the Joint Lead Managers reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to cancel or withdraw the Offer without prior notice. If the Offer is cancelled or withdrawn before the allocation and issue of Shares to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the Expiry Date. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.
How much is to be raised under the Offer?	$35.0 million is expected to be raised under the Offer.
Is the Offer underwritten?	Yes, the Offer is fully underwritten.
Who is lead managing the Offer?	The Joint Lead Managers are E&P and Shaw and Partners.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the: • Broker Firm Offer is $2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Joint Lead Managers reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for; and • Priority Offer is $2,000 of Shares in aggregate. Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer invitation. For more information, see Sections 7.3.3 and 7.4.3.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer will be determined by the Joint Lead Managers and the Company, having regard to the allocation policies outlined in Sections 7.3.5, 7.4.5 and 7.8.2. In respect of the Broker Firm Offer, it is a matter for each Broker to determine how they will allocate Shares among their eligible retail clients. The final allocation of Shares under the Priority Offer will be determined by the Company, in consultation with the Joint Lead Managers, subject to the minimum allocation for Applicants under the Priority Offer.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Wednesday, 12 January 2022.
Will the Shares be quoted?	The Company applied to ASX within seven days of the date of the Original Prospectus for its admission to the Official List and quotation of Shares by ASX under the code 'B4P'. Completion of the Offer is conditional on the ASX approving the Company's application for admission. If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about Monday, 17 January 2022. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Beforepay IPO Offer Information Line, by a Broker, or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.7.
Has an ASIC relief or ASX waiver been obtained or been relied on?	No ASIC relief has been obtained. Details of ASX waivers (including in-principle waivers) are provided in Section 9.8.
Are there any tax considerations?	Refer to Section 9.11.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.5.1.1 for details of various fees payable by the Company to the Joint Lead Managers.

Topic	Summary
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to Beforepay IPO Information Line on 1300 429 201 within Australia and +61 2 7208 4523 (outside Australia) from 9:00am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.2 How to apply

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at https://www.beforepay.automic.com.au/. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on Tuesday, 30 November 2022 and is expected to close at 5:00pm (Sydney time) on Thursday, 16 December 2022. The Company and the Joint Lead Managers may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

7.3.3 Is there a minimum or maximum Application size?

The minimum Application size under the Broker Firm Offer is $2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Joint Lead Managers reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than $250,000 of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

7.3.4 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by your Broker.

7.3.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers will be determined by the Joint Lead Managers, in agreement with the Company, in their absolute discretion. Shares which are allocated to Brokers for allocation to their Australian retail resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.3.6 Application acceptance and Application Monies

Applicants in the Broker Firm Offer will be able to call the Beforepay IPO Offer Information Line on 1300 429 201 (within Australia) or +61 2 7208 4523 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Beforepay IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

7.4 Priority Offer

7.4.1 Who can apply

The Priority Offer is open to selected investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire Shares under the Prospectus. The Priority Offer may include Directors, the Proposed Director and certain employees of Beforepay in eligible jurisdictions. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons who are in the United States.

Your personalised invitation will indicate an amount of Shares that you may apply for.

7.4.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by no later than 5.00pm (Sydney time) on Thursday, 16 December 2021 and it is your responsibility to ensure that this occurs.

7.4.3 Is there a minimum or maximum Application size?

Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares in aggregate. Your personalised invitation will indicate the maximum amount of Shares that you may apply for.

7.4.4 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the personalised Priority Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique CRN provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by no later than 5.00pm (Sydney time) on Thursday, 16 December 2021 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.4.5 What is the Priority Offer allocation policy?

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company, in consultation with the Joint Lead Managers. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

7.4.6 How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Beforepay IPO Offer Information Line on 1300 429 201 (within Australia) or +61 2 7208 4523 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Beforepay IPO Offer Information Line.

7.4.7 Holding lock on shares held by employees and Directors

If a Director (including the Proposed Director) or employee receives Shares in the Priority Offer, they may be required to hold all or some of those Shares subject to a holding lock (mandatory escrow), for a period of time after Completion of the Offer, as indicated in their offer letter and set out in Section 9.7.

7.5 Acceptance of Applications under the Retail Offer

An Application in the Broker Firm Offer or Priority Offer is an offer by you to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form (or the dollar value equivalent) without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

7.6 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Broker Firm Offer and Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.7 Electronic payments and communications

Any Application will be required to provide sufficient details for electronic payments (including for any refunds, corporate actions, dividends or otherwise, for so long as a person is an Applicant or Shareholder) and electronic or email communications. Shareholders are required to keep such details up to date.

7.8 Institutional Offer

7.8.1 Invitations to Bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand, Singapore, the United Kingdom and Hong Kong were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

7.8.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers by agreement with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- other factors that the Company and the Joint Lead Managers considered appropriate.

7.9 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- agreed and acknowledged that the Company may only make any payments electronically (and has no obligation to make any payment by any other method) and that any payments may be delayed or not made if current electronic payment details have not been supplied by the Applicant(s) or Shareholder(s) at the relevant time;
- agreed and acknowledged that, to the maximum extent permitted by law from time to time (and subject to any legal requirement to make a paper copy document available upon request), the Company may only provide notices, reports and communications to Applicant(s) and Shareholder(s) in electronic form or by email, and has a discretion to hold any general or class meeting on a virtual platform;

- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s) and has not had regard to the particular investment objectives, financial situation or needs of the Applicant(s);
- declares that, where the relevant Offer category has eligibility criteria, the Applicant(s) meet those eligibility criteria;
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer and Priority Offer), or otherwise satisfies the requirements in Section 9.11;
- acknowledged and agreed that the Offer may be withdrawn by the Company and/or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer, the Priority Offer and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.10 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

Each Applicant under the Institutional Offer will be required (and certain Applicants under the Priority Offer may be required) to make certain representations, warranties and covenants set out in the confirmation of allocation letter, or Offer letter (as the case may be), distributed to it.

See Section 9.12 for further details regarding foreign selling restrictions.

For personal use only

7.11 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.12 ASX listing, registers and holding statements

7.12.1 Application to the ASX for listing of the Company and quotation of Shares

The Company applied within seven days of the date of the Original Prospectus for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'B4P'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.12.2 CHESS and issuer-sponsored holdings

The Company has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number of issuer-sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register, or through the Share Registry in the case of a holding on the issuer-sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer-sponsored statements.

7.13 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.13.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.13.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder 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 Share held.

If the votes are equal on a proposed resolution, the chairperson of the meeting is entitled to a casting vote in addition to any votes to which the chairperson is entitled as a Shareholder or proxy or attorney or representative.

The Company's Constitution permits direct voting which includes a vote delivered to the Company by post, fax or other electronic means approved by Directors.

7.13.3 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

The Company's Constitution permits virtual or hybrid meetings (where permitted by law).

Two Shareholders must be present (including by proxy or representative) to constitute a quorum for a general meeting. If there is not a quorum within 30 minutes of the time specified in the notice of meeting, the meeting will be dissolved or adjourned according to how the meeting was convened.

7.13.4 Dividends

The Board may pay dividends as it sees fit. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend, and the timing and method of payment of any dividend. The methods of payment may include the payment of cash, the issue of securities and the transfer of assets.

Different methods of cash payment may apply to different Shareholders or groups of Shareholders (such as overseas Shareholders), including by cheque or direct credit. Payment of (and entitlement to receive) dividends by direct credit will be subject to Shareholders having provided to the Company and maintained current bank account details, or other details appropriate to permit electronic payments, at any relevant time.

For further information in respect of the Company's proposed dividend policy, see Section 4.6.3.

7.13.5 Transfer of Shares

Subject to the ASX Listing Rules and any mandatory escrow arrangements, the Shares are freely transferable.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Constitution, the Corporations Act or the ASX Listing Rules.

7.13.6 Issue of further Shares

Subject to the Corporations Act and the ASX Listing Rules, the Board has full discretion to issue new Shares and grant options over unissued Shares. The Constitution permits the issue of preference shares.

7.13.7 Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of Shareholders:

- divide among the Shareholders the whole or any part of the Company's property;
- decide how the division is to be carried out as between the Shareholders or different classes of Shareholders; and/or
- vest any part of the assets of the Company in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

7.13.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.13.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

7.13.10 Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. The rights attached to any class of shares may be varied in accordance with procedures set out in the Constitution, which requires the written consent (including in an electronic communication) of the holders of 75% of the shares of the class, or by a special resolution passed at a separate meeting of the holders of shares of the class. The Company's Constitution permits virtual or hybrid class meetings (where permitted by law).

7.13.11 Proportional takeover provisions

The Company's Constitution contains proportional takeover provisions.

7.13.12 Dividend reinvestment plan

Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any Shareholder or class of Shareholders may elect that the dividends payable by the Company be applied in payment for a subscription for new Shares, be satisfied by the transfer of Shares, be paid out of a particular reserve or other source, or be forgone in consideration for another form of distribution from the Company, another body corporate or a trust).

7.13.13 Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum number of Directors is ten (excluding alternate directors). The Company may alter the minimum or maximum number of Directors by resolution passed at a general meeting.

Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding a Managing Director of the Company, if one is appointed) holds office without re-election beyond the third annual general meeting or three years following the meeting at which the Director was last elected (whichever is longer). The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

7.13.14 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. The chairperson has a casting vote in addition to any vote he or she has in his or her capacity as a Director.

A written resolution of the Board may be passed without holding a meeting of the Board, if a majority of the Directors entitled to vote on the resolution sign or consent to the resolution.

7.13.15 Directors – remuneration

The Directors are entitled to be remunerated for an amount determined by the Directors, who will be paid by way of fees for services up to the maximum aggregate sum per annum, as may be approved from time to time by the Company in general meeting. Directors may also receive additional fees for acting as an officer of the Company or of a related body corporate in a capacity other than Director.

Under the Constitution, Directors may also be reimbursed all travelling, accommodation and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Directors' remuneration is discussed further at Section 6.3.3.2.

7.13.16 Powers and duties of Directors

The business and affairs of the Company to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

7.13.17 Indemnities

The Company, to the extent permitted by law, may indemnify each officer of the Company to the full extent permitted by law against all losses or liabilities incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the officer becomes involved because of that capacity, and legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer, if that expenditure has been approved by the Company

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal.

7.13.18 Mandatory escrow

The constitution contains the provisions required relating to restricted securities in accordance with ASX Listing Rule 15.12. In particular, the holder of any "restricted securities" (as defined in the ASX listing rules) must not dispose of, or agree or offer to dispose of, the restricted securities during the escrow period applicable to those restricted securities, except as permitted by the ASX listing rules. If the restricted securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the Company's Issuer Sponsored Subregister and are to have a "holding lock" (as defined in the ASX listing rules) applied for the duration of the escrow period applicable to those restricted securities.

The Company must refuse to acknowledge any disposal (including, without limitation, to register any transfer) of restricted securities during the escrow period applicable to those restricted securities (except as permitted by the ASX listing rules or the ASX) and of any securities where the Company is, or the Board is, required to do so by the ASX listing rules.

7.13.19 Notices and electronic communications

To the maximum extent permitted by law from time to time (and subject to any legal requirement to make a paper copy document available upon request), the Company is permitted to only provide notices and communications to Applicant(s) and Shareholders(s) in electronic form or by email, and may sign documents electronically (or using any electronic platform) and may accept electronically signed documents (including by use of any electronic platform).

7.13.20 Amendment

The Constitution can only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution at a general meeting of the Company.

8.
Independent Limited Assurance Report

8. Independent Limited Assurance Report

Ernst & Young Strategy and Transactions Limited
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Building a better working world

29 November 2021

The Board of Directors
Beforepay Group Limited
Suite 6.02, 50 Carrington Street,
Sydney, New South Wales, 2000

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Beforepay Group Limited (the "Company", together with its subsidiaries "Beforepay") to report on the statutory historical financial information and pro forma historical financial information of Beforepay for inclusion in the replacement prospectus to be dated 29 November 2021, which replaces the prospectus issued by the Company dated 22 November 2021 and lodged with ASIC on that date ("Prospectus"), and to be issued by the Company, in respect of an initial public offering of fully paid ordinary shares in the Company (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the Corporations Act 2001. Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Andrew Ettridge is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following statutory historical financial information of Beforepay:

- the statutory historical consolidated statements of profit and loss for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.3.1 of Section 4.3.1 of the Prospectus;
- the statutory historical consolidated statement of financial position as at 30 June 2021 as set out in table 4.4.1 of Section 4.4.1 of the Prospectus; and
- the statutory historical consolidated cash flows for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.5.1 of Section 4.5.1 of the Prospectus.

(Hereafter the "Statutory Historical Financial Information").

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The Statutory Historical Financial Information for Beforepay has been derived from its respective consolidated general purpose financial statements for the financial years ended 30 June 2020 and 30 June 2021, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young has issued unqualified audit opinions on these consolidated financial statements, with emphasis of matters in relation to a material uncertainty regarding continuation as a going concern.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board, which are consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of Beforepay:

- the pro forma historical consolidated statements of profit and loss for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.3.1 of Section 4.3.1 of the Prospectus;
- the pro forma historical consolidated statement of financial position as at 30 June 2021 as set out in table 4.4.1 of Section 4.4.1 of the Prospectus; and
- the pro forma historical consolidated cash flows for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.5.1 of Section 4.5.1 of the Prospectus.

(Hereafter the "Pro Forma Historical Financial Information").

(the Statutory Historical Financial Information and Pro Forma Historical Financial Information is collectively referred to as the "Financial Information").

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Beforepay, and adjusted for the effects of pro forma adjustments described in table 4.3.2 of Section 4.3.2, table 4.4.1 of Section 4.4.1 and table 4.5.2 of Section 4.5.2 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS and (ii) the impact of certain transactions as if they occurred as at 30 June 2021.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance and cash flows.

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The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

3. Directors' Responsibility

The directors of Beforepay (the "Directors") are responsible for the preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of Beforepay comprising:

- the statutory historical consolidated statements of profit and loss for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.3.1 of Section 4.3.1 of the Prospectus;
- the statutory historical consolidated statement of financial position as at 30 June 2021 as set out in table 4.4.1 of Section 4.4.1 of the Prospectus; and

► the statutory historical consolidated cash flows for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.5.1 of Section 4.5.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

Material Uncertainty Related to Going Concern – Statutory Historical Financial Information

We draw attention to Section 4.2.2 of the Prospectus which describes the principal conditions that raise doubt about the Company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern in relation to the Statutory Historical Financial Information. Our conclusion is not modified in respect of this matter.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of Beforepay comprising:

► the pro forma historical consolidated statements of profit and loss for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.3.1 of Section 4.3.1 of the Prospectus;
► the pro forma historical consolidated statement of financial position as at 30 June 2021 as set out in table 4.4.1 of Section 4.4.1 of the Prospectus; and
► the pro forma historical consolidated cash flows for the financial years ended 30 June 2020 and 30 June 2021 as set out in table 4.5.1 of Section 4.5.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

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Yours faithfully

Ernst & Young Strategy and Transactions Limited

Andrew Ettridge
Director and Representative

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29 November 2021

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy

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Australian Financial Services Licence No. 240585
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of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $55,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in this Prospectus in Section 6.4, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

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Contacting Ernst & Young Strategy and Transactions Limited	Contacting the Independent Dispute Resolution Scheme:
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

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9.
Additional Information

9. Additional Information

9.1 Registration of the Company

The Company was incorporated in New South Wales, Australia on 5 June 2019 with ACN 633 925 505.

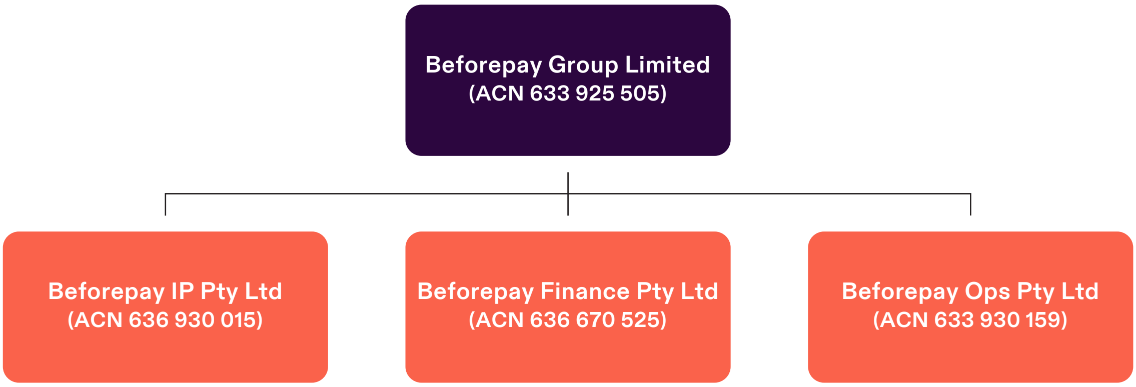
9.2 Company tax status and financial year

The Company has a balance date of 30 June. The Company is a tax resident in Australia and generally subject to Australia income tax at a rate of 30% (subject to the base rate entity rules which may give rise to a lower tax rate in respect of an income year).

9.3 Corporate structure

The following diagram shows a high-level corporate structure of Beforepay on the date of this Prospectus and Completion of the Offer.

Chart 9.1: Corporate structure



Each of the wholly-owned or consolidated entities above undertakes the business of Beforepay as set out in this Prospectus.

All of the Beforepay entities are registered in New South Wales, Australia. All of the Beforepay entities carry out activities in Australia.

9.4 Capital Structure

The Company's issued capital is as set out in Section 7.1.3.

9.5 Material contracts

Descriptions of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete or exhaustive summaries and are guided by the text of the contracts themselves.

9.5.1 Underwriting Agreement

The Offer has been underwritten by the Joint Lead Managers, pursuant to an underwriting agreement between the Company and the Joint Lead Managers (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to manage and underwrite the Offer.

For the purposes of this Section 9.5.1, "Offer Documents" means the following documents issued or published by or on behalf of the Company and with the authorisation of the Company in respect of the Offer:

- the draft prospectus prepared in connection with the Offer (**Pathfinder**);
- the Prospectus;
- the application forms lodged with the Company or the Registry by applicants for Offer; and
- the marketing roadshow presentation and/or ASX announcements used by or on behalf of the Company to conduct the Offer (excluding the non-deal roadshow),

including any supplementary prospectus or other amendments, supplements, replacements or updates to any of the above.

9.5.1.1 Fees

The Company has agreed to pay the Joint Lead Managers a management fee of 1% of the proceeds of the Offer and an underwriting fee of 4% of the proceeds of the Offer. The underwriting and management fees will become payable by the Company on the date of settlement of the Offer and will be paid to the Joint Lead Managers in equal proportions.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain other agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

9.5.1.2 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent, including conducting due diligence, lodgement of this Prospectus, the entry into the Voluntary Escrow Deeds, the Company receiving all regulatory approvals, relief and modifications necessary to enable the Offer to proceed in accordance with the timetable, and the Longreach Credit Facility Agreement not having been rescinded, terminated, breached, altered, amended or becoming void).

The representations and warranties given by the Company include, but are not limited to, matters such as power and authorisation, validity of obligations, accuracy of information, financial information, disclosure in this Prospectus and other public information and compliance with laws, ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including, but not limited to, its assets, closing certificates, the Shares, encumbrances, future matters, material contracts, litigation, non-disposal of Voluntary Escrowed Shares, tax, insurance, authorisations, eligibility for Listing and internal accounting controls.

The Company's undertakings include that it will:

- during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer:
  - carry on its business, and procure that each member of the Group carries on its business, in the ordinary course and not dispose (or permit any other Group member to dispose) of any material part of its (or their) business or property except in the ordinary course or as disclosed in this Prospectus;
  - not, without the prior written consent of the Joint Lead Managers, issue, agree to issue or indicate that it will issue, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, in any member of the Group, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of securities of that type however settled, other than pursuant to the Offer, the Underwriting Agreement, an employee share or option plan, or a non-underwritten dividend reinvestment or bonus share plan, or a proposed transaction, disclosed in this Prospectus;
  - not, without the prior written consent of the Joint Lead Managers, alter the capital structure of the Company; or
  - not amend the constitution of the Company.

- during the period following the date of the Underwriting Agreement until 90 days after Shares have been issued under the Offer, ensure that none of the events set out in sections 652C(1) or (2) of the Corporations Act has occurred in relation to the Group, except as disclosed to the Joint Lead Managers in writing prior to the date of the Underwriting Agreement;
- in respect of the Longreach Credit Facility Agreement, during the period following the date of the Underwriting Agreement until 120 days after the Shares have been issued under the Offer, not vary any term of such contract without the prior consent of the Joint Lead Managers to the terms of the variation (such consent not to be unreasonably withheld or delayed); and in respect of any other contract that is material to its business in a material respect, during the period following the date of the Underwriting Agreement until the Shares have been issued under the Offer, not vary any term of such contract without the prior consent of the Joint Lead Managers to the terms of the variation (such consent not to be unreasonably withheld or delayed).

9.5.1.3 Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence of an indemnified party, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses incurred in connection with the Offer.

9.5.1.4 Termination events

A Joint Lead Manager may terminate the Underwriting Agreement at any time from the date of the Underwriting Agreement to 5:00pm on the settlement date, by notice given to the Company and the other Joint Lead Manager and without any cost or liability to that Joint Lead Manager, if any of the following events occur:

- in the reasonable opinion of the Joint Lead Manager, the Pathfinder, the Prospectus and any supplementary prospectus does not comply with the Corporations Act (including if a statement contained in the Offer Documents or such public statement is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the relevant document (having regard to Part 6D.2 of the Corporations Act and the ASX Listing Rules or any other applicable law or regulation));
- the Company issues, or in the reasonable opinion of the Joint Lead Manager is required to issue, a supplementary prospectus to comply with section 719(1) of the Corporations Act, or the Company lodges a supplementary prospectus in a form that has not been approved by the Joint Lead Managers;
- at any time after the close of the Bookbuild, the S&P/ASX Small Ordinaries Index or the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level of the index as at the close of trading on the date of the close of the Bookbuild and is at or below that level at the close of trading for two consecutive business days or on the business day immediately prior to at any time on or before the settlement of the Offer;
- a Voluntary Escrow Deed is withdrawn, varied, terminated, rescinded, altered or amended or breached or becomes void, voidable, unenforceable or there is a failure to comply with any of them (other than with the consent of the Joint Lead Managers);
- the Company or any of its directors or officers engage in any fraudulent conduct or activity (whether or not in connection with the Offer);
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions to the Company's admission to the official list of ASX or the quotation of Shares on ASX on the dates set out in the timetable, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any of the following notifications are made in respect of the Offer:
  - ASIC makes an order or interim order under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or any Offer Document;

- ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or any Offer Document;
- any person (other than the Joint Lead Manager seeking to terminate) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
- any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to an Offer Document,

unless such notification is not made public and is withdrawn within the earlier of two business days and the business day prior to the date of the settlement of the Offer;

- the Company does not provide a closing certificate in the manner required under the Underwriting Agreement;
- the Company or any Group member breaches, or defaults under, any provision, undertaking, covenant or ratio of the Longreach Credit Facility Agreement or any related documentation to which that entity is a party;
- an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event occurs under or in respect of the Longreach Credit Facility Agreement to any such debt or financing arrangement or related documentation;
- the Company withdraws an Offer Document or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any Group member becomes insolvent, or there is an act or omission which is likely to result in them becoming insolvent;
- an event specified in the timetable up to and including the date of settlement of the Offer is delayed for more than two business days other than:
  - where an extension to the timetable is directly required as a result of an extension to the exposure period by ASIC;
  - as a result of action in breach of the Underwriting Agreement by the Joint Lead Managers; or
  - a delay agreed to between the parties;
- the Company is prevented from allotting and issuing the Shares within the time required by the timetable, the Offer Documents, the Listing Rules, by applicable laws, or a court order or order of a governmental authority;
- the Company (without the prior written consent of the Joint Lead Managers):
  - alters its capital structure (or that of a Group member), other than as contemplated in the Prospectus; or
  - disposes, or attempts to dispose of, a substantial part of the business or property of the Group;
- a governmental agency withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal or commercially impossible for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- other than with the prior consent of the Joint Lead Managers, a change in chief executive officer, chief financial officer or chairman of the Company occurs;
- a director or proposed director named in the Prospectus is charged with an indictable offence;
- the Company varies any term of its constitution (other than removing references to the Company's shareholders agreement) without the prior written consent of the Joint Lead Managers; or
- a statement in a closing certificate given by the Company is false, misleading, inaccurate or untrue or incorrect.

9.5.1.5 Termination events subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement at any time from the date of the Underwriting Agreement to 5:00pm on the settlement date, by notice given to the Company and the other Joint Lead Manager and without any cost or liability to that Joint Lead Manager, if any of the following termination events occur:

- in the reasonable opinion of the Joint Lead Manager, any Offer Documents (other than the Pathfinder, Prospectus and any supplementary prospectus) or any public statement made by or on behalf of the Group in relation to the business of the Group or the Offer, or any aspect of the Offer does not comply with the Corporations Act (including if a statement contained in the Offer Documents or such public statement is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the Offer Documents or public statement (having regard to Part 6D.2 of the Corporations Act and the ASX Listing Rules);
- there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged;
- there are not, or there ceases to be, reasonable grounds in the opinion of the Joint Lead Managers for any statement or estimate in the Offer Documents which relate to a future matter;
- any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager) or if all or any part of such contracts is amended or varied (without the consent of the Joint Lead Managers, acting reasonably), terminated, breached, ceases to have effect other than in accordance with its terms or is or becomes void, voidable, illegal, invalid or unenforceable, or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- any of the following occurs:
  - a director or proposed director named in the Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
  - any governmental agency commences any public action against the Company or its directors in that capacity, or announces that it intends to take action, other than as disclosed in the Prospectus;
- any information supplied by or on behalf of the Company to a Joint Lead Manager in relation to Group or the Offer (including as part of the due diligence process) becomes (or becomes likely to be) misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in those matters from those disclosed in the Offer Documents;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- there is a contravention by the Company or the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, the Company's constitution or the ASX Listing Rules;
- any Offer Document or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- the Company defaults on one or more of its obligations under the Underwriting Agreement;
- any representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- legal proceedings are commenced against the Company, any Group member or any of their respective directors in that capacity, or any regulatory body commences any enquiry or public action against a Group member;

- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to the Joint Lead Manager in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, the United States, the People's Republic of China, Hong Kong, or any member state of the European Union or a major terrorist act is perpetrated in any country;
- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Singapore, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, New Zealand, the United Kingdom, Hong Kong or the United States, or in foreign exchange rates; or
  - trading in all securities quoted or listed on ASX, New Zealand Exchange, the New York Stock Exchange, NASDAQ, Hong Kong Stock Exchange or the London Stock Exchange is suspended or materially limited for one day (or a substantial part of one day).

The Joint Lead Manager may only terminate for the events listed in this section 9.5.1.5 if the Joint Lead Manager has reasonable grounds to believe that the event:

- has or is likely to have a materially adverse effect on:
  - the success, settlement or marketing of the Offer or on the ability of the Joint Lead Manager to market or promote or settle the Offer or on the likely market price of the Shares; or
  - the willingness of investors to subscribe for Shares; or
- will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law.

9.5.2 Longreach Credit Facility Agreement

The terms of the Longreach Credit Facility Agreement is summarised in Section 3.7.1.1 of this prospectus.

9.5.3 Customer contract

The terms of Beforepay's Terms of Service and Customer Pay Advance Agreement applicable to customers who have a Cash Out are summarised in Sections 3.13.2 and 3.13.3 of this prospectus.

9.6 Other Contracts

9.6.1 Call Option Agreements

9.6.1.1 LTIP Call Option Agreements

As referred to in Table 6.3, James Twiss has entered into LTIP Call Option Agreements with the Grantors pursuant to which each Grantor grants to Mr Twiss a call option over 479,500 existing Shares (**Call Options**), totalling 959,000 Shares. The options over the Call Options are over existing Shares in the Company and do not require the Company to issue new Shares on their exercise. The Call Options terms incorporate the options over the Called Shares are governed by the terms of the Legacy LTIP (described in Section 6.3.2.2).

The key terms of the LTIP Call Option Agreements in addition to those applying under the Legacy LTIP are as follows:

- each of the Grantors grants to James Twiss a call option over 479,500 existing Shares held by them;

- the Call Options may only be exercised if the Company has given to James Twiss an option vesting notice upon satisfaction of the vesting conditions applicable to the call options, as summarised in Table 6.3;
- the Call Option may be exercised by payment of the exercise price for each Share ($0.8793 per Share) to the relevant Grantor. James Twiss must exercise the Call Option in relation to at least 239,100 Shares under each LTIP Call Option Agreement at any one time; and
- the LTIP Call Option Agreements terminate on 9 July 2031 (being the expiry date of the options granted to James Twiss).

James Twiss has undertaken not to exercise the Call Options during the period to which mandatory escrow applies to the underlying Shares.

9.6.1.2 Adviser Option Agreements

As referred to in Section 6.3.2.3, the Company has entered into call option agreements with various service providers or their nominees, granting the providers or their nominees in aggregate 124,900 options (**Adviser Options**) to acquire Shares in consideration of services performed by such providers (together, the **Adviser Option Agreements**). This includes 41,400 issued to a nominee of Shaw and Partners. The services provided by the providers in connection with the Adviser Option Agreements are not related to the Offer or the Listing. Set out below is an overview of the key terms of the Adviser Option Agreements:

- No Adviser Option may be exercised unless the Listing occurs. The Adviser Options will not be listed.
- The exercise price of 104,900 Adviser Options (including the 41,400 issued to a nominee of Shaw and Partners) is two times the Offer Price. The exercise price of 2,000 Adviser Options is $1.30 per Share.
- 63,500 options have an expiry date of 15 September 2023. The expiry date of the 41,400 options issued to Shaw and Partners' nominee is 21 August 2023. The expiry date of the remaining 20,000 options is 1 August 2026.
- The Adviser Options do not provide the service provider or its nominee any right to participate in new issues of Shares.
- The Adviser Options do not grant service provider or its nominee any right to participate in any dividends unless the Adviser Options are exercised and the resultant Shares are issued prior to the record date to determine entitlements to the dividend.
- If at any time between the issue and exercise of the Adviser Options, issued capital of the Company is reorganised (which, for the avoidance of doubt, includes a consolidation of capital, sub-division of capital, return of capital or pro rata cancellation of capital), the Adviser Options are to be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rule), being that the number of Adviser Options or the exercise price of the Adviser Options (or both) will be reorganised so that the service provider or its nominee will not receive a benefit that Shareholders do not receive and so that Shareholders will not receive a benefit that the service provider or its nominee do not receive.
- If there is a pro rata issue (excluding a bonus issue), the exercise price of an Adviser Option will not be revised.
- If there is a bonus issue of Shares to Shareholders, the number of Shares over which the Adviser Option is exercisable may be increased by the number of Shares which the service provider or its nominee would have received if the Adviser Option had been exercised before the record date for the bonus issue.

9.6.1.3 Change of control provisions in contracts generally

Under the Longreach Credit Facility Agreement, a "change of control" of Beforepay Finance, Beforepay Ops or Beforepay IP is an "event of default". Please refer to Section 3.7.1.1 for details of the change of control restrictions and the consequences of a "change of control" of Beforepay Finance, Beforepay Ops or Beforepay IP.

The Company's cyber security insurance policy provides that the insurer will not pay for any "loss" (as defined in the insurance policy) for any "wrongful act" (as defined in the insurance policy) that is otherwise covered by the insurance policy but which occurs after:

- the Company or all of its assets is or are acquired by another entity;

- the Company merges or consolidates into or with another entity;
- any person, entity or affiliated group of persons and/or entities obtains the right or power to elect, appoint or designate at least fifty percent (50%) of the Directors of the Company;
- any person, entity or affiliated group of persons and/or entities acquires fifty percent (50%) or more of the issued capital of the Company; or
- a receiver, receiver and manager, liquidator, administrator, official manager or trustee is appointed to manage, administer, liquidate, supervise, or otherwise take control of the Company.

The Company's directors and officers' liability insurance policy provides that the insurer will not make any payment under the policy arising out of, or based upon or attributable to any "wrongful act" (as defined in the insurance policy), matter which is the subject of an "investigation" (as defined in the insurance policy) or matter which is the subject of any other request for payment under the policy, that occurs or arises after the effective date of any of the following events:

- the Company consolidates with or merges into, or sells all or substantially all of its assets to any other person or group of persons acting in concert;
- any person or persons (other than the Company's subsidiary or subsidiaries) secures the affairs of the Company by controlling the composition of the Board of Directors of the Company;
- any person or persons (other than the Company's subsidiary or subsidiaries) secures the affairs of the Company by controlling more than half of the shareholder voting power of such entity; or
- any person or persons (other than the Company's subsidiary or subsidiaries) secures the affairs of the Company by directly or indirectly holding more than half of the issued share capital of such entity.

9.7 Escrow Arrangements

A number of Shareholders and Optionholders are restricted from dealing in their Shares and/or Options. These restrictions are either imposed by the ASX as mandatory escrow or have been agreed to voluntarily pursuant to voluntary escrow deeds.

9.7.1 Mandatory escrow

The Listing is subject to the mandatory escrow provisions applying under the Listing Rules.

The mandatory escrow provisions of the Listing Rules precludes holders of restricted securities from disposing of those securities or an interest in those securities, or agreeing to dispose of those securities or an interest in those securities, for the relevant restriction period. The ASX determines the securities that are classified as "restricted securities" by applying the Listing Rules and exercising its discretion.

The holder of such securities will be precluded from granting a security interest over those securities. However, the ASX may consent to those securities being sold under a takeover bid or under a merger by way of a scheme of arrangement under the Corporations Act.

Holders of restricted securities will be required to enter into mandatory escrow restriction deeds with the Company in relation to all or some of the securities they hold, or will be provided with a "restriction notice" by the Company. The restriction deeds and restriction notices will be in the form required by the Listing Rules.

Some of the Shares and Options on issue at the date of this Prospectus and some of the Shares to be issued in connection with the Listing as a result of the conversion of the Convertible Notes will be classified as "restricted securities". An overview of the mandatory escrow restrictions applying in connection with the Listing is set out at 9.7.3

9.7.2 Voluntary escrow

In addition to the mandatory restrictions set out above, certain Shareholders and Convertible Note Holders have agreed to enter into voluntary escrow arrangements in relation to all of their Shares held on the Allotment Date (excluding any Shares acquired under the Offer) whether or not they are already subject to mandatory escrow arrangements (**Voluntary Escrowed Shares**) under which they will be restricted from dealing with those Shares until 20 Business Days after the release of the Company's half year results for 31 December 2021 (**Voluntary Escrow Deed**) following completion of the Offer. The voluntary escrow arrangements may overlap with part of the mandatory escrow arrangements. An overview of the voluntary escrow restrictions applying in connection with the Listing is set out in Section 9.7.3.

Entry into the Voluntary Escrow Deed will prevent such Shareholder from disposing of its Voluntary Escrowed Shares during the escrow period, subject to certain exceptions. The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Voluntary Escrowed Shares, encumbering or granting a security interest over the Voluntary Escrowed Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Voluntary Escrowed Shares or agreeing to do any of those things. However, any of the Shareholders may be released early from the escrow obligations to enable:

- the Shareholder to accept an offer under a takeover bid in relation to its voluntary Escrowed Shares, if holders of at least half of the Shares the subject of the bid that are not escrowed (under voluntary or mandatory escrow), have accepted the takeover bid;
- the Voluntary Escrowed Shares held by the Shareholder to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act; and
- certain other circumstances such as requirements of applicable law, certain transfers to family members or wholly owned companies or trusts, death, serious disability or incapacity, administration, liquidation and related and in relation to an equal access share buyback, capital return or capital reduction effected by the Company.

9.7.3 Summary of the escrow arrangements

Set out below is an overview of the escrow treatment applying to Shares and Options held by certain Shareholders and Option holders and the escrow period applying to those Shares and Options. However, the ASX will make the final determination of the mandatory escrow to be applied to Shares and Options, which may be different from that set out in this Prospectus.

Table 9.7: Summary of escrow arrangements

Shareholder	Shareholder Entity	Type of Escrow	No. of Shares held on Completion of the Offer	No. of Shares subject to mandatory escrow	% of total issued Shares on Completion of the Offer subject to mandatory escrow	No. of Shares subject to voluntary escrow	% of total issued Shares on Completion of the Offer subject to voluntary escrow	Options held on Mandatory Escrow[7]	Mandatory Escrow Period
Founders, Directors and their Related Parties									
Tarek Ayoub	Youbek Pty Ltd	Restriction Deed	5,500,000	5,499,984	11.8%	5,500,000	11.8%		24 Months
Guo Fang Mao	Jopean Pty Ltd	Restriction Deed	4,500,000	4,499,987	9.7%	4,500,000	9.7%		24 Months
Daniel Moss	CHEQ INVEST PTY LTD[1]	Restriction Deed	453,122	442,492	1.0%	453,122	1.0%		24 Months
	DEEJLINK PTY LTD	Restriction Deed	57,400	50,703	0.1%	57,400	0.1%		24 Months
	Daniel Moss	Restriction Deed	7,332	Nil	Nil	Nil	Nil	799,900	24 Months
	Parties related to Danny Moss[2]	Restriction Deed	727,928	597,929	1.3%	705,935	1.5%		24 Months
Stefan Urosevic	TRINITY FINANCIAL MARKETS PL	Restriction Deed	64,732	50,703	0.1%	57,400	0.1%	799,900	24 Months
	CHEQ INVEST PTY LTD[1]	Restriction Deed	453,122	442,492	1.0%	453,122	1.0%		24 Months
Natasha Davidson		Restriction Deed	2,932	Nil	Nil	Nil	Nil	53,500	24 Months
Patrick Tuttle		Restriction Deed	29,326	Nil	Nil	Nil	Nil	53,500	24 Months
Brian Hartzer	Springfield 2012 Pty Ltd	Restriction Deed	67,281	8,630	0.0%	Nil	Nil	242,200	24 Months
Promoters, Seed Capitalists & Others									
Promoters[3]		Restriction Deed	41,400	41,400	0.1%		0.0%	41,400	24 Months
Vendors[4]		Restriction Deed	36,595	36,595	0.1%		0.0%		01-Sep-2022
Seed Capitalists[5]		Restriction Notice	24,341,063	3,103,205	6.7%	18,401,578[8]	39.6%	83,500	882,214 shares until 1 Feb 2022 34,563 shares until 15 Feb 2022 63,500 shares until 14 Apr 2022 1,191,154 shares until 5 May 2022 931,774 shares until 1 Sept 2022 83,500 options until 12 months from listing
Successful applicants under the Offer[6]			10,165,689						N/A
Total			**46,449,282**	**14,774,224**	**31.8%**	**30,128,557**	**64.9%**		

Notes:

1. Shares are held by Cheq Invest Pty Ltd for the benefit of numerous beneficiaries. Cheq Invest Pty Ltd holds in aggregate 4,437,500 Shares. Of these, 453,122 are held by a corporate nominee for the benefit of Daniel Moss and 453,122 are held by a corporate nominee for the benefit of Stefan Urosevic.
2. These entities are related parties (as defined in the Listing Rules) due to them being a relative of Daniel Moss or a nominee controlled by such relative. Some of these Shares are held by Cheq Invest Pty Ltd on behalf of relatives of Daniel Moss. These Shares are not owned or controlled by Daniel Moss.
3. Shares are held by a nominee of Shaw and Partners.
4. Please refer to Section 3.6.3 for detail of the arrangement to which these Shares were issued.
5. Includes 3,171,883 Shares held by Cheq Invest Pty Ltd for the benefit of other beneficiaries not related to Daniel Moss or Stefan Urosevic.
6. Successful applicants under the Offer may include participation by existing holders displayed above but excluding applications by Founders, Directors and their Related Parties.
7. Options displayed in this table are held in the name of the individual.
8. Combine total of both mandatory and voluntary escrow applied to seed capitalists.

9.8 ASX Waivers and Confirmations

9.8.1 ASX waivers and confirmations

The Company has obtained in-principle advice from ASX to the following ASX Listing Rule waivers and confirmations:

- Confirmation that Exception 9 of Listing Rule 7.2 will apply to the issue of shares in the Company after the Listing pursuant to the exercise of the options issued under the Legacy LTIP (see Section 6.3.2.2) and the Adviser Options (see Section 6.3.2.3) provided:
  - The prospectus contains a summary of the Legacy LTIP, the terms and conditions of the options issued under the Legacy LTIP and the terms and conditions of the Adviser Options;
  - any proposed issues occur within three years of the Company's admission; and
  - the securities are issued to unrelated parties.
- Confirmation that Exception 13 of Listing Rule 7.2 will apply to new equity securities when they are issued or exercised under the LTIP after the Listing (see Section 6.3.2.1) to persons who are not related parties;
- Confirmation that Listing Rule 10.16(c) will apply to the existing options issued to Directors under the Legacy LTIP (see Section 6.3.2.2);
- Confirmation that Listing Rule 7.1 does not apply to the issue of Shares to Directors under the LTIP (see Section 6.3.2.1) in accordance with Exception 14 of Listing Rule 7.2;
- A waiver from Listing Rule 10.14 to the extent necessary to permit the Company to issue Shares to Directors under the LTIP in the manner described in Section 6.3.2.1;
- Confirmation that the issue of Shares under the Legacy LTIP (see Section 6.3.2.2), the Adviser Options (see Section 6.3.2.3) and the Shares to Directors under the LTIP (see Section 6.3.2.1) are appropriate and equitable pursuant to Listing Rule 6.1; and
- Confirmation that subject to ASX's clarification of certain shareholders as required by ASX, ASX does not have any concerns with the proposed use of restriction deeds and restriction notices.

The Company is seeking from ASX formal confirmations and waivers of the above, and there is no guarantee that ASX will provide such confirmations and waivers.

9.9 Insurance

Beforepay has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include cyber security insurance, public and products liability insurance, directors' and officers' liability insurance, and workers' compensation insurance. Except for the workers' compensation insurance, which is held in the name of Beforepay Ops and applies to its employees, all of the insurance policies are held in the name of the Company and apply to the Company and each of its subsidiaries.

The Company intends to effect a policy of prospectus liability insurance. It is intended that the policy would insure the Directors and officers in respect of any claim that this document contains untrue or misleading statements or information omissions and in respect of official investigations in relation to the Offer. There is no guarantee that the insurance policy will cover all claims against such Directors and officers.

9.10 Legal Proceedings

Beforepay may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business.

So far as the Directors are aware, as at the Prospectus Date, there is no other current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecutions of a material nature in which Beforepay is directly or indirectly concerned, which is likely to have a material adverse impact on the business or the financial position of Beforepay.

For completeness Beforepay notes that it has received a notice from a financial institution raising concerns regarding branding (as described in section 5.2.10). No legal proceedings have been commenced against the Company with respect to these concerns as at the date of the Prospectus.

9.11 Summary of Australian Tax issues for Australian Tax Resident Investors

The following comments provide a general summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty issues for Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account for, or carry on a business of trading in, Shares or Shareholders who are exempt from Australian tax. This summary does not cover the consequences for Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the tax laws in Australia in force as at the Prospectus Date (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholders' specific circumstances, Shareholders should obtain independent advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances (including whether they are an Australian tax resident).

9.11.1 Dividends paid on Shares – Australian tax residents

9.11.1.1 Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends should constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend. If the Shareholder satisfies the "qualified person" rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However, such a Shareholder should be entitled to a tax offset equal to the franking credit, either where the shareholder is a "qualified person" or where the Shareholder receives less than $5,000 in franking credits from all sources for the income year (see below). The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

Where a dividend is unfranked, the Shareholder should generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

9.11.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules. A tax offset should then be allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This allows the corporate Shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

Where franking credits received by a corporate Shareholder exceeds the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

9.11.1.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

9.11.1.4 Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares continuously 'at risk' for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which may have the effect of diminishing the economic exposure associated with holding the Shares. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for the continuous period of 45 days not including the date of acquisition or disposal during a window which commences on the 45th day before, and ends on the 45th day after the day the Shares become ex-dividend. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holding exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than $5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions received by a Shareholder directly or indirectly (for example, via an interposed trust). It is recommended that all Shareholders seek independent taxation advice.

9.11.1.5 Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules and consider the impact of these rules, having regard to their own personal circumstances.

9.11.2 Dividends paid on Shares – non-Australian tax residents

Shareholders who are not tax residents in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends received. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked, unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends received which are fully franked should not be subject to Australian dividend withholding tax.

9.11.3 Disposal of Shares – Australian tax residents

The disposal of a Share by a Shareholder that holds their shares on capital account should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate Shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate Shares).

9.11.4 Disposal of Shares – Non-Australian tax residents

The disposal of a Share by a Shareholder who holds the Share on capital account but is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes "taxable Australian property". Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

- the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12-month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company's assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office,) which is located in Australia.

In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder's marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

9.11.4.1 Non-resident CGT withholding

Rules can apply to the purchaser of certain taxable Australian property, indirect real property interests or options or rights to acquire such property or interest where such property or interest is acquired from a non-Australian resident vendor under contracts entered into on or after 1 July 2017. Pursuant to the rules, a non-final withholding tax of 12.5% of the purchase price may be applied to such transactions at settlement.

However, the rules should not apply to the disposal of a Share on ASX (in accordance with a specific exemption).

9.11.5 GST

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

9.11.6 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares under the Prospectus, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst the Company remains listed on the ASX. This is provided that the transfer of Shares does not result in a person, either alone or together with associated persons, holding an interest of 90% or more in the Company.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.7 Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their tax file number (**TFN**), Australian Business Number (**ABN**) or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, pursuant to the TFN withholding rules, Australian income tax should be automatically deducted at the highest marginal rate, including where relevant, the Medicare levy, from unfranked dividends and/or other applicable distributions. However, Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of the tax deducted in their income tax returns. Australian income tax should not be required to be deducted by the Company in respect of fully franked dividends.

Shareholders who are not tax resident in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by the Company with respect to unfranked dividends or other relevant distributions paid to such Shareholders, irrespective of whether those Shareholders have notified the Company of their TFN or ABN.

9.12 Foreign Selling Restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person and the Shares may not be offered or sold in any country outside Australia, except to the extent permitted below.

9.12.1 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), nor has it been authorised by any regulatory authorities in Hong Kong. The Shares may not be offered or sold and will not be offered or sold in Hong Kong, by means of any document other than:

- to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and any rules made under that ordinance; or
- in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Shares may be issued or may be in the possession (and no advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession) of any person for the purpose of issue, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and any rules made under that ordinance. No person allotted Shares may dispose, transfer or on sell, or offer to dispose, transfer or on sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Shares.

This document and the information within are strictly confidential to the person whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by recipient to any other person or used for any purpose in Hong Kong.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.12.2 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (NZ) (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an "investment business" within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets and complies with the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is "large" within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a "government agency" within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an "eligible investor" within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.12.3 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Offer or Listing, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are:

- an "institutional investor" (as defined in the SFA) or
- an "accredited investor" (as defined in the SFA).

In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to sale restrictions in Singapore and comply accordingly.

9.12.4 United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation 2017/1129/EU as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**) and that are also:

- investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the **Order**); or
- high net worth entities,

and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a **relevant person**).

This prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus relates is only available to, and will be engaged in with, relevant persons.

9.13 Costs of the Offer

Costs of the Offer are $4.6 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Manager's management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Company from the proceeds of the Offer.

9.14 Consents to be Named and Disclaimers of Responsibility

Each of the parties listed below in this Section 9.14 (each a **consenting party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than being named in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the consenting parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in the form and context in which it is named and to the inclusion of statements or reports in this Prospectus that are specified below in the form and context in which the statements or reports appear:

- Shaw and Partners has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Managers and Underwriters to the Offer in the form and context in which it is named;
- E&P has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Managers and Underwriters to the Offer in the form and context in which it is named;
- Ernst & Young Strategy and Transactions Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named and to the inclusion of its Independent Limited Assurance Report (see Section 8) in the form and context in which it is included in this Prospectus;
- Ernst & Young has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company and the provider of financial due diligence services in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax adviser to the Company in the form and context in which it is named;
- Jones Day has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer (other than in relation to tax, stamp duty and intellectual property) in the form and context in which it is named; and
- Frost & Sullivan has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named.

No consenting party referred to in this Section 9.14 has made any statement or report that is included in this Prospectus, or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section 9.14 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section 9.14.

9.15 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.16 Statement of Directors

The issue of this Prospectus has been authorised by each Director and Proposed Director of the Company who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.

10. Appendix A: Significant Accounting Policies

10. Appendix A: Significant Accounting Policies

The Financial Information applies the historical cost convention, except for financial liabilities measured at fair value through profit or loss.

Critical accounting estimates

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

Allowance for expected credit losses (ECL)

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

The Company considers both quantitative and qualitative information, including historical loss experience based on customer demographic data and the proportion of defaults over time in determining the profitability of default. The Company also considers forward-looking adjustments, such as macroeconomic forecasts and seasonality trends that are not captured within the base ECL calculations. This inclusion of forward-looking information increases the degree of judgement required to assess effects on the Company's ECL.

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies applied to the ECL calculations remained unchanged from those applied prior to the onset of COVID-19, the Company has incorporated judgements, estimates and assumptions specific to the impact of COVID-19, where relevant, in the measurement of ECL.

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

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Principles of consolidation

The Financial Information incorporates the assets and liabilities of all subsidiaries of Beforepay Group Limited ('company' or 'parent entity') as at the year ends presented and the results of all subsidiaries for the years then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company 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 Company. They are de-consolidated from the date that control ceases.

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

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

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

Revenue recognition

The Company recognises revenue as follows:

Beforepay income

Beforepay income is recognised over the period of which individual customer pay advances are scheduled to be repaid. Beforepay income is calculated and charged based on a fixed percentage of the amount advanced.

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the periods necessary to match them with the costs that they are intended to compensate.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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.

Trade receivables and customer advances receivable – Customer advances receivable

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

Allowance for expected credit losses on customer advances receivable

The Company applies the general provision approach under *AASB 9 Financial Instruments* to account for ECLs on consumer receivables measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the Beforepay terms and all the cash flows that the Company expects to receive.

Due to the short-term nature of the customer receivables, the ECLs approximates the lifetime ECL. The Company uses ageing of customer advances receivable as the basis for ECL measurement, given the short duration of consumer payment terms (maximum 62 days).

At each reporting date, the Company assesses impairment risk on initial recognition of the customer advances receivable and movements in the ageing of outstanding customer receivables to estimate the ECL.

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

The Company has defined these stages as follows:

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

Receivables are written off when the Company has no reasonable expectation of recovery. Any subsequent recoveries following write off are credited to receivables impairment expenses within the profit or loss and other comprehensive income in the period in which they were recovered.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value, depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument, discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

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

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

- Computer equipment: 2-3 years

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

Intangible assets

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the asset; the Company has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-4 years.

Patents and trademarks

Significant costs associated with patents and trademarks are capitalised as an asset.

Formation costs

Costs in relation to the formation of the Company are capitalised as an asset. These costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Impairment of non-financial assets

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

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

Leases

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

Trade and other payables

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

Borrowings

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

Convertible Notes are initially recognised at the fair value of the consideration received. They are subsequently measured as a liability at fair value through profit or loss. Costs associated with the issuance of Convertible Notes are expensed to the profit or loss as incurred.

Finance costs

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees and in some instances to service providers.

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

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

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either: in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

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

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

Issued capital

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

Goods and Services Tax ('GST') and other similar taxes

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

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

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

11.
Appendix B: Glossary

11. Appendix B: Glossary

Term	Meaning
1H FY2021	The six-month period commencing 1 July 2020 and ended 31 December 2020.
2H FY2021	The six-month period commencing 1 January 2021 and ended 30 June 2021.
AAS	Australian Accounting Standards issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
AASB15	AASB15 Revenue from Contracts with Customers.
ACL	Australian Credit Licence.
Active Users	A customer of Beforepay, who has taken out an advance in the previous 12 months from the date of the relevant information. This includes customers who have not repaid their most recent Cash Out, and are not eligible to re-borrow until they have done so.
Adviser Option Agreements	Has the meaning given to that term in Section 6.3.2.3.
Adviser Options	The options to acquire Shares issued to certain advisers and service providers under the Adviser Option Agreements, as described in Section 6.3.2.3.
AFCA	Australian Financial Complaints Authority.
AFSL	Australian Financial Services Licence.
AML/CTF	Anti-money laundering and counter terrorism financing.
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).
Android	Android is a mobile operating system based on a modified version of the Linux kernel and other open source software, designed primarily for touchscreen mobile devices such as smartphones and tablets.
app	Either one of the two smartphone applications of Beforepay, one for iOS devices and one for Android or the web application, as appropriate in its context.
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares offered under this Prospectus.
Application Form	The application form to make an Application attached to or accompanying this Prospectus (including the electronic form provided by an online Application facility).
Application Monies	The amount of monies accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth).
ASX	ASX Limited or the securities exchange that it operates, as the context requires.

11. Appendix B: Glossary continued

Term	Meaning
ASX Listing Rules	The listing rules of ASX.
ASX Settlement Operating Rules	The settlement operating rules of ASX.
AUD	Australian Dollars.
Audit and Risk Committee or ARC	The Board's audit and risk sub-committee.
AUSTRAC	Australian Transaction and Reports Analysis Centre.
Beforepay	The Company and its controlled entities (and, where the context requires, the businesses conducted by those entities).
Beforepay Finance	Beforepay Finance Pty Ltd ACN 636 670 525 (a wholly owned subsidiary of the Company).
Beforepay IP	Beforepay IP Pty Ltd ACN 633 930 015 (a wholly owned subsidiary of the Company).
Beforepay Ops	Beforepay Ops Pty Ltd ACN 633 930 159 (a wholly owned subsidiary of the Company).
Benefit User	A user who derives more than 50% of their income from government benefits, which may include Centrelink, pension payments and other forms of government benefit payments.
BNPL or Buy Now Pay Later	A product or service for the purchase of goods or services where the purchase price is repaid in instalments.
Board or Board of Directors	The board of directors of the Company.
Bookbuild	The bookbuild process undertaken to determine investor demand for Offer Shares at the Offer Price.
BPAY®	The payment mechanism used to pay Application Monies online.
Broker	An ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer.
Broker Firm Offer Applicant	An Australian resident client of a Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Offer Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of participating Brokers who have received firm allocation from their Broker, as described in Section 7.3.
Call Options	Has the meaning given to that term in Section 9.6.1.1.

Term	Meaning
Cash Out or **Pay Advances**	An advance made or offered by Beforepay to a user.
CCA	*Competition and Consumer Act 2010* (Cth).
CDR	Consumer Data Right.
CGT	Capital Gains Tax.
CHESS	ASX's Clearing House Electronic Sub-register System. See Section 7.12.2.
Closing Date	The date on which the Offer is expected to close, being Thursday, 16 December 2021 in respect of the Retail Offer.
Company	Beforepay Group Limited (ACN 633 925 505).
Completion of the Offer	Completion in respect of the allotment and issue of Shares by the Company and the associated issuance of shares in connection with the conversion of Convertible Notes.
CCR	Comprehensive Credit Reporting.
Consenting Party	Each of the parties listed in Section 9.14.
Constitution	The constitution of the Company.
Convertible Notes	means convertible notes issued by the Company and which will convert to Shares in connection with the Listing as described in sections 4.4.1 and 4.4.2.2.
Corporations Act	*Corporations Act 2001* (Cth).
COVID-19	A contagious disease formally known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).
Credit model	Beforepay's proprietary credit risk scoring model.
Direct Debit Terms	The terms and conditions of the Zepto direct debit authority as defined in Section 3.13.3.
Director	A member of the Board.
Diversity Policy	The Company's diversity policy adopted by the Board.
E&P	E&P Corporate Advisory Pty Limited (ACN 137 980 520).
Enterprise Value	The sum of the market capitalisation of the Company at the Offer Price less the expected net cash at Completion of the Offer.
Escrowed Shares	Mean Voluntary Escrowed Shares and Shares subject to mandatory escrow as described in Section 9.7.1.
Existing Shareholder	A holder of Shares and/or Convertible Notes as at the Prospectus Date.
Expiry Date	The date which is 13 months after the Prospectus Date.

11. Appendix B: Glossary continued

Term	Meaning
Exposure Period	The seven-day period after the lodgement of the Original Prospectus with ASIC, which may be extended by ASIC by a further period of seven days, during which no Applications may be processed by the Company.
Financial Information	Has the meaning given to that item in Section 4.
Frost & Sullivan	Has the meaning given to that term in the Important Notices.
FY	Abbreviation for the financial year ended or ending 30 June.
FY2019	The financial period from 5 June 2019 (date of incorporation of the Company) to 30 June 2019.
FY2020	The financial year ended 30 June 2020.
FY2021	The financial year ended 30 June 2021.
FY2022	The financial year ending 30 June 2022.
Gen X	Individuals born between 1965 and 1980, i.e. between the ages of 41 and 56 as at the Prospectus Date.
Gen Z	Individuals born in or after 1997 with a minimum age of 18 used in this report i.e. individuals aged 18-24 as at the Prospectus Date.
Grantors	Affiliated corporate shareholder of each of Guo Fang Mao and Tarek Ayoub as described in Section 6.3.1.2.
Group	The Company and each of its subsidiaries.
GST	Goods and services tax (GST) imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
HIN	A Shareholder's Holder Identification Number.
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board.
Institutional Investor	Investors who are: • wholesale clients under Section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (except one with which the Company is willing in its discretion to comply), provided that in each case such investors are not in the United States.

Term	Meaning
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in Section 7.8.
Investigating Accountant	Ernst & Young Strategy and Transactions Limited (ACN 003 599 844).
Independent Limited Assurance Report	The Investigating Accountant's report as set out in Section 8.
iOS	A mobile operating system created and developed by Apple Inc. exclusively for its hardware.
Key Management Personnel	David Brady, Chief Financial Officer and James Twiss, Chief Executive Officer.
KYC	Know Your Customer.
Joint Lead Managers	The Joint Lead Managers to the Offer, being E&P and Shaw and Partners.
Legacy LTIP	The Company's historic long-term incentive scheme as described in Section 6.3.2.2.
Legacy LTIP Options	The options to acquire Shares issued under the Legacy LTIP.
Listing	The expected admission of the Company to the Official List.
Longreach	Longreach Credit Investors Pty Ltd.
Longreach Credit Facility Agreement or **Financing Facility**	The facility agreement with Longreach for a maximum commitment of A$45,000,000 as described in Section 3.7.1.1.
LTIP	The Company's long-term incentive scheme as defined in Section 6.3.2.1.
LTIP Call Option Agreements	The call option agreements entered into by James Twiss and each Grantor in connection with James Twiss' options to acquire existing Shares from the Grantors, as further described in Section 9.6.1.1.
Management	The executive management team of Beforepay.
Mandatory escrow	The escrow arrangements imposed by ASX, as described in Section 9.7.1.
Millennials or **Gen Y**	Individuals born between 1981 and 1996, i.e. between the ages of 24 and 40 as at the Prospectus Date.
NCC	National Credit Code.
NCCP Act	*National Consumer Credit Protection Act 2009* (Cth).
New Shareholders	Shareholders who were not Existing Shareholders.
New Shares	The new Shares to be issued by the Company under the Offer.
Non-Benefit User	A user who is not a Benefit User.

11. Appendix B: Glossary continued

Term	Meaning
Non-Executive Director	A member of the Board who does not form part of the Company's management. Presently this constitutes all of the Directors.
NPP	New Payments Platform, which refers to open access infrastructure for fast payments in Australia, developed to enable payments with near real-time funds availability to the recipient, on a 24/7 basis.
Offer	The offering of Shares under this Prospectus.
Offer Price	$3.41 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Options	The Adviser Options and the Legacy LTIP Options and **Optionholder** means the holder of such options.
Original Prospectus	The prospectus issued by the Company dated 22 November 2021, which was lodged with ASIC on that date and is replaced by this Prospectus.
Pay Advance Agreement	The loan agreement between Beforepay Finance and a customer in connection with a Cash Out as described in Section 3.13.3.
Pay Advances	The aggregate dollar value of Cash Outs in a specified period.
POD or **Pay on Demand**	Pay-on-demand, being the product offered by Beforepay via Cash Outs.
Priority Offer	An offer which is open to selected investors nominated by the Company in eligible jurisdictions and who have received a priority offer invitation to acquire Shares under this Prospectus.
Privacy Act	*Privacy Act 1988* (Cth).
Privacy Code	*Privacy (Credit Reporting) Code 2014* (Cth).
Privacy Regulations	*Privacy Regulation 2013* (Cth).
Product	Beforepay's Cash Out product.
Proposed Director	Luke Bortoli.
Pro Forma Historical Cash Flows	Pro forma historical consolidated cash flows for FY2020 and FY2021 as described in Section 4.1.
Pro Forma Historical Financial Information	Has the meaning given to that term in Section 4.1.
Pro Forma Historical Profit and Loss	Pro forma historical consolidated statements of profit and loss for FY2020 and FY2021 as described in Section 4.1.

Term	Meaning
Pro Forma Historical Statement of Financial Position	Pro forma historical consolidated statement of financial position as at 30 June 2021 as described in Section 4.1.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this replacement Prospectus is lodged with ASIC, being Monday, 29 November 2021.
Q1 FY2021	Three-month period commencing 1 July 2020 and ended 30 September 2020.
Q2 FY2021	Three-month period commencing 1 October 2020 and ended 31 December 2020.
Q3 FY2021	Three-month period commencing 1 January 2021 and ended 31 March 2021.
Q4 FY2021	Three-month period commencing 1 April 2021 and ended 30 June 2021.
R&D	Research and development.
Regulation S	Regulation S under the US Securities Act.
Remuneration and Nomination Committee or the RNC	The Board's remuneration and nomination sub-committee.
Retail Offer	Comprises the Broker Firm Offer and the Priority Offer.
Scrape, Scraped or Scraping	The practice of extracting data from websites or other online data sources.
Securities Trading Policy	The Company's securities trading policy, as adopted by the Board.
Senior Management	James Twiss, Chief Executive Officer; David Brady, Chief Financial Officer; Guo Fang Mao, outgoing Chief Technology Officer; Micha Wotton, incoming Chief Technology Officer; Chris Richardson, Chief Marketing Officer; Elena Chan, Chief Risk Officer and General Counsel; and Kasey Kaplan, Chief Product Officer.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Automic Pty Ltd (ACN 152 260 814).
Shareholder	A registered holder of Shares.
Shaw and Partners	Shaw and Partners Limited (ACN 003 221 583).
Short-Term Credit Exemption	Has the meaning given to that term in Section 3.14.1.2.
Statutory Historical Cash Flows	Statutory historical consolidated cash flows for FY2020 and FY2021 as described in Section 4.1.

11. Appendix B: Glossary continued

Term	Meaning
Statutory Historical Financial Information	Has the meaning given to that term in Section 4.1.
Statutory Historical Profit and Loss	Statutory historical consolidated statements of profit and loss for FY2020 and FY2021 as described in Section 4.1.
Statutory Historical Statement of Financial Position	Statutory historical consolidated statement of financial position as at 30 June 2021 as described in Section 4.1.
Successful Applicant	An Applicant who is issued Shares under the Offer.
Terms of Service	The terms of service between Beforepay Finance and a customer as described in Section 3.13.2.
TFN	Tax file number.
Three Year Dealing Restriction	Has the meaning given to that term in Table 6.3.5.
Underwriting Agreement	The agreement described in Section 9.5.1.
US Securities Act	The Securities Act 1933.
Voluntary Escrow Deed	has the meaning given to that term in Section 9.7.2.
Voluntary Escrowed Shares	has the meaning given to that term in Section 9.7.2.
VWAP	Volume Weighted Average Price.

Corporate Directory

Issuer's Registered Office

Suite 2
Level 6
50 Carrington Street
Sydney NSW 2000

Joint Lead Managers and Underwriters

E&P Corporate Advisory Pty Limited
Level 32
1 O'Connell Street
Sydney NSW 2000

Shaw and Partners Limited
Level 7, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Taxation adviser

PricewaterhouseCoppers
One International Towers
Watermans Quay
Barangaroo NSW 2000

Share Registry

Automic Registry Services
Level 5
126 Phillip Street
Sydney NSW 2000

Australian Legal Adviser

Jones Day
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000

Investigating Accountant

Ernst & Young Strategy and Transactions Limited
200 George Street
Sydney NSW 2000

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Company Website

www.beforepay.com.au

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