

APPENDIX 4D

1. Name of Entity **IOUpay Limited**
ACN 091 192 871

Half year ended 31 December 2021
Reporting period 1 July 2021 to 31 December 2021
Previous period 1 July 2020 to 31 December 2020

2. Results for announcement to the market

	31 December 2021 \$	31 December 2020 \$	% Change Up (Down)
2.1 Revenues from continuing operations	4,379,024	2,834,513	54.5%
2.2 Loss from continuing operations after tax attributable to members	(5,200,301)	(1,159,909)	348.3%
2.3 Net loss attributable to members	(5,486,204)	(1,381,860)	297.0%
2.4 Proposed dividends	Nil	Nil	-
2.5 Record date for dividend entitlement	N/A	N/A	-
2.6 Revenues for the period increased on a year-on-year basis by \$1,544,511, reflecting growth from the Company's new BNPL business as well as continued growth in the Mobile Banking division. The increase in net loss is largely attributable to expenditure increased in compliance and professional fees.			

	31 December 2021 Cents	31 December 2020 Cents	% Change Up (Down)
3. Net tangible asset per security	9.08 cents	0.03 cents	30,167%
4. There were no entities gained or lost in the reporting period.			
5. There were no payments of dividends during the reporting period.			
6. There is no dividend reinvestment plan in operation.			

7. On 30 November 2021 the Group acquired a 21% equity interest in I-Destinasi Sdn Bhd (“IDSB”), a specialised Malaysian finance company, which has been accounted for using the equity method for the first time in this accounting period.
8. The Company is not a foreign entity.
9. The accounts are not subject to any audit dispute or qualification.

The Company’s half year report follows.

Yours sincerely,

Jarrold White
Company Secretary
28 February 2022

Media Enquiries:

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Media & Capital Partners

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About IOUpay (ASX:IOU):

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company’s core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company’s business divisions consist of Mobile Banking, Digital Payments and Digital Services which service leading domestic and international banks in Malaysia and large telco’s and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provided mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

IOUpay LIMITED

ABN 11 091 192 871

AND CONTROLLED ENTITIES

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

IOUpay LIMITED
ABN 11 091 192 871
AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Directors

The names of directors who held office during or since the end of the half-year:

Lee Chin Wee	Chairman / Executive Director
Paul Russell	Executive Director
Kwong Yang Chong	Non-Executive Director
Byung Moo Shin	Non-Executive Director
Datuk Khairul Adham Bin Ismail	Non-Executive Director

Review of Operations

Early Rapid Growth in New BNPL Service

The Company launched its new Buy Now Pay Later (BNPL) service offering *myIOU* on 15th June 2021, so the period of this Interim Report effectively represents the first six months' of operation. The initial period around and following launch was impacted by the highly restrictive COVID-19 MCO lockdown conditions which reinforces the strength of early BNPL volumes and consumer interest in the offering.

Throughout the period, and as the economy began to re-open, transaction volumes have been strong and myIOU Income Margin has been consistently above expectations. Total Transaction Value ("TTV"), representing the gross merchandise value of purchases made using myIOU, for the period was \$12,653,351 *. This delivered Net Transaction Revenue ("NTR", representing TTV less payments made to merchants) of \$1,103,172 *. Resulting myIOU Income Margin was 8.7% which is above expectations and within the Company's target range.

The early rapid growth in BNPL volumes is expected to continue into H2 FY22 as the local and regional economies open up with easing of pandemic-related lockdown restrictions.

* AUD values for TTV & NTR based upon exchange rate assumptions at time of original reporting and determined by summing the values reported in September & December Quarterly Activities Reports.

Expansion of Staffing Levels and Key Business Development Appointments

To accommodate the rapid growth of the new BNPL service offering and the operational support required during the period, staffing levels increased by 122% from 60 staff as at 30th June 2021 to 133 staff as at 31st December 2021. The largest additional resourcing was made to the business development, account management, merchant services, operations and credit teams.

To lead business development, the Company appointed two senior executives to the role of Regional Commercial Officer, each having a specific focus.

Mr Christopher Kok was appointed 1st July 2021 and has been successfully leading the Company's regional commercial development plan. During the period, Mr Kok has built a team of business development operatives active across regional Malaysia with immediate results shown in growing TTV through targeted acquisition and active management of merchant relationships.

Ms Susan Ng was appointed 1st October 2021 and has been applying her considerable experience with major banking institutions in merchant acquiring and strategic partner relationships to the Company's strategy of developing relationships with big brands and high quality partners to access large communities of consumers and merchants.

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DIRECTORS' REPORT (CONTINUED)

Development of Partner Relationships

To leverage the Company's strengths and build a sustainable, profitable BNPL business, it has been strategically focused on developing mutually beneficial relationships with partners who manage large networks of high quality digital economy merchants and consumers. These partner relationships are building a sophisticated, highly integrated foundation for the distribution of the Company's myIOU BNPL service offering to consumers.

During the period, the Company reported significant progress with its relationship with Razer Merchant Services Sdn Bhd ("RMS"). Following successful completion of systems integration testing by the RMS Quality Control & Implementation team, training on the myIOU platform was conducted for RMS sales and internal staff and completed in October. A pilot was conducted during November and the Company moved to full implementation with RMS to send batches of merchants for review and acceptance.

In December, integration work with RMS Reloads Sdn Bhd ("RMS Reloads"; related to RMS) was finalised and testing completed to enable myIOU customers to make over-the-counter cash payments to their myIOU accounts. This provides additional flexibility to myIOU customers and further evidences the developing relationship with the Razer Fintech Group.

The Company reported ongoing negotiations with iPay88 (M) Sdn Bhd in relation to implementation of the arrangement to refer and acquire merchants to onboard and utilise the myIOU BNPL service offering. Finalisation of commercial terms and then system integration work is now expected during H2 FY22.

Merchant Acquisition

As the local Malaysian economy opened up during the period, merchant acquisition markedly increased with business development personnel able to be more active in the field and engage with prospective merchants through in-person marketing and account management calls. This included dedicated sales staff operating in regional Malaysia under the Company's regional commercial development plan.

Merchant relationships representing more than 2,400 outlets were signed during the period. Of these, more than 1,400 outlets were activated on the myIOU platform following review and assessment. As at the balance date, there were 704 merchant relationships operating 1,536 outlets (both physical & online) throughout Malaysia. The Company's myIOU BNPL service is offered across a diverse range of products and services from more than twenty industry verticals, including beauty, fashion, jewellery, automotive, electrical, education and sports, amongst others.

A number of notable businesses, large chain stores and big brand names were added to the myIOU ecosystem during the period. These included Advanced Apotheke (Jurlique), Box of Bricks (Lego), Brightstar Computer (including Dell & Lenovo), Brooks, Darson Electronics, Five Star Fitness (trading as Star Fitness), Gintell, Hewlett Packard, Petsmore, Senheng and Wah Lee.

Concurrently with merchant acquisition activities, the Company's merchant services teams and Operations Division conduct ongoing re-assessment and evaluation of merchant relationship performance to ensure alignment with IOUpay brand values, anticipated transaction activity levels and satisfaction of return expectations. Following review, those merchant relationships not meeting satisfactory levels of performance, and considered unlikely to improve, are terminated and removed from the myIOU platform.

Digital Marketing Strategy Launched – Brand Ambassador Announced

Early in the period, the Company implemented a sophisticated Digital Marketing Strategy ("DMS") that targets key cultural demographic groups throughout Malaysia. A portfolio of social media influencers has been developed who have significant followings and alignment with the Company's brand values to drive awareness in and engagement with the myIOU service offering. Social media influencer campaign content is deployed across a variety of platforms and channels targeting specific communities of consumers and merchants.

As part of the DMS launch, the Company announced the signing of award-winning international singer-songwriter, Yuna, as the inaugural "*Face of myIOU*" and brand ambassador to drive expanded reach and engagement with both merchants and consumers in Malaysia.

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DIRECTORS' REPORT (CONTINUED)

The Company's portfolio of social media influencers and Yuna provide an aggregate reach in excess of 10 million followers (based upon number of followers for each channel for each influencer). Since 1st August, the Company's influencers have been engaging with Malaysian consumers and merchants with unique, localised and engaging content and myIOU awareness campaigns.

Consumer Engagement

Throughout the period, the Company has reported strong growth in all key BNPL consumer metrics. Consumer app downloads, onboarding and account activation metrics all increased by circa 130% during Q2 FY22. This growth reflects expanded shopping choice with many more merchants added across industry verticals and physical store locations across the country, and correlates with the Malaysia Government's easing of COVID-19 restrictions as well as the Company's ongoing Digital Marketing Strategy and various promotional campaigns.

The Company's marketing team conducted a number of brand awareness initiatives, customer surveys and promotional campaigns, including various media such as billboards and cinema advertising, to expand reach and develop consumer engagement with the myIOU product and brand. The data collected is used to refine and enhance the digital marketing initiatives.

Following its launch mid-June, the myIOU BNPL platform reported 39,422 consumer app downloads and 10,989 activated consumer accounts as at 31st December. Post balance date, the Company notes that this general growth trend in BNPL consumer metrics continues into H2 FY22.

Strategic Investment in IDSB

On the 9th September, the Company announced a strategic investment to acquire 42% of I.Destinati Sdn Bhd ("IDSB") for cash consideration of RM126 million (~A\$41.1 million **) paid in two equal tranches over a period of up to six months. IDSB is a private company incorporated in Malaysia in 1981, which operates financial services business focusing on providing instalment based consumer credit services to civil servants for and on behalf of Malaysian banks.

The investment represents a non-controlling interest and will not see any merger of operations as both companies have distinct service offerings and business models with different financial, human and technical resources.

Acting as a service provider to Malaysian retail banks, IDSB provides new account processing, credit, collections and account management services for long term instalment based finance to civil servant customers of Malaysian retail banks, with the average term being 10 years.

The strategic rationale for making the investment is to collaborate with IDSB and cross-sell the Company's BNPL service offerings to IDSB customers given the myIOU service offerings are essentially short term renewable instalment plans for smaller affordable purchase amounts. There is also the potential to market the myIOU BNPL service into the large customer communities of the partner banks who exclusively contract IDSB to process and manage their civil servant loan portfolios.

Settlement of the transaction occurred 30th November 2021 following satisfaction of all necessary conditions precedent, completion of the first tranche payment of RM63 million (~A\$20.5 million **) and transfer of shares representing 21% of the total issued capital of IDSB. The second tranche payment for the balance of the investment is due on the later of completion of the audit of IDSB's FY2021 statutory accounts or six months after settlement (with the Company having the right to bring forward that tranche if it wishes).

The Company funded the first tranche payment from existing cash holdings and will assess its cash position and the market closer to the due date for the second tranche payment before making a decision on how to fund that payment.

The investment in IDSB is accounted for as an investment in an associate using the equity method. The Company's share of IDSB's profit / loss is presented as a separate line item (being "share of profit / loss from associates") as distinct from the Company's primary operating profit / loss (in accordance with all relevant accounting standards). This provides IOUpay shareholders and the market with clear visibility of the financial impact of the investment.

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DIRECTORS' REPORT (CONTINUED)

IDSB has recorded record revenues of RM30,968,566 (~A\$10,098,552 **) and profit before tax of RM20,162,865 (~A\$6,574,917 **) for its financial year ended 31 December 2021, despite the significant negative impacts during the year of the national interest payment loan moratorium (ending January 2022) combined with the market setbacks from the COVID-19 pandemic health emergency. IDSB's revenues are set to continue on a growth trend into calendar 2022 with the loan moratoriums expiring in January 2022 and general economic activity continuing to improve with the Malaysia Government's National Recovery Plan well underway.

** AUD values reflect exchange rate aused to determine values in Note 11 to the Financial Statements.

Technology Platform Improvements & Product Development

The Company continued through the period to enhance and upgrade the technology platform to facilitate effective integration with e-commerce and payment gateway partners, add capability to the Mobile Banking business and provide additional features to the myIOU BNPL platform including vouchers, loyalty rewards and over-the-counter cash payments (via partnership with RMS Reloads).

In August, the Company began a process of reviewing and upgrading its BNPL customer interfacing technology including myIOU mobile apps for consumers and merchants as well as the myIOU.com website and the merchant web portal. Following the review, an external specialist design firm was engaged to provide design and performance advice and commence development work with IOUpay's technology and marketing teams.

The objective is enhancement of the UI/UX design including:

- a design update to better reflect branding and improve key user feature sets
- streamlining & simplification to increase onboarding speed and efficiency
- substantial functionality improvements to user experience, designed to increase activity and grow transaction volumes

Production work is well-progressed with an expected launch for myIOU 2.0 during Q3 FY22.

Mobile Banking Division Continues Growth Trajectory

The Company's Mobile Banking Division has continued to grow with transaction levels hitting a record 85 million events during the September quarter. This growth (up 50% since early 2020) reflects a fundamental shift in the economy to digital payments and e-commerce, which accelerated during the pandemic health emergency, but is expected to continue post-COVID.

Anticipating further growth in demand for its mobile banking services, during the December quarter the Company upgraded and transitioned to a new data centre with larger capacity infrastructure capabilities to cater for expected future transaction volumes. This meant some temporary capacity limitations during the transition resulting in volumes for the December quarter being down from the September peak due to transactions being diverted to other service providers.

The Company is now ready to accommodate anticipated further growth in mobile banking transaction volumes.

Financial Summary

Total revenues for the half year of \$4,379,024 represented an increase of 54.49% on a year on year basis, reflecting growth from the Company's new BNPL business as well as continued growth in the Mobile Banking division. These revenues do not include the full value of all BNPL business written during this period with \$15,632,971 of trade and other receivables including \$12.69 million in BNPL receivables which are only accounted for as revenue on a cash basis during the unexpired BNPL term once customer payments are received. These receivables will therefore be accounted for as revenue over terms extending after the balance date.

The overall result produced a consolidated entity loss for the half year ended 31 December 2021 of \$5,200,301 compared to a loss of \$1,159,909 for the half year ended 31 December 2020. As mentioned above, this result excludes the full value of all BNPL business written during the period to be derived from the \$12.69 million of BNPL receivables.

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DIRECTORS' REPORT (CONTINUED)

Direct cost of sales, employee benefits expense and marketing expenses all increased due to the establishment and growth of the new BNPL activities and overall expansion of the Group's activities. Compliance and professional fees were higher due to once off costs associated with the IDSB acquisition. The Consolidated Group Net Assets declined from \$57,036,104 to \$51,696,472, reflecting the Net Loss for the period. Net Assets are supported by cash and cash equivalents of \$15,384,511 and trade and other receivables of \$15,632,971.

In relation to the investment in IDSB (refer Note 11), the Company's 21% shareholding and share of profit is reported for the month of December only, representing the period of the Company's investment. IDSB recorded record revenues of RM30,968,566 (~A\$10,098,552 ***) and profit before tax of RM20,162,865 (~A\$6,574,917 ***) for its financial year ended 31 December 2021, despite the significant negative impacts of the national interest payment loan moratorium (ending January 2022) combined with the market setbacks from the COVID-19 pandemic health emergency. However, the month of December includes higher expenses due to cyclical timing of tax payments and other operating expenses. The resultant share of profit from continuing operations is therefore \$11,048.

Consistent with IDSB's strong financial performance during its FY21, IDSB has allowed for a dividend of RM3.68 million (~A\$1.20 million ***). This is reflected in Note 11 as \$251,995 representing the Company's 21% share of the amount appropriated.

*** AUD values reflect exchange rate used to determine values in Note 11 to the Financial Statements.

COVID-19 Disclosure Note

The Company has been impacted by the COVID-19 pandemic. While there has been a revenue impact, the Company has employed a range of cost-reduction initiatives to mitigate the impact. The Company is currently seeing a recovery from the pandemic and is well-positioned to continue with its growth strategy and investment.

Significant Changes in the State of Affairs

Other than as disclosed in this report, there were no significant changes in the state of affairs of the consolidated group for the half-year ended 31st December 2021.

Events Subsequent to Reporting Date

Acquisition of SibU Kurnia Marine Sdn Bhd – Government Approvals Obtained

As announced 19th January 2021, the Company secured a Malaysian Money Lending Licence (MA1951 Licence) via the acquisition by IOU Pay (Asia) Sdn Bhd of 100% of the ordinary shares in SibU Kurnia Marine Sdn Bhd ("SKM"). To complete the transfer of control and formal ownership title of SKM (which was required due to the MA1951 Licence it holds), ministerial consents and formal government approvals were required from the Malaysian Ministry of Housing and Local Government ("the Ministry"). The Company had been awaiting the required approval from the Ministry due to ongoing local government delays resulting from COVID-19, and more importantly the impacts from various changes of Malaysian government during 2021.

On 14th January 2022 the Company announced confirmation that it is in receipt of the necessary consents and approvals from the Ministry and that the official transfer of licence ownership and control of SKM is completed, and that despite the unexpected delay in Ministerial consent being granted, that this process had been completed within the terms of the acquisition as originally announced on 19th January 2021.

Annual General Meeting

On 27th January 2022, the Company held its Annual General Meeting. In addition to the required compliance resolutions, the Company ratified the issue of shares in the \$50 million placement completed in February 2021, approved the issue of performance options to executive directors, and approved (pursuant to ASX Listing Rule 7.1A) an additional 10% placement facility for the issue of equity securities over the next 12 months.

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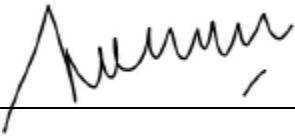
DIRECTORS' REPORT (CONTINUED)

Auditor's Independence Declaration

The lead auditor's independence declaration under s307C of the *Corporations Act 2001* in relation to the review of the interim financial report for the half-year ended 31 December 2021 is shown on page 22 and forms part of this report.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Dated this 28th day of February 2022

IOUpay LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		Consolidated Group	
	Note	31.12.21 \$	31.12.20 \$
Revenue		4,379,024	2,834,513
Other income	2	1,097,719	879,965
		5,476,743	3,714,478
Sales direct costs		(3,375,502)	(2,268,116)
Amortisation and depreciation		(222,330)	(275,514)
Compliance and professional fees		(2,989,567)	(1,181,343)
Administration expenses		(505,569)	(425,839)
Employee benefits expense		(2,009,692)	(621,689)
Marketing expenses		(1,125,503)	(41,367)
Travel expenses		(24,817)	(5,936)
Insurance expenses		(22,823)	(23,511)
Finance costs		(22,276)	-
Other expenses		(384,391)	(31,072)
Share of gain from associate company	11	11,048	-
Loss before income tax		(5,194,679)	(1,159,909)
Income tax expense		(5,622)	-
Net loss for the period		(5,200,301)	(1,159,909)
Other comprehensive income			
Share of distribution by associate	11	(251,995)	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(33,908)	(221,951)
Total comprehensive loss for the period attributable to members of the parent entity		(5,486,204)	(1,381,860)
Earnings per share:			
Basic/Diluted (cents per share)	4	(0.94)	(0.36)

The financial statements should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

		Consolidated Group	
	Note	31.12.21	30.06.21
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		15,384,511	51,408,709
Inventories		-	292,046
Trade and other receivables		15,632,971	4,952,995
TOTAL CURRENT ASSETS		31,017,482	56,653,750
NON-CURRENT ASSETS			
Property, plant and equipment		1,877,210	1,504,929
Investment in associate	11	20,547,533	-
Intangible assets	10	1,614,457	1,627,199
TOTAL NON-CURRENT ASSETS		24,039,200	3,132,128
TOTAL ASSETS		55,056,682	59,785,878
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,165,420	1,663,107
Lease liabilities		264,396	218,182
TOTAL CURRENT LIABILITIES		2,429,816	1,881,289
NON-CURRENT LIABILITIES			
Lease liabilities		889,241	828,541
Provision for restoration costs		41,153	39,944
TOTAL NON-CURRENT LIABILITIES		930,394	868,485
TOTAL LIABILITIES		3,360,210	2,749,774
NET ASSETS		51,696,472	57,036,104
EQUITY			
Issued capital	3	80,611,576	80,611,576
Options Reserve		214,282	67,710
Foreign currency translation reserve		337,396	371,304
Accumulated losses		(29,466,782)	(24,014,486)
TOTAL EQUITY		51,696,472	57,036,104

The financial statements should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	21,164,032	-	522,043	(19,220,898)	2,465,177
Loss for the period	-	-	-	(1,159,909)	(1,159,909)
Foreign currency translation	-	-	(221,951)	-	(221,951)
Total comprehensive income	-	-	(221,951)	(1,159,909)	(1,381,860)
Shares issued in the period	14,438,875	-	-	-	14,438,875
Costs of capital raising	(4,082,532)	-	-	-	(4,082,532)
Options issued during the period	-	3,029,082	-	-	3,029,082
Options converted during the period	2,876,875	(2,876,875)	-	-	-
Balance at 31 December 2020	34,397,250	152,207	300,092	(20,380,807)	14,468,742
Balance at 1 July 2021	80,611,576	67,710	371,304	(24,014,486)	57,036,104
Loss for the period	-	-	-	(5,200,301)	(5,200,301)
Foreign currency translation	-	-	(33,908)	-	(33,908)
Other comprehensive income	-	-	-	(251,995)	(251,995)
Total comprehensive income	-	-	(33,908)	(5,452,296)	(5,486,204)
Options vesting expense for the period	-	146,572	-	-	146,572
Balance at 31 December 2021	80,611,576	214,282	337,396	(29,466,782)	51,696,472

The financial statements should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Consolidated Group	
	31.12.21	31.12.20
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	8,045,682	3,330,274
Payments to suppliers and employees	(9,573,191)	(5,045,995)
Payments to merchants	(10,779,393)	-
Interest received	683,505	1,491
Finance costs paid	-	(1,300)
Income tax paid	(90,827)	(33,732)
Others	(57,083)	39,499
Net cash (used in) operating activities	(11,771,307)	(1,709,763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(420,190)	(178,169)
Purchases of other non-current assets	-	(330,600)
Payment for purchase of inventories	-	(1,456,650)
Proceeds from disposal of equipment	-	346,860
Deposits for business acquisition	-	(1,456,650)
Payment for business acquisition	(23,941,445)	-
Others	-	24,639
Net cash (used in) investing activities	(24,361,635)	(3,050,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Share Issuance	-	14,098,675
Proceeds from borrowing	-	26,699
Repayment of borrowings	(10,094)	(77,936)
Capital raising cost	-	(1,053,450)
Net cash (used in)/provided by financing activities	(10,094)	12,993,988
Net increase/(decrease) in cash held	(36,143,036)	8,233,655
Cash at start of period	51,408,709	578,063
Effect of exchange rate changes	118,838	(271,482)
Cash at end of period	15,384,511	8,540,236

The financial statements should be read in conjunction with the accompanying notes.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

IOUpay Limited is the legal parent of iSentric Sdn. Bhd. The consolidated financial statements are issued under the name of IOUpay Limited but are deemed to be a continuation of the legal subsidiary iSentric Sdn. Bhd.

This interim financial report is intended to provide users with an update on the latest annual financial statements of IOUpay Limited and its controlled entities (referred to as the "consolidated group" or the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. Except in relation to the matters discussed below.

(c) Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2021 annual report.

(d) Investments

Investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at cost.

Investments are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(e) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The accounting policies applied by the Group in this condensed half-year financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021.

In the current period, the Group has adopted all applicable new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Going Concern

The financial report has been prepared on a going concern basis. This presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the normal course of business.

The Directors believe that the Group will be able to continue as a going concern and, as a consequence, the financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the normal course of business.

The Directors believe that the going concern basis of accounting is appropriate due to the expected cash flows to be generated by the Group over the next twelve (12) months and that the company will be able to pay its debts as and when they fall due.

(g) General information and basis for preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the half year ended 31 December 2021 and are presented in Australian Dollars (\$), which is the functional currency of the parent entity.

The interim financial statements have been approved and authorised for issue by the Board of Directors on the 28th of February 2022.

(h) Fair value measurements

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Covid-19 Disclosure Note

The Company has been impacted by the COVID-19 pandemic. While there has been a revenue impact, the Company has employed a range of cost-reduction initiatives to mitigate the impact. The Company is currently seeing a recovery from the pandemic and is well-positioned to continue with its growth strategy and investment.

	Consolidated Group	
	31.12.2021	31.12.2020
NOTE 2: OTHER INCOME	\$	\$
Bank interest	673,537	1,116
Gain on foreign exchange translation	375,850	172,215
Selling of mobile prepaid airtime products	-	666,198
Other miscellaneous income	48,332	40,436
	<u>1,097,719</u>	<u>879,965</u>

	Consolidated Group	
	31.12.2021	30.06.2021
NOTE 3: SHARE CAPITAL	\$	\$
Issued shares:		
551,412,065 (30.06.2021: 551,412,065) ordinary shares	80,611,576	80,611,576

Options

No options were issued in the period. The balance of options at 31 December 2021 was 1,650,000, all with nil exercise prices, vest 2 years from the date of employee acceptance and will expire on 1 May 2023.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 4: EARNINGS PER SHARE	Consolidated Group	
	31.12.2021	31.12.2020
Basic (cents per share)	(0.94)	(0.36)
Diluted (cents per share)	(0.94)	(0.36)
Weighted average number of shares used in the calculation of basic earnings per share	551,412,065	320,258,564
Weighted average number of shares used in the calculation of diluted earnings per share	551,412,065	320,258,564

NOTE 5: DIVIDENDS

No dividends were declared or paid in the period.

NOTE 6: CONTINGENT LIABILITIES AND COMMITMENTS

On the 9th September, the Company announced a strategic investment to acquire 42% of I.Destinasi Sdn Bhd ("IDSB") for cash consideration of up to RM126 million (~A\$41.1 million **) paid in two equal tranches (with the second subject to adjustment based on the profitability of IDSB) over a period of up to six months from the date of the first payment.

IDSB is a private company incorporated in Malaysia in 1981, which operates financial services business focusing on providing instalment based consumer credit services to civil servants for and on behalf of Malaysian banks. The investment represents a non-controlling interest and will not see any merger of operations as both companies have distinct service offerings and business models with different financial, human and technical resources.

Settlement of the first tranche payment occurred 30 November 2021 following satisfaction of all necessary conditions precedent, completion of the first tranche payment of RM63 million (~A\$20.5 million **) and transfer of shares representing 21% of the total issued capital of IDSB.

The second tranche payment for the balance of the investment is due on the later of completion of the audit of IDSB's FY2021 statutory accounts or six months after settlement (being 31 May 2022), with the Company having the right to bring forward that tranche if it wishes.

The Company funded the first tranche payment from existing cash holdings and will assess its cash position and the market closer to the due date for the second tranche payment before making a decision on how to fund that payment.

There are no other contingent liabilities or commitments as at 31 December 2021.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition of Sibu Kurnia Marine Sdn Bhd – Government Approvals Obtained

As announced 19th January 2021, the Company secured a Malaysian Money Lending Licence (MA1951 Licence) via the acquisition by IOU Pay (Asia) Sdn Bhd of 100% of the ordinary shares in Sibu Kurnia Marine Sdn Bhd (“SKM”). To complete the transfer of control and formal ownership title of SKM (which was required due to the MA1951 Licence it holds), ministerial consents and formal government approvals were required from the Malaysian Ministry of Housing and Local Government (“the Ministry”). The Company had been awaiting the required approval from the Ministry due to ongoing local government delays resulting from COVID-19, and more importantly the impacts from various changes of Malaysian government during 2021.

On 14th January 2022 the Company announced confirmation that it is in receipt of the necessary consents and approvals from the Ministry and that the official transfer of licence ownership and control of SKM is completed, and that despite the unexpected delay in Ministerial consent being granted, that this process had been completed within the terms of the acquisition as originally announced on 19th January 2021.

Annual General Meeting

On 27th January 2022, the Company held its Annual General Meeting. In addition to the required compliance resolutions, the Company ratified the issue of shares in the \$50 million placement completed in February 2021, approved the issue of performance options to executive directors, and approved (pursuant to ASX Listing Rule 7.1A) an additional 10% placement facility for the issue of equity securities over the next 12 months.

NOTE 8: FAIR VALUE MEASUREMENT

The Group has a number of financial instruments which are measured at fair value in the balance sheet. These had the following fair values as at 31 December 2021.

	Carrying Amount	Fair Value
	\$	\$
Current receivables		
Trade and other receivables	15,632,971	15,632,971
	<u>15,632,971</u>	<u>15,632,971</u>
Current liabilities		
Trade and other payables	2,165,420	2,165,420
	<u>2,165,420</u>	<u>2,165,420</u>

Due to their short-term nature, the carrying amounts of current receivables, current payables and financial liabilities are assumed to approximate their fair value.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 9: SEGMENT REPORTING

The Group identified its operating segments based on internal reports that were reviewed and used by the Board of Directors in assessing performance and determining allocation of resources.

	Malaysia \$	Singapore \$	Australia \$	Indonesia \$	Myanmar \$	Consolidation Adjustment \$	Consolidated Group \$
31.12.2021							
REVENUE							
External sales	3,997,071	354,254	-	-	27,699	-	4,379,024
Interest revenue	673,486	-	-	51	-	-	673,537
Other income	365,258	43,834	14,583	496	11	-	424,182
Total revenue	5,035,815	398,088	14,583	547	27,710	-	5,476,743
Sales direct costs	(3,075,617)	(297,727)	-	-	(2,158)	-	(3,375,502)
Expenses	(5,491,342)	(812,449)	(899,070)	(55,657)	(39,558)	2,156	(7,295,920)
Loss before income tax expense	(3,531,144)	(712,088)	(884,487)	(55,110)	(14,006)	2,156	(5,194,679)
Income tax expense							(5,622)
Loss after income tax expense							(5,200,301)
31.12.2021							
ASSETS							
Total assets	52,344,439	3,644,650	70,815,243	80,944	91,877	(71,920,471)	55,056,682
LIABILITIES							
Total liabilities	58,206,502	26,474	1,966,131	1,286,363	182,036	(58,307,296)	3,360,210

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 9: SEGMENT REPORTING (CONTINUED)

	Malaysia \$	Singapore \$	Australia \$	Indonesia \$	Myanmar \$	Consolidation Adjustment \$	Consolidated Group \$
31.12.2020							
REVENUE							
External sales	2,616,323	128,901	-	9,459	79,830	-	2,834,513
Interest revenue	753	76	9	268	10	-	1,116
Other income	672,546	9,309	196,962	-	32	-	878,849
Total revenue	3,289,622	138,286	196,971	9,727	79,872	-	3,714,478
Expenses	(3,749,072)	(437,548)	(617,292)	(108,043)	(110,236)	147,804	(4,874,387)
Loss before income tax expense	(459,450)	(299,262)	(420,321)	(98,316)	(30,364)	147,804	(1,159,909)
Income tax expense							-
Loss after income tax expense							(1,159,909)
31.12.2020							
ASSETS							
Total assets	6,737,560	4,711,810	26,616,873	177,274	146,485	(22,184,340)	16,205,662
LIABILITIES							
Total liabilities	6,584,610	32,173	2,301,244	1,209,939	206,462	(8,597,508)	1,736,920

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 10: INTANGIBLE ASSETS

	Product Development Expenditure	Intellectual Properties	Goodwill	Software	Consolidated Group
	\$	\$	\$	\$	\$
At 31.12.2021					
Cost	630,412	3,541,255	16,479,809	58,513	20,709,989
Accumulated amortisation and impairment	(622,003)	(3,541,255)	(14,916,020)	(16,254)	(19,095,532)
Net book amount	8,409	-	1,563,789	42,259	1,614,457
Movement					
Opening balance 1 July 2021	12,926	-	1,563,789	50,484	1,627,199
Additions	-	-	-	-	-
Amortisation charge	(3,787)	(165,994)	-	(9,636)	(179,417)
Impairment/Write off	-	165,994	-	-	165,994
Effect of movement in exchange rate	(730)	-	-	1,411	681
Closing balance 31 December 2021	8,409	-	1,563,789	42,259	1,614,457
At 30.06.2021					
Cost	614,656	3,432,660	16,479,809	56,794	20,583,919
Accumulated amortisation and impairment	(601,730)	(3,432,660)	(14,916,020)	(6,310)	(18,956,720)
Net book amount	12,926	-	1,563,789	50,484	1,627,199
Movement					
Opening balance 1 July 2020	26,939	547,801	1,563,789	-	2,138,529
Additions	-	-	-	56,794	56,794
Amortisation charge	(9,201)	(392,366)	-	(6,395)	(407,962)
Impairment/Write off	-	(129,443)	-	-	(129,443)
Effect of movement in exchange rate	(4,812)	(25,992)	-	85	(30,719)
Closing balance 30 June 2021	12,926	-	1,563,789	50,484	1,627,199

Goodwill impairment tests

Description of the cash generating units and other information

Goodwill acquired through business combinations has been allocated to three cash generating units (CGUs) for impairment testing.

The aggregate carrying amounts of goodwill allocated to CGUs are as follows:

	Consolidated Group	
	31.12.2021	30.06.2021
	\$	\$
Arte Mobile Technology	1,563,789	1,563,789
	1,563,789	1,563,789

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

NOTE 11: INVESTMENT IN ASSOCIATES

The Group acquired a 21% equity interest in I-Destinasi Sdn Bhd ("IDSB"), a specialised Malaysian finance company, on 30 November 2021.

Summarised aggregated financial information of the Group's share in the associate is as follows

	Consolidated Group	
	31.12.2021	30.06.2021
	\$	\$
Profit from continuing operations	11,048	-
Other comprehensive loss	(251,995)	-
Total comprehensive income	(240,947)	-
Aggregate carrying amount of the Group's interest in the associate	20,547,533	-

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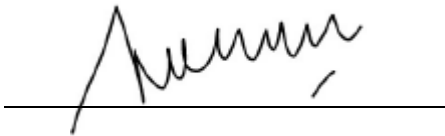
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of IOUpay Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

A handwritten signature in black ink, consisting of a series of loops and a final flourish, is written over a solid horizontal line.

Dated this 28th day of February 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF IOUpay LIMITED AND CONTROLLED ENTITIES
ABN 11 091 192 871**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

MNSA Pty Ltd

MNSA Pty Ltd



Mark Schiliro

Director

Sydney

Dated this 28th of February 2022

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
IOUpay LIMITED AND CONTROLLED ENTITIES
ABN 11 091 192 871**

Report on the Half-year Financial Report

Conclusion

We have reviewed the half-year financial report of IOUpay Limited, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of IOUpay Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the IOUpay Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of IOUpay Limited in accordance with the auditor independence requirements of 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 annual 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 IOUpay Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

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

MNSA Pty Ltd

MNSA Pty Ltd



Mark Schiliro

Director

Sydney

Dated this 28th of February 2022