Appendix 4E Preliminary Final Report

YEAR ENDED 30 JUNE 2022

Company details

Name of entity:	Prospa Group Limited
ABN:	13 625 648 722
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

Results for announcement to the market

Statutory Results Summary

	30 June 2022 $'000s	30 June 2021 $'000s	Change %
Total income	166,874	110,469	51
Profit/(loss) after income tax benefit attributable to the owners of Prospa Group Limited	6,726	(9,494)	171
Total comprehensive income/(loss) for the period attributable to the owners of Prospa Group Limited	11,077	(9,567)	216

Dividend information

Prospa Group Limited ("Prospa", the "Group" or the "Company") has not paid nor proposes to pay dividends for the year ended 30 June 2022 (30 June 2021: nil).

Earnings per share

	30 June 2022 cents	30 June 2021 cents
Basic earnings per share	4.12	(5.87)
Diluted earnings per share	4.12	(5.87)

Net tangible asset information

	30 June 2022 cents	30 June 2021 cents
Net tangible assets per ordinary security	62.94	63.24

Right-of-use assets have been included in the net tangible asset calculation.

Entities over which control has been gained or lost

On 30 August 2021, the Group established a new warehouse structure in New Zealand, the Prospa Kea Series 2021-2, to support the growth of the New Zealand business. Prospa Group Limited has a 100% interest in the Prospa Kea Series 2021-2.

On 15 September 2021, Prospa established the PROSPArous 2021-1 Security Trust, a $200 million Term Asset-Backed Security issuance in the public markets, secured by Small Business Loans and Line of Credit products.

During the year ended 30 June 2022, the Group took the decision that the Prospa Trust Series 2015-1 Security Trust would not be extended beyond December 2021. The Trust progressively paid down all third party notes during the year, with these being fully repaid in September 2021. Formal closure of the Trust was effected on 11 November 2021.

There has been no further gain or loss of control of entities during the year ended 30 June 2022.

Associates and joint ventures

The Group has not engaged in the acquisition or disposal of associates, nor has it engaged in any joint ventures during the year ended 30 June 2022 or the previous corresponding period.

Basis of preparation

This preliminary final report is based on the Consolidated Financial Statements of Prospa Group Limited, audited by Deloitte Touche Tohmatsu. Further information about the results is included in the Full Year Results Presentation and can be obtained via the ASX website or by visiting the Group's website at www.prospa.com.

Review of operations

Additional Appendix 4E disclosure requirements and commentary on the operating performance, the strategic highlights and the financial position of the Group are contained in the Consolidated Financial Statements for the year ended 30 June 2022 and in the Directors' Report for the year ended 30 June 2022.

This document should be read in conjunction with the FY22 Annual Report and any public announcements made in the reporting period by the Group.

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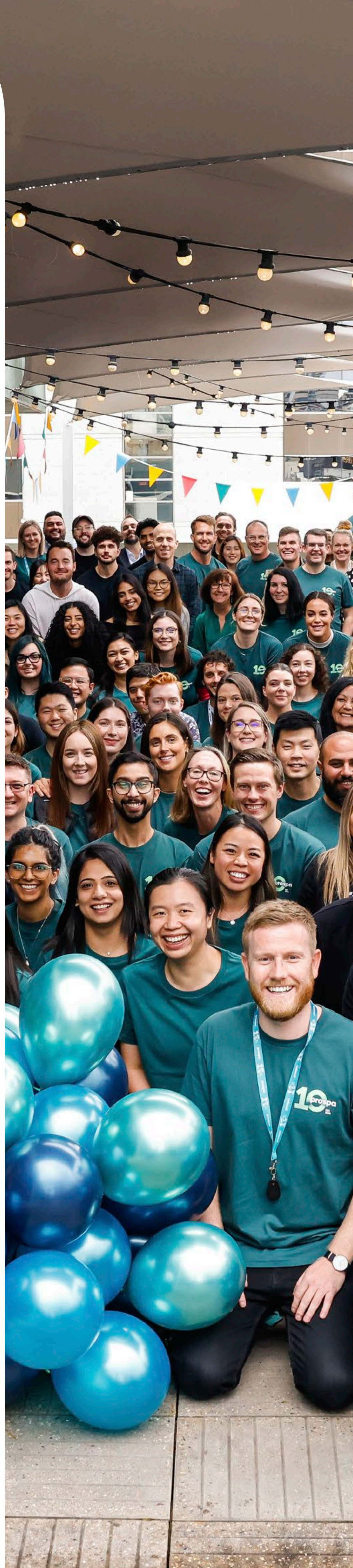
Annual Report 2022

Prospa Group Limited
ACN 625 648 722

Contents

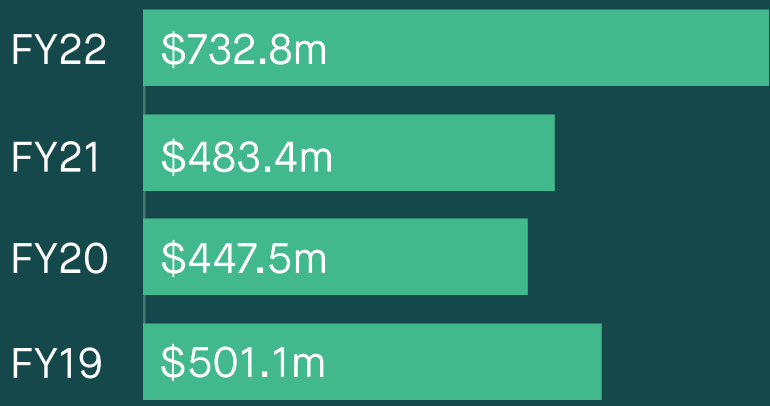



Stockland

Performance Highlights

Growth

FY22 originations[1] performance has exceeded pre-pandemic records



$2.8b in funding deployed since inception[1]

16,000+ Active customers

80+ NPS World class net promoter score[2]

#1 online lender to small business in Australia and New Zealand[3]

For personal use only

Originations

$732.8m

FY21 $483.4m +52%

Closing Gross Loans

$701.3m

FY21 $427.1m +64%

Revenue[4]

$178.3m

FY21 $117.7m +51%

Operating Cash Flow

$58.8m

FY21 $33.1m +78%

EBITDA[5]

$12.1m

FY21 $0.5m +2274%

Realised portfolio yield[6]

34.1%

FY21 32.7% +1.4 ppts

1. All references to originations in this document are from all sources, including Small Business Loan and Line of Credit (including undrawn amounts) across Australia and New Zealand. Originations exclude cash withdrawals on Line of Credit.
2. Net Promoter Score was in excess of 80 for the period 1 April 2022 to 30 June 2022.
3. In the Non-Bank Financial Services category. Prospa is the #1 ranked online small business lender in Australia and New Zealand on independent review site TrustPilot with a TrustScore of 4.9 and over 6,900 reviews in Australia and a TrustScore of 4.9 and over 800 reviews in New Zealand as at 30 June 2022.
4. All references to Revenue in this document represent Total income before transaction costs.
5. All references to EBITDA in this document represent Earnings before interest on lease liabilities, tax, depreciation and amortisation and share-based payments.
6. All references to Realised portfolio yield in this document represent the interest (excluding transaction costs) and fee income earned during the period on the average portfolio balance during the respective period, annualised.

Our purpose

At Prospa, we are changing the way small businesses experience finance, by offering simple flexible credit solutions that help them grow, run and pay.

Last year, 1 in 4 businesses were unable to achieve a strategic business opportunity due to cash flow related limitations. This translated to an astounding total of almost $40 billion of missed annual revenue for small businesses across Australia.[3]

Over the past 10 years, more than 40,000 small business owners across Australia and New Zealand have enjoyed faster, easier access to flexible funding products thanks to Prospa's digital innovation.

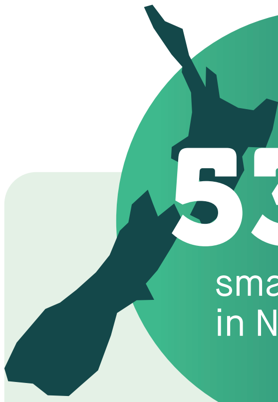
Our vision is to go beyond simple and quick access to funding by bringing together multiple cash flow management tools in one place, creating a frictionless digital solution to simple finance – the All-In-One Business Account.

1. The Australian Small Business and Family Enterprise Ombudsman.
2. NZ Ministry of Business, Innovation and Employment.
3. RFI Group, Prospa the Addressable Market.
4. The State of Australian Small Business 2022: You Gov Research Findings commissioned by Prospa, conducted 19-26 April 2022.

Our customers

The small business landscape

2.4m
small businesses in Australia



530K
small businesses in New Zealand

	Australia	New Zealand
Jobs	**41%** of jobs[1]	**28%** of jobs[2]
GDP	**32%** of GDP[1]	**25%** of GDP[2]

Total addressable market in 2021

Australia	New Zealand
$23.3b of funding required by small businesses[3]	**$11.3b** of funding required by small businesses[3]

Small businesses are navigating the current environment, investing in the future and driving credit demand.

Prospa continues to grow market share with a highly engaged customer base.

7/10
small business owners rate the overall health of their business as good[4]

81%
are anticipating growth for their businesses over the next 12 months[4]

Here are some of our customers and their business stories.

Their success is our success.

When she was made redundant from her events management job two years ago, Susan decided to take her side hustle to the next level.

Today, **The Laundry Lady** services six states with over 80 contractors and counting.

"Finding tens of thousands of dollars upfront when you're a week-to-week business is complicated, so the line of credit helps with that and has opened the door for us to expand."

Susan, QLD

Started in their humble home office, Ashley and Jeremy are changing the way the world views crystals, building a mindful business from the ground up.

In 2021, **Stoned Crystals** was included in the AFR's Fast 100 as one of Australia's fastest growing businesses.

"What Prospa does really is a gamechanger for small companies. It's very arduous to go out and get funding from your traditional funding providers."

Jeremy, VIC

Four years ago, Cameron rekindled his old passion and started a group on Facebook where he sold small, inexpensive boxes of trading cards.

During the pandemic, orders went into overdrive and **Cards Plus** grew from his humble garage into a bricks-and-mortar store.

"Having enough stock was a constant challenge. Getting capital from Prospa really helped us bridge that gap between stock arriving, selling, then being topped up."

Cameron, NZ

Our products

Small Business Loan

- $5K – $150K
- Term of 3 – 24 months

Prospa Plus Business Loan

- $150K – $500K
- Term of up to 36 months

Line of Credit

- $2K – $150K facility
- Use and reuse as often as you require for up to 24 months
- Only pay interest on the funds you use

Australia

$40.7K Average Business Loan amount[1]

9.3% Growth in average amount vs. FY21

$53.1K Average facility limit

15.3% Growth in average facility limit vs. FY21

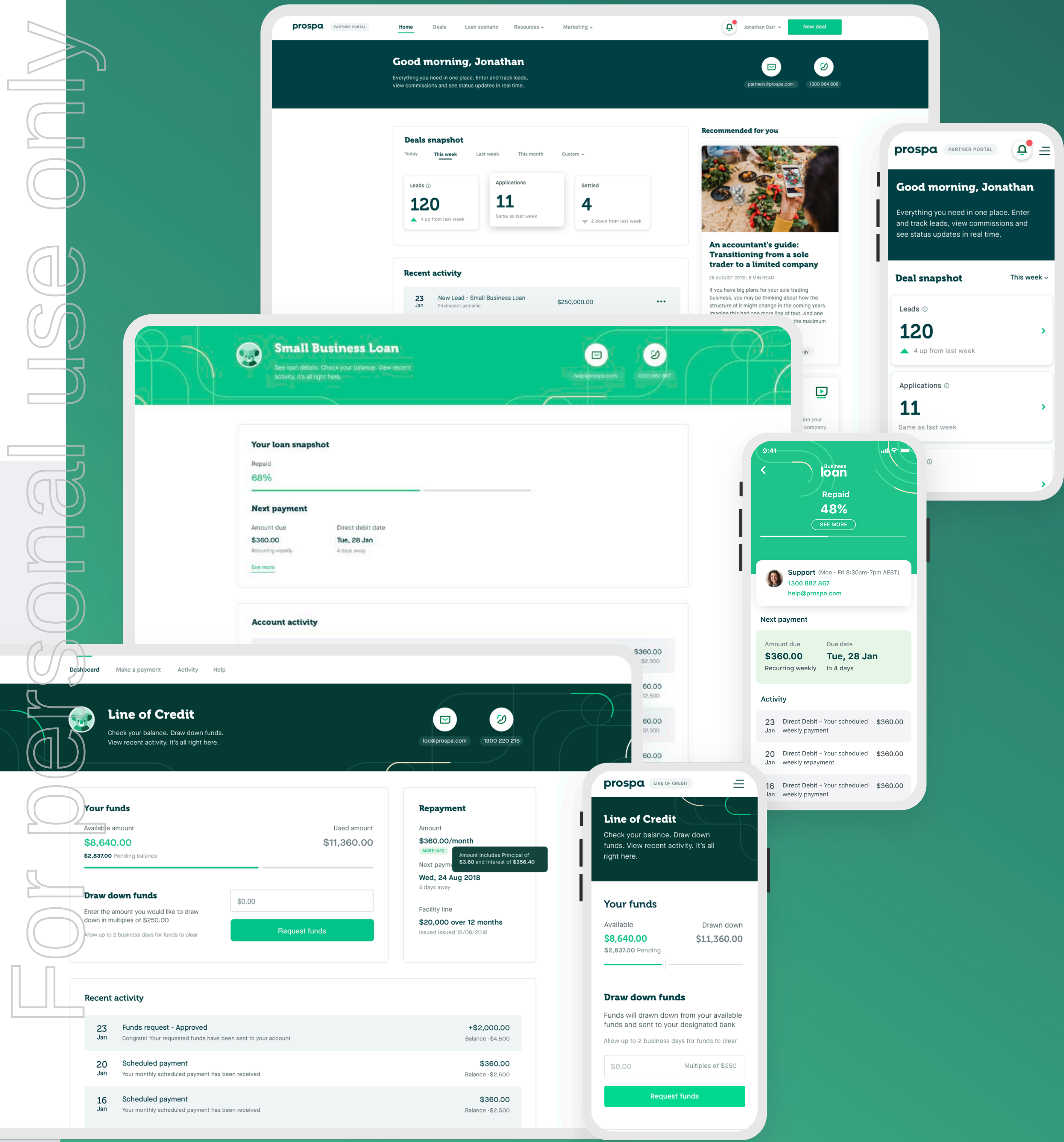
New Zealand

$44.1K Average Business Loan amount[1]

39.6% Growth in average amount vs. FY21

Line of Credit's full launch to New Zealand SMEs in July 2022.

1. Average fresh capital originated, excluding re-financed amounts.



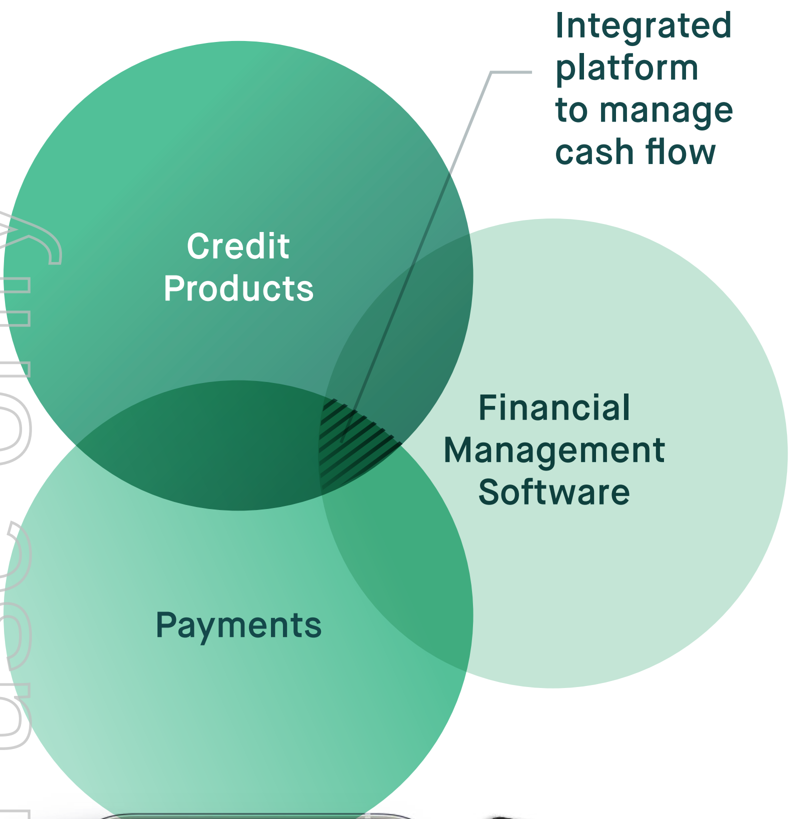
prospa
PARTNER PORTAL
Home
Deals
Loan scenario
Resources
Marketing
Jonathan Carr
New deal
Good morning, Jonathan
Everything you need in one place. Enter and track leads, view commissions and see status updates in real time.
partners@prospa.com
1300 964 808
Deals snapshot
Today
This week
Last week
This month
Custom
Leads
120
4 up from last week
Applications
11
Same as last week
Settled
4
2 down from last week
Recent activity
23 Jan
New Lead - Small Business Loan
Firstname Lastname
$250,000.00
Recommended for you
An accountant's guide: Transitioning from a sole trader to a limited company
28 AUGUST 2019 | 8 MIN READ
If you have big plans for your sole trading business, you may be thinking about how the structure of it might change in the coming years.
Small Business Loan
See loan details. Check your balance. View recent activity. It's all right here.
help@prospa.com
1300 882 867
Your loan snapshot
Repaid
68%
Next payment
Amount due
$360.00
Recurring weekly
Direct debit date
Tue, 28 Jan
4 days away
See more
Account activity
Dashboard
Make a payment
Activity
Help
Line of Credit
Check your balance. Draw down funds. View recent activity. It's all right here.
loc@prospa.com
1300 220 215
Your funds
Available amount
$8,640.00
$2,837.00 Pending balance
Used amount
$11,360.00
Draw down funds
Enter the amount you would like to draw down in multiples of $250.00
Allow up to 2 business days for funds to clear
$0.00
Request funds
Repayment
Amount
$360.00/month
MORE INFO
Amount Includes Principal of $3.60 and Interest of $356.40
Wed, 24 Aug 2018
4 days away
Facility line
$20,000 over 12 months
Issued issued 15/08/2018
Recent activity
23 Jan
Funds request - Approved
Congrats! Your requested funds have been sent to your account
+$2,000.00
Balance -$4,500
20 Jan
Scheduled payment
Your monthly scheduled payment has been received
$360.00
Balance -$2,500
16 Jan
Scheduled payment
Your monthly scheduled payment has been received
$360.00
Balance -$2,500
prospa
PARTNER PORTAL
Good morning, Jonathan
Everything you need in one place. Enter and track leads, view commissions and see status updates in real time.
Deal snapshot
This week
Leads
120
4 up from last week
Applications
11
Same as last week
9:41
Business loan
Repaid
48%
SEE MORE
Support (Mon - Fri 8:30am-7pm AEST)
1300 882 867
help@prospa.com
Next payment
Amount due
$360.00
Recurring weekly
Due date
Tue, 28 Jan
In 4 days
Activity
23 Jan
Direct Debit - Your scheduled weekly payment
$360.00
20 Jan
Direct Debit - Your scheduled weekly repayment
$360.00
16 Jan
Direct Debit - Your scheduled weekly payment
$360.00
prospa
LINE OF CREDIT
Line of Credit
Check your balance. Draw down funds. View recent activity. It's all right here.
Your funds
Available
$8,640.00
$2,837.00 Pending
Drawn down
$11,360.00
Draw down funds
Funds will drawn down from your available funds and sent to your designated bank
Allow up to 2 business days for funds to clear
$0.00
Multiples of $250
Request funds

Prospa's All-In-One Business Account

Prospa is evolving its relationship with small business owners to move from being in the moment with our credit products to being indispensable.

The All-In-One Business Account will make it easy for small business owners to run their business through integrated and frictionless cash flow and financial management tools, helping them to save time and money.

Complete	Now	Next
Trial complete	Transaction account	Overdraft
	Visa business debit card	Invoicing
	Digital customer onboarding	BillPay
	Credit products	Marketing & channel engagement activity



Credit Products

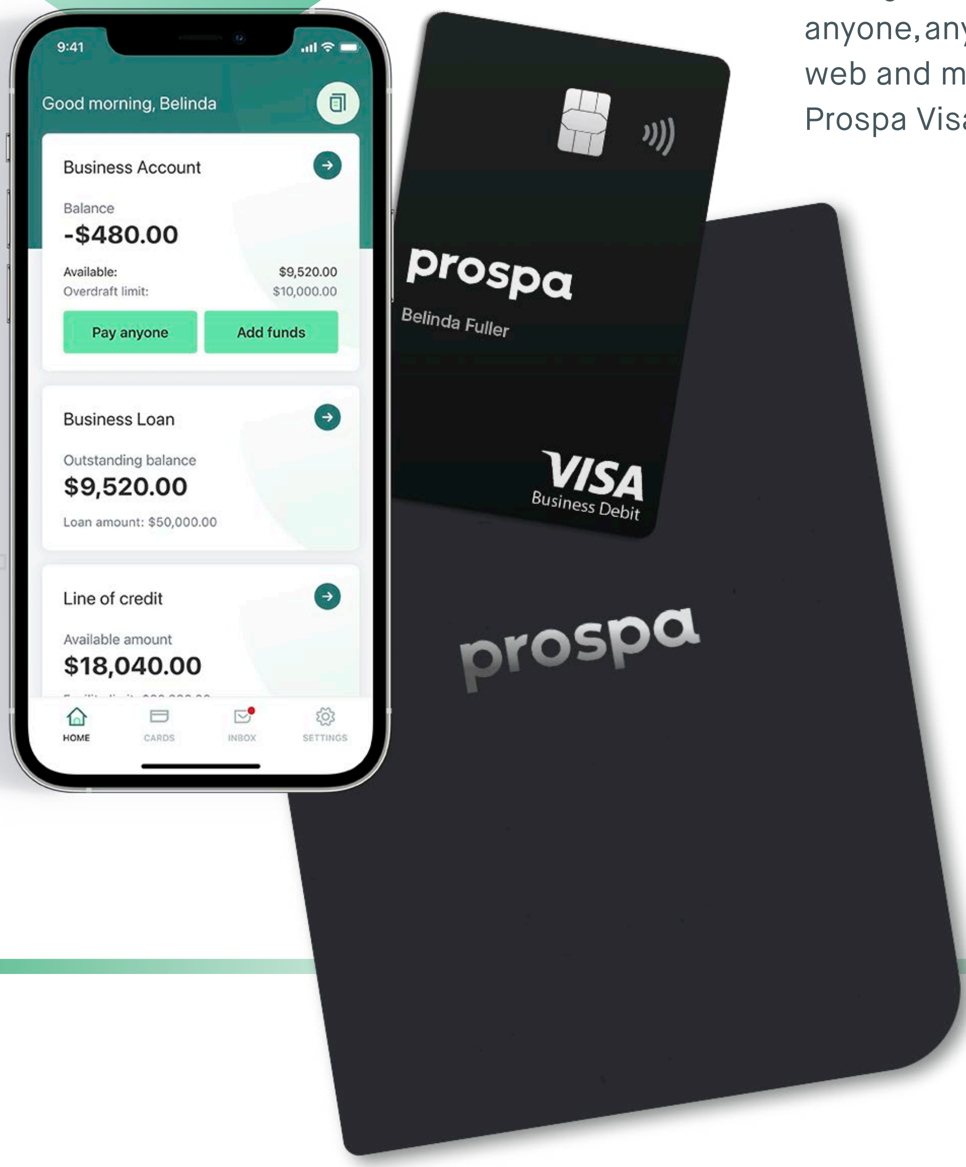
Personalised capital solutions for customers when they need it most, including Overdraft – one of the most universally needed products.

Financial Management Software

Everyday solutions that SMEs need most to conduct business including, but not limited to, invoicing, bill payments and expense management.

Payments

Giving SMEs the ability to pay anyone, anytime, anywhere using our web and mobile solutions for their Prospa Visa business debit card.



Our people & values

Customer obsessed

We don't just listen, we hear what's important.

Simplicity

The work of a true genius is making the complex simple.

Be bold, open and real

We have the courage to take smart risks.

Deliver value fast

We celebrate outcomes, not process.

Day 1

We're driven by the start-up mentality.

One team

Success comes from embracing different perspectives.

For personality

Great Place To Work®
Certified
MAY 2021 – MAY 2022
AUS

270+

People

Employee Initiatives

- Leadership development program (RISE), bespoke program for new managers.
- Life Street partnership to offer an Employee Assistance Program ensuring all employees are provided with the right support tools and resources to help manage work, relationships, caring responsibilities and finances.

Community Initiatives

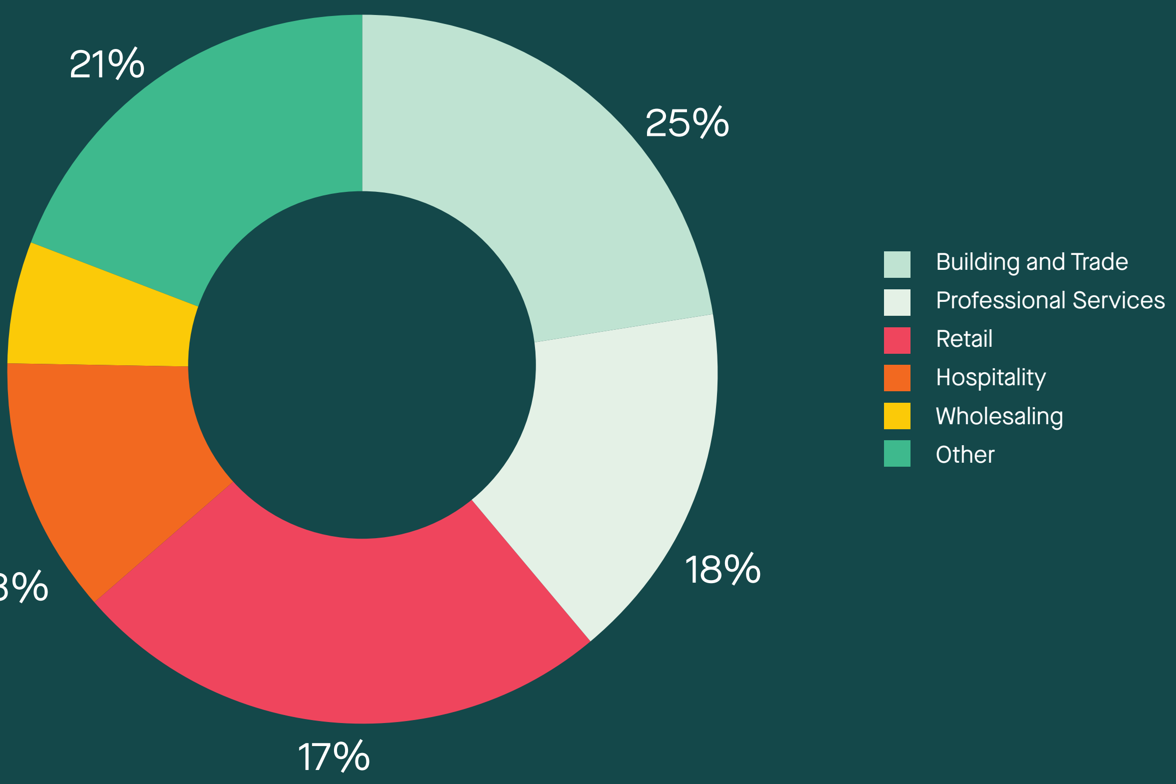
- Paid volunteer leave offered for employees actively supporting communities through time and skills, either individually or as a team.
- Kiva, our non-profit partner, maintains global focus to provide financial support for underserved entrepreneurs around the world to help them grow and prosper.

Supporting diverse customers across Australia and New Zealand

We work with small businesses across a broad range of industries from every corner of Australia and New Zealand to provide the funding they need to grow, run and pay.

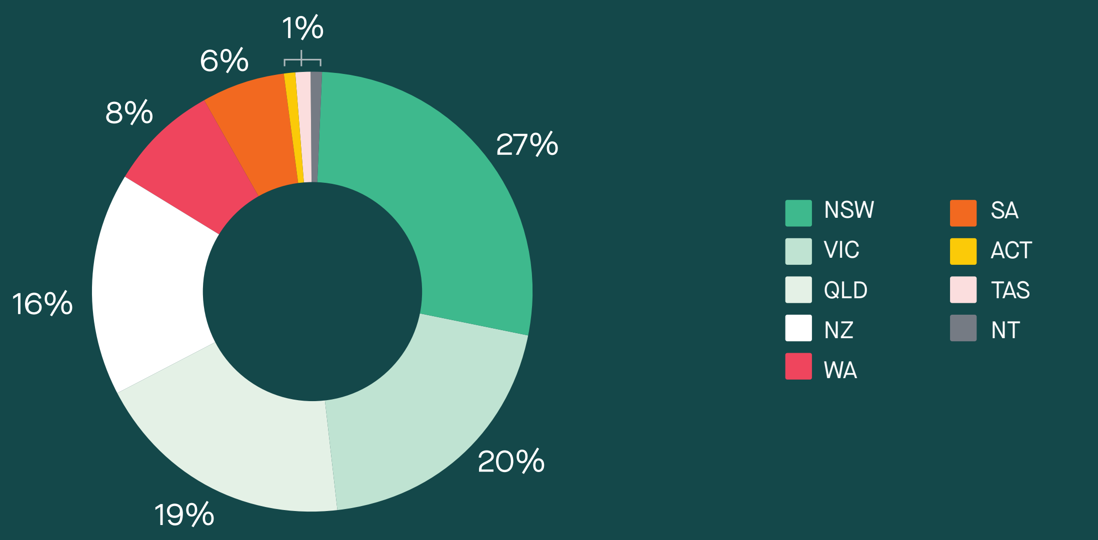
We don't just take businesses at face value. We understand their situation and goals, and help them with quick, hassle-free access to the funds they need to keep moving.

Portfolio by industry[1]

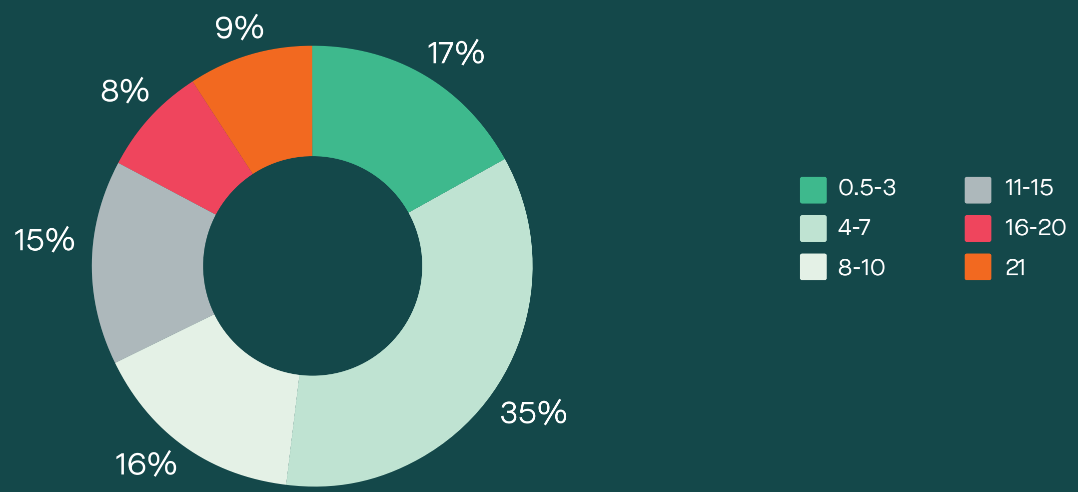


1. Based on principal receivables balance as at 30 June 2022

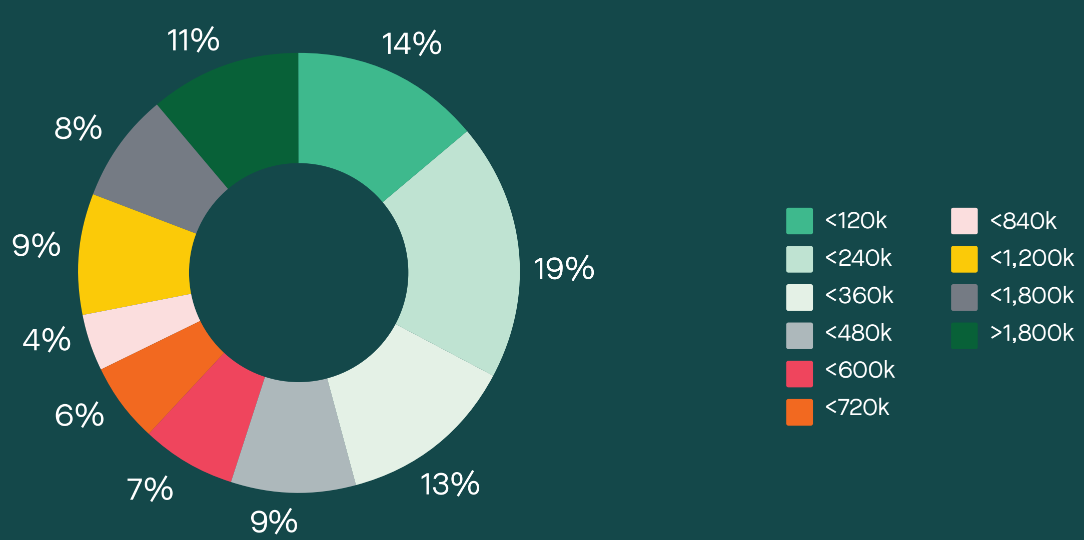
Portfolio by geography[1]



Portfolio by years trading[1]



Customer by annual turnover[1]



Outlook

Prospa is investing to extend its market leading position as a small business lending expert that simplifies access to capital and cash flow management.

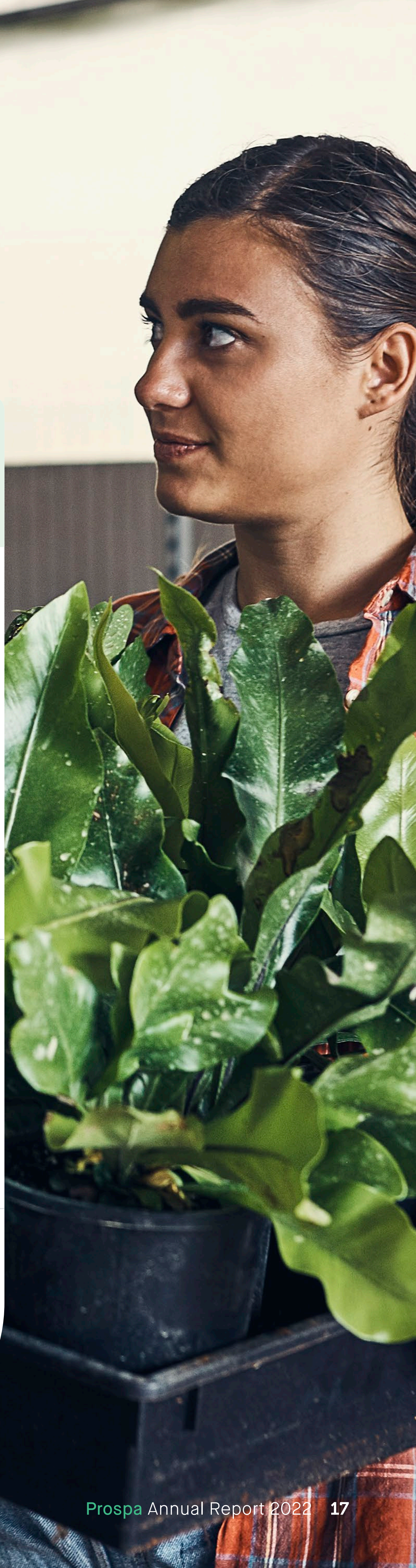
Strategic priorities	Goals	FY22 achievements
Scale existing products	Drive profitable growth through credit products	In October 2021, Prospa Plus Business Loan launched to offer up to $500K In March 2022, Line of Credit launched to existing New Zealand customers, followed by a full launch on 4 July 2022
Expand new solutions	Introduce Prospa's All-In-One Business Account to Australian SME market	Prospa's Business Account trial complete with select group of existing customers
Reach new customer and industry segments	Widen our reach and target new segments seeking to manage cash flow efficiently	Uplift in customers to 16,000+ with Prospa Plus and New Zealand Line of Credit

Outlook

- Further enhance our credit product suite to expand within the Australian and New Zealand addressable market.
- Improve customer experience by leveraging innovation and technology.
- Deliver growth with partners by improving the experience and strengthening relationships.

- Full market launch of the All-In-One Business Account.
- Increase our relevance to small business owners through frequent engagements by solving their cash flow management pain points.

- Drive customer acquisition through existing and new products within market.



Chairman's and Chief Executive Officer's Letter

> "The Group is confident that the Prospa brand will strengthen as we scale existing products and new digital products and solutions"

Dear Shareholder,

The Group delivered outstanding results across all key metrics throughout the year, expanding its customer reach across Australia and New Zealand. These results were driven by the scaling of our platform and our market-leading solutions and delivering on our strategic product and technology roadmap.

The strength of Prospa's business model was evident with the uplift in closing gross loans of 64% to $701.3 million. Originations of $732.8 million were achieved, up 52% on FY21, with June 2022 recording our highest ever month for originations at $104.6 million. Focus on our small business customers, which is a hallmark of Prospa's culture, was evidenced by an industry leading Net Promoter Score ("NPS") of 80+, continuing to make Prospa the number one online lender to small business in Australia and New Zealand.

Prospa's FY22 results

Prospa's dedication to meeting the capital demands, and personalised service requirements, of small business owners was rewarded with strong revenue growth of 51% to $178.3 million and EBITDA of $12.1 million, up from $0.5 million in FY21. The business also witnessed strong cash generation throughout the year, enabling continued investment in product design, technology and analytics capability.

We achieved a 78% increase in operating cash flow to $58.8 million, up from $33.1 million in FY21, and the Group has no corporate debt. Our stringent approach to cost management, and the significant increase in profitability, highlights the operating leverage that the business now delivers.

Funding investments and growth

Cash and cash equivalents grew to $105.8 million with undrawn funding facilities at $59.2 million as at the end of FY22. From 1 July 2022, the Propela Security Trust's facility limit was expanded, increasing the total undrawn capacity to $126.6 million as at 31 July 2022.

Prospa's first highly successful public asset backed securitisation ("ABS") of $200 million was issued to wholesale investors in September 2021. The inaugural deal won the Most Innovative Deal of 2021 by FinanceAsia.

These improvements in funding have optimised the cost of funds from 5.9% to 5.0%. In addition, the business maintained an attractive net interest margin in a rising rate environment and disciplined yield management resulting in a 1.4 percentage point increase in FY22's portfolio yield to 34.1%.

Share buyback

On 16 February 2022, the Group announced an on-market share buyback programme of up to 10% of the Group's issued share capital. The buyback is expected to remain in place for a period of up to 12 months.

During FY22, the Group repurchased 690,876 shares for $0.4 million under this programme. The shares were repurchased at the prevailing market price on the date of the buyback.

Great Place to Work

Prospa's strong customer-focused culture has never been more apparent. It's part of the DNA of the organisation. The incredible NPS score of 80+, along with a loyal customer base that accounts for more than 50% of originations, is a testament to the exceptional customer experience that our team strive to deliver to our small business customers.

It's an amazing workplace culture. We have embraced diversity in its broadest sense and remain committed to the principles of equal opportunity employment. In particular, we are continuing to focus on improving gender diversity and have set ambitious diversity targets to be achieved by the end of FY23. We also provide long-term flexible ways of working to support the different needs of Prosparians and encourage individuals to work collaboratively. Being re-certified as a Great Place to Work, and being endorsed by Work180 Australia, recognises our efforts to enhance the experience of our people each day. Considerable efforts will be taken to continue improving into the future.

This year, Prospa celebrated it's 10-year anniversary. During the 10 years of the Company's operating history, the team has worked tirelessly to create market-leading credit solutions that solve the pain points of accessing credit for small business. Today, a large part of the Company's growth strategy is based on ensuring Prospa's products are indispensable to small business, saving small business owners time and money through best-in-class experiences.

Environmental, Social and Governance ("ESG")

The Group actively supports the communities in which we live and work. We encourage Prosparians to actively contribute, by offering employees paid volunteer leave to give back to the community through the donation of their time and skills. In FY22, we continued and strengthened our partnership with Kiva to take part in a global mission helping entrepreneurs around the world to grow and prosper. The Group supported Kiva through employee engagement campaigns and loan matching initiatives.

We understand the importance of reducing our environmental impact and we are committed to making a positive impact. Prospa has incorporated sustainable measures into our workplace culture to address our direct environmental impact. Initiatives were introduced around recycling, limiting excessive use of paper and ink and donating goods to charity. We aim to foster an informed and empowered approach to environment initiatives for all Prosparians to ask questions, share resources and support minimising our direct carbon footprint.

In December 2021, Prospa published its second Modern Slavery Statement under the Commonwealth Modern Slavery Act 2018. Throughout FY22, we continued to promote further education, awareness and training across our company to help ensure that we can better identify and understand modern slavery risks. Prospa remains committed to eliminating modern slavery, which encompasses a range of situations where a person's freedom has been taken away or exploited.

Our goal is to facilitate further review and enhance aspects of our ESG journey. In FY23, the Group plans to better understand our carbon footprint and establish the right program with Prosparians to make a positive contribution to the communities we service, our people and shareholders.

Strengthening the business and investing for the future

The Group's vision remains unchanged. We are dedicated to keeping small business moving and we are persistently working towards deeper relationships with customers and our partners by leveraging Prospa's customer facing technology to deliver rapid decisions and highly responsive customer service.

Our data intensive credit decision engine has greatly advanced in FY22 to allow the Company to enable dynamic adjustments to commercial and risk settings to optimise financial outcomes, and our agile business model facilitates real-time risk-profiling to specifically target customers and sectors based on changing market conditions. The team have also expanded our range of core credit products, to now include Prospa Plus Business Loans up to $500K and launched our Line of Credit product in New Zealand.

The Business Account and associated Visa Business Debit Card, both significant aspects of the All-In-One Business Account, are now live. As it evolves and develops, the All-In-One Business Account will provide small business owners with an integrated suite of frictionless cash flow and financial management tools that can all be accessed in one single app from anywhere, anytime.

With digitisation of financial services accelerating, we acknowledge that it is critical for us to continue to invest to stay ahead and relevant within the fast-paced world of technology. Prospa's All-In-One Business Account will play an integral role in driving our ability to acquire new customers and reach new small business markets in FY23 and beyond.

To drive further growth over the next 12 months, the Group will continue to release new products such as an overdraft facility, BillPay, invoicing, and expense management tools to deliver more value to our customers, all made available within Prospa's All-In-One Business Account. We are confident that our new technology stack will significantly add to Prospa's customer value proposition, while attracting new small business owners and market segments.

Outlook

As we look ahead to FY23 and beyond, the Group is moving beyond solely being a provider of credit solutions and becoming a business partner. Prospa will soon provide a full suite of integrated financing products that will help our customers run and operate their businesses more efficiently so they can grow, scale and prosper. The foundations have been built, and now the Prospa team are working tirelessly to enhance the Company's value proposition to small businesses.

The Group is confident that the Prospa brand will strengthen as we scale existing products and introduce new digital products and solutions.

Acknowledgment and thanks

The strong profitable growth achieved over the last 12 months would not have been possible without the continual efforts from Prospa's employees. On behalf of the Board and management we would like to thank each Prosparian for their hard work and enthusiasm in helping grow the company to new heights in Australia and New Zealand.

Thank you to our customers and partners for their continued loyalty and support, your contributions are integral to Prospa operating as a successful technology-enabled lender with a customer-centric focus.

Thank you to the Board for their wisdom and guidance which has been invaluable, and we look forward to continuing our work to deliver increased profitable growth throughout FY23.

A final thanks to our shareholders for their ongoing support. We are committed to accelerating Prospa's growth and executing further on our strategy. We look forward to updating you on the progress the Group makes over the next 12 months.

Yours sincerely,

Gail Pemberton AO
Chairman

Greg Moshal
Chief Executive Officer

Board of Directors

Board of Directors

Gail Pemberton, AO
Independent Non-Executive Chairman

Gail has been a Director of the Company since May 2018 and Chairman since February 2019. She was previously a Director of Prospa Advance Pty Ltd from March 2018.

Gail has more than 35 years' experience in bank and wealth management and is a specialist in technology and operations.

Prior to taking up a Non-Executive Director career, Gail was COO, UK at BNP Paribas and CEO and Managing Director, BNP Paribas, Australia and New Zealand. She was previously Group Chief Information Officer and Financial Services Group COO at Macquarie Bank.

Gail is currently Chair of Eclipx Group (ASX:ECX), Non-Executive Director of Land Services WA, Sydney Metro, Symbio (ASX:SYM) and HSBC Australia.

Gail has previously served on the Boards of ARQ Group (ASX:ARQ), OneVue (ASX:OVH), SIRCA and RoZetta Technology and Onthehouse (ASX:OTH) as independent Chair, and as a Non-Executive Director on PayPal Australia, QIC, UXC (ASX:UXC).

Gail has an MA from UTS, and a Graduate Certificate in Finance from Griffith University. She is also a Fellow of the Australian Institute of Company Directors.

In January 2018, Gail was awarded an Order of Australia for distinguished service to the finance and banking industry, to business through a range of roles, as an advocate for technology and as a mentor to women.

Gail is a member of the Audit and Risk Committee and a member of the Remuneration, People and Nomination Committee.

Fiona Trafford-Walker
Independent Non-Executive Director

Fiona has been a Director of the Company since May 2018, and was previously a Director of Prospa Advance Pty Ltd from March 2018.

Fiona is currently an Independent Non-Executive Director of Link Administration Holdings (ASX:LNK) where she also chairs the Audit Committee, Perpetual Limited (ASX:PPT), Eclipx Group (ASX:ECX) and the Victorian Funds Management Corporation (VFMC). She is also a member of the Investment Committee for the Walter and Eliza Hall Institute.

Fiona was previously an Investment Director at Frontier Advisors, where she was a member of the firm's Investment Committee and Governance Advisory team. She was the inaugural Managing Director at Frontier Advisors and played a critical role in growing the firm. Fiona has more than 28 years' experience advising institutional asset owners and investors on investment and governance-related issues.

Fiona holds a B.Ec. (Hons) from James Cook University and a Master of Finance from RMIT University. She is also a graduate of the Australian Institute of Company Directors.

In 2013, Fiona was awarded inaugural Woman of the Year in the Money Management/Super Review of Women in Financial Services Awards and was ranked one of the top 10 global Asset Consultants from 2013 to 2016, and again in 2019. In 2016, Fiona was announced as a winner in The Australian Financial Review and Westpac 100 Women of Influence Awards in the Board/Management category.

Fiona is the Chairman of the Audit and Risk Committee and a member of the Remuneration, People and Nomination Committee.

Avi Eyal
Non-Executive Director

Avi has been a Director of the Company since May 2018 and was previously a Director of Prospa Advance Pty Ltd from its incorporation in 2012.

Avi has been instrumental to the development of Prospa. Avi has almost 25 years' experience in founding, scaling and running global technology and finance companies.

Avi is the co-founder and Managing Partner of Entrée Capital, which led Prospa's seed and Series A funding and has participated or led each funding round. Avi brings extensive finance and technology, governance, risk and compliance (GRC) knowledge to Prospa.

Avi is a current Board Director of monday.com (NASDAQ:MNDY), BreezoMeter, BW Robotics, Broadlume, Niio, Anchor, Rivery, and other technology companies in the UK, EU, USA and Israel. Avi has previously served as Board Director for a number of companies including Riskified (NYSE:RSKD), Gastrofix (TSE:LSPD), HouseParty (Epic Games), Flyt (LSE:JE), Scan Inc. (NYSE:SNAP), Cura Software Solutions, Torii and others.

Avi has a BSc in Electronic and Computer Engineering from the University of Natal in South Africa. In 2010, Avi received the Johnnie Walker Entrepreneur of the Year Award and in 2018 through to 2022. Avi was also listed #3 on the Forbes European Midas list and #66 on the Forbes VC Global Midas list.

Avi is a member of the Remuneration, People and Nomination Committee.

Mary Ploughman

Independent Non-Executive Director

Mary has been a Director of the Company since March 2021.

Mary has 30 years of financial services, capital markets, securitisation, mergers and acquisitions, governance and risk management experience on a range of financial institutions, infrastructure and not for profit boards in Australia and New Zealand.

Mary is currently Chairman of Plenti Group Limited (ASX:PLT) and serves as Chairman of the Remuneration Committee and as a member of the Audit and Risk Committee and is on the Board of Qualitas Ltd (ASX:QAL) and Chair of the Nomination, Remuneration and Governance Committee. Mary is currently Chairman of Pitcher Partners, a Senior Advisor with Gresham Partners Limited and an advisor to Indigenous Business Australia.

Prior to these roles, Mary served as Joint Chief Executive Officer of non-bank lender Resimac and as Non-Executive Director of Sydney Motorway Corporation, until its sale to Transurban in 2018. Mary was also Deputy Chair of the National Committee for the Australian Securitisation Forum from 2013 to 2017. Mary was awarded the Kanga News Market Achievement Award in 2016 and was made a Fellow of the Australian Securitisation Forum.

Mary has a Bachelor of Economics from the University of Sydney, is a Graduate of the Australian Institute of Company Directors, and an Associate of the Securities Institute of Australia.

Mary is the Chairman of the Remuneration, People and Nomination Committee and is a member of the Audit and Risk Committee.

Greg Moshal

Chief Executive Officer & Executive Director

Greg is a Co-Founder of Prospa and has been an Executive Director of the Company since April 2018 and Executive Director of Prospa Advance Pty Ltd from 2011. Greg been instrumental to the establishment of Prospa.

Greg has nine years' experience in financial services with Prospa and prior to this had eight years' experience in creating and scaling start-ups, with two previous successful exits.

Prior to founding Prospa, Greg was involved in the start and scaling of a consumer service chain and an international consumer product franchise, and successfully exited both.

Greg is passionate about product, design and technology, and developing cash flow products and services that help small businesses to prosper.

In 2017, Greg was jointly awarded Fintech Leader of the Year by Fintech Australia and was jointly awarded the NSW Pearcey Tech Entrepreneur of the Year Special Recognition award.

Greg has a BCom in Accounting from Monash University.

Beau Bertoli

Chief Revenue Officer & Executive Director

Beau is a Co-Founder of Prospa and has been an Executive Director of the Company since April 2018 and Executive Director of Prospa Advance Pty Ltd since 2013.

Beau has been instrumental to the establishment of Prospa. Beau has 16 years' experience in financial services and has founded a technology start-up and managed a consumer product retailer. He is responsible for Prospa's Go To Market capability and strategies to deliver revenue for the Group.

Beau is passionate about building and growing high performing teams and creating cash flow products and services that keep small business moving.

In 2017, Beau was jointly awarded Fintech Leader of the Year by Fintech Australia and was jointly awarded the NSW Pearcey Tech Entrepreneur of the Year Special Recognition award.

Prior to co-founding Prospa, Beau held senior positions including National Sales Manager at financial services company Humm Group Limited (ASX:HUM).

Beau has a BCom in Economics and Finance from Sydney University.

Executive Leadership

Greg Moshal
Chief Executive Officer

Beau Bertoli
Chief Revenue Officer

Ross Aucutt
Chief Financial Officer

Ross joined Prospa in October 2020 from Humm Group Limited (ASX:HUM), where he was CFO for almost four years. In that role, he built a high performing finance team and was responsible for driving growth whilst significantly increasing the efficiency of the business and balance sheet, with management of financial planning and analysis, capital management and treasury as well as M&A.

Before this, Ross was Group Treasurer at Latitude Financial Services (ASX:LFS), where he built a treasury function and was responsible for all funding, cash management, capital reporting and operations. Ross has a strong background in non-bank disruptive finance models and the financial markets where he has worked at a senior level in large domestic and international organisations including the Royal Bank of Scotland / NatWest Group (London), Westpac (Sydney) and Barclays (London).

Ross has a B.Com. in Accounting and Finance from the University of Canterbury (New Zealand) and a Masters in Finance from London Business School and is a Chartered Accountant.

Shai Haim
Chief Technology Officer

Shai joined Prospa in July 2019. He has responsibility for delivery of Prospa's technology platform and cyber security.

Shai has over 20 years' experience in the technology sector.

Prior to joining Prospa, Shai has scaled technology teams in Asia, Europe, America and Australia and has been based in Silicon Valley, where he was VP of Engineering at Brigade, and also Engineering Manager at Twitter. Most recently, he was Chief Technology Officer at Campaign Monitor where he delivered major initiatives around technology, operations and M&A.

Shai has a BCompSc from IDC Herzliya in Israel and a PhD in Computer Science (AI) from UNSW.

Andrew Malek
Chief Product Officer

Andrew joined Prospa in October 2021. He has responsibility for leading our product and design teams.

Andrew has more than 20 years' of Product and Digital experience, and has delivered large scale customer-centric and design-led transformations within the Australian Banking & Financial Services sector.

Prior to joining Prospa, Andrew has successfully led teams at companies including Westpac, St. George Bank, Investec and CommSec. Most recently, Andrew was Chief Product Officer at Spaceship, where he was responsible for design and delivery of the product roadmap resulting in significant business growth.

Andrew has an MBA (Executive) AGSM from the University of New South Wales and a Bachelor of Business (Finance & IT) from the University of Technology, Sydney.

Elise Ward
Chief People Officer

Elise joined Prospa in December 2018. She has responsibility for the design and delivery of our people strategy.

Elise has more than ten years' experience in delivering progressive people and culture strategies across start-ups and multinational organisations.

Prior to joining Prospa, Elise led the People & Culture team for Canadian-based technology company, Elastic Path Software and has held senior HR roles at Samsung and Tabcorp.

Elise has a Bachelor of HR Management from Macquarie University and a Graduate Certificate in Change Management from AGSM at UNSW.

Ben Lamb
Chief Commercial Officer

Ben joined Prospa in April 2016. He has responsibility for operations including customer acquisition, retention and collections.

Ben has 13 years' experience in financial services, including product development, customer experience, operations, procurement and establishing offshore operations.

Prior to joining Prospa, Ben was Head of Product & Customer Solutions at ASX-listed financial services company Eclipx Group; and Head of Customer Experience and Operations at ASX-listed financial services company Humm Group (ASX:HUM).

PUPSTYLE

After losing her job due to the pandemic, Tatum went all-in on her side hustle PUPSTYLE and transformed it into a thriving business.

PUPSTYLE increased their turnover by more than 200% in a year.

Directors' Report

"The funds came through at the perfect time and that wouldn't have happened if we'd gone to a bank, because the application and approval process would have taken too long. Prospa helped us to take advantage of a huge growth opportunity."

Tatum and Adam, VIC

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Prospa Group Limited ("Prospa" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Prospa Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

Gail Pemberton
Chairman

Gregory Moshal

Beaumont Bertoli

Aviad Eyal

Mary Ploughman
Chairman of Remuneration, People and Nomination Committee

Gregory Ruddock (Resigned 24 November 2021)

Fiona Trafford-Walker
Chairman of the Audit and Risk Committee

Directors' interests in Prospa shares, rights and options are outlined in the Remuneration Report.

Principal activities

During the financial year, the principal activities of the Group continued to be the provision of finance to small businesses. This activity has not changed during the year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Group after providing for income tax benefit amounted to $6.7 million (30 June 2021: loss of $9.5 million).

The Review of Operations on pages 36 to 40 forms part of this Directors' Report and sets out:

- a review of operations during the year and the results of those operations;
- the strategic highlights of the Group; and
- comments on the financial position.

Future developments

Our bold ambition is to make Prospa indispensable to SMEs with a range of solutions that simplify small business cash flow by building a suite of digital financial solutions that will help our customers make payments, fund growth and reduce administration. Leveraging our extensive data and insights, we are investing in our technology stack to scale existing products and create new financial management tools that will help improve customer experiences and drive efficiencies.

Significant changes in the state of affairs

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

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State or Territory law.

Prospa is aware of proposals from regulatory bodies in relation to new sustainability disclosure reporting. Prospa acknowledges the importance of sustainability reporting and will monitor the development of those proposals and consider their applicability for our future reporting.

Company secretary

Ms Nicole Johnschwager held the position of Company Secretary and General Counsel of the Group from April 2018 until 1 June 2022. She is admitted to the Supreme Court of New South Wales and is a member of the Association of Corporate Counsel Australia and the Australian Institute of Company Directors. Ms Johnschwager has over 20 years' experience as a solicitor and company secretary.

Mr Ross Aucutt was appointed to the position of Company Secretary of the Group from 1 June 2022. Mr Aucutt is the Chief Financial Officer of Prospa. Mr Aucutt has a strong background in non-bank disruptive finance business models and the financial markets generally, where he has worked at a senior level in large domestic and international organisations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ("the Board") held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Board		Remuneration, People and Nomination Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Gail Pemberton	11	11	5	5	8	8
Greg Moshal	11	11	5	5	8	8
Beau Bertoli	11	11	5	4	8	8
Avi Eyal	11	11	5	2	-	-
Mary Ploughman	11	11	5	5	8	8
Greg Ruddock[1]	4	3	2	1	3	3
Fiona Trafford-Walker	11	11	5	5	8	8

1. Meetings held until his resignation on 24 November 2021.

Held: represents the number of meetings held when the Director held office or was a relevant committee member.

Committee Membership

As at the date of this report, the Group has an Audit and Risk Committee and a Remuneration, People and Nomination Committee. The members of each committee are as follows:

Audit and Risk Committee	Remuneration, People and Nomination Committee
Fiona Trafford-Walker – Chairman	Mary Ploughman – Chairman
Gail Pemberton	Avi Eyal
Mary Ploughman	Gail Pemberton
Greg Ruddock (Resigned 24 November 2021)	Greg Ruddock (Resigned 24 November 2021)
	Fiona Trafford-Walker

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
17/11/2017	17/11/2022	$1.56	648,125
11/01/2018	11/01/2023	$1.56	558,000
13/02/2018	13/02/2023	$1.56	150,000
30/03/2018	30/03/2023	$1.56	39,999
30/04/2018	30/04/2023	$2.00	450,000
30/11/2018	30/11/2023	$3.64	290,499
01/12/2018	01/12/2023	$3.64	92,592
25/01/2019	25/01/2024	$4.19	191,112
01/04/2019	01/04/2024	$3.64	63,000
10/04/2019	10/04/2024	$3.64	72,501
14/05/2019	14/05/2024	$3.64	60,000
11/06/2019	11/06/2024	$4.35	75,000
14/04/2020	14/04/2024	$0.88	1,630,000
14/04/2020	14/04/2024	$0.95	1,412,500
30/03/2021	30/03/2026	$0.93	250,000
30/03/2021	30/03/2026	$1.07	250,000
31/08/2021	31/08/2025	$0.89	252,320
22/10/2021	30/06/2026	$0.96	700,000
22/10/2021	22/10/2026	$0.96	1,815,583
01/12/2021	22/10/2026	$0.96	2,700,000
			11,701,231

As at 30 June 2022, 11,701,231 options were outstanding, of which 6,315,644 were vested and exercisable. No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under rights

Unissued ordinary shares of Prospa Group Limited under performance rights as at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
12/08/2019	n/a	$0.00	118,157
13/01/2020	n/a	$0.00	46,936
13/07/2020	n/a	$0.00	117,431
15/03/2021	n/a	$0.00	115,404
07/09/2021	n/a	$0.00	102,908
22/10/2021	n/a	$0.00	4,093,102
28/02/2022	n/a	$0.00	117,876
			4,711,814

As at 30 June 2022, 4,711,814 rights were outstanding, nil were vested and exercisable. No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Prospa Group Limited were issued during the year ended 30 June 2022 on the exercise of options granted.

Date options granted	Exercise price	Number of shares issued
07/10/2016	$0.67	14,430
27/02/2017	$0.67	39,445
12/08/2019	$0.88	37,092
		90,967

Shares issued on the exercise of rights

The following ordinary shares of Prospa Group Limited were issued during the year ended 30 June 2022 on the exercise of employee rights granted.

Date performance rights granted	Exercise price	Number of shares issued
12/08/2019	$0.00	135,699
13/01/2020	$0.00	34,995
		170,694

Remuneration Report

The Remuneration Report set out on pages 41 to 57 forms part of this Directors' Report.

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

During or since the end of the financial year, the Company has not indemnified or agreed to indemnify the Company's auditor or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium regarding a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Post balance date events

On 1 July 2022, Prospa increased the Propela Security Trust capacity by $67.5 million to $135.0 million. The overall Group undrawn capacity was $126.6 million at 31 July 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Non-audit services

During the year, Deloitte Touche Tohmatsu ("Deloitte"), the Group's external auditor, performed certain other services in addition to the audit of the financial statements. Details of the amounts paid or payable to Deloitte for non-audit services provided during the financial year are outlined in Note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Deloitte

There are no officers of the Company who are former partners of Deloitte.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

Deloitte continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made under a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Greg Moshal
Director and Chief Executive Officer

Gail Pemberton
Independent Director and Chairman

24 August 2022
Sydney

MANLY BIKES

Francisco, who emigrated from Argentina to Sydney eight years ago, had worked in the store for several years before buying the business and was excited to start his journey as an entrepreneur.

Relying 100% on tourism before the pandemic, the bike hire business added a bike repair service to their revenue stream to survive, and now thrives.

Review of Operations

"It only took 20 minutes... The loan really helped me to solve a particular incident that no one could have predicted. Prospa saved the day."

Francisco, NSW

Principal Activities

Established in 2012, Prospa is Australia and New Zealand's #1 online lender to small business, serving over 16,000 customers to help them achieve their business goals. The Company was listed on the Australian Securities Exchange in 2019.

Investments in cloud-based, data-rich and API-enabled technologies have empowered Prospa to deliver seamless customer experiences to small business owners across Australia since 2012 and New Zealand from 2018. Prospa has supported small business by:

- Delivering over $2.8 billion in loans to small business to date;
- Supporting more than 40,000 unique small business customers since inception; and
- Facilitating referrals and customer acquisitions from a network of more than 12,000 distribution partners, including finance brokers, aggregator networks, online affiliates, accountants, and other advisers.

Prospa's technology has made access to market-leading credit solutions easier and faster for small business across Australia and New Zealand. The Company's Small Business Loan of up to $150,000 and Prospa Plus Business Loan of up to $500,000 are amortising fixed-term loans with flexible repayments to support business owners' cash flow. The Line of Credit product is a re-drawable facility of up to $150,000, which can be utilised for short-term cash flow needs or unplanned expenses.

The Company's growth strategy is to scale existing products and change the way small business owners experience finance. In October 2021, the Company launched the Prospa Plus Business Loan, offering up to $500,000 to higher credit quality SMEs. There has been strong uptake of this product, indicating a growing need for fast approval lending from larger businesses. In March 2022, Prospa launched the Line of Credit product in New Zealand, offering up to $150,000 to existing customers. Full launch of the product took place on 4 July 2022, with strong uptake from small business customers requiring a revolving product for cash flow fluctuations.

Focus on Prospa's technology helped facilitate digital and real-time enhancements to deliver fast approvals. This has been combined with the adoption of dynamic risk-based pricing, where interest rates associated with a facility are determined based on credit risk assessment for that individual customer. These investments have significantly improved the end-to-end customer journey, enabled the scaling of existing products and supported the build of future products. The enhancements have helped drive an increase in the total active customers to over 16,100 in FY22. Improvements to our customer experience were further reinforced by our Net Promoter Score during the period, which remained at a market-leading 80+ and Prospa ranked #1 in the Non-bank Financial Services category for small business loans in Australia and New Zealand on independent review site TrustPilot. These investments also increased the cost of the Group's intangible assets by $15.4 million for the year (FY21: $4.8 million).

The upgrades to our core technology, along with leverage of extensive customer data, allow the business to quickly evaluate opportunities and potential risks across the portfolio, enabling static loss rates to remain within the Board mandated tolerance range of 4% to 6%. The level of risk ensures the Company maintains a strong cash generating position to remain self-funded for future growth opportunities.

In Australia, the progress of the Company's product strategy continues with the completion of the Business Account trial in preparation of the launch of the product to small businesses over coming quarters. Prospa's Business Account brings to market a new digital platform that will enable small businesses to manage their cash flow. The single product will integrate credit products, financial management and payment tools to deliver a frictionless solution to save business owners time and money. The introduction of the product will allow Prospa to regularly engage with customers to extend their lifetime value and gain further insights to enable delivery of personalised service, driving greater customer retention.

Financial Overview

Significant growth over the past year across both Australia and New Zealand saw the Group's originations increase to $732.8 million[1] for the period, an all-time high for the Company. This represented an increase of 51.6% on the prior corresponding period ("pcp") (FY21: $483.4 million[2]).

Total income was $166.9 million for the year, a 51.1% increase on pcp (FY21: $110.5 million). Building on the significant momentum achieved through another period of record originations, total income also reached an all-time high, surpassing the previous record observed pre-pandemic.

Interest expense increased to $23.3 million in FY22, an increase of 30.4% on pcp (FY21: $17.9 million[3]). The growth was driven by higher average funding debt for the period (FY22: $467.4 million, FY21: $305.3 million), partly offset by a reduction in the funding cost rate to 5.0% (FY21: 5.9%), as a result of further efficiencies gained in funding facilities during the period.

Net cash flow from operating activities increased to $58.8 million in FY22, compared to $33.1 million[4] pcp, driven by increased revenue and improved operating efficiency.

Net profit after tax was $6.7 million, up $16.2 million on the $9.5 million net loss recorded in FY21.

Loan Impairment and Operating Expenses

Prospa's Credit Decision Engine ("CDE") is continuously enhanced and captures extensive data and industry insights throughout the year. The total coverage for expected credit losses as a percentage of receivables decreased to 7.2% as at 30 June 2022 (30 June 2021: 7.9%). The Group has updated its macroeconomic forward-looking scenarios, replacing COVID-19 impacts with inflation and consumption related scenarios. The profit impact of this provision rate reduction was more than offset by an increase in provision required due to the 64.2% growth in receivables during the year resulting in a net provision increase of $17.1 million in the year to 30 June 2022.

Credit demand from small business has remained strong, while the Company is cognisant of the challenges to the economic outlook due to inflationary pressures, lower consumer demand and rising interest rates, Prospa remains committed to growing and capturing greater market share of the small business lending market. Prospa continues to develop and invest in the business to ensure it continues to be nimble and efficient to capitalise on opportunities arising specifically in current market conditions. See Note 23 in the financial statements for more information.

Total loan impairment expense including the net provision increase of $17.1 million was $47.3 million, an increase of 73.4% on pcp (FY21: $27.3 million). This increase is driven by the growth in the loan book rather than increased risk, with receivables written off (net of recoveries) of $30.1 million, 14.2% lower than the prior year (FY21: $35.1 million) demonstrating the effectiveness of Prospa's credit risk management capability.

Employee expenses of $48.2 million increased by $13.0 million (36.7%) on pcp (FY21: $35.2 million), noting that the FY21 result included $2.8 million expense benefit from the government JobKeeper subsidy. Excluding the JobKeeper subsidy, employee expenses increased $10.1 million (26.6%) mainly due to increased investment in product and technology resources to execute the new product strategy.

Other operating expenses[5] increased by $6.2 million (20.8%) on pcp to $35.9 million (FY21: $29.7 million). This was mainly as a result of increased marketing and sales expenses to drive the record originations in the period, combined with an increase in technology-related spend as the Company prepares to scale and launch new products into the market.

The Company is well positioned for ongoing improvement in operating leverage with revenue and book growth exceeding the growth in employee and operating expenses. As a portion of revenue, employee and operating expenses decreased to 47.1%[3], down from 57.6%[6] in FY21.

1. All references to originations in this document are from all sources, including Small Business Loan and Line of Credit (including undrawn amounts) across Australia and New Zealand. Originations exclude cash withdrawals on Line of Credit.
2. Small retrospective changes in origination figures may occur due to backdated cancellations or modifications to support customer outcomes.
3. FY21 interest expense was previously reported as $16.7 million, with the change being due to a $1.2 million reclassification from operating expenses to interest expense.
4. FY21 Operating cash flow was previously reported as $34.8 million, with the movement being due to a $1.7 million reclassification from operating cash flow to investing cash flow.
5. FY21 operating expenses was previously reported as $30.8 million, with the change being due to a $1.2 million reclassification from operating expenses to interest expense.
6. Operating expenses exclude JobKeeper payments here.

Cash and Capital Management

Prospa has a solid balance sheet with strong access to funding, permitting the Group to support business growth. Prospa has no corporate debt and has committed funding lines from diverse domestic and international senior and mezzanine funders.

Cash and cash equivalents at 30 June 2022 were $105.8 million, an increase of 31.6% (30 June 2021: $80.4 million), which includes unrestricted cash of $49.9 million, up 25.5% on the 30 June 2021 balance.

As at 30 June 2022, Prospa had $702.0 million in available third-party facilities, including $59.2 million in available undrawn facilities.

On 15 September 2021, Prospa established the PROSPArous 2021-1 Security Trust, the inaugural public asset-backed securitisation ("ABS") of $200 million. The ABS transaction attracted strong demand from large local and international investors and competitive pricing over subscription. This ABS transaction is the first of its kind in Australia and is an example of Prospa's desire to be an innovator in Australia's securitisation market. The transaction was priced competitively and resulted in a day one weighted average margin of 2.34% p.a.

On 30 August 2021, Prospa established the Kea Series 2021-2 warehouse facility in New Zealand to fund Small Business Loans and Line of Credit Facilities. The three-year committed facility had an initial capacity of NZ$63.0 million and was designed to scale up to NZ$126.0 million over time as Prospa continued to expand its New Zealand operations. This new warehouse facility replaced the existing Kea Series 2019-1 facility, which had a capacity of NZ$35.0 million, representing a net increase of NZ$28.0 million in funding capacity in New Zealand. In June 2022, the facility was upsized by NZ$27.0 million to NZ$90.0 million.

In March 2022, Prospa introduced a European bank as a senior noteholder in the Propela Security Trust, increasing the facility limit from $27 million to $67.5 million, and with an option to further upsize to $135 million to support future growth. This included a $65 million allocation from the Australian Office of Financial Management's Australian Business Securitisation Fund, recognising Prospa's commitment to diversify Australia's funding landscape and the underlying quality of our business. On 1 July 2022, Prospa exercised the upsize option and increased the Propela Security Trust by $67.5 million, increasing the limit to $135 million and the overall Group undrawn capacity to $126.6 million at 31 July 2022. We increased our funding capacity to ensure that we have at least six months of funding available on current origination levels.

To minimise the effects of potential interest rate rises on the cost of funds, Prospa has deployed specific financial derivative instruments to hedge its risk exposures. Prospa holds interest rate cap contracts with Australian Depositary Institutions. For the period ended 30 June 2022, this resulted in a fair value gain of $5.2 million net of tax (pcp: nil) in other comprehensive income and a financial asset of $7.5 million at the period end. See Notes 12 and 20 in the financial statements for more information.

During the year ended 30 June 2022, the Group took the decision that the Prospa Trust Series 2015-1 Security Trust would not be extended beyond December 2021. The Trust progressively paid down all third party notes during the year, with these being fully repaid in September 2021. Formal closure of the Trust was effected on 11 November 2021.

Share Buyback

On 16 February 2022, the Group announced an on-market share buy-back programme of up to 10% of the Group's issued share capital. The buy-back is expected to remain in place for a period of up to 12 months.

During the year ended 30 June 2022, the Group repurchased 690,876 shares for $0.4 million under this programme. The shares were repurchased at the prevailing market price on the date of the buy-back.

Remuneration Report

"I took a couple of days to work out my finances and as soon as I signed the letter, the money came through immediately. There was a point where I probably would have lost the business but the loan saved me."

Jason, NZ

Remuneration Report

Letter from the Chairman of the Remuneration, People and Nomination Committee

Dear Shareholders,

We are pleased to present Prospa Group Limited's Remuneration Report for FY22. The Remuneration Report covers remuneration arrangements and outcomes for FY22.

Prospa continued to exceed financial expectations and has also been recognised as a Great Place to Work for the second year in a row. We continue to have a market-leading net promoter score of above 80 which shows our prioritisation of our customers and our people.

Executive Remuneration

This was the first year operating our new Executive Remuneration Framework, which was effective in focusing our executives on the business' objectives. Gross Profit, Originations, Active Customers and Net Promoter Score targets were all exceeded, resulting in full vesting of the business portion of the short-term incentive plan ("STIP"), which makes up 70% of the STIP. On average, 99% of the STIP will vest.

For FY22, the Chief Executive Officer and Chief Revenue Officer received increases of approximately 10.5% to their base fixed remuneration to remain market competitive relative to their peers, and in light of no fixed pay increases since listing in FY19.

There were no on-foot long-term incentive plans ("LTIP") for Key Management Personnel ("KMP") that vested in FY22.

Non-Executive Director Fees

As disclosed in the FY21 Remuneration Report, Prospa adjusted Non-Executive Director fees effective from 1 July 2021. Chair fees for the Board, Audit and Risk Committee and Remuneration, People and Nomination Committee were all benchmarked against similar companies and increased as a result. There were no changes to committee member fees.

Looking Forward

To focus on our planned growth, Prospa will continue to invest in product development building customer-focused functionality, furthering our technology and remaining at the forefront of innovative financial management and payment solutions.

Prospa is closely monitoring economic developments and is well placed to help our customers navigate changing conditions.

The full remuneration report for FY22 is below, we welcome any feedback at the upcoming AGM.

Yours sincerely,

Mary Ploughman
Chairman

Remuneration, People and Nomination Committee

1 Key Management Personnel

The Committee presents the Remuneration Report of the Group for the period 1 July 2021 to 30 June 2022. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for Prospa's KMP. KMP are those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. Table 1 outlines the KMP of the Group during FY22.

Table 1. Prospa KMP

Name	Position	Term as KMP
Executive KMP		
Greg Moshal	Executive Director and Chief Executive Officer	Full year
Beau Bertoli	Executive Director and Chief Revenue Officer	Full year
Ross Aucutt	Chief Financial Officer	Full year
Non-Executive Directors		
Gail Pemberton	Independent Non-Executive Chairman	Full year
Fiona Trafford-Walker	Independent Non-Executive Director and Chairman of the Audit and Risk Committee	Full year
Avi Eyal	Non-Executive Director	Full year
Greg Ruddock	Non-Executive Director	Part year (to 24 November 2021)
Mary Ploughman	Independent Non-Executive Director Chairman of the Remuneration, People and Nomination Committee	Full year

2 Remuneration Framework and Governance

Remuneration framework

Our remuneration framework enables us to adjust remuneration outcomes in line with the performance of the business and broader economic conditions as they evolve. It aims to reward Executives with a mix of fixed and variable remuneration appropriate to their position, responsibilities, and performance, in a way that aligns with the Company's strategy, culture and values and is underpinned by remuneration principles that are fit for purpose. In FY22, Prospa implemented its new executive reward framework to support our ongoing growth and drive performance into the future. Full details of the plan are provided in section 4.

The following diagram illustrates the link between the Group's strategy, culture, values, remuneration principles and Executive remuneration arrangements. The diagram also outlines the purpose and operation of each component of the Executive remuneration framework.

Our Strategy

Continue to invest in the customer experience, technology and people in order to build products and services that allow small businesses to prosper.

Culture and values

Our culture is demonstrated by our core values that drive the behaviour of our organisation and contribute to our ability to deliver excellent customer experiences.

Customer Obsessed | **Be bold, open and real** | **Day 1** | **Deliver value fast** | **Simplicity** | **One team**

Remuneration principles

Reward financial and non-financial performance that creates success for Prospa over the short and long term.

Attract, motivate and retain high calibre talent.

Drive the right behaviours and compliance.

Be fit for purpose for the business we are now and aspire to be.

Everyone in the business should share in wealth creation.

Short-term incentives truly vary with business performance.

Be fair and transparent.

Performance management process

Remuneration outcomes are delivered with reference to performance outcomes.

Performance evaluation is based on a mix of "what" people are delivering and "how" they are delivering it.

Demonstration of Company values is a gate to achieving a performance rating as we expect all Prospa people to live the values.

Fixed Remuneration

Purpose: Attracts high quality personnel and rewards capability and experience.

Base salary, superannuation and non-monetary benefits.

Reviewed annually by the Committee based on individual, business unit and Group performance and comparable market remuneration for like roles in the technology and finance industry, and companies of a similar size to Prospa.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group.

Variable Remuneration

Purpose: Motivates high performance and retains high quality personnel through providing competitive and appropriate reward for the achievement of strategic objectives and creation of value for shareholders.

Delivery of variable remuneration is subject to the achievement of shared performance measures that have been chosen given our focus on growing the business in a profitable way.

Delivered as cash and equity.

Malus and clawback provisions ensure leaders demonstrate the right behaviours.

Remuneration Governance

The following diagram represents the Group's remuneration oversight and decision-making framework.

The Board

Reviews, challenges and, as appropriate, approves the Committee's remuneration recommendations regarding Non-Executive Directors and Executives.
The Board has overall discretion to reduce, cancel or clawback any remuneration.

The Remuneration, People and Nomination Committee

Reviews and recommends to the Board remuneration arrangements for its Non-Executive Directors and Executives.

In particular, the Committee is responsible for:

- Determining Non-Executive Director and Executive remuneration outcomes;
- Determining participation in and performance targets for incentive plans, including employee equity plans;
- Approving major changes to company remuneration policies and arrangements; and
- Recommending whether offers are to be made under any or all of the Company's employee equity incentive plans.

Members

The Committee comprises four Non-Executive Directors, three of which are independent Directors:

- Mary Ploughman (Chair)
- Gail Pemberton
- Fiona Trafford-Walker
- Avi Eyal

The Audit and Risk Committee

Advises the Committee of material risk matters which may impact remuneration outcomes, and matters relevant to financial outcomes that warrant consideration when determining variable remuneration award outcomes for Executives.

External consultants

During the 2022 financial year, the Board engaged Ernst & Young as its independent remuneration advisor. No remuneration recommendations, as defined in the Corporations Act 2001, were provided by Ernst & Young or any other advisor during the year.

3 Prospa Performance and Shareholder Return

As shown below in Table 2, Prospa has achieved year-on-year growth in total income with a 13.9% CAGR over the period FY18 to FY22. FY22 delivered a record performance, resulting in total income of $166.9 million, which is a 51% improvement from FY21.

EBITDA also continued to improve in FY22, with $12.1 million and NPAT stood at $6.7 million, a significant uplift in performance from FY21.

The realised portfolio yield[1] for FY22 remained stable at 34.1%, and active customers increased to over 16,000.

Prospa's portfolio remains well-balanced and diversified with further improvements to its balance sheet and funding platforms.

Table 2 summarises the statutory earnings and share price performance of the Group for the last five financial years.

Table 2. Group performance summary

$ million	FY22	FY21	FY20	FY19	FY18
Total income	166.9	110.5	133.2	127.9	99.0
EBITDA[2]	12.1	0.5	(15.8)	0.9	8.0
NPAT	6.7	(9.5)	(24.9)	(24.7)	2.1
Share price high ($)	1.25	1.09	5.09	4.55	n/a
Share price low ($)	0.55	0.67	0.40	3.49	n/a
Share price close ($)	0.65	1.00	0.96	3.63	n/a

Prospa delivered record-breaking performance across all key metrics in FY22, with originations reaching $732.8 million, up a significant 52% on pcp (FY21: $483.4 million). The momentum enabled the Company to achieve its highest ever month of $104.6 million for originations in June 2022. The growth for the period was underpinned by investments in Prospa's core technology, which helped launch the Prospa Plus Business Loan and New Zealand Line of Credit.

Total income reached a record of $166.9 million, up 51% on pcp (FY21:$110.5 million), driven by the strong performance over the period. In line with originations growth, closing gross loans reached $701.3 million, an increase of 64% on pcp (FY21: $427.1 million).

The New Zealand business grew from strength to strength over the 12 months, up 57.1% for originations compared to the same period last year to reach $122.0 million. This highlights the growing awareness of the Prospa brand, as SMEs seek funds for recovery and growth, along with the successful launch of the new Line of Credit product within the region.

In September, Prospa announced its inaugural Term Asset Backed Securitisation ("ABS") of $200 million, which is the first of its kind in Australia and won 'Most Innovative Deal" of 2021 by FinanceAsia.
The inaugural ABS supported the overall growth of the Company and assisted the establishment of a new funding warehouse to bring Prospa's available third-party facilities to $702.0 million ($59.2 million in available undrawn facilities) and $105.8 million of cash ($49.9 million of which is unrestricted).

In addition, during the financial year the Company repurchased 690,876 shares for $0.4 million as part of its on-market buy-back programme. The shares were repurchased at the prevailing market price on the date of the buy-back.

Prospa's Net Promoter Score remains at more than 80. Prospa is ranked #1 online lender to small business in the Non-bank Financial Services category in Australia and New Zealand on independent review site TrustPilot.

1. Realised portfolio yield = total revenue before transaction costs / average gross loans, annualised.
2. All references to EBITDA in this document represent earnings before interest on lease liabilities, tax, depreciation and amortisation, share-based payments and fair value movements.

FY22 Remuneration Outcomes

Executive KMP fixed remuneration in FY22

As part of the Executive Remuneration Framework review, benchmarking against Prospa's relevant market peers was undertaken. For FY22, the Chief Executive Officer and Chief Revenue Officer received increases of approximately 10.5% to their base fixed remuneration to remain market competitive relative to their peers, and in light of no fixed pay increases since listing in FY19.

Executive KMP variable remuneration in FY22

The Board determines Executive KMP remuneration outcomes. The Remuneration, People and Nomination Committee reviews and recommends Executive KMP remuneration outcomes to the Board after considering capability, experience, market movements, the Company's remuneration principles and individual, business unit and Group performance.

FY22 was the first year the new variable remuneration structure was in place. Unlike in FY21, where Greg Moshal and Beau Bertoli chose not to participate in variable remuneration plans, in FY22, all Executive KMP participated in the STIP and LTIP.

Short term incentive

Annual performance of the business was strong, with increased gross profit, originations and active customers compared to prior year's results. The Company maintained a Net Promoter Score above 80. The strong results mean that all measures in the STIP have been fully met.

Each Executive also has individual measures of success. Greg Moshal and Beau Bertoli's individual objectives were fully met in FY22, reflecting the business metrics. Ross Aucutt's individual goals related to funding facilities, core products, Business Account and digital-first. Individual results are outlined in the table below. For each KMP, 20% of the STIP achieved will be deferred for one year in the form of rights.

Table 3. STI performance and outcomes

		% Achieved		
Measure	**Weighting**	**G. Moshal**	**B. Bertoli**	**R. Aucutt**
Business measures of success: – Gross Profit	70%	100%	100%	100%
– Originations		100%	100%	100%
– Active customers		100%	100%	100%
– Net Promoter Score		100%	100%	100%
Individual measures of success	30%	100%	100%	90%
Overall		100%	100%	97%
		$183,750	$183,750	$194,288*

* The STI outcome for the CFO includes a one-off cash amount of $50,000 for significant outperformance against key performance measures and other contributions that are not specifically addressed in these metrics.

Long term incentive

The first grant of the LTIP under the new framework was awarded in FY22 (and is due to vest after the three-year performance period); therefore, no LTI is due to vest. No legacy LTI was due to vest in FY22.

The remuneration outcomes table below summarises the remuneration the current Executives received in their KMP roles during the financial year ended 30 June 2022. Presenting this information gives shareholders greater clarity and transparency of Executive take-home pay. It complements Table 5, the statutory remuneration table prepared in accordance with accounting standards.

Table 4. Executive KMP Cash and Variable Remuneration Outcomes in FY22

KMP	Fixed Remuneration[1]	Cash Variable Remuneration paid/payable during FY	Deferred Rights awarded during FY	Options amount awarded during FY[2]
G. Moshal	535,107	147,000	36,750	157,789
B. Bertoli	535,107	147,000	36,750	157,789
R. Aucutt	449,768	165,430	28,858	85,203

1. Fixed remuneration is inclusive of superannuation.
2. The fair value of the options is calculated at the date of grant using a Monte Carlo simulation approach and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

In contrast to Table 4, details of the FY22 remuneration expense recognised for the Group's Executive KMP for the reporting period measured in accordance with Australian Accounting Standards ("AAS") for Executive KMP are set out in the statutory table below, Table 5.

Table 5. Statutory Executive KMP Remuneration Outcomes in FY22

		Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based payments[1]		
Name	**Year**	**Salary and fees[2]**	**Cash bonus[3]**	**Rights**	**Other benefits**	**Superannuation**	**Long service leave**	**Options, rights, loan shares**	**Total remuneration**	**Performance related**
G. Moshal	2022	511,539	147,000	36,750	-	23,568	28,395	157,789	905,041	38%
	2021	465,866	-	-	-	21,694	15,518	881,485[5]	1,384,563	64%
B. Bertoli	2022	511,539	147,000	36,750	-	23,568	22,604	157,789	899,250	38%
	2021	465,866	-	-	-	21,694	10,659	881,485[5]	1,379,703	64%
R. Aucutt	2022	425,000	165,430	28,858	1,200	23,568	1,143	85,203	730,402	38%
	2021	307,308[4]	89,201	-	877	16,271	252	12,264	426,172	24%

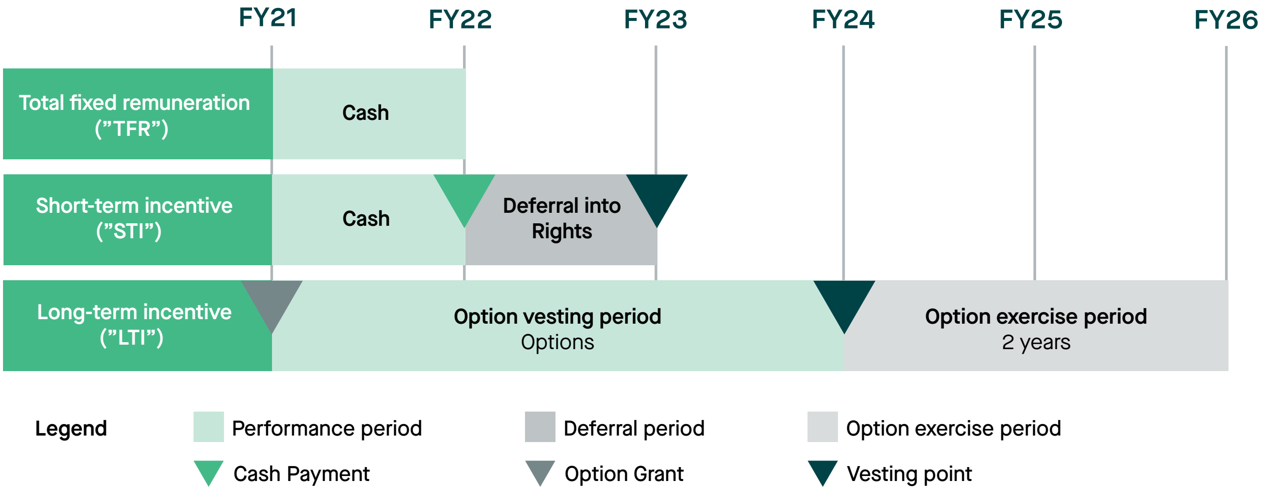
1. This represents the share-based payment expense for options granted to Executive KMP. The value of the options is calculated at the grant date. The amounts disclosed as part of remuneration for the financial year have been determined by amortising the grant date value on a straight-line basis over the period from the grant date to vesting date. A grant of options was made to Ross Aucutt on 30 March 2021, following his appointment as CFO. No options or rights were granted to Greg Moshal or Beau Bertoli during the year ended 30 June 2021.
2. Salary and fees excludes the movement in the annual leave provision. For the year ended 30 June 2022, the provision movement for Greg Moshal was an increase of $39,350 (2021: increase of $35,148), for Beau Bertoli an increase of $18,584 (2021: decrease of $8,487) and for Ross Aucutt an increase of $30,420 (2021: increase of $8,144).
3. The minimum possible cash bonus value payable to each KMP is $nil. The Board determines the maximum possible value and has overall discretion to reduce, cancel or claw back any remuneration.
4. Salary and fees relate to the period from appointment on 7 October 2020 to 30 June 2021.
5. Vesting and exercise dates relating to the May 2019 grant of options to Greg Moshal and Beau Bertoli were incorrectly reported in the FY20 Annual Report as Nov-19 to May-22 instead of Sept-20 to Sept-21. The error was corrected during FY21. As a result, the share-based payment expense reported above for FY21 includes $0.6 million ($0.3 million for each of Greg Moshal and Beau Bertoli) to align with the corrected vesting period.

4 Remuneration Framework Overview

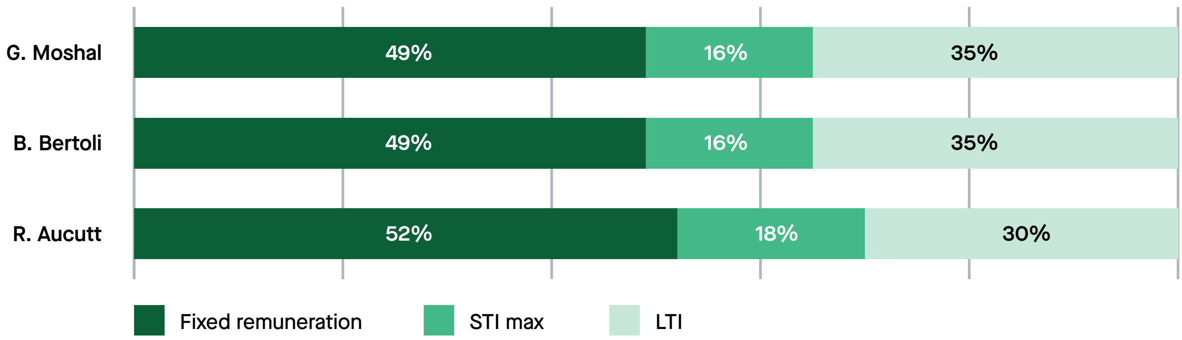
For FY22, Prospa developed and implemented a fit-for-purpose executive remuneration framework to create greater shareholder alignment.

The executive remuneration framework balances key business value drivers in the STI by incorporating measures such as profitability, originations and customer metrics with a long-term shareholder value creation in the LTI. Vesting of the LTI is subject to meeting Absolute Total Shareholder Return ("ATSR") targets. The LTI will be delivered as options so that executive reward will only occur where share price growth is positive.

The diagram below illustrates the incentive structure for Prospa's Executive KMP in FY22:



The diagram below illustrates the pay mix at the maximum opportunity for Prospa's Executive KMP in FY22.



The structure consists of the following.

- Fixed remuneration – set by benchmarking against a group of peer organisations.
- Short-term incentive Plan – a cash payment subject to annual performance targets, with 20% deferred into restricted rights for one year.
- Long-term incentive Plan – market-priced options that will be net-settled as equity, subject to a 12% ASTR Compound Annual Growth Rate ("CAGR") performance condition. Options remain exercisable for two years following vesting. Vesting occurs after three years and is subject to meeting a minimum ATSR CAGR.

Short-Term Incentive Plan

<table>
<tr><th>STIP Design</th><th>Key Terms</th></tr>
<tr><td>Purpose of the STIP</td><td>Aligning executives with the Company's strategy, culture, values, and shareholder interests.</td></tr>
<tr><td>Award delivery</td><td>Provided performance conditions are met over the one-year performance period; the STIP award is delivered as follows:
– 80% in cash at the end of the performance period; and
– 20% granted in restricted rights, with allocation on a face value basis from the 10-day Volume Weighted Average Price ("VWAP"), vesting one year post grant.</td></tr>
<tr><td>Performance metrics</td><td>Performance metrics are assessed annually and set according to business needs.
For FY22, STIP performance was assessed according to:
– Business measures of success (70%):
  – Gross Profit
  – Originations
  – Active customers
  – Net Promoter Score
– Individual measures of success (30%):
  – An assessment of individual measures such as achievement of corporate goals, budget alignment, people, customers, and delivery of key strategic projects.</td></tr>
<tr><td>Performance thresholds</td><td>A minimum performance threshold of 75% of targets applied to any financial metric before an incentive can be paid.
<table>
<tr><th></th><th>Threshold</th><th>Target</th></tr>
<tr><td>Performance</td><td>75%</td><td>100%</td></tr>
<tr><td>% Outcome</td><td>80%</td><td>100%</td></tr>
</table>
STI outcomes are assessed on a straight-line basis between threshold and target.
The originations threshold target must be met in order for the non-financial/ individual performance metrics to be payable.</td></tr>
<tr><td>Restricted rights vesting</td><td>Restricted rights vest one-year following grant and automatically convert to shares (subject to trading windows).</td></tr>
<tr><td>Dividends and voting rights</td><td>Restricted rights do not carry dividends or voting rights before vesting. Shares allocated on vesting of rights have the same dividend and voting rights as other ordinary shares.</td></tr>
</table>

STIP Design	Key Terms
Cessation of employment and change of control	*Cessation of employment* – Where a participant ceases employment before payment of cash/vesting of restricted rights, all STIP awards are forfeited. – An employee must be employed at the STIP payment date to receive a payment in respect of their STIP award. – Good leavers may receive a pro-rata award, subject to Board and management discretion. *Change of control* – Board retains full discretion to determine deferred award treatment where a change of control event has occurred.
Governance	Before vesting, all STIP awards are subjected to Board risk review. Should any substantial breach of regulatory compliance or material misstatements be identified, the award can be reduced to zero.

Long-Term Incentive Plan

<table>
<tr><th>LTIP Design</th><th>Key Terms</th></tr>
<tr><td>Purpose of the LTIP</td><td>To motivate and retain key employees by aligning to the shareholder value they create.</td></tr>
<tr><td>Eligibility</td><td>All Executive KMP</td></tr>
<tr><td>Performance period and condition</td><td>LTIP awards vest subject to an ATSR measure based on a 12% CAGR of Prospa’s ATSR over the performance period.
<table>
<tr><th>ATSR CAGR threshold</th><th>ATSR CAGR maximum</th><th>Vesting schedule minimum</th><th>Vesting schedule maximum</th></tr>
<tr><td>10%</td><td>12%</td><td>50%</td><td>100%</td></tr>
</table>

Awards vest on a straight-line basis for ATSR CAGR between threshold and maximum.
Vesting of LTIP awards for KMP roles is subject to an ATSR CAGR performance assessment at the end of the three years.
The start and end period for ATSR will be determined using the 60-day VWAP of the Prospa share price to 30 June.
The Board retains discretion to adjust the ATSR target and how ATSR performance is calculated to address matters that materially affect ATSR outcomes and are considered outside management’s influence and/or control.
</td></tr>
<tr><td>Vesting restrictions</td><td>Options vest following testing of the performance condition at the end of the performance period.</td></tr>
</table>

LTIP Design	Key Terms
Cessation of employment and change of control	*Cessation of employment* – Unless the Board determines otherwise, unvested awards lapse on cessation of employment due to either resignation, or termination for cause / gross misconduct. – In all other cases, unless the Board determines otherwise, participants who cease employment holding unvested rights may have their rights prorated subject to board discretion and continue to be performance tested under the vesting schedule. *Change of control* – The Board retains full and complete discretion to determine award treatment where a change of control event occurs.
Governance	Before vesting, all LTIP awards are subjected to Board risk and reputation review. Should any substantial breach of regulatory compliance and material misstatements be identified, the award can be reduced to zero.

Employee Equity Arrangements

Prospa has a strong history of employee share ownership and offers equity awards to employees during the financial year. Prospa intends to align employee equity grants with shareholder returns and delivery of the Company's strategy.

Please refer to Note 35 to the consolidated financial statements for further details on these share-based payments.

The Employee Equity Arrangements ensure stability in the Prospa team and align the broader employee population to the long-term interests of our shareholders.

5 Contractual Arrangements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. Details of these agreements are outlined in Table 6.

Table 6. Executive KMP contractual arrangements

	Greg Moshal Chief Executive Officer	Beau Bertoli Chief Revenue Officer	Ross Aucutt Chief Financial Officer
Contract type	Ongoing	Ongoing	Ongoing
Fixed remuneration	$525,000+ superannuation	$525,000+ superannuation	$425,000+ superannuation
Termination notice by either party	6 months	6 months	6 months
Termination notice with cause	Immediate	Immediate	Immediate
Post-employment restraints	Restrictions operate for up to 12 months post-employment and include: Non-competition restraints, some of which purport to operate across Australia only; Restrictions against soliciting certain Group clients and customers and from providing certain services to those clients or customers; Restrictions against inducing suppliers of the Group to cease supply to the Group; and Restrictions against soliciting the Group's employees, contractors or Directors.		

6 Non-Executive Director Remuneration

Fees

Prospa's Non-Executive Director fee policy is designed to attract and retain high-calibre directors and recognise their contribution to the work of the Board and associated Committees. The Non-Executive Director fees were reviewed in FY21. Table 7 outlines the annual base fees paid by the Company to Non-Executive Directors (which may be awarded in cash or equity) effective from 1 July 2021. All Non-Executive Director fees are inclusive of statutory superannuation contributions. Non-Executive Directors in any financial year must not exceed a fee pool of $900,000, as approved by Shareholders at the Company's 2019 Annual General Meeting.

Table 7. Non-Executive Director fees

Board and Committee Fees from 1 July 2021 ($ incl super)	Chair	Member
Board	180,000	100,000
Audit and Risk Committee	25,000	Nil
Remuneration, People and Nomination Committee	15,000	Nil

Directors are entitled to the reimbursement of travel and other expenses directly relating to their Board role.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. No additional fees were paid to the Non-Executive Directors in FY22.

Prospa does not pay benefits (other than statutory entitlements) on retirement to Non-Executive Directors.

Non-Executive Director Equity Plan ("NEDEP")

In line with Prospa's ownership culture, the Company had a NEDEP which allowed Non-Executive Directors to acquire rights that convert to restricted shares in lieu of some or all of their cash Board fees. The NEDEP is not subject to any performance or service conditions, and the rights have an exercise price of $nil.

Non-Executive Director statutory remuneration

Table 8 outlines statutory remuneration paid to Non-Executive Directors in FY22 in accordance with AAS.

Table 8. Non-Executive Director Statutory Remuneration

Name	Year	Fees $	Super-annuation benefits $	Share-based payments[3] $	Total
G. Pemberton	2022	163,592	16,359	7,558	187,509
	2021	156,744	14,891	22,500	194,135
G. Ruddock[1]	2022	37,872	4,906	2,329	45,107
	2021	98,525	9,360	5,931	113,815
F. Trafford-Walker	2022	125,000	-	7,558	132,558
	2021	103,955	4,691	22,500	131,146
A. Eyal[2]	2022	100,000	-	-	100,000
	2021	98,333	-	-	98,333
M. Ploughman	2022	104,545	10,455	-	115,000
	2021	29,101[4]	3,098	-	32,199

1. Greg Ruddock ceased being Chair of the Remuneration, People and Nomination Committee on 31 May 2021. Greg Ruddock resigned as Non-Executive Director on 24 November 2021.
2. Avi Eyal is based overseas, and all fees are paid in Australian Dollars.
3. All remuneration relating to share-based payments is with respect to grants made before IPO. No options or rights were granted to Non-Executive Directors during the year ended 30 June 2022 and the year ended 30 June 2021.
4. Fees relate to the period from appointment on 1 March 2021 to 30 June 2021.

The terms and conditions of each pre IPO grant of options affecting remuneration of Non-Executive Directors in the current financial year are detailed in Table 9.

Table 9. Terms and Conditions of Non-Executive Director Options Granted

Name	Number of options granted	Grant date	Vesting date and exercisable date[1]	Expiry date	Exercise price	Fair value per option at grant date
G. Pemberton	95,556	25/01/2019	Jul-19 to Jan-22	25/01/2024	$4.19	$2.09
	25,000	14/06/2019	Dec-19 to Jun-22	14/06/2024	$4.35	$2.28
G. Ruddock	25,000	14/06/2019	Dec-19 to Jun-22	14/06/2024	$4.35	$2.28
F. Trafford-Walker	95,556	25/01/2019	Jul-19 to Jan-22	25/01/2024	$4.19	$2.09
	25,000	14/06/2019	Dec-19 to Jun-22	14/06/2024	$4.35	$2.28
A. Eyal	92,592	01/12/2018	Dec-18 to Aug-19	01/12/2023	$3.64	$0.75

1. These options vest subject to continued service at the vesting date.

7 Additional Statutory Disclosures

The information in the following section has been prepared in accordance with statutory requirements and AAS.

Long-Term Incentive Plan and other equity awards information

No LTI options or deferred rights vested in FY22.

Table 10. Executive KMP Equity Awards in FY22

Name			Number granted	Grant date	Number forfeited /lapsed	Number Vested	Granted ($)	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
G. Moshal	2022	LTI Options	1,029,487	01/12/2021	-	-	277,961	22/10/2024	22/10/2026	$0.9603	$0.27
B. Bertoli	2022	LTI Options	1,029,487	01/12/2021	-	-	277,961	22/10/2024	22/10/2026	$0.9603	$0.27
R. Aucutt	2022	LTI Options	641,026	01/12/2021	-	-	173,077	22/10/2024	22/10/2026	$0.9603	$0.27

Legacy Equity Plan

In FY22, the Executive KMP decided to voluntarily lapse all unexercised legacy LTI options granted to Greg Moshal and Beau Bertoli in May 2019.

The sign-on options granted to Ross Aucutt in March 2021 remain unvested and on-foot.

Details relating to on-foot legacy options held by Executive KMP are set out in Table 11.

Table 11. Terms and Conditions of Legacy Executive KMP Options

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
R. Aucutt	250,000	30/03/2021	Mar-24	30/03/2026	$0.93	$0.34
	250,000	30/03/2021	Mar-25	30/03/2026	$1.07	$0.33

Table 12. KMP Equity Movements

KMP	Balance of options as at 30 June 2021	Options granted in FY2022	Options vested in FY2022	Options exercised in FY2022	Options forfeited in FY2022	Balance of options as at 30 June 2022	Balance of options as at 30 June 2022 (vested)
G. Moshal	543,123	-	-	-	(543,123)	-	-
	743,517	-	-	-	(743,517)	-	-
	-	1,029,487	-	-	-	1,029,487	-
B. Bertoli	543,123	-	-	-	(543,123)	-	-
	743,517	-	-	-	(743,517)	-	-
	-	1,029,487	-	-	-	1,029,487	-
R. Aucutt	500,000	-	-	-	-	500,000	-
G. Pemberton	-	641,026	-	-	-	641,026	-
	95,556	-	-	-	-	95,556	95,556
	25,000	-	-	-	-	25,000	25,000
F. Trafford -Walker	95,556	-	-	-	-	95,556	95,556
	25,000	-	-	-	-	25,000	25,000
A. Eyal	92,592	-	-	-	-	92,592	92,592

The number of shares in the Company held directly and indirectly by each Non-Executive Director during the financial year is outlined in Table 13.

Table 13. KMP Equity Holdings

KMP	Balance at 1 July 2021	Received on exercise of rights, options, loan shares	Purchased / Acquired	Disposed	Balance at 30 June 2022
G. Moshal	24,850,732	-	-	-	24,850,732
B. Bertoli	9,761,301	-	-	-	9,761,301
R. Aucutt	-	-	-	-	-
G. Pemberton	227,102	-	146,218	-	373,320
F. Trafford-Walker	47,719	-	-	-	47,719
A. Eyal	2,845,914	-	125,000	-	2,970,914
M. Ploughman	-	-	50,000	-	50,000

Loans and other transactions

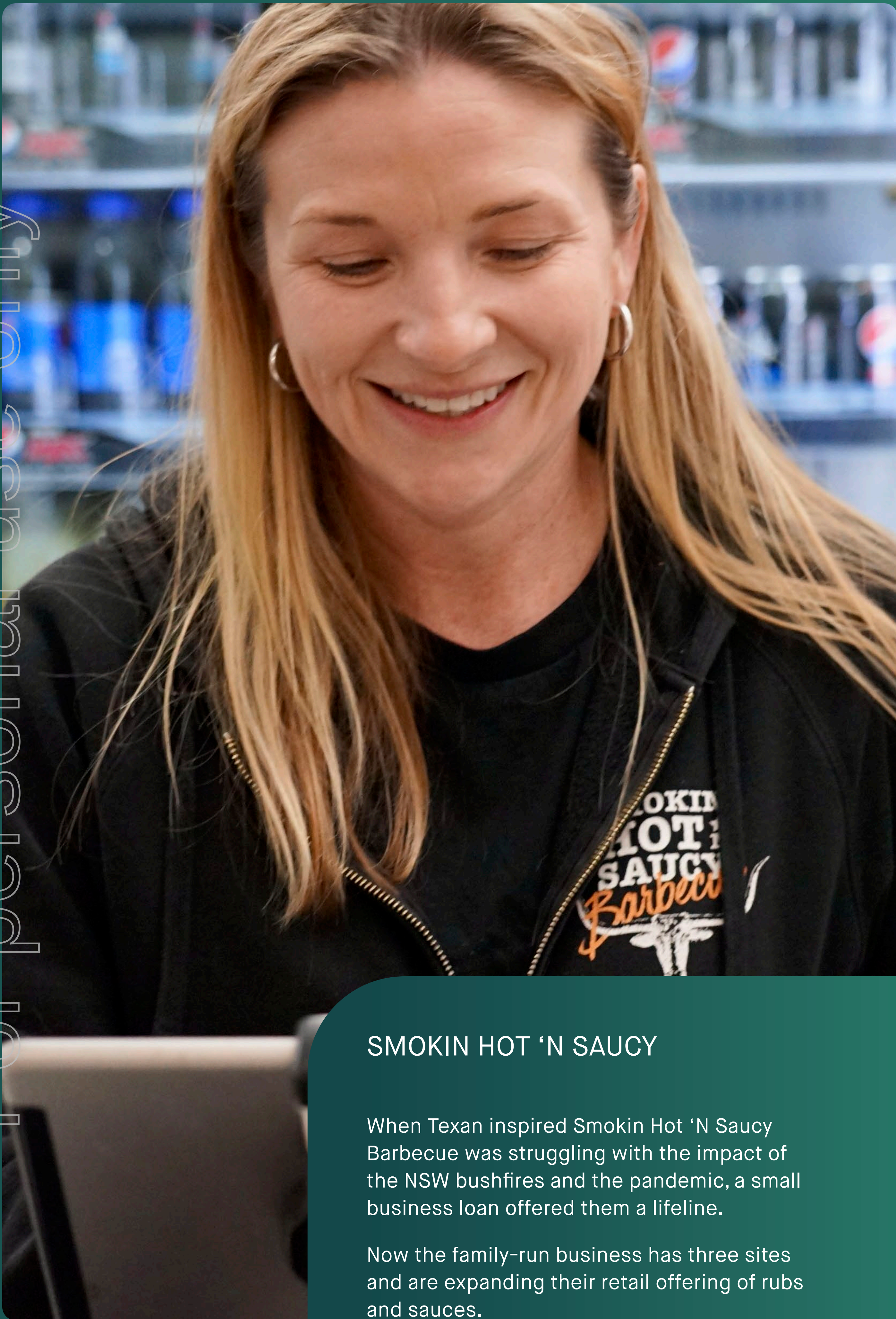
No loans have been granted to any KMP. There were no transactions involving equity instruments, other than those outlined in Tables 10, 12 and 13, with KMP or related parties.

Securities Dealing Policy

The Company has adopted a Securities Dealing Policy, which provides that Directors and employees must not deal in the Company's securities when they are aware of inside information. Directors and certain restricted employees must not deal in the Company's securities during any of the following blackout periods:

- The period from the close of trading on the ASX on 30 June each year until the day following the announcement to ASX of the full-year results;
- The period from the close of trading on the ASX on 31 December each year until the day following the announcement to ASX of the half-year results;
- The period from the close of trading on the ASX at the end of the relevant month until the day following the announcement to ASX of any trading update; and
- Any other period that the Board specifies from time to time.

Directors and restricted employees must receive prior approval for any proposed dealing in the Company's securities outside of the above blackout periods (including any proposed dealing by one of their connected persons). In accordance with Corporations Act obligations, Prospa's Securities Dealing Policy prohibits key management personnel and Directors from entering into hedging arrangements in relation to Prospa securities, including unvested awards in the Executive Incentive Plan ("EIP"). In addition, the EIP Plan Rules restrict employees from entering into hedging arrangements in relation to unvested awards under the EIP. Any attempt to hedge awards in contravention of the Securities Dealing Policy or EIP Plan Rules will result in forfeiture, and the Board may consider disciplinary action.



SMOKIN HOT ‘N SAUCY

When Texan inspired Smokin Hot ‘N Saucy Barbecue was struggling with the impact of the NSW bushfires and the pandemic, a small business loan offered them a lifeline.

Now the family-run business has three sites and are expanding their retail offering of rubs and sauces.

Corporate Governance

"I did talk to several other little finance companies, but Prospa was the only one that gave me the confidence that the relationship was there and that they believed in our business."

Randi and Robert, NSW

Prospa has reviewed its current corporate governance policies and practices against the Australian Securities Exchange ("ASX") Corporate Governance Council's ("CGC") Corporate Governance Principles and Recommendations 4th Edition ("Recommendations") in respect of the year ended 30 June 2022.

As recommended by the ASX CGC, further information in relation to corporate governance practices is set out in the Corporate Governance Statement, which is publicly available on our website prospa.com.

This corporate governance statement is current as at 24 August 2022 and has been approved by the Board of Directors ("Board").

Our Code of Conduct

In conducting its business activities, Prospa is committed to maintaining the highest ethical standards.

Prospa's success is dependent on the knowledge, experience and talent of our employees, the strength of our leadership team, the quality and robust execution of our business strategy and our continued focus on compliance with high standards of corporate conduct, ethics and governance. We are constantly working to reinforce and communicate our values to our employees, shareholders, customers, suppliers and the broader community. The Board believes it is important to provide a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

Our Code of Conduct is intended to guide and benefit all people employed, contracted by, associated with, or acting on behalf of Prospa and its related bodies corporate (the "Group"). The Code of Conduct also extends to all Directors. The Code of Conduct expresses the core values that drive our behaviour and aspirations as follows:

- our actions must be governed by high standards of integrity and fairness;
- our decisions must be made in accordance with the spirit and letter of applicable law; and
- our business must be conducted honestly and ethically, using our best skills and judgement, and for the benefit of customers, employees, shareholders and the Group alike.

Our Code of Conduct outlines how we expect our representatives to behave and conduct business in the workplace and ensures that the Group maintains a reputation for high standards of business conduct, professionalism and integrity, values and ethical standards that are reflected in our day-to-day conduct of operations and business.

Supplier Code of Conduct

Our Supplier Code of Conduct has been prepared for the guidance and benefit of our suppliers, who we expect to support us in our commitments, abide by these principles and operate in full compliance with all applicable laws, rules and regulations. By suppliers, we mean any organisation that provides goods or services to Prospa. Our suppliers must review this Code and ensure that their organisations and their suppliers contractors and sub-contractors comply.

The Supplier Code of Conduct outlines our expectations around:

- Human Rights and Labour;
- Diversity, Equal Employment Opportunity and Anti-Discrimination;
- Work Health & Safety;
- Ethical Business Practices;
- Management Systems; and
- Environment.

Modern Slavery Statement

In December 2021, Prospa published its second Modern Slavery Statement under the Commonwealth Modern Slavery Act 2018 ("the Act"). The statement addressed the key activities carried out for the financial year ended 30 June 2021 ("FY21").

Prospa remains committed to eliminating modern slavery, which encompasses a range of situations where a person's freedom has been taken away or exploited. We believe respecting and protecting human rights enables individuals, societies and businesses to flourish. Preventing our own involvement in modern slavery practices is essential to this. Included in this is a strong focus on ensuring we have the right processes in place to identify and prevent, to the best of our ability, the existence of modern slavery practices in our operations and supply chain. Throughout FY22, Prospa continued to promote further education, awareness and training across our company to help ensure that we can better identify and understand modern slavery risks. We continue to see improvement in understanding of our obligations as a whole.

Prospa continues to hold itself and its suppliers to the highest of ethical and compliance standards, including basic human rights, encouraging fair and equal treatment for all persons, the provision of safe and healthy working conditions, respect for the environment, the adoption of appropriate management systems and the conduct of business in an ethical manner.

Prospa's FY21 Modern Slavery statement is available to download from the Modern Slavery register. Our FY22 Modern Slavery Statement will be available in early 2023.

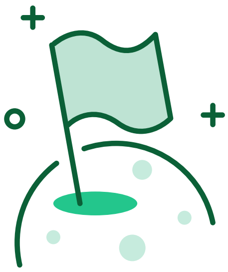
Our core values

Our more than 270 employees strive to solve our customers' problems by making complex financing solutions simple for the everyday small business owner. Our culture is demonstrated by our core values that drive behaviour within our organisation and contribute to our ability to deliver excellent customer experiences. We believe that the Key Capability Framework remains relevant and appropriate.

Prospa's core values

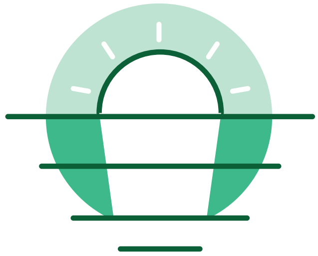
Customer Obsessed

Don't just listen, hear what's important



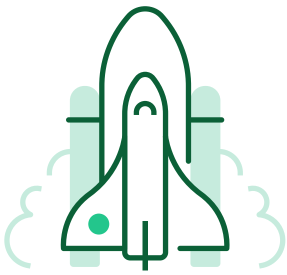
Be bold, open and real

Take smart risks, be transparent and true



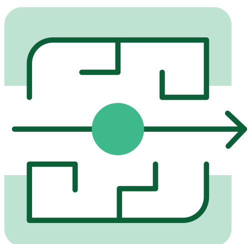
Day 1

Keep our start-up mentality



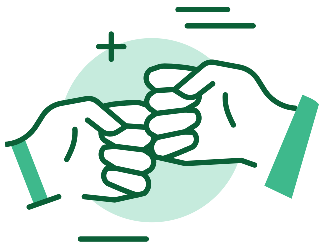
Deliver value fast

Celebrate outcomes, not processes



Simplicity

Make the complex simple



One team

We work as one

Prospa's Key Capability Framework takes our values a step further and articulates the key capabilities and behaviours that enable us to win. As a business, we are continually assessing what "good" looks like, raising the bar to get to "better" faster. These capabilities enable us to get there and are built into employee Performance & Growth plans.

Prospa's Key Capabilities

- Create value at every opportunity
- Solve problems for your customers
- Navigate change and ambiguity
- Champion curiosity
- Demonstrate ownership
- Communicate and collaborate effectively

Diversity and Inclusion

We are committed to building and maintaining a diverse and inclusive team, enhancing our capability and reputation and allowing us to attract, engage and retain talented people.

We are committed to the principles of equal opportunity employment. We embrace strength-based leadership, and seek to recruit, promote and remunerate based on performance, capabilities and behaviours. We ensure that any external agencies engaged to assist with recruitment are aware of our diversity agenda. We seek to achieve greater gender diversity by setting measurable objectives and broadening the field of potential candidates for all appointments.

Our current gender targets were set at the beginning of FY22 to be achieved by the end of FY23. For that period, we have a workforce participation target of at least 50% women; and a Leadership Team target of at least 40% women. Members of the Leadership Team are the Executives and other people leaders who are in a position to influence, motivate and enable others to contribute to the Company's success. As at the end of FY22, we employed 44% women (all employees) and our Leadership Team comprised of 32% women. Our Executive Team is comprised of 14% women. Executives are the most senior managers who sit on our Executive Team and, in conjunction with the Board, determine the strategic direction of the business. While we acknowledge our progress to date towards achieving our gender targets, we intend to further increase our focus on improving gender diversity in FY23.

The Board is comprised of 50% women and 50% men.

Prospa was compliant with the Workplace Gender Equality Act 2012 in FY22.

To further support our gender diversity goals, Prospa has been approved to join WORK180 as an Endorsed Employer for all women. To be endorsed with WORK180, employers must demonstrate a genuine commitment to D&I and have met a number of progressive policy standards. WORK180 was created to help all women find employers who are committed to providing a working environment that supports diversity, equity and inclusion.

We provide long-term flexible ways of working to support the diverse needs of our employees and have an ambassador group dedicated to evolving and improving these policies, with a particular focus on supporting employee wellbeing.

Other initiatives to promote workplace diversity include an Employee Resource Group launched in FY22 called "Proud @ Prospa"; fostering a safe and inclusive environment for all LGBTQIA+ employees and allies to ask questions, share thoughts and find resources.

As part of our ongoing commitment to wellbeing, in FY22 Prospa launched several initiatives including a "Life & Learning Allowance" which is designed to give employees the flexibility to invest in their professional growth, personal wellbeing, community impact and improving their lifestyle. In FY22, Prospa also gave employees access to a leave offering called "Get away and increase your stay", giving employees the option to work remotely for four weeks as part of their planned trip. There are no status or minimum tenure requirements to access these initiatives.

Our office space is wheelchair accessible. We have a wellness room offering a safe and private space available to all employees. This room is designed for employees to access if they are feeling stressed, unwell or for any other reasons such as mothers returning to work who need a private space to express breastmilk. We have a multi-purpose room to provide a private space for anyone who wishes to practise a religious ritual or meditation.

Prospa further invests in the development of its people managers by nurturing inclusive leadership skills through our bespoke leadership development program (RISE) for new people managers. All leaders at Prospa completed "Inclusion in Action" training in FY22. Prospa partnered with an expert leadership development provider to facilitate this training, exploring the real meaning of inclusive leadership with a focus on the importance of inclusion in a hybrid workplace.

The impacts of COVID-19 further reinforced our commitment to supporting our employees' health and wellbeing, recognising that mental health issues were of particular concern. Prospa also partners with external organisation Life Street to offer an EAP and ensure all Prospa employees are provided with the right support, tools and resources to help manage work, relationships, caring responsibilities and finances. We continued to support our employees with paid vaccination leave during this time.

Prospa surveys its employees quarterly with a "Pulse Check" to monitor team engagement at both the company-wide and individual team level. Insights and actions are shared by Executives at quarterly company updates while people managers are supported by the People & Culture team to commit to team-based action plans. Prospa also participated again in the 2022 Great Place to Work program, which is assessed based on an independent benchmark of our policies, practices, and programs; together with feedback from our people obtained through a Trust Index© employee survey. We are pleased to share that we have been re-certified in 2022 following our 2021 participation and certification demonstrating a sustained commitment to our people and their growth, development and wellbeing.

Community initiatives

The Group is a responsible corporate citizen and actively supports the communities in which we live and work. Each employee is expected to uphold the Group's commitment to pursue good corporate citizenship while engaging in its corporate activity.

Prospa offers its employees paid volunteer leave to give back to the community through the donation of time and skills, either individually or as a team, to help those in need. In FY22, some employees utilised this leave in partnership with FoodBank, volunteering in their Sydney warehouse to help the most vulnerable in our society have access to quality, nutritious food.

During FY22, Prospa was proud to continue and strengthen our partnership with Kiva, a non-profit focused on expanding financial access to underserved communities. Through our partnership with Kiva, we are joining a global mission to help entrepreneurs around the world to grow and prosper. Prospa supports Kiva through employee engagement campaigns and loan matching initiatives such as the #WomenGoingBeyond campaign for International Women's Day 2022.

Prospa is also committed to giving back to our local community and we support local suppliers and customers through our company events program whenever possible, including our annual Mardi Gras celebration and monthly Company All Hands.

Economic

In 2019, Prospa invested in testing our purpose and commissioned independent research by RFi Group and the Centre for International Economics into the economic impact of our small business lending. The research found that every $1 million Prospa lends to small business results in $4 million to Australian GDP and support 57 FTE jobs. Based on this research, as at 30 June 2022, Prospa has contributed an estimated $9.6 billion to Australian GDP and supported around 159,600 FTE jobs. Given the significant growth and development in our business since 2019, we intend to review and consider whether updates to this research are appropriate.

Environmental

The Group is committed to doing business in an environmentally responsible manner and identifying environmental risks that may arise out of its operations. In FY23, Prospa is initiating a carbon footprint analysis across the Group and will implement strategies working towards further minimising our direct impact and offsetting our carbon footprint.

Prospa has a small direct environmental impact, but endeavours to incorporate sustainable measures into our workplace culture, such as recycling initiatives for all material, including batteries. Our automated software to manage printing options prevents excess use of paper and ink. Prospa donates excess and old hardware and furniture to charity and excess food and beverage to Oz Harvest. Prospa uses water saver showers and low energy light globes where possible.

Prospa also launched an Employee Resource Group in FY22 called “Environment @ Prospa”; fostering an informed and empowered cross functional approach to environment initiatives for all employees to ask questions, share resources and support minimising our direct carbon footprint. Prospa is aware of proposals from a number of key accounting bodies in relation to new sustainability disclosure reporting. Prospa acknowledges the importance of sustainability reporting and will monitor the development of those proposals and consider the applicability of any changes for our future reporting.

Governance and Risk Management

Management of risks is underpinned by a robust governance structure. The Audit and Risk Committee meets at least once each quarter and reviews and addresses risks, compliance, controls and financial reporting impacting the Group.

Board Risk Appetite Statement and Enterprise Risk Management Framework

Prospa has eight risk pillars under the company’s Board approved Risk Appetite Statement. These are Strategic, Financial & Funding, Credit, People & Culture, Customer & Conduct, Legal, Regulatory, Compliance & Fraud, Cyber & IT Security and Technology, and Operational. This is underpinned by operational risk and compliance frameworks and related governing policies.

Prospa’s Board of Directors continues to support the pillars in the approved Risk Appetite Statement (RAS) as useful and appropriate classifications of the areas of risk in the business. The RAS, by design, is an evolving document that is reviewed regularly to ensure that the set, assigned risk tolerances adapt to the ever-changing shifts to the risk landscape. The Group’s executive team oversee Prospa’s Enterprise Risk Management Framework and the senior management team and subject matter experts are accountable for developing, implementing and maintaining policies, controls, processes, and procedures to identify and manage risk commensurate with the Group’s risk profile across all of the Group’s activities. Focused initiatives to improve and strengthen Prospa’s enterprise metrics that supplement the RAS are ongoing.

Efficient and effective identification and management of risks, especially credit, liquidity, and market risk, is a key capability at Prospa and we continue to expand on this. The Board and management remain focused on ensuring a strong risk culture exists within the Group.

The establishment, maintenance and updates to the risk policies, procedures, predictive models, rules, and documentation are governed across several purpose-driven Steering Committees, overseen by senior leadership.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the Group is concentrated in loan receivables.

The Group has exposure to credit risk on all its term loans and revolving facilities. To manage and mitigate credit risk, the Group has developed a comprehensive credit risk framework. The credit risk framework includes the credit policy, credit procedures, probability of default ("PD") based Application Scorecards and advanced analytical models that construct a financial cash flow and determine the loan affordability and specific rules to mitigate fraud. The risk framework is also designed in such a way that it allows for adequacy of lending controls and commercial flexibility in a closed feedback, approval and communication loop; as such, the risk framework is designed to remain relevant and responsive to the evolving external conditions.

All components of the framework are embedded in our proprietary CDE which enables us to scale whilst delivering consistent and accurate credit decisions. The credit risk assessments derived from the CDE are supported by an independent review from the experienced and trained credit staff.

The quality of data facilitated by our in-house built Credit Risk DataMart enables a dedicated team to perform timely and pro-active portfolio management. Key trends in the credit portfolio along with concentration risk relative to the risk appetite are monitored frequently and reported to management on a monthly basis. The overall credit risk framework is also supported by a robust Expected Credit Loss ("ECL") Model which is statistically based on the PD, Exposure at Default ("EAD") and Loss Given Default ("LGD") components to forecast losses and guide provisioning decisions. The core ECL model is complemented by an Economic Stress Testing Model which factors in internal and macro circumstances to produce an economic overlay of losses on top of baseline losses.

Due to the quality of our data, and the technological capability of our CDE and decision algorithms, we were able to make specific underwriting amendments in response to adverse events (e.g. the nationwide or isolated lockdowns caused by the COVID-19 pandemic) and continue to write business within our risk appetite. The effectiveness of this approach is evident with static loss rates remaining within the board mandated 4% to 6% range and early loss indicators stable. We continue to invest in refining the credit assessment models and strategies within our CDE to ensure that we optimise originations while remaining within Board-mandated risk parameters. Additionally, we continually fine-tune the way we calculate ECL to reflect changes in the economy and business processes.

Liquidity and Market Risk

Liquidity risk is the risk of the Group not meeting its financial liabilities in a timely manner. Maintaining continuous access to funds is the responsibility of the Group Capital Management ("GCM") function within Prospa. GCM utilises many strategies to enable liquidity including operating a funding platform with a diversified source of funding that incorporates securitisation warehouse facilities, group equity and balance sheet cash. In addition, securitisation facilities are funded through multiple domestic and global funders.

Market risks, specifically interest rate and foreign exchange risk, can lead to an adverse impact on the Group's earnings particularly as the Group offers fixed rate loans to its customers and borrows to fund these customers using a mix of fixed and floating rates from funders. The Group hedges these interest rate risks in accordance with the Board approved Financial Risk Management policy and using cost-effective hedging strategies.

The Group is exposed to foreign exchange translation and transaction risk through its New Zealand operations. To minimise this risk, the Group has undertaken funding of its New Zealand operations in local currency restricting the exchange rate translation and transaction risk to the Group's equity invested in the New Zealand operations.

Operational Risk & Compliance

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events – either intentional or accidental. The extent and rigour with which operational risk is managed has an impact on the Group's customers, employees, financial performance, and reputation.

Compliance risk is the risk of regulatory action or policy change which may negatively affect the Group's financial position or reputation resulting from a failure to abide by compliance obligations.

The Group's Operational Risk and Compliance Management Frameworks work together to allow for the identification, assessment, management, monitoring and reporting of operational risks and compliance obligations. These frameworks operate based on a model of three lines of defense and assurance, being frontline activities, oversight and independent reviews, to cohesively build and update the Group's risk profile and help inform, establish and define policies, strengthen processes, test control effectiveness and drive improvement in the way we manage and mitigate operational risks and obligations.

A robust KYC/AML compliance framework provides a strong foundation for all credit risk assessments. All applications are screened in accordance with our AML and Counter Terrorism Financing Program which includes a thorough fraud check at various stages of the credit decision process.

Both frameworks support the Group's Risk Appetite Statement. A consolidated internal reporting process captures incidents in a Risk Incident register which collects valuable data to assess in order to assign context and determine attributable loss for each incident, allowing prioritisation of efforts accordingly. The Operational Risk and Compliance Frameworks are revised and enhanced through feedback from management and the Audit and Risk Committee.

The Group continues to invest in operational risk capabilities to ensure we meet the evolving needs in a changing operating environment which now includes multiple products and two geographies.

Auditor's Independence Declaration

"Prospa threw me a lifeline. Without it I'd have had to make redundancies."

David, NZ

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Sydney, NSW, 2000
Australia

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www.deloitte.com.au

24 August 2022

The Board of Directors
Prospa Group Limited
Level 1, 4-16 Yurong Street
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration to Prospa Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Prospa Group Limited.

As lead audit partner for the audit of the financial report of Prospa Group Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

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FY22

Financial Statements

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
		Consolidated	
Income			
Interest income	4	151,821	101,205
Other income	5	15,053	9,264
Total income		166,874	110,469
Interest expense	6	(23,311)	(17,877)
Gross profit		143,563	92,592
Expenditure			
Loan impairment expense	7	(47,316)	(27,284)
Employee expenses	8	(48,201)	(35,242)
Operating expenses	8	(35,856)	(29,689)
Share-based payments	35	(2,950)	(4,791)
Depreciation		(2,580)	(2,684)
Amortisation	15	(4,687)	(5,395)
Interest on lease liabilities	6	(308)	(467)
Total expenditure		(141,898)	(105,552)
Profit/(loss) before income tax benefit		1,665	(12,960)
Income tax benefit	9	5,061	3,466
Profit/(loss) after income tax benefit for the year attributable to the owners of Prospa Group Limited	21	6,726	(9,494)
Other comprehensive income/(loss), net of income tax			
Foreign currency translation		(869)	(73)
Fair value gain on cash flow hedge	20	5,181	-
Fair value gain on cost of hedging	20	39	-
Other comprehensive income/(loss) for the year, net of tax		4,351	(73)
Total comprehensive income/(loss) for the year attributable to the owners of Prospa Group Limited		11,077	(9,567)
		Cents	Cents
Basic earnings per share	34	4.12	(5.87)
Diluted earnings per share	34	4.12	(5.87)

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

Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Assets			
Cash and cash equivalents	10	105,767	80,377
Bank deposits		-	1,095
Loan receivables	11	650,525	393,425
Other financial assets		610	-
Derivative financial assets	12	7,457	1
Prepayments and other assets		3,244	2,451
Property, plant and equipment	13	274	728
Right-of-use assets	14	7,938	4,959
Intangible assets	15	17,934	7,213
Deferred tax assets	9	18,348	14,261
Total assets		812,097	504,510
Liabilities			
Trade and other payables	16	12,846	7,763
Current tax liabilities	9	1,452	-
Employee benefits	17	8,001	5,611
Lease liabilities	14	9,545	6,732
Borrowings	18	640,822	359,889
Total liabilities		672,666	379,995
Net assets		139,431	124,515
Equity			
Issued capital	19	611,808	610,919
Reserves	20	(415,174)	(422,475)
Accumulated losses	21	(57,203)	(63,929)
Total equity		139,431	124,515

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

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Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital (Note 19) $'000	Reserves (Note 20) $'000	Accumulated losses (Note 21) $'000	Total equity $'000
Balance at 1 July 2020	610,651	(427,193)	(54,435)	129,023
Loss after income tax benefit for the year	-	-	(9,494)	(9,494)
Other comprehensive loss for the year, net of tax	-	(73)	-	(73)
Total comprehensive loss for the year	-	(73)	(9,494)	(9,567)
Share based payment transactions:				
Share-based payments (Note 35)	-	4,791	-	4,791
Exercise of options	219	-	-	219
Sale of loan shares	54	-	-	54
Share repurchase	(5)	-	-	(5)
Balance at 30 June 2021	610,919	(422,475)	(63,929)	124,515

Consolidated	Issued capital (Note 19) $'000	Reserves (Note 20) $'000	Accumulated losses (Note 21) $'000	Total equity $'000
Balance at 1 July 2021	610,919	(422,475)	(63,929)	124,515
Profit after income tax benefit for the year	-	-	6,726	6,726
Fair value gain on cash flow hedge, net of tax		5,181	-	5,181
Fair value gain on cost of hedging, net of tax		39	-	39
Foreign currency translation	-	(869)	-	(869)
Total comprehensive income for the year	-	4,351	6,726	11,077
Share based payment transactions:				
Share-based payments (Note 35)	-	2,950	-	2,950
Exercise of options	20	-	-	20
Cash settled rights	(16)	-	-	(16)
Share buy-back	(416)	-	-	(416)
Sale of loan shares	1,301			1,301
Balance at 30 June 2022	611,808	(415,174)	(57,203)	139,431

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

Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Cash flows from operating activities			
Interest income received		161,346	107,520
Other income received		11,683	9,993
Interest paid		(24,225)	(17,881)
Payments to suppliers and employees		(89,969)	(71,141)
Income tax refunded		-	696
JobKeeper payments received		-	3,913
Net cash from operating activities	33	58,835	33,100
Cash flows from investing activities			
Net increase in loans advanced to customers		(297,941)	(89,028)
Payment for other financial assets		(610)	-
Payments for intangibles		(15,408)	(4,782)
Decrease in bank deposits		1,095	-
Net cash used in investing activities		(312,864)	(93,810)
Cash flows from financing activities			
Proceeds from borrowings		389,066	136,935
Repayment of borrowings		(107,579)	(104,448)
Principal repayment of lease liabilities		(2,294)	(1,987)
Payments for share repurchase		(416)	(5)
Proceeds from exercise of options		20	219
Proceeds from sale of loan shares		1,301	54
Cash settled employee rights		(16)	-
Net cash from financing activities		280,082	30,768
Net increase/(decrease) in cash and cash equivalents		26,053	(29,942)
Cash and cash equivalents at the beginning of the financial year		80,377	110,319
Effects of exchange rate changes on cash and cash equivalents		(663)	-
Cash and cash equivalents at the end of the financial year	10	105,767	80,377

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

1 Significant accounting policies

The principal accounting policies adopted in preparing the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The financial statements present the results of the Group together with supplementary information about the parent entity.

Basis of preparation

These general purpose financial statements have been prepared following the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and loans and other receivables which are measured at amortised cost.

Going concern

The financial statements of the Group have been prepared on a going concern basis. The Board of Directors has assessed the Group's ability to continue as a going concern. In making this assessment, the Board has considered the budget and cash flow forecasts, the access to unrestricted cash (See Note 10) and the sufficient available third-party facilities (See Note 18). The Board is satisfied the Group has the resources to continue for the foreseeable future and pay debts as they fall due.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Prospa Group Limited's functional and presentation currency, and includes foreign currency transactions translated into Australian dollars using the exchange rates prevailing at the dates of the transactions.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Principles of consolidation

These consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Prospa Group Limited ("Company" or "parent entity") as at 30 June 2022 and the results of all subsidiaries and trusts for the year then ended. Prospa Group Limited and its subsidiaries and trusts together are referred to as the "Group" in these financial statements.

Subsidiaries and trusts are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the entity's activities. Subsidiaries and trusts are fully consolidated from the date control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the Group are applied consistently by all subsidiaries and trusts.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The following standards and amendments have been adopted for the first time for the reporting period commencing 1 July 2021:

Interest Rate Benchmark Reform Phase 2 (AASB 2020-8 and AASB 2020-9).
Amendments to:

- AASB 9 *Financial Instruments*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 4 *Insurance Contracts*
- AASB 16 *Leases*

The amendments listed above did not impact the amounts recognised in prior periods and are not expected to affect the current or future periods significantly.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not likely to have a material impact on the Group's financial statements.

Reclassification

For the year ended 30 June 2022, the Group has changed its cash flow presentation in relation to loan origination fees and reclassified these from cash flows from operating activities to cash flows from investing activities in order to provide more relevant and reliable information by aligning with the Group's treatment of net movements in loan receivables. Loan origination fees are capitalised into the loan receivables balance in the statement of financial position under the Group's amortised cost accounting policy for loan receivables. As a result, the comparative period cash flows were reclassified with interest income received in cash flows from operating activities reduced by $1.7 million from $109.2 million to $107.5 million with a corresponding change to net increase in loans advanced to customers in investing activities from $90.7 million to $89.0 million in the consolidated statement of cash flows for the year ended 30 June 2021. This reclassification had no impact on the statement of financial position or to profit or loss.

The historic presentation is compared to the revised presentation below.

	Consolidated	
	30 June 2021 $'000 (After reclassification)	**30 June 2021** $'000 (Previously presented)
Interest income received	107,524	109,207
Net cash from operating activities	33,104	34,787
Net increase in loans advanced to customers	(89,032)	(90,715)
Net cash used in investing activities	(93,814)	(95,497)

Where necessary, comparative information has been reclassified to be consistent with current period disclosures. This has resulted in $1.2 million of additional funding costs being reclassified in the prior period comparative information from operating expenses to interest expense.

2 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements which, by definition, will seldom equal the actual results. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, they believe to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent reporting periods are discussed below.

It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

- Note 4 Effective interest rate
- Note 9 Recoverability of deferred tax assets
- Note 11 Expected credit loss
- Note 15 Non-financial assets

3 Operating segments

The Group's operations consist primarily of providing loans to small businesses in Australia and New Zealand. The Group has considered the requirements of AASB 8 *Operating Segments* and assessed that the Group has only one operating segment, representing the consolidated results. The chief operating decision makers include the Non-Executive Directors, Chief Executive Officer, Chief Revenue Officer and Chief Financial Officer. They are responsible for the allocation of resources to operating segments and assessing their performance.

The Group's total income can be analysed by geography as follows.

	30 June 2022 $'000	30 June 2021 $'000
Australia	138,148	96,488
New Zealand	28,726	13,981
	166,874	110,469

The Group's loan receivables analysed by geography are disclosed in Note 23.

Other non-current assets include intangible assets and right of use assets that arise predominantly within Australia.

4 Interest income

Accounting policy

The Group provides financing to small to medium enterprises and derives the majority of its revenue from the loans and receivables which are accounted for under AASB 9 *Financial Instruments*.

Revenue is recognised for key items as follows.

Interest income

Interest income is recognised using the effective interest method in accordance with AASB 9 *Financial Instruments*, based on estimated future cash receipts over the expected life of the financial asset. The effective interest method calculates the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income for loans that have objective evidence of impairment, Stage 3 loans (See Note 23), is recognised on a net basis and is fully impaired.

When calculating the effective interest rate, the Group considers interest on loans, and any fees that are an integral part of the loan, such as origination fees. The calculation does not consider future expected credit losses.

Transaction costs

Transaction costs and broker commissions directly attributable to the origination of loans are recognised using the effective interest method in accordance with AASB 9. These are included as part of the initial measurement of the related loan receivable and are therefore recognised as part of the effective interest rate of the underlying financial asset.

Critical accounting judgements, estimates and assumptions

Effective interest method

This estimate requires judgement as to the expected life of the financial asset which may differ due to early repayment and deferrals to its contractual life and is reviewed on an ongoing basis.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Interest income on lending portfolio	163,231	108,464
Transaction costs amortisation	(11,410)	(7,259)
	151,821	101,205

5 Other income

Accounting policy

Other income includes fees not directly attributable to the origination of loans and interest on cash deposits.

Fee income is recognised at a point in time or over time when the performance obligation has been satisfied, at the transaction price determined in the loan contract. Fee income is comprised of late fees (recognised for services transferred at a point in time) and subscription fees (recognised for services transferred over time).

AASB 15 *Revenue* requires the use of a principle-based five-step recognition and measurement model. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments.

Interest earned on cash deposits is recognised using the effective interest method in accordance with AASB 9.

Fee revenue for loans that have objective evidence of impairment, Stage 3 loans (See Note 23), is not recognised as the Group does not consider it probable that it will collect the consideration to which it is entitled.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Fee income – late fees	10,670	7,453
Fee income – subscription fees	4,247	1,713
Bank interest	136	98
	15,053	9,264

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6 Interest expense

Accounting policy

The Group's operations are funded by a combination of securitisation trust warehouse facilities, term facilities, and cash held on the balance sheet. Interest expense is recognised as it accrues using the effective interest rate method. Interest on the Group's trust warehouse facilities and the term facilities is disclosed as interest expense.

Transaction costs directly attributable to the establishment of warehouse facilities relating to the establishment of warehouse facilities and term facilities are initially capitalised and then recognised in interest expense over the expected life of the related facility.

The total interest expense, as calculated using the effective interest rate method, is set out below.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Interest expense	23,311	17,877
Interest on lease liabilities	308	467
	23,619	**18,344**

Interest on lease liabilities is recognised in accordance with AASB 16 *Leases*.

7 Loan impairment expense

The loan impairment expense reported in the statement of profit or loss and other comprehensive income is comprised of the following key items.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Receivables written-off during the year as bad debts	47,123	40,368
Net movement in provision	17,104	(7,744)
Recoveries	(17,061)	(5,307)
Difference due to exchange rate variance	150	(33)
	47,316	**27,284**

The Group is an approved Participating Lender to the current Coronavirus SME Guarantee Scheme in Australia. Under this Scheme, the Group has a Government-backed guarantee of 50% against the outstanding balance of eligible products.

In addition, the Group is an approved Lender to the New Zealand Government's Business Finance Guarantee Scheme ("BFGS"). Under the BFGS, the Group has a Government-backed guarantee of up to 80% against the outstanding balance of eligible products.

For the year ended 30 June 2022, recoveries under these schemes of $2.1 million were included in the Recoveries line item above (30 June 2021: $nil).

8 Expenditure

Accounting policy

Foreign currency transactions

Operating expenses include the realised and unrealised impact of foreign currency transactions.

Foreign currency gains and losses arise from the settlement of foreign currency transactions throughout the year and from the translation at year-end of financial assets and liabilities denominated in foreign currencies.

Employee Expenses

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Employee expenses	48,201	38,091
JobKeeper benefit	-	(2,849)
	48,201	35,242

In March 2020, the Government announced a temporary wage subsidy program, JobKeeper, to support businesses affected by COVID-19, of which the Group was an eligible recipient.

For the year ended 30 June 2022, the Group recorded $nil benefit under the JobKeeper Payment scheme (30 June 2021: $3.3 million). For the year ended 30 June 2021, the subsidy was recognised in profit or loss by reducing employee expenses by $2.8 million and reducing additions to software development (See Note 15) by $0.5 million to reflect the benefits of the scheme received according to AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

Operating Expenses

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
General and administration expense	10,639	11,990
Sales and marketing expense	17,178	11,934
Product, design, technology and analytical expense	8,039	5,765
	35,856	29,689

9 Taxation

Accounting policy

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and, in certain cases, based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation legislation

Prospa Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

The head entity, Prospa Group Limited, and the controlled entities in the Tax Consolidated Group account for their own current and deferred tax accounts. These tax amounts are measured as if each entity was a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Prospa Group Limited also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under the Tax Funding Agreement with the members of the Tax Consolidated Group are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the Tax Funding Agreement are recognised as a contribution to (or distribution from) members of the Tax Consolidated Group.

Other 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Critical accounting judgements, estimates and assumptions

Recovery of deferred tax assets

Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group assesses the extent to which deferred tax assets will be recoverable in the short term by comparing forecast taxable profits to existing deferred tax assets and unused tax losses.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Amounts recognised in profit or loss		
Current tax		
Current year	1,308	31
Adjustment recognised for prior periods	-	(79)
	1,308	(48)
Deferred tax		
Origination and reversal of temporary differences	(6,369)	(3,558)
Adjustment recognised for prior periods	-	140
	(6,369)	(3,418)
Aggregate income tax benefit	(5,061)	(3,466)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit/(loss) before income tax benefit	1,665	(12,960)
Tax at the statutory tax rate of 30%	500	(3,888)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	35	18
Share-based payments	885	1,437
Other non-deductible items	(92)	24
Effect of tax rates in foreign jurisdictions	255	(66)
Deferred tax assets not brought to account on temporary differences	-	337
Deferred tax assets brought to account on temporary differences	-	(5,521)
Deferred tax assets not brought to account on unused losses	-	4,132
Deferred tax assets brought to account on unused losses	(6,644)	-
	(5,061)	(3,527)
Adjustment recognised for prior periods	-	61
Income tax benefit	**(5,061)**	**(3,466)**

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Deferred taxes comprise temporary differences attributable to the following.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Deferred tax assets		
Employee benefits	2,167	1,382
Provision for impairment of loan receivables	15,241	10,110
Property, plant and equipment, right-of-use asset and intangibles	1,838	1,729
Blackhole expenditure booked in relation to IPO	502	1,154
General provisions and other	122	157
Capitalised borrowing costs	(727)	-
Derivative financial instruments	(2,237)	-
Unused losses	1,688	-
Allocable cost amount in relation to IPO	-	(337)
Difference on foreign exchange	(246)	66
Net deferred tax assets	18,348	14,261

As at 30 June 2022, the Group has cumulative unused tax losses of $5.6 million (30 June 2021: $22.2 million), equating to a future tax benefit of $1.7 million (30 June 2021: $6.6 million).

Deferred tax assets relating to unused losses and temporary differences are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Management has performed an assessment of the recoverability of the Group's cumulative unused tax losses as at 30 June 2022 and has determined that sufficient profits will be available to recover unused tax losses in full. A deferred tax asset of $1.7 million has been recognised to reflect this (30 June 2021: $nil).

10 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and 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.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Cash and cash equivalents - unrestricted	49,905	39,757
Cash and cash equivalents - restricted	55,862	40,620
	105,767	80,377

Restricted cash is held by the Securitisation Trusts and whilst the cash held in the Securitisation Trusts is not available to settle the liabilities of the Group. It is available to:

- Purchase further receivables originated by the Group at any time (i.e. recycle cash);
- Pay down the warehouse facility in the relevant trust; and
- Distribute each month any excess income to residual unit holder after paying interest and fee expenses.

11 Loan receivables

Accounting policy

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The initial fair value of loan receivables includes capitalised origination fees net of capitalised transaction costs.

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

Amortised cost

A financial asset will be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Critical accounting judgements, estimates and assumptions

Expected credit losses ("ECL")

The allowance for ECL assessment requires a high degree of estimation and judgement. It is modelled using assumptions concerning the ECL, including the evaluation of significant increases in credit risk since initial recognition, recent loss experience, historical collection rates, forward-looking information and assessment of default. For the current year, the Group has updated its macroeconomic forward-looking scenarios, replacing COVID-19 impacts with inflation and consumption related scenarios. The actual credit losses in future years may be higher or lower. See Note 23 for further details.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Maturity profile less than 12 months		
Loan receivables	122,416	188,290
Less: Allowance for expected credit losses (Note 23)	(8,868)	(14,856)
	113,548	173,434
Maturity profile greater than 12 months		
Loan receivables	578,913	238,835
Less: Allowance for expected credit losses (Note 23)	(41,936)	(18,844)
	536,977	219,991
Total		
Loan receivables	701,329	427,125
Less: Allowance for expected credit losses (Note 23)	(50,804)	(33,700)
	650,525	**393,425**

Of the total loan receivables, $423.1 million is expected to be recovered within 12 months of the reporting date (30 June 2021 : $322.9 million) with the remainder to be collected after 12 months.

12 Derivative financial assets

Accounting policy

Interest rate cap

To reduce the risk of changing interest rates associated with the Group's borrowings, Prospa holds an interest rate cap contract. The Group seeks to minimise the effects of interest rate risks by using this derivative financial instrument to hedge risk exposures. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

See Notes 18, 20 and 23 for further details.

Hedge accounting

The Group designates certain hedging instruments, which includes derivatives in respect of interest rate risk, as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge value is largely reflective of the hedged item.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. As the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss, in the same line as the recognised hedged item.

Cost of hedging

The cost of hedging reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the time value option of the interest rate cap contract. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses on cash flow hedges.

Hedge accounting is discontinued when:

- the Group revokes the hedging relationship;
- the hedging instrument expires or is sold, terminated, or exercised; or
- the Group no longer qualifies for hedge accounting.

Any cumulative gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss in finance costs.

Derivatives

Derivative transactions are administered under International Swaps and Derivatives Association ("ISDA") Master Agreements. The derivatives are presented on a gross basis since the Group does not have any legally enforceable right to set-off nor intends to settle on a net basis. In addition, the Group's master netting arrangement (ISDA) does not allow for the right to off-set as a result of credit event, such as default.

Contract	Start Date	Maturity Date	Principal	Hedging Ratio	Risk being hedged
Interest Rate Cap	15 September 2021	15 June 2024	190,000,000	1:1	Hedging movement in cash flow due to movement in Base interest rate.

Cash flow hedges

The following table details information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

		Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness				
30 June 2022	Carrying amount of the hedging instrument $'000	Hedging instrument $'000	Hedged item $'000	Settled portion of hedging instrument realised losses/(gain) $'000	Hedging gain/(loss) recognised in cash flow hedge reserve net of tax $'000	Cost of hedging reserve net of tax $'000
Interest Rate Cap	7,457	7,401	(7,401)	-	5,181	39

The interest rate cap settles on a monthly basis. The floating rate on the interest rate cap is 1-month BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis. The interest rate cap contract exchanges floating rate interest amounts for fixed rate interest amounts and is designated as a cash flow hedge to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate cap and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss, or is included directly in the initial cost.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Balance at 1 July	-	-
Gain/(loss) arising on changes in fair value of hedging instruments during the period	7,401	-
Income tax related to gains/(losses) recognised in other comprehensive income during the period	(2,220)	-
(Gain)/loss reclassified to profit or loss – hedged item has affected profit or loss	-	-
Income tax related to amounts reclassified to profit or loss	-	-
Balance at 30 June	5,181	-

Cost of hedging reserve

The cost of hedging reserve represents the effects of changes in fair value of the time value of an option when only the intrinsic value of the option is designated as the hedging instrument. The changes in fair value of the time value of an option and their related reclassification adjustments and amortisation per risk category is presented below.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Balance at 1 July	-	-
Changes in fair value of the time value of an option in relation to time-period related hedged items during the period	56	-
Income tax related to changes in fair value of the time value of an option	(17)	-
Income tax related to time-period related hedged items amortised/reclassified to profit or loss	-	-
Amortisation to profit or loss of changes in fair value of the time value of an option in relation to time-period related hedged items	-	-
Balance at 30 June	39	-

13 Property, plant and equipment

Accounting policy

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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:

Plant and equipment 3-5 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Plant and equipment – at cost	4,457	4,457
Less: Accumulated depreciation	(4,183)	(3,729)
	274	728

14 Leases

Accounting policy

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the following:

- the initial amount of the lease liability;
- adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are reviewed for impairment in accordance with relevant Australian Accounting Standards (see Note 15) and are adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees; and
- exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method.

The Group remeasures the lease liability whenever the lease term has changed, when there is a change in the assessment of exercise of a purchase option and when the future lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is $nil.

The Group 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.

Amounts recognised in the statement of financial position

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Right-of-use assets		
At cost	13,945	8,802
Less: Accumulated depreciation	(6,007)	(3,843)
	7,938	**4,959**
Lease liabilities		
Current	2,442	2,375
Non-current	7,103	4,357
Total lease liabilities	**9,545**	**6,732**

During the year, the Group entered into lease modifications on the current Head Office premises resulting in a revised annual incremental borrowing rate of 2.7%, and revised term of 4 years. This resulted in a $5.1 million adjustment to the right-of-use asset and lease liability.

Lease payment maturity analysis

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Less than 1 year	2,442	2,375
1 to 2 years	2,616	2,683
2 to 3 years	2,786	1,674
3 to 4 years	1,701	-
	9,545	**6,732**

Amounts recognised in profit or loss

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Depreciation		
Right-of-use assets	2,128	1,902
Interest expense		
Interest on lease liabilities	308	467

The movement in the Group's leases is further analysed below.

	30 June 2021	Cash flows	Non-cash movements	30 June 2022
Lease liability	6,732	(2,294)	5,107	9,545

	30 June 2020	Cash flows	Non-cash movements	30 June 2021
Lease liability	8,658	(1,987)	61	6,732

15 Intangible assets

Accounting policy

Intangible assets acquired are initially recognised at cost. 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 intangible asset's carrying amount. 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.

Software and website

Expenditure on acquiring and developing software and eligible website development costs are recognised as intangible assets if, and only if, all of the following conditions have been demonstrated.

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised software and website costs are amortised on a straight-line basis over the period of their expected benefit when the asset is ready for use. The intangible assets are amortised over their useful lives as follows.

Website	3 years
Software (acquired)	5 years
Software development (in-house)	2-5 years

During the year ended 30 June 2021, the Group revised the estimated useful life attached to its loan management system from 5 years to 3 years, resulting in an increased amortisation expense of $2.3 million. During the year ended 30 June 2022, the Group further revised the estimated useful life attached to its loan management system from 3 years to 2 years. As a result of this change there was no material increased amortisation expense. Remaining software development (in-house) continues to be amortised over 5 years.

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Software-as-a-Service ("SaaS") arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise and the ongoing fees for obtaining access to the cloud provider's application software are recognised as operating expenses when the services are received.

Capitalised costs are predominantly incurred for the development of software code that enhances or modifies, or creates additional capability to enhance or create existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Non-financial assets

Other 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. Consistent with the Group's accounting policies and relevant Australian Accounting Standards, the Group has considered impairment indicators arising as of 30 June 2022. No impairment indicators were identified.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Software and website acquired – at cost	1,214	1,214
Less: Accumulated amortisation	(1,214)	(1,191)
	–	23
Software development (in-house) – at cost	34,235	18,827
Less: Accumulated amortisation	(16,301)	(11,637)
	17,934	7,190
	17,934	**7,213**

Movement in intangible assets

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Opening balance	7,213	7,826
Additions	15,408	4,782
Amortisation expense	(4,687)	(5,395)
Closing balance	**17,934**	**7,213**

The increase in software development costs in the current financial year relates to the Group's increased investment in technology and new products.

16 Trade and other payables

Accounting policy

These amounts represent liabilities for goods and services provided to the Group before the end of the financial year and which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and due to their short-term nature, are not discounted.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Trade payables	4,281	1,341
Other payables	779	568
Accruals	5,663	4,445
Other taxation and superannuation	2,123	1,409
	12,846	7,763

As at 30 June 2022, trade and other payables of $12.8 million are current (30 June 2021: $7.8 million).

17 Employee benefits

Accounting policy

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave, are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave is measured at the present value of expected future payments in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity that match the estimated future cash outflows.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Annual leave provision	2,659	2,273
Long service leave provision	674	504
Employee benefits	4,668	2,834
	8,001	5,611

As at 30 June 2022, employee benefits of $7.4 million are current (30 June 2021: $5.1 million) and $0.6 million are non-current (30 June 2021: $0.5 million).

18 Borrowings

Accounting policy

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs that are directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method.

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

Other financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's business operations are funded by a combination of securitisation trust notes (warehouse facilities and term facilities), cash and contributed equity.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Current		
Securitisation trust notes	31,077	47,430
Add: interest payable on trusts	425	171
Less: unamortised transaction costs on trusts	(723)	(1,048)
	30,779	46,553
Non-current		
Securitisation trust notes	611,742	313,902
Less: unamortised transaction costs on trusts	(1,699)	(566)
	610,043	313,336
Total borrowings	640,822	359,889

The movement in the Group's borrowings during the year is further analysed below.

	30 June 2021	Cash flows	Non-cash movements	30 June 2022
Securitisation trust notes	361,332	281,487	-	642,819
Add: interest payable on trusts	171	-	254	425
Less: unamortised transaction costs on trusts	(1,614)	(2,149)	1,341	(2,422)
	359,889	279,338	1,595	640,822

	30 June 2020	Cash flows	Non-cash movements	30 June 2021
Securitisation trust notes	328,845	32,487	-	361,332
Add: interest payable on trusts	50	-	121	171
Less: unamortised transaction costs on trusts	(2,106)	(668)	1,160	(1,614)
	326,789	31,819	1,281	359,889

Non-cash movements relate to the amortisation of transaction costs on trusts. In accordance with the effective interest rate method, initial transaction costs associated with the establishment of the financial liabilities are capitalised into the securitisation note balances, and subsequently amortised through interest expense in the consolidated statement of profit or loss. The cash flow in relation to the initial expenditure is captured within interest and other finance costs paid within the consolidated statement of cash flows.

Securitisation trust notes

As at 30 June 2022, the Group had seven securitisation warehouses, and one Term Asset Backed Securitisation warehouse ("ABS") with a twelve-month revolving feature in place. The Group regularly sells its loan receivables to these securitisation trust warehouses and the ABS.

The trusts are consolidated as the Group:

a. Is exposed to, or has rights to, variable returns in its capacity as the residual unit holder (or beneficiary as the case may be) of these trusts;

b. In its capacity as the originator of loan receivables and the servicer of these loans on behalf of the trusts, can impact the variable equity returns; and

c. Is the sole subscriber to the Seller Notes issued by the trusts. These Seller Notes maintain the minimum equity contribution subordination buffer and fund non-conforming receivables. In addition to the Seller Notes, the Group's asset-backed securitisation program includes multiple classes of Notes, including Class A, Class B and Class C Notes that carry a floating interest rate. The notes are secured on a limited recourse basis to the receivables within the Trusts. The facilities under the program have different expiry dates ranging from August 2023 to December 2026.

Key events concerning the Group's borrowings during the year ended 30 June 2022 are outlined below.

- On 30 August 2021, the Group established a new funding structure in New Zealand, the Prospa Kea Series 2021-2 with a total facility limit of $103 million, to support the growth of the New Zealand business. Prospa Group Limited has a 100% interest in the Prospa Kea Series 2021-2.
- On 15 September 2021, Prospa established the PROSPArous 2021-1 Security Trust, a $200 million Term ABS issuance in the public markets, secured by both Small Business Loans and Line of Credit products. This is the first public ABS issuance of its kind in Australia. This ABS has a 12-month revolving facility and will then commence paydown in September 2022.
- On 1 March 2022, the Pioneer Security Trust facility limit was increased by $60 million from $138.8 million to $198.8 million.
- On 30 March 2022, Prospa introduced a European bank as a senior noteholder in the Propela Security Trust, increasing the total facility limit from $27 million to $68 million, and with an option to further upsize to $135 million to support future book growth.

During the year ended 30 June 2022, the Group took the decision that the Prospa Trust Series 2015-1 Security Trust would not be extended beyond December 2021. The Trust progressively paid down all third party notes during the year, with these being fully repaid in September 2021. Formal closure of the Trust was effected on 11 November 2021.

Assets pledged as security

The gross carrying amounts of assets pledged as security for current and non-current borrowings in the securitisation warehouses are summarised below.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Loan receivables	671,305	399,916

The amount recognised above represents the carrying value of loan receivables held by the Group's Securitisation Trusts. This excludes loan receivables totalling $30.0 million held by Prospa Advance Pty Ltd and Prospa NZ Limited as at 30 June 2022 (30 June 2021: $27.2 million).

Financing arrangements

Unrestricted access was available at the reporting date to the following third-party facilities.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Total facilities		
Securitisation trusts	701,984	458,550
Drawn		
Securitisation trusts	642,819	361,332
Undrawn		
Securitisation trusts	59,165	97,218

Interest expense

The borrowings related to trusts are linked to floating interest rates. The weighted average interest rate for the year ended 30 June 2022 was 5.0% (30 June 2021: 5.9%). Reduction of margins and streamlining of Eligibility Criteria and Portfolio Parameters within each trust, combined with the ABS issuance has led to an overall reduced cost of funding.

19 Issued capital

Accounting policy

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.

Treasury shares

Where the Group reacquires its own equity instruments, these are presented within Treasury Shares. These are recognised at cost and deducted from equity. Treasury shares are shares issued to the Employee Share Trust which are pending allocation under the Group's long-term incentive plan (See Note 35). Treasury Shares may be transferred to an employee as the employee exercises options or an employee's rights convert. No gain or loss is recognised in profit or loss on the Group's own equity instruments' purchase, sale, issue, or cancellation.

			Consolidated	
	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 $'000	30 June 2021 $'000
Ordinary shares - fully paid	163,879,107	162,926,570	611,808	610,919
Treasury shares - fully paid	1,469,335	1,560,302	-	-
	165,348,442	164,486,872	611,808	610,919

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2020	161,348,899	610,651
Exercise of options		420,773	219
Conversion of NED rights		25,463	-
Conversion of employee rights		1,136,435	-
Share repurchase		(5,000)	(5)
Sale of loan shares		-	54
Balance	30 June 2021	**162,926,570**	**610,919**
Exercise of options		90,967	20
Conversion of employee rights		186,576	-
Cash elected employee rights		(15,882)	(16)
Share buy-back		690,876	(416)
Sale of loan shares		-	1,301
Balance	30 June 2022	**163,879,107**	**611,808**

On 16 February 2022, the Group announced an on-market share buy-back programme of up to 10% of the Group's issued share capital. The buy-back is expected to remain in place for a period of up to 12 months.

During the year ended 30 June 2022, the Group repurchased 690,876 shares for $0.4 million under this programme. The shares were repurchased at the prevailing market price on the date of the buy-back.

See Note 35 Share-based payments for further detail.

Movements in treasury share capital

Details	Date	Shares	$'000
Balance	1 July 2020	1,538	-
Exercise of options		(420,773)	-
Conversion of NED rights		(25,463)	-
Conversion of employee rights		(1,136,435)	-
Share repurchase		5,000	-
Increase to issued capital		3,136,435	-
Balance	30 June 2021	1,560,302	-
Exercise of options		(90,967)	-
Conversion of employee rights		(33,069)	-
Increase to issued capital		33,069	-
Balance	30 June 2022	**1,469,335**	**-**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Every member present at a meeting in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

20 Reserves

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Foreign currency reserve	(1,119)	(250)
Share option reserve	12,969	10,019
Re-organisation reserve	(432,244)	(432,244)
Cash flow hedge reserve, net of tax	5,181	-
Cost of hedging reserve, net of tax	39	-
	(415,174)	(422,475)

Foreign currency reserve

The reserve recognises exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It also recognises gains and losses on hedges of the net investments in foreign operations.

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Share option reserve

The reserve recognises the value of equity benefits provided to employees and directors as part of their remuneration and other parties as part of their compensation for services.

Re-organisation reserve

During the year ended 30 June 2019, the Group undertook an IPO and Group re-organisation, which was accounted for by applying the reverse acquisition accounting principles of AASB 3 *Business Combinations*. The re-organisation reserve was created to align total equity with the net asset position of the Group.

Cash flow hedge reserve

The cash flow hedge reserve is shown net of tax expense of $2.2 million. See Note 9 for further tax expense detail.

Cost of hedging reserve

The cost of hedging reserve is shown net of tax expense of $0.0 million. See Note 9 for further tax expense detail.

Consolidated	Foreign currency translation reserve $'000	Re-organisation reserve $'000	Cash flow hedge reserve $'000	Cost of hedging reserve $'000	Share option reserve $'000	Total $'000
Balance at 30 June 2020	(177)	(432,244)	-	-	5,228	(427,193)
Foreign currency translation	(73)	-	-	-	-	(73)
Share-based payments	-	-	-	-	4,791	4,791
Balance at 30 June 2021	**(250)**	**(432,244)**	**-**	**-**	**10,019**	**(422,475)**
Foreign currency translation	(869)	-	-	-	-	(869)
Fair value changes in cash flow hedges	-	-	5,181	39	-	5,220
Share-based payments	-	-	-	-	2,950	2,950
Balance at 30 June 2022	**(1,119)**	**(432,244)**	**5,181**	**39**	**12,969**	**(415,174)**

21 Accumulated losses

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Accumulated losses at the beginning of the financial year	(63,929)	(54,435)
Profit/(loss) after income tax benefit for the year	6,726	(9,494)
Accumulated losses at the end of the financial year	**(57,203)**	**(63,929)**

22 Dividends

The Group has not paid nor proposes to pay dividends for the year ended 30 June 2022 (30 June 2021: nil).

23 Financial risk management

Financial risk management objectives

The Group's activities expose it to various financial risks, primarily credit risk, market risk (including price risk, foreign currency risk and interest rate risk) and liquidity risk. The Group's risk management program focuses on understanding drivers of financial risk and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not enter into or trade financial instruments for speculative purposes, including derivative financial instruments.

Management has responsibility for establishing and operating the Group's enterprise risk management framework, identifying and analysing risks faced by the Group, and developing procedures and mitigation strategies responding to these risks under the Board approved Risk Appetite Statement. The Board and the Audit and Risk Committee are responsible for monitoring these risks and the continued oversight of the risk management policies and procedures.

These are discussed individually below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the Group is concentrated primarily in loan receivables.

The Group provides term loans and lines of credit to small businesses and has a framework and supporting policies for managing credit risk associated with its lending activities in line with appetite. The framework and policies encompass all stages of the credit cycle – origination, evaluation, approval, documentation, settlement, ongoing administration and collection activities. The Group has established criteria for making lending decisions, which can vary by loan purpose, industry segment and, past credit performance. For larger exposures, the Group reviews key financial risk ratios, including interest coverage, debt serviceability and balance sheet structure.

When providing finance, the Group obtains security through personal guarantees from the borrower's directors if the borrower is a company. If the global exposure limit of the customer is greater than $150,000, the Group will also obtain a charge over assets from the borrower and guarantor if applicable. For loan receivables greater than $10,000 where the account exceeds 30 days past due, a caveat may be lodged against the guarantor.

The maximum credit risk exposure to financial assets at reporting date, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has credit commitments of $95.3 million as at 30 June 2022 in undrawn Line of Credit facilities (30 June 2021: $64.6 million). The ECL in relation to these undrawn facilities is $2.5 million as at 30 June 2022 (30 June 2021: $0.9 million).

The Group's customers are grouped into similar risk categories using two proprietary categories of Premium and Non-premium, with Premium including customers with lower credit risk. These categories are created by analysing similar risk characteristics that have historically predicted when an account is likely to default. Customers grouped according to these predictive characteristics are assigned a Probability of Default ("PD") and a Loss Given Default ("LGD") relative to their category. The credit quality of these categories is based on a combination of behavioural factors, delinquency trends and PD estimates.

Model stages

Under AASB 9, a three-stage approach is applied to measuring expected credit losses based on credit migration between the stages.

Stage 1 Financial assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12 months of expected credit losses are recognised. There is a rebuttable presumption that stage 1 assets comprise loans less than or equal to 30 days past due.

Stage 2 Financial assets that have experienced a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised.

Stage 3 Financial assets that have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised.

The following table summarises loan receivables by stage and by risk category.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Premium – 30 June 2022				
Loan receivables	307,153	9,433	1,998	318,584
Allowance for expected credit losses	(9,325)	(1,883)	(1,678)	(12,886)
	297,828	7,550	320	305,698

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Non-premium – 30 June 2022				
Loan receivables	345,198	24,062	13,485	382,745
Allowance for expected credit losses	(19,655)	(8,012)	(10,251)	(37,918)
	325,543	16,050	3,234	344,827

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Total – 30 June 2022				
Loan receivables	652,351	33,495	15,483	701,329
Allowance for expected credit losses	(28,980)	(9,895)	(11,929)	(50,804)
	623,371	**23,600**	**3,554**	**650,525**

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Premium – 30 June 2021				
Loan receivables	172,581	3,896	3,090	179,567
Allowance for expected credit losses	(5,266)	(973)	(2,300)	(8,539)
	167,315	2,923	790	171,028

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Non-premium – 30 June 2021				
Loan receivables	220,535	15,231	11,792	247,558
Allowance for expected credit losses	(12,178)	(5,035)	(7,949)	(25,162)
	208,357	10,196	3,843	222,396

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Total – 30 June 2021				
Loan receivables	393,116	19,126	14,883	427,125
Allowance for expected credit losses	(17,443)	(6,008)	(10,249)	(33,700)
	375,673	**13,118**	**4,634**	**393,425**

The following table illustrates the movement in loan receivables.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening loan receivable balance (1 July 2021)	393,116	19,126	14,883	427,125
Transfers				
Transfers from Stage 1 to Stage 2	(32,849)	32,849	-	-
Transfers from Stage 1 to Stage 3	(39,312)	-	39,312	-
Transfers from Stage 2 to Stage 1	279	(279)	-	-
Transfers from Stage 2 to Stage 3	-	(9,330)	9,330	-
Transfers from Stage 3 to Stage 1	215	-	(215)	-
Transfers from Stage 3 to Stage 2	-	86	(86)	-
Repayments made	(467,975)	(8,841)	(2,373)	(479,189)
Loans originated	799,006	-	-	799,006
Net movement in accrued interest and fees	(129)	(116)	1,755	1,510
Receivables written off during the year as bad debts	-	-	(47,123)	(47,123)
Closing loan receivable balance (30 June 2022)	**652,351**	**33,495**	**15,483**	**701,329**

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening loan receivable balance (1 July 2020)	318,669	23,784	31,229	373,682
Transfers				
Transfer from Stage 1 to Stage 2	(18,824)	18,824	-	-
Transfer from Stage 1 to Stage 3	(20,067)	-	20,067	-
Transfer from Stage 2 to Stage 1	1,528	(1,528)	-	-
Transfer from Stage 2 to Stage 3	-	(7,307)	7,307	-
Transfer from Stage 3 to Stage 1	22	-	(22)	-
Transfer from Stage 3 to Stage 2	-	16	(16)	-
Repayments made	(362,635)	(14,698)	(3,264)	(380,597)
Loans originated	472,675	-	-	472,675
Net movement in accrued interest and fees	1,748	35	(50)	1,733
Receivables written off during the year as bad debts	-	-	(40,368)	(40,368)
Closing loan receivable balance (30 June 2021)	**393,116**	**19,126**	**14,883**	**427,125**

Allowance for expected credit loss

Credit risk arising from the financial assets of the Group is limited to the carrying value of cash and cash equivalents, loan receivables, trade receivables and derivative financial instruments. The Group's maximum exposure to credit risk, excluding the value of any collateral or other security at reporting date, is the carrying amount disclosed in the consolidated statement of financial position and notes to the financial statements, plus any undrawn customer facilities. The Group's credit risk on cash and cash equivalents is limited and has been determined not to be material. The counterparties are major Australian and international banks with favourable credit ratings assigned by international credit rating agencies.

The Group establishes an allowance for loan impairment that represents its estimate of expected future losses regarding loan receivables. Loan receivables and portfolio performance are subject to ongoing assessment and continuous monitoring by the Group to ensure the allowance for expected credit losses remains adequate.

The movement in the Group's allowance for expected credit losses is detailed below.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening allowance for expected credit losses (1 July 2021)	17,443	6,008	10,249	33,700
Transfer from Stage 1 to Stage 2	(1,006)	1,006	-	-
Transfer from Stage 1 to Stage 3	(1,204)	-	1,204	-
Transfer from Stage 2 to Stage 1	79	(79)	-	-
Transfer from Stage 2 to Stage 3	-	(2,627)	2,627	-
Transfer from Stage 3 to Stage 1	163	-	(163)	-
Transfer from Stage 3 to Stage 2	-	65	(65)	-
Provisions recognised during the year in the profit or loss	13,505	5,522	45,200	64,227
Receivables written off during the year as bad debts	-	-	(47,123)	(47,123)
Closing allowance for expected credit losses (30 June 2022)	28,980	9,895	11,929	50,804

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening allowance for expected credit losses (1 July 2020)	19,400	6,146	15,898	41,444
Transfer from Stage 1 to Stage 2	(553)	553	-	-
Transfer from Stage 1 to Stage 3	(589)	-	589	-
Transfer from Stage 2 to Stage 1	457	(457)	-	-
Transfer from Stage 2 to Stage 3	-	(2,186)	2,186	-
Transfer from Stage 3 to Stage 1	15	-	(15)	-
Transfer from Stage 3 to Stage 2	-	11	(11)	-
Provisions recognised during the year in profit or loss	(1,287)	1,941	31,970	32,624
Receivables written off during the year as bad debts	-	-	(40,368)	(40,368)
Closing allowance for expected credit losses (30 June 2021)	17,443	6,008	10,249	33,700

The allowance for expected credit losses as a percentage of loan receivables has decreased from 7.9% as at 30 June 2021 to 7.2% as at 30 June 2022.

Measurement of expected credit loss

The Group uses a three-stage approach ECL model to calculate expected credit losses for loan receivables. The ECL is measured by calculating the probability-weighted estimates of cash shortfalls over the expected life of the instrument.

The expected credit loss model considers three main parameters, which are:

- Probability of default ("PD"): the likelihood that a customer will default over a given time frame;
- Loss given default ("LGD"): the magnitude of the expected credit loss in the event of default; and
- Exposure at default ("EAD"): the estimated outstanding balance of the loan receivable at the time of default.

Internally developed statistical models derive these parameters based on historical portfolio information. The measurement of expected credit losses is a function of the probability of default, the loss given default and the exposure at default.

PD is calculated by assessing the probability of loan receivables progressing through successive stages of delinquency through to default. The LGD is estimated using historical loss rates and estimations of post write off recoveries, and adjusted for relevant and supportable factors for individual exposures, such as the customer's credit rating. EAD is modelled as a regression problem, using only contracts that have defaulted and is calculated using the credit conversion factor.

Various other factors and forward-looking information are considered when calculating PD, LGD and EAD. Considerations include the potential for default due to economic conditions (for example, COVID-19) and the credit quality of the loan receivable.

Expected life

In considering the lifetime time frame for expected credit losses in Stages 2 and 3, the standard generally requires use of the remaining contractual life adjusted where appropriate for prepayments, extension and other options. For revolving lines of credit that include both a drawn and undrawn component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. For these facilities, the estimated lifetime is based on historical behaviour.

Significant Increase in Credit Risk ("SICR")

The Group considers a combination of qualitative and quantitative information when assessing whether a financial instrument has experienced a significant increase in credit risk. This includes:

- Loan receivables which are greater than 30 days past due (Stage 1 to Stage 2 transfer); and
- Collection status. For example, loan receivables with modified repayment terms, such as temporary full or partial payment deferrals or restructured loans. (Stage 1 to Stage 2 transfer).

Credit-impaired financial assets (Stage 3)

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

- A breach of contract, such as default or being more than 90 days past due;
- Significant financial difficulty of the customer; or
- It is probable that the customer will enter bankruptcy, liquidation or other financial re-organisation.

A metric used by the Group when assessing the performance of loan receivables and overall portfolio health is their ageing, split by those aged 0 to 30 days, 31 to 90 days and over 90 days. The following table illustrates loan receivables by age.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Loan receivables aged 0 to 30 days	670,329	398,793
Loan receivables aged 31 to 90 days	17,770	14,400
Loan receivables aged over 90 days	13,230	13,932
	701,329	427,125

Macroeconomic scenarios

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group has a process for incorporating forward-looking economic scenarios and determining the probability weightings assigned to each scenario in determining the overall ECL. The Group prepared a base, upside and downside scenario based on relevant economic variables. Further information on each of these scenarios is described below. The Group has incorporated this into the overall allowance for expected credit losses using an economic overlay described in more detail below.

Economic overlay

In addition to the standard modelled provision as at 30 June 2022 of 5.9% (30 June 2021: 6.4%), the Group has set aside an economic overlay of 1.3% (30 June 2021: 1.5%) as a forward-looking provision to arrive at a total expected credit loss as a percentage of loan receivables of 7.2% (30 June 2021: 7.9%).

The total forward-looking provision is determined by performing economic stress testing on the Group's customer base. In making this assessment, the loan receivables portfolio was segmented into different risk categories against which the customer's capacity to pay and the expected recovery period could be assessed.

The Group is cognisant of the challenges to the economic outlook due to inflationary pressures, lower consumer demand and rising interest rates. Prospa continues to adjust financial and risk settings to optimise commercial outcomes and despite rising interest rates, demand for small business credit remains strong. The Group has updated its macroeconomic scenarios; replacing COVID-19 impacts with inflation and consumption related scenarios.

In addition to the PD, LGD and EAD inputs described above, a range of other observable data points including but not limited to credit risk grade, recent dishonours, days past due, total arrears, Equifax Individual Report score and industry classification, were captured in the Group's standard modelled provision. To the observed default data, consideration of forward-looking economic information is applied so as to appropriately reflect the difference between economic conditions over the period of historic observation, current economic conditions and the Group's view of economic conditions over the expected lives of the loan receivables.

The resulting model provides an analysis of expected credit losses under three alternative macroeconomic scenarios. In arriving at the reported economic overlay, a probability-weighted outcome of each macroeconomic scenario was considered by the Group.

The definitions of each scenario and the weighting applied have been revised from 30 June 2021 as more recent data became available. The definitions of forward-looking economic scenarios as at 30 June 2022 have been updated to reflect the current economy whilst also forming a basis for future stress testing. The following tables provide an overview of the scenarios considered at 30 June 2022 and 30 June 2021.

30 June 2022

Scenario	Weighting	Expectation
Upside	5%	This scenario reflects the economy recovering at an accelerated pace followed by sustained moderate growth. In this scenario, household consumption and higher inflation driven by stronger wealth effects and reduced uncertainty related to positive health outcomes.
Baseline	75%	This scenario is considered the most likely macroeconomic outcome. The baseline scenario contemplates that inflationary pressures will persist for the next twelve months due to strong demand and ongoing capacity constraints and return to levels consistent with official targets beyond that horizon. This assumes gross domestic product is forecast to return to its pre-pandemic trend in 2023.
Downside	20%	This scenario is the most conservative and reflects the less likely but more severe negative macroeconomic conditions of a recession due to the economic shock caused by US-led recession or the tightened supply chain caused by regional conflicts, e.g. the current Russian-Ukraine war. This assumes much lower Australian GDP growth and a rise in cash rate beyond current market expectations.

30 June 2021

Scenario	Weighting	Expectation
Upside	5%	This scenario reflects an economy that has recovered to pre-COVID-19 levels; for example, international and domestic borders have opened, and supply chains are back to normal.
Baseline	70%	This scenario is considered the most likely macroeconomic outcome. The baseline scenario contemplates that business performance (benchmarked against revenue performance) continues to operate at the most current stable level. This assumes that recoveries remain stabilised for most businesses and select locations and that no material national Government imposed restrictions are introduced.
Downside	25%	This scenario is the most conservative and is included to consider the impact of less likely but more severe negative macroeconomic conditions.

Write-off policy

The Group writes off loan receivables in whole or in part when there is no longer any reasonable expectation of recovery. Indicators that there is no longer a reasonable expectation of recovery include when the loan is more than 180 days past due or where enforcement activity has ceased due to significant deterioration in collection status, for example, customers impacted by bankruptcy or liquidation. The Group's expectation of recovery was reassessed during the year ended 30 June 2021, which has since resulted in a stricter and more timely application of the policy.

During the year ended 30 June 2022, loan receivables of $4.7 million (30 June 2021: $4.7 million) were written off but remain subject to enforcement activity by the Group.

Loan receivables classification

The portfolio of loan receivables to which the Group is exposed is well diversified across industries, geographies, and customers. Therefore, the Group does not have any material credit risk exposure to any single debtor or group of debtors under the loan receivables contracts entered into by the Group.

The following table provides an analysis of the Group's loan receivables by Prospa defined industry classification.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Art and Lifestyle	13,876	7,906
Building and Trade	174,274	94,698
Financial Services	20,082	12,680
Hair and Beauty	20,197	12,511
Health	21,004	11,171
Hospitality	91,802	63,700
Manufacturing	39,475	25,744
Professional Services	127,857	74,221
Retail	118,500	76,216
Transport	22,463	13,423
Wholesale	41,693	28,785
Other	10,106	6,070
	701,329	**427,125**

The Group's loan receivables can also be analysed by geography as follows.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Australian Capital Territory	9,079	5,822
New South Wales	190,420	121,476
Northern Territory	6,721	4,877
Queensland	134,964	79,078
South Australia	39,150	25,607
Tasmania	8,271	5,641
Victoria	142,620	84,566
Western Australia	55,690	34,162
New Zealand	114,414	65,896
	701,329	**427,125**

Modification of financial assets

The Group sometimes modifies the contractual agreement in respect of loan receivables provided to customers due to commercial renegotiations, or for financially distressed customers, to maximise recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. The Group has assessed loans restructured during the period and determined that no material modification gain or loss arose.

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of holdings in its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

Interest rate risk

The Group is exposed to interest rate risk because the Group borrows funds at both fixed and floating interest rates. The interest payable under the non-recourse funding arrangements are linked to variable Benchmark Rates (in Australia, either BBSW or BBSY and in New Zealand the Bank Bill Market ("BKBM") rate). The Group manages the risk where necessary using interest rate cap contracts held with other independent financial institutions with a credit rating of A3 or higher. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

To reduce the risk of changing interest rates associated with the Group's borrowings, Prospa holds an interest rate cap contract. This derivative financial instrument is initially measured at fair value with changes in fair value recognised in other comprehensive income. See Note 12 for further details.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents a linear sensitivity assessment of a change in interest rates.

If interest rates had been 0.25 per cent higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 30 June 2022 would decrease/increase by $1.3 million (30 June 2021: decrease/increase by $0.9 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings, and does not take into account the benefit of interest rate increases on loans to customers; and
- Other comprehensive income would increase/decrease by $0.8 million (30 June 2021: increase/decrease by $nil) as a result of the interest rate cap contracts classified as a cash flow hedge.

The interest rate exposure of the Prospa Trust Series PROSPArous 2021-1 Security Trust is hedged by an interest rate cap. See Note 12 for further detail.

Foreign currency risk

The Group pays certain overseas suppliers in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. However, payments made in foreign currency are not of a significant enough value to have a material impact on the Group's result. Borrowings and loan receivables in relation to the Group's foreign operations are denominated in New Zealand Dollars, which is the functional currency of these subsidiaries. As such, there is no material foreign currency risk to local operations.

Liquidity risk

Liquidity risk is the risk that the Group will not meet its financial obligations as they fall due. The Group has a diversified funding model and comprises a mix of securitisation warehouse facilities, equity and cash.

The Group manages operational liquidity risk by maintaining cash reserves and available borrowing facilities and by continuously monitoring actual and forecast cash flows. The Group seeks to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its non derivative financial liabilities. The tables have been prepared using the undiscounted cash flows of financial liabilities, based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and, therefore, these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 30 June 2022	1 year or less $'000	Between 1 and 3 years $'000	More than 3 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade and other payables	12,846	-	-	12,846
Interest-bearing				
Lease liability	2,649	5,632	1,716	9,997
Borrowings	63,114	586,056	78,398	727,568
Total non-derivatives	78,609	591,688	80,114	750,411

Consolidated – 30 June 2021	1 year or less $'000	Between 1 and 3 years $'000	More than 3 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade and other payables	7,763	-	-	7,763
Interest-bearing				
Lease liability	2,716	4,573	-	7,289
Borrowings	66,313	335,473	13,085	414,871
Total non-derivatives	76,792	340,046	13,085	429,923

Covenants

The Group has various financial and non-financial covenants under its Securitisation Trust financing facilities that can affect funding availability, repayments, and the Group's liabilities. Receivables funded within the Securitisation Trust facilities are tested for compliance with these covenants at each drawdown and on a monthly basis. If the Group's operating results deteriorate, including incurring significant losses, the Group may be unable to meet the covenants governing its indebtedness, which may require the Group to seek amendments, waivers of covenant compliance or alternative borrowing arrangements, or to reduce debt or raise additional equity. There were no breaches of any of the covenants in place during the financial period.

24 Fair value measurement

Accounting policy

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 that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising 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. Transfers between levels are determined based on a reassessment of the lowest level of input 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.

Fair value hierarchy

Where applicable, the Group's assets and liabilities are measured at fair value, using a three-level hierarchy based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

The following table presents the classification into the three levels for each of the Group's assets and liabilities carried at fair value.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Assets		
Derivative financial instrument - Interest rate cap (Level 2)	7,457	-
Total assets	7,457	-

The fair value of the interest rate cap is determined using the regression analysis valuation method.

There were no transfers between levels during the financial year.

The Group has considered all financial assets and liabilities not carried at fair value to determine whether the carrying value is an accurate reflection of fair value. In all cases, the carrying amount of financial assets and financial liabilities, which include cash, client receivables, payables and borrowings, are considered to be a reasonable approximation of their fair values.

25 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The remuneration of Directors and other members of key management during the year was as follows.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Salaries and other short-term employee benefits	2,496	1,816
Post-employment benefits	115	92
Other long-term benefits	52	26
Share-based payment	418	1,826
	3,081	3,760

26 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte, the auditor of the Company, its network firms and unrelated firms.

	Consolidated	
	30 June 2022 $	30 June 2021 $
Deloitte and related network firms		
Audit or review of financial reports		
– Group	521,003	620,400
– Subsidiaries and joint operations	22,000	22,000
	543,003	642,400
Statutory assurance services required by legislation to be provided by the auditor	52,250	16,500
Other services		
Tax compliance services	33,185	52,640
Total paid or payable to Deloitte and related network firms	628,438	711,540
Other Auditors and their related network firms		
Audit or review of financial reports:		
– Subsidiaries and joint operations	65,189	62,700
	65,189	62,700

27 Contingent liabilities

The Group had no contingent liabilities as at 30 June 2022 or 30 June 2021.

28 Commitments

The following table summarises the operating lease commitments of the Group:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Operating lease commitments – computer equipment		
Committed at the reporting date and payable:		
Within one year	262	254
One to five years	237	238
Total minimum lease payments	499	492

29 Related party transactions

Parent entity

Prospa Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 31.

Key management personnel

Disclosures relating to key management personnel are set out in Note 25 and the remuneration report included in the Directors' report.

Transactions with related parties

There were no transactions with related parties during the year ended 30 June 2022 and the year ended 30 June 2021.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

30 Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2022 $'000	30 June 2021 $'000
Loss after income tax	(605)	(604)
Total comprehensive loss	(605)	(604)

Statement of financial position

	Parent	
	30 June 2022 $'000	30 June 2021 $'000
Total assets	173,557	173,273
Total liabilities	-	-
Equity		
Issued capital	611,808	610,919
Re-organisation reserve	(432,244)	(432,244)
Accumulated losses	(6,007)	(5,402)
Total equity	173,557	173,273

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 or 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 or 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in relevant notes to the consolidated financial statements.

31 Interests in subsidiaries and trusts

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries and trusts in accordance with the accounting policy described in Note 1.

Name	Principal place of business/Country of incorporation	Ownership interest 30 June 2022 %	Ownership interest 30 June 2021 %
Prospa Advance Pty Ltd	Australia	100%	100%
Prospa Trust Series 2015-1 Security Trust[1]	Australia	-	100%
Prospa Trust Series 2018-1 Security Trust[1]	Australia	100%	100%
Prospa Trust Series Pioneer Security Trust[1]	Australia	100%	100%
Prospa Trust Series Prosparity Security Trust[1]	Australia	100%	100%
Prospa Trust Series Propela Security Trust[1]	Australia	100%	100%
Prospa Trust Series PROSPArous 2021-1 Security Trust[1]	Australia	100%	-
Prospa Finance Pty Ltd	Australia	100%	100%
Prospa Innovations Pty Ltd[2]	Australia	100%	100%
Prospatarian Pty Ltd[2]	Australia	100%	100%
Prospa NZ Limited[2]	New Zealand	100%	100%
Prospa Kea Series 2019-1[3]	New Zealand	100%	100%
Prospa Kea Series 2021-1[3]	New Zealand	100%	100%
Prospa Kea Series 2021-2[3]	New Zealand	100%	-

1. Ownership is through Prospa Advance Pty Ltd, which is both the Participation Unitholder and Residual Unitholder of the trusts.
2. Ownership is through Prospa Advance Pty Ltd.
3. Ownership is through Prospa NZ Limited, which is both the Participation Unitholder and Residual Unitholder of the trusts.

On 30 August 2021, the Group established a new funding structure in New Zealand, the Prospa Kea Series 2021-2, to support the growth of the New Zealand business. Prospa Group Limited has a 100% interest in the Prospa Kea Series 2021-2.

On 15 September 2021, Prospa established the PROSPArous 2021-1 Security Trust, a $200 million Term ABS issuance in the public markets secured on Small Business Loans and Line of Credit products. This is the first public ABS issuance of its kind in Australia.

During the year ended 30 June 2022, the Group took the decision that the Prospa Trust Series 2015-1 Security Trust would not be extended beyond December 2021. The Trust progressively paid down all third party notes during the year, with these being fully repaid in September 2021. Formal closure of the Trust was effected on 11 November 2021.

32 Deed of cross guarantee

The parent entity, Prospa Group Limited and the subsidiaries set out below are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Prospa Advance Pty Ltd

Prospa Innovations Pty Ltd

Prospa Finance Pty Ltd

Prospatarian Pty Ltd

By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare financial statements and directors' reports under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

During the year, Prospa Advance Pty Ltd became a limited Australian Financial Services License ("AFSL") holder. As an AFSL holder Prospa Advance Pty Ltd is required to prepare annual general purpose financial statements.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt, in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income

	30 June 2022 $'000	30 June 2021 $'000
Interest income	124,754	88,276
Other income	13,395	8,211
Total income	138,149	96,487
Interest expense	(15,995)	(13,985)
Gross profit	122,154	82,502
Loan impairment expense	(40,294)	(22,417)
Employment expenses	(47,086)	(34,286)
Operating expenses	(20,344)	(18,085)
Share-based payments	(2,886)	(4,696)
Depreciation	(2,558)	(2,679)
Amortisation	(4,686)	(5,394)
Interest on lease liabilities	(305)	(466)
Profit/(loss) before income tax benefit	3,995	(5,521)
Income tax benefit	2,928	2,546
Profit/(loss) after income tax benefit	6,923	(2,975)
Other comprehensive income for the year, net of tax		
Fair value gain on cash flow hedge	5,181	-
Fair value gain on cost of hedging	39	-
Other comprehensive income for the year, net of tax	5,220	-
Total comprehensive income/(loss) for the year	12,143	(2,975)

Equity – accumulated losses

	30 June 2022 $'000	30 June 2021 $'000
Accumulated losses at the beginning of the financial year	(56,092)	(53,117)
Profit/(loss) after income tax benefit	6,923	(2,975)
Accumulated losses at the end of the financial year	(49,169)	(56,092)

Statement of financial position

	30 June 2022 $'000	30 June 2021 $'000
Assets		
Cash and cash equivalents	58,718	46,758
Bank deposits	-	1,095
Loan receivables	543,093	332,526
Intercompany loan receivables	8,008	18,582
Other financial assets	610	-
Derivative financial assets	7,457	-
Prepayments and other assets	3,163	2,411
Investments	21,444	7,149
Property, plant and equipment	274	728
Right-of-use assets	7,901	4,900
Intangible assets	17,933	7,211
Deferred tax assets	14,908	12,912
Total assets	683,509	434,272
Liabilities		
Trade and other payables	12,307	7,159
Current tax liabilities	1,452	-
Employee benefits	7,864	5,519
Lease liabilities	9,507	6,673
Borrowings	503,454	282,319
Total liabilities	534,584	301,670
Net assets	148,925	132,602
Equity		
Issued capital	611,808	610,919
Reserves	(413,714)	(422,225)
Accumulated losses	(49,169)	(56,092)
Total equity	148,925	132,602

33 Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Profit/(loss) after income tax benefit for the year	6,726	(9,494)
Adjustments for:		
Depreciation and amortisation	7,267	8,079
Share-based payments	2,950	4,791
Foreign exchange differences	(59)	(12)
Net interest income accrual	(1,751)	(172)
Other income	(3,503)	729
Amortisation of borrowing costs	(554)	493
Trust interest expense	-	121
Tax on derivatives recognised directly in equity	(2,383)	-
Movement in other accruals	(1,219)	-
Loan impairment expense	47,316	27,284
Change in operating assets and liabilities:		
(Increase)/decrease in prepayments and other assets	(793)	(505)
(Increase)/decrease in deferred tax assets	(4,087)	(3,407)
(Increase)/decrease in current tax asset	-	637
Increase/(decrease) in current tax liability	1,452	-
(Increase)/decrease in bank deposits	-	(4)
Increase/(decrease) in trade and other payables	5,083	1,642
Increase/(decrease) in employee benefits	2,390	2,918
Net cash from operating activities	58,835	33,100

Cash flows in the comparative period have changed due to a reclassification. See Note 1 for more information.

34 Earnings per share

Accounting policy

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Prospa Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Profit/(loss) after income tax attributable to the owners of Prospa Group Limited	6,726	(9,494)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	163,129,046	161,733,915
Weighted average number of ordinary shares used in calculating diluted earnings per share	163,151,960	161,733,915

	Cents	Cents
Basic earnings per share	4.12	(5.87)
Diluted earnings per share	4.12	(5.87)

35 Share-based payments

Accounting policy

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, provided to employees in exchange for rendering services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial, Monte Carlo simulation approach 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. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic attrition rates and expected outcomes under relevant performance conditions.

The cost of equity-settled transactions are 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.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted, the probability of both market and non-market conditions being met, and the likelihood of employees meeting tenure conditions.

The fair value is determined by using either the Monte Carlo simulation approach or the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

In 2018, Prospa established the Equity Incentive Plan Rules, under which the following plans were created - Executive Incentive Plan ("EIP"), an Employee Equity Plan ("EEP") and a Non-Executive Director Equity Plan ("NEDEP"). This supplemented the Group's existing long-term incentive plan ("LTIP").

In FY21, the Board commenced a review of the Group's remuneration strategy in light of the changed business and market circumstances since Prospa listed on the Australian Stock Exchange in 2019. A remuneration framework was developed that more appropriately aligns to shareholders, incentivises the firm's senior leaders, and builds on Prospa's strong employee shareholder culture.

During the reporting period ending 30 June 2022, the following changes were made following a review of Prospa's remuneration framework as detailed in the FY21 Annual Report.

- Share options were granted under the EIP (rather than Performance Rights); and
- The Employee LTI Plan ("ELP") was created under the Equity Incentive Plan Rules and offers of Performance Rights were made to certain employees.

Additionally, the Board determined to discontinue making offers under the EEP and the legacy LTIP. There is one final historic issuance that will occur in FY23.

Total expense of share-based payment transactions for the year ended 30 June 2022 was $3.0 million (30 June 2021: $4.8 million).

Share options

LTIP

The LTIP enabled the Group to offer eligible employees options to subscribe for shares in the Company. The Group has previously provided Loan Shares to certain employees, which involve purchasing shares in the Company, funded by loans from the Company. However, since 2017, the Group has ceased to offer new Loan Shares, with existing loan shares now in runoff.

The LTIP requires the holder to remain in permanent employment for options to vest. There are a number of key performance indicators covering both financial and non-financial measures.

During the year ended 30 June 2022:

- No options were granted under the LTIP;
- 5,299,705 options were cancelled or forfeited;
- 25,545 options were exercised and converted to shares for consideration of $0.02 million; and
- 258,092 options were exercised through net settlement with 65,422 converted shares.

EIP

The EIP was created to assist in the motivation, reward and retention of key employees and has been designed to align with the interests of Shareholders. The EIP requires the holder to remain in employment for options to vest and in some tranches has performance conditions subject to Absolute Total Shareholder Return over the vesting period.

During the year ended 30 June 2022:

- 5,467,903 options were granted with an exercise price ranging from $0.89 to $0.96;
- No options were cancelled or forfeited; and
- No options were exercised and converted to shares.

The table below shows the number and weighted average exercise price ("WAEP") of, and movement in, share options during the year:

	2022 Number	2022 WAEP (cents)	2021 Number	2021 WAEP (cents)
Outstanding at 1 July	11,816,670	221	14,343,495	220
Granted during the year	5,467,903	96	500,000	102
Forfeited or cancelled during the year	(5,299,705)	318	(2,606,052)	206
Exercised during the year	(283,637)	75	(420,773)	52
Outstanding at 30 June	11,701,231	127	11,816,670	221
Exercisable at 30 June	6,315,644	-	8,109,505	-

The weighted average share price during the year ended 30 June 2022 was 89 cents (30 June 2021: 84 cents). The remaining contractual life of share options outstanding as at 30 June 2022 was 3.1 years (30 June 2021: 2.7 years).

The exercise price of the share options is determined with reference to the market price of the underlying shares on the date of grant. The range of exercise prices for options outstanding at the financial year end was $0.88 to $4.35 (30 June 2021: $0.67 to $4.35).

The contractual term of share options ranges from 4 to 5 years.

For the options granted during the current and previous financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/03/2021	30/03/2026	$0.85	$0.93	55.04%	-	0.87%	$0.342
30/03/2021	30/03/2026	$0.85	$1.07	55.04%	-	0.87%	$0.329
31/08/2021	31/08/2025	$0.91	$0.89	60.00%	-	0.58%	$0.328
22/10/2021	30/06/2026	$0.96	$0.96	60.00%	-	1.20%	$0.371
22/10/2021	30/06/2026	$0.96	$0.96	60.00%	-	1.20%	$0.402
22/10/2021	22/10/2026	$0.96	$0.96	60.00%	-	1.20%	$0.423
22/10/2021	22/10/2026	$0.96	$0.96	60.00%	-	1.20%	$0.412
22/10/2021	22/10/2026	$0.96	$0.96	60.00%	-	1.20%	$0.389
01/12/2021	22/10/2026	$0.80	$0.96	60.00%	-	1.35%	$0.274

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The fair value of the options is calculated at the date of grant using either the Black Scholes option-pricing model or Monte Carlo simulation approach and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

Performance rights

NEDEP

The NEDEP allows non-executive directors to acquire rights, in lieu of some of their cash Board fees. The NEDEP is not subject to any performance or service conditions, and the rights have an exercise price of $nil.

No rights were granted under the NEDEP during the year ended 30 June 2022 (30 June 2021: nil).

EEP

The EEP was created to assist in the motivation, reward and retention of employees who do not participate in the EIP.

Performance conditions in relation to these rights are determined by the Board and are linked to both Group and individual performance. These are tested over a one-year performance period linked to the Company's annual and half-yearly reporting periods.

After testing the performance conditions and at the end of the performance period, any rights that remain on foot will vest as follows.

- 50% after one year on the day following the release of the Company's full year audited results (or half-year results, as applicable) for the relevant financial year: and
- 50% after one year on the day following the release of the Company's full year audited results (or half-year results, as applicable) for the subsequent financial year.

Vesting is also subject to continued employment until the vesting date.

Rights under the EEP are issued for nil consideration and have no exercise price. During the year ended 30 June 2022:

- 311,112 performance rights were granted;
- 170,694 performance rights were automatically converted on vesting; and
- 193,176 performance rights were cancelled or forfeited.

During the year ended 30 June 2021:

- 457,087 performance rights were granted; and
- 181,013 performance rights were cancelled or forfeited.

Details of performance rights granted under the EEP during the year ended 30 June 2022 are outlined below.

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
12/08/2019	n/a	n/a	276,719	-	(135,699)	(22,863)	118,157
13/01/2020	n/a	n/a	130,905	-	(34,995)	(48,974)	46,936
13/07/2020	n/a	n/a	155,177	-	-	(37,746)	117,431
15/03/2021	n/a	n/a	168,669	-	-	(53,265)	115,404
07/09/2021	n/a	n/a	-	120,060	-	(17,152)	102,908
28/02/2022	n/a	n/a	-	191,052	-	(13,176)	177,876

ELP

The ELP was launched in October 2021 and replaces the EEP. Performance conditions in relation to these rights are determined by the Board and are linked to individual performance.

Following testing of the performance conditions and at the end of the performance period, any rights that remain on foot will vest.

Rights under the ELP are issued for nil consideration and have no exercise price. During the year ended 30 June 2022:

- 5,218,160 performance rights were granted; and
- 1,125,058 performance rights were cancelled or forfeited.

The following rights will convert to shares over a three-year period, vesting annually in thirds, subject to individual performance and continued employment.

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
22/10/2021	n/a	n/a	-	1,957,723	-	(338,436)	1,619,287

The following rights will convert to shares over a three-year period with 25% vesting after year 1, 25% vesting after 2 years and 50% vesting after 3 years, subject to individual performance and continued employment.

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
22/10/2021	n/a	n/a	-	3,260,437	-	(786,622)	2,473,815

The fair value of performance rights has been determined as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/08/2019	12/08/2024	$4.30	$0.00	-	-	-	$4.300
13/01/2020	13/01/2025	$2.08	$0.00	-	-	-	$2.080
13/07/2020	13/07/2025	$0.95	$0.00	-	-	-	$0.945
15/03/2021	15/03/2025	$0.88	$0.00	-	-	-	$0.880
07/09/2021	07/09/2026	$1.10	$0.00	-	-	-	$1.100
22/10/2021	22/10/2026	$0.96	$0.00	-	-	-	$0.960
28/02/2022	28/02/2027	$0.82	$0.00	-	-	-	$0.823

36 Capital management

The Group's capital includes issued capital and all other equity reserves attributable to the equity holder of the parent. The Group's objective is to maintain a strong capital base to foster the support of its investors, funders and other business partners and enable the future growth initiatives of the Group. The Board reviews these objectives periodically. There were no changes to the Group's approach to capital management during the period.

37 Post balance date events

On 1 July 2022, Prospa increased the Propela Security Trust capacity by $67.5 million to $135.0 million. The overall Group undrawn capacity was $126.6 million at 31 July 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration
For the year ended 30 June 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 32 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Greg Moshal
Director and Chief Executive Officer

Gail Pemberton
Independent Director and Chairman

24 August 2022
Sydney

Auditor's Report

"Prospa made me feel valued, which is what we're trying to do for our clients."

Indiyah, NZ

Deloitte.

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Independent Auditor's Report to the Members of Prospa Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prospa Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<u>Expected credit loss provisioning</u> As at 30 June 2022, the Group has recognised $50.8m of expected credit loss provisions on loans and advances in accordance with *AASB 9 Financial Instruments* as disclosed in Note 11 and Note 23. The ECL models developed by management to determine expected credit losses require significant judgement and assumptions including: • Selection of criteria for identifying a significant increase in credit risk; • Selection of parameters input into the models in relation to probability of default and loss given default; and • Forward looking economic scenarios that consider the impact on expected credit losses of potential macro-economic events, including the interest rate environment and inflation pressures.	Our procedures included, but were not limited to: • Obtaining an understanding of the judgements made within the expected credit loss models; • Understanding relevant controls relating to customer loan approval processes and identification of overdue amounts; • Assessing the provisioning methodologies with reference to relevant accounting standards and market practices; • Evaluating the reasonability of management's assumptions and judgments in relation to the selection of parameters and criteria input into the expected credit loss model. This included: o Recalculating the probability of default and loss given default on a sample basis; o Challenging management's judgements in respect to the macroeconomic factors and judgemental overlays in response to the current macroeconomic environment; and o Assessing expected credit loss model performance through evaluation of management's monitoring and back-testing processes to understand whether the resulting provisions are in line with actual observed experience. We have also assessed the appropriateness of the disclosures in Note 7, 11 and 23 to the financial statements.
<u>Effective Interest Rate</u> The Group reported interest income of $151.8m for the year ended 30 June 2022 and loan receivables of $650.5m as at 30 June 2022. Interest income received from loan receivables is determined using the effective interest rate (EIR) method in accordance with *AASB 9 Financial Instruments*. The loan receivable balance is measured and presented at amortised cost using the EIR method. The Group's disclosure of the EIR is disclosed in Note 4 of the financial statements. Significant management judgement is required in calculating the EIR, including: • Identifying the fees received and transaction costs paid between parties to the loan contract which are required to be included in the determination of the EIR; and	Our procedures included, but were not limited to: • Assessing the Group's accounting policy for revenue recognition with reference to the relevant accounting standards including the appropriateness of the inclusion of fees received and transaction costs paid between parties to the loan contract in the determination of the EIR; • Understanding controls relating to the calculation of the EIR; • Challenging management's assumptions applied in the EIR model, including estimated future cash flows, historical repayment patterns and the behavioural life of each lending product; • Agreeing a sample of data inputs used in calculating the EIR to underlying source data such as signed loan agreements and bank statements; and • Testing on a sample basis the accuracy and completeness of interest income by recalculating interest income under the EIR method.

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• Determining the period over which expected cash flows are estimated to be received.	We have also assessed the appropriateness of the disclosures in Note 4 to the financial statements.
<u>IT systems</u> The Group's operations and financial reporting processes are reliant on automated processes, controls and data managed by IT systems. As a result, the integrity of the financial reporting process and underlying IT systems form a key component of our audit as a significant number of account balances are impacted by the IT systems. We identified the IT systems that impact financial reporting as a key audit matter because of the: • Pervasive reliance on technology that is integral to the operation of key business processes and financial reporting; • Reliance on technology which continues to increase in line with the business strategy; • Importance of the IT controls in maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on financial data, system configured automated controls and system reports; and • Continued investment in IT controls supporting the application systems relevant to the Group's financial reporting activities. In our prior year audit, we have reported improvements required to the IT control environment for which management implemented a remediation plan and have made significant progress during the 2022 financial year to address.	Our procedures, performed in conjunction with our IT specialists included, but were not limited to: • Determining, through business walkthroughs, the IT systems that were integral to the capture of financial data, financial reporting process, and included relevant systems in the scope of our audit; • Evaluating the design of changes to key IT controls relating to relevant systems; and • Evaluating the remediation of previously identified IT control matters. Our planned risk assessment procedures included an assessment of the impact of the IT control deficiencies which remained under remediation for part or all the financial year. Where relevant, the audit plan included carrying out a higher degree of substantive procedures to evaluate the accuracy and completeness of financial information generated by the IT systems.

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 57 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Prospa Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister

Heather Baister
Partner
Chartered Accountants
Sydney, 24 August 2022

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Shareholders' Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 3 August 2022 (**Reporting Date**).

Corporate Governance Statement

The Company's Corporate Governance Statement, together with the ASX Appendix 4G, have been lodged with the ASX and are available at https://investor.prospa.com/investor-centre/.

The Company is committed to conducting business to the highest standard of corporate governance. The Board regularly reviews its corporate governance policies and processes to ensure they are appropriate and meet requisite standards. The Company's corporate governance policies and charters are all available at https://investor.prospa.com/investor-centre/.

Substantial holders

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

Holder	Class of Equity Securities	Number of Equity Securities Held	% of Total Issued Securities Capital in Relevant Class
CURFORE PTY LTD	ORDINARY SHARES	52,092,763	31.77
GREGORY MOSHAL	ORDINARY SHARES	24,850,732[1]	15.16
AUSTRALIANSUPER PTY LTD	ORDINARY SHARES	18,455,402	11.26
AIRTREE VENTURES GP PTY LTD	ORDINARY SHARES	14,605,185	8.91
BEAUMONT BERTOLI	ORDINARY SHARES	9,761,301[1]	5.95

1. The equity securities held by Gregory Moshal and Beaumont Bertoli reflect their current interests as disclosed in their Appendix 3Y change of director's interest notices released to the ASX on 7 December 2021 (noting their last substantial holding notices were released on 14 June 2019).

Number of holders

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

Class of Equity Securities	Number of Holders
FULLY PAID ORDINARY SHARES	1,618
OPTIONS TO ACQUIRE ORDINARY SHARES	62
RIGHTS TO ACQUIRE ORDINARY SHARES	156

Less than marketable parcels of ordinary shares (UMP Shares)

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

UMP Shares	UMP Holders	% of Issued Shares held by UMP Holders
112,465	373	0.07

Voting rights of equity securities

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

As at the Reporting Date, there were 1,618 holders of a total of 163,966,690 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held.

Distribution of holders of equity securities

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

Distribution of ordinary shareholders

Holdings Range	Holders	Total Units	% of Issued Capital
100,001 and Over	46	153,661,905	93.72
10,001 to 100,000	230	7,026,950	4.29
5,001 to 10,000	193	1,511,319	0.92
1,001 to 5,000	589	1,485,849	0.90
1 to 1,000	560	280,667	0.17
Total	**1,618**	**163,966,690**	**100.00**

Distribution of option holders

Holdings Range	Holders	Total Units	%
100,001 and Over	20	10,507,015	89.79
10,001 to 100,000	25	1,046,654	8.95
5,001 to 10,000	17	147,562	1.26
1,001 to 5,000	0	0	0
1 to 1,000	0	0	0
Total	**62**	**11,701,231**	**100.00**

Distribution of holders of rights

Holdings Range	Holders	Total Units	%
100,001 and Over	17	2,372,187	49.71
10,001 to 100,000	41	2,053,729	43.04
5,001 to 10,000	30	198,638	4.16
1,001 to 5,000	42	133,729	2.80
1 to 1,000	26	13,531	0.29
Total	**156**	**4,771,814**	**100.00**

Twenty largest shareholders

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

Rank	Holder Name	Balance as at Reporting Date	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,704,156	38.85
2	SPINOZA INVESTMENTS PTY LTD	24,701,240	15.06
3	INTERNATIONAL GROUP OF COMPANIES PTY LTD	9,701,240	5.92
4	AIRTREE VENTURES OPPORTUNITY FUND TRUSCO PTY LTD	9,487,236	5.79
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,968,166	5.47
6	SQUARE PEG GLOBAL FUND 2015 PTY LTD	5,809,758	3.54
7	AIRTREE VENTURES GP PTY LTD	5,117,949	3.12
8	PACIFIC CUSTODIANS PTY LIMITED	2,857,482	1.74
9	DANITA LOWES	2,826,246	1.72
10	EUCLID CAPITAL PARTNERS LLC	2,566,437	1.57
11	AVIAD EYAL	2,419,280	1.48
12	PROSPATARIAN PTY LTD	1,469,335	0.90
13	PARTNERS FOR GROWTH IV LP	1,189,186	0.73
14	MR RICHARD MILLER	1,105,656	0.67
15	GARRETT SMYTHE LTD	1,104,645	0.67
16	NATIONAL NOMINEES LIMITED	1,055,109	0.64
17	TUBBIN INVESTMENTS PTY LTD	1,033,611	0.63
18	SENGLEA HOLDINGS PTY LTD	857,326	0.52
19	BNP PARIBAS NOMS PTY LTD	624,355	0.38
20	MR RICHARD HARRIS	615,439	0.38
	Total number of Shares of Top 20 Holders	**147,213,852**	**89.78**
	Total Remaining Holders' Balance	**16,752,838**	**10.22**
	Grand total	**163,966,690**	**100.00**

Escrow

As at the Reporting Date, the Company does not have any securities on issue that are being subject to escrow.

Unquoted equity securities

As at the Reporting Date, the number of each class of unquoted securities on issue, and the number of holders in each class are as follows:

Class of Equity Securities	Number of Securities	Number of Holders
OPTIONS TO ACQUIRE ORDINARY SHARES	11,701,231	62
RIGHTS TO ACQUIRE ORDINARY SHARES	4,771,814	156

No person holds 20% or more of any class of unquoted equity securities on issue.

Securities purchased on-market

No securities were purchased on-market during the reporting period.

Other Information

On 16 February 2022, the Company announced an on-market share buy-back of up to 10% of its issued share capital on market over a 12 month period. As at the Reporting Date, a total of 690,876 shares have been bought back under the share buy-back program.

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

Corporate Information

Interim Company Secretary

Ross Aucutt

Registered Office

Level 1
4-16 Yurong Street
SYDNEY NSW 2000

Telephone: 1300 882 867

Share Registry

Link Market Services Limited
Level 12
680 George Street
SYDNEY NSW 2000

Telephone: 1300 554 474

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Stock Exchange (ASX). The Company was admitted to the official list of the ASX on 11 June 2019 (ASX: PGL).

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Solicitors

Herbert Smith Freehills
161 Castlereagh Street
Sydney NSW 2000

Website

www.prospa.com

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