Marmalade Group Pty Ltd and its controlled entities

ABN 39 637 720 631

Annual Report - 30 June 2023

Marmalade Group Pty Ltd and its controlled entities
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Marmalade Group Pty Ltd and its controlled entities (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors
The following persons were directors of Marmalade Group Pty Ltd and its controlled entities during the whole of the financial year and up to the date of this report, unless otherwise stated:

Luke Trickett (Executive Director)
Michael Dempsey (Non Executive Director)
Richard Anstey (Non Executive Director)

Principal activities
The principal activities of the consolidated entity during the financial period were to provide technology driven payments and cashflow solutions for customers. The business commenced trading with customers on 1 October 2020.

No significant change in the nature of these activities occurred during the year.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $5,953,696 (30 June 2022: $5,407,621).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
The consolidated entity completed an equity raise between July 2023 and March 2024 and successfully raised $17.96m from shareholders to fund new customer growth and product development. The consolidated entity also entered into a Loan Facility Agreement with a debt provider on 11 March 2024 for a total facility of $20m. The first drawdown of $3m under this Facility took place on 2 April 2024.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

Unissued ordinary shares of Marmalade Group Pty Ltd and its controlled entities under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
17/06/2020	30/06/2025	$1.00	150,000
25/06/2020	30/06/2025	$1.00	50,000
06/10/2020 - 03/05/2021	06/10/2025 - 03/05/2026	$1.67	106,529
21/06/2021	21/06/2026	$1.93	26,802
01/07/2021 - 21/06/2022	01/07/2026 - 21/06/2027	$1.93	176,475
01/07/2022	01/07/2027	$1.93	254,275
11/07/2022	11/07/2027	$1.93	3,180
			767,261

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 a 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

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

DocuSigned by:
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Luke Trickett
Executive Director

15-05-2024

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF MARMALADE GROUP PTY LTD

As lead auditor of Marmalade Group Pty Ltd for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Marmalade Group Pty Ltd and the entities it controlled during the period.

C R Jenkins

Director

BDO Audit Pty Ltd

Brisbane, 15 May 2024

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Marmalade Group Pty Ltd and its controlled entities
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $	2022 $
Revenue	4	2,964,205	1,081,699
Expenses			
Cost of sales		(944,339)	(567,782)
Depreciation expense	5	(33,347)	(23,651)
Employee benefits expense	5	(5,599,559)	(4,011,420)
Finance costs		(649,058)	-
Share-based payments expense		(99,805)	(448,219)
Technology platform expenditure	5	(80,133)	(151,305)
Other expenses		(1,511,660)	(1,286,943)
Loss before income tax expense		(5,953,696)	(5,407,621)
Income tax expense	6	-	-
Loss after income tax expense for the year	16	(5,953,696)	(5,407,621)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(5,953,696)	(5,407,621)

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

Marmalade Group Pty Ltd and its controlled entities
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	7	2,273,440	1,791,911
Trade and other receivables	8	11,128,221	6,479,952
Other	9	155,127	16,763
Total current assets		13,556,788	8,288,626
Non-current assets			
Property, plant and equipment	10	23,773	43,106
Total non-current assets		23,773	43,106
Total assets		13,580,561	8,331,732
Liabilities			
Current liabilities			
Trade and other payables	11	2,457,522	2,324,635
Borrowings	12	10,047,264	100,000
Employee benefits	13	172,267	173,514
Total current liabilities		12,677,053	2,598,149
Non-current liabilities			
Employee benefits	13	93,316	4,500
Total non-current liabilities		93,316	4,500
Total liabilities		12,770,369	2,602,649
Net assets		810,192	5,729,083
Equity			
Issued capital	14	15,788,073	14,853,073
Reserves	15	714,169	614,364
Accumulated losses	16	(15,692,050)	(9,738,354)
Total equity		810,192	5,729,083

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

Marmalade Group Pty Ltd and its controlled entities
Statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $	Retained profits $	Option reserve $	Total equity $
Balance at 1 July 2021	13,777,453	(4,330,733)	166,145	9,612,865
Loss after income tax expense for the year	-	(5,407,621)	-	(5,407,621)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(5,407,621)	-	(5,407,621)
Transactions with owners in their capacity as owners:				
Share option transactions	-	-	448,219	448,219
Shares issued during the period	1,075,620	-	-	1,075,620
Balance at 30 June 2022	14,853,073	(9,738,354)	614,364	5,729,083

Consolidated	Issued capital $	Retained profits $	Option reserve $	Total equity $
Balance at 1 July 2022	14,853,073	(9,738,354)	614,364	5,729,083
Loss after income tax expense for the year	-	(5,953,696)	-	(5,953,696)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(5,953,696)	-	(5,953,696)
Transactions with owners in their capacity as owners:				
Share option transactions	-	-	99,805	99,805
Shares issued during the period	935,000	-	-	935,000
Balance at 30 June 2023	15,788,073	(15,692,050)	714,169	810,192

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

Marmalade Group Pty Ltd and its controlled entities
Statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,825,841	1,083,656
Net Cash Outflows for Receivables (inclusive of GST)		(5,641,181)	(5,783,507)
Payments to service providers and employees (inclusive of GST)		(6,922,231)	(3,534,121)
Net cash used in operating activities		(9,737,571)	(8,233,972)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(14,106)	(43,636)
Net cash used in investing activities		(14,106)	(43,636)
Cash flows from financing activities			
Proceeds from applications by shareholders		935,000	1,075,620
Movement in related party loans		9,233,239	100,000
Proceeds from borrowings		64,967	-
Net cash from financing activities		10,233,206	1,175,620
Net increase/(decrease) in cash and cash equivalents		481,529	(7,101,988)
Cash and cash equivalents at the beginning of the financial year		1,791,911	8,893,899
Cash and cash equivalents at the end of the financial year	7	2,273,440	1,791,911

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

Note 1. General information

The financial statements cover Marmalade Group Pty Ltd and its controlled entities as a consolidated entity consisting of Marmalade Group Pty Ltd and its controlled entities and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Marmalade Group Pty Ltd and its controlled entities’ functional and presentation currency.

Marmalade Group Pty Ltd and its controlled entities is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Marmalade Group Pty Ltd	Marmalade Group Pty Ltd
Level 2, 1 Breakfast Creek Road	Level 5, 447 Collins Street
Newstead QLD 4006	Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15-05-2024 . The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
The consolidated entity has adopted AASB 1060 from 1 January 2020. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for key management personnel, related parties, tax and financial instruments

Going concern
The consolidated entity incurred a loss of $5,953,696 during the year ended 30 June 2023 and had an outflow of $9,737,571 of cash from operating activities.

The losses and cash outflows to date have been a function of building the business and obtaining some critical mass. The business has now obtained this scale and is successfully operating its platform and services, allowing it to leverage growth from additional capital injections into the business, in the form of debt and equity.

Note 2. Significant accounting policies (continued)

To this end, subsequent to 30 June 2023, the consolidated entity entered into the following transactions:
- Raised equity of $17.959m which included the conversion to equity of existing shareholder loans of $10.279m; and
- Entered in to a 3 year secured Loan Facility with the Rixon Income Fund to provide finance facilities for up to $20m, subject to various conditions.

In preparing the financial report for the current year, the Directors have made the following significant judgements:
- The subsequent cash raised by equity and the new finance facility obtained will provide sufficient access to capital to sustain the cash needs of the consolidated entity; and
- The consolidated entity will meet the covenant requirements of the new finance facility entered into during the forecast period.

The Directors consider that the consolidated entity has sufficient resources to meet all of its obligations as and when they fall due. Therefore, the financial statements have been prepared on a going concern basis, which assumes that the consolidated entity will be able to realise its assets and discharge its liabilities in the normal course of business

In concluding this, the Directors have considered the consolidated entity's liquidity position, any risks to the budgeted cash flows and funding, and the consolidated entity's outlook. Operating cash flow needs, will be met from the current cash on hand, finance facilities available and consolidated entity's ongoing operating cashflows. As such, the Directors believe that that consolidated entity is a going concern.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

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, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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 note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marmalade Group Pty Ltd and its controlled entities ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Marmalade Group Pty Ltd and its controlled entities and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Marmalade Group Pty Ltd and its controlled entities’ functional and presentation currency.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered, for cash-in, based on a fixed rate between 3-5%. Credit cards are charged at 1.75% + $0.30 per transaction if paid via standard payment terms.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 2. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Marmalade Group Pty Ltd and its controlled entities (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions 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.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Issued capital
Ordinary shares are classified as equity.

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies (continued)

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. 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. 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, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or 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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Note 4. Revenue

	Consolidated	
	2023	**2022**
	$	**$**
Revenue from contracts with customers		
Cash in fee revenue stream	2,917,729	1,057,980
Transaction processing fee	46,256	17,410
Other revenue	220	6,309
	2,964,205	1,081,699

Note 5. Expenses

	Consolidated 2023 $	Consolidated 2022 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	33,347	23,651
Superannuation expense		
Superannuation contributions	425,667	325,777
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	5,173,892	3,685,643
Other expenses		
Bad debt provision expense	438,842	320,781
Technology platform expenditure	80,133	151,305

Note 6. Income tax

	Consolidated 2023 $	Consolidated 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,953,696)	(5,407,621)
Tax at the statutory tax rate of 25% (2022: 30%)	(1,488,424)	(1,622,286)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other items	5,685	(27,980)
Share options expensed during the year	24,951	134,466
Unrecognised deferred tax assets	1,457,788	1,515,800
Income tax expense	-	-

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Accruals and provisions	304,273	190,765
Prepayments	(38,782)	(144)
Depreciation	(5,943)	(12,932)
s40-880 blackhole expenditure	142	340
Technology platform expenditure	92,925	167,265
Tax losses	3,399,496	2,413,879
Total deferred tax assets not recognised	3,752,111	2,759,173

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Marmalade Group Pty Ltd and its controlled entities
Notes to the financial statements
30 June 2023

Note 7. Cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Cash at bank	2,273,440	1,791,911

Note 8. Trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Customer monies receivable	11,856,990	6,564,099
Less: Allowance for expected credit losses	(790,222)	(351,380)
	11,066,768	6,212,719
Other receivables	61,453	267,233
	11,128,221	6,479,952

Note 9. Other

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Prepayments	155,127	16,763

Note 10. Property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Plant and equipment - at cost	7,561	6,687
Less: Accumulated depreciation	(690)	(206)
	6,871	6,481
Computer equipment - at cost	76,222	63,820
Less: Accumulated depreciation	(59,320)	(27,195)
	16,902	36,625
	23,773	43,106

Note 10. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment $	Computer equipment $	Total $
Balance at 1 July 2021	2,398	21,609	24,007
Additions	5,576	38,060	43,636
Disposals	(886)	-	(886)
Depreciation expense	(247)	(23,404)	(23,651)
Balance at 30 June 2022	6,841	36,265	43,106
Additions	1,205	12,809	14,014
Depreciation expense	(483)	(32,864)	(33,347)
Balance at 30 June 2023	7,563	16,210	23,773

Note 11. Trade and other payables

	Consolidated 2023 $	**Consolidated 2022 $**
Current liabilities		
Trade payables	82,793	101,698
Accrued expenses	140,842	45,829
Payroll liabilities	441,633	450,359
Supplier liabilities	1,788,402	1,724,484
Other payables	3,852	2,265
	2,457,522	2,324,635

Note 12. Borrowings

	Consolidated 2023 $	**Consolidated 2022 $**
Current liabilities		
Related party payables	9,982,297	100,000
BOQ Finance - premium funding loan	64,967	-
	10,047,264	100,000

Related party payables are unsecured loans repayable at call.

Note 13. Employee benefits

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Annual leave	172,267	173,514
Non-current liabilities		
Long service leave	93,316	4,500

Note 14. Issued capital

	Consolidated 2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	19,033,970	16,283,970	15,788,073	14,853,073

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.

On a show of hands 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.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 15. Reserves

	Consolidated 2023 $	Consolidated 2022 $
Share-based payments reserve	714,169	614,364

Share option reserve
This reserve records the cumulative value of employee share options expensed. When the option is exercised the amount in the share option reserve is transferred to share capital.

Note 15. Reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share option reserve $	Total $
Balance at 1 July 2021	166,145	166,145
Employee share options expensed	448,219	448,219
Balance at 30 June 2022	614,364	614,364
Employee share options expensed	99,805	99,805
Balance at 30 June 2023	714,169	714,169

Note 16. Accumulated losses

	Consolidated 2023 $	2022 $
Accumulated losses at the beginning of the financial year	(9,738,354)	(4,330,733)
Loss after income tax expense for the year	(5,953,696)	(5,407,621)
Accumulated losses at the end of the financial year	(15,692,050)	(9,738,354)

Note 17. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2023 $	2022 $
Aggregate compensation	798,518	91,000

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by, the auditor of the company:

	Consolidated 2023 $	2022 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	49,500	36,500
Other services - BDO Services Pty Ltd		
Preparation of the financial statements and tax return	13,850	10,500
	63,350	47,000

Note 19. Related party transactions

Parent entity
Marmalade Group Pty Ltd and its controlled entities is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 21.

Key management personnel
Disclosures relating to key management personnel are set out in note 17.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2023	**2022**
	$	**$**
Current receivables:		
Loan to other related party	426,761	-
Current borrowings:		
Loan from other related parties	10,409,058	100,000

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

Note 20. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	**2022**
	$	**$**
Loss after income tax	(6,315,420)	(5,480,363)
Total comprehensive income	(6,315,420)	(5,480,363)

Note 20. Parent entity information (continued)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	(548,692)	934
Total assets	10,308,744	5,729,093
Total current liabilities	9,860,265	-
Total liabilities	9,860,265	-
Net assets	448,479	5,729,093
Equity		
Issued capital	15,788,073	14,853,073
Share-based payments reserve	714,169	614,364
Accumulated losses	(16,053,763)	(9,738,344)
Total equity	448,479	5,729,093

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Marmalade Australia Pty Ltd	Australia	100.00%	100.00%
Marmalade Holdco Pty Ltd	Australia	100.00%	100.00%
Marmalade Payments (AUS) Pty Ltd	Australia	100.00%	-

Note 22. Events after the reporting period

The consolidated entity completed an equity raise between July 2023 and March 2024 and successfully raised $17.96m from shareholders to fund new customer growth and product development. The consolidated entity also entered into a Loan Facility Agreement with a debt provider on 11 March 2024 for a total facility of $20m. The first drawdown of $3m under this Facility took place on 2 April 2024.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 23. Share-based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
17/06/2020	30/06/2025	$1.00	150,000	-	-	-	150,000
25/06/2020	30/06/2025	$1.00	50,000	-	-	-	50,000
11/01/2021	11/01/2031	$0.00	23,425	-	-	(23,425)	-
06/10/2020	06/10/2025	$1.67	479,803	-	-	(373,274)	106,529
21/06/2021	21/06/2026	$1.93	26,802	-	-	-	26,802
01/07/2021	01/07/2026	$1.93	229,085	-	-	(52,610)	176,475
07/03/2022	07/03/2027	$1.93	28,159	-	-	(28,159)	-
01/07/2021	01/07/2031	$1.93	200,000	-	-	(200,000)	-
01/07/2022	01/07/2027	$1.93	-	320,450	-	(66,175)	254,275
11/07/2022	11/07/2027	$1.93	-	3,180	-	-	3,180
			1,187,274	323,630	-	(743,643)	767,261

For the options granted during the current 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
01/07/2022	01/07/2027	$0.34	$1.93	100.00%	-	3.24%	$0.169
11/07/2022	01/07/2027	$0.34	$1.93	100.00%	-	3.19%	$0.169

Marmalade Group Pty Ltd and its controlled entities
Directors' declaration
30 June 2023

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 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

DocuSigned by:
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Luke Trickett
Executive Director

15-05-2024

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INDEPENDENT AUDITOR'S REPORT

To the members of Marmalade Group Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Marmalade Group Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards – Simplified Disclosures 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures 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.

A further description of our responsibilities for the audit of the financial report at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 15 May 2024